CITIC PACIFIC

Annual Report **2009**

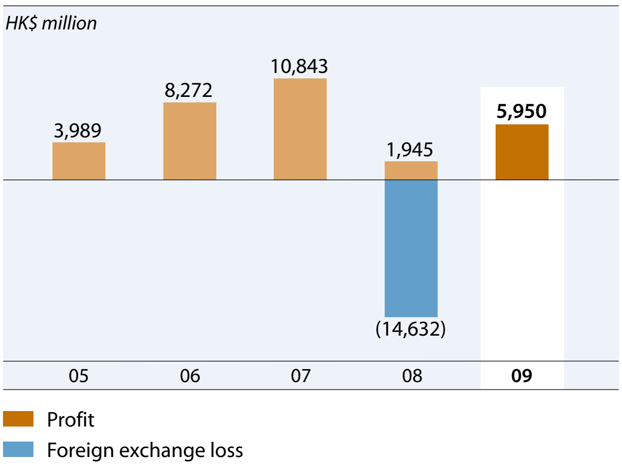
Financial Highlights

In HK$ million	**2009**	As restated 2008	Increase/ (Decrease) %
Profit/(Loss) attributable to shareholders	**5,950**	(12,687)	N/A
Contribution by:			
Special steel	**1,415**	1,617	(12)
Iron ore mining	**376**	(123)	N/A
Property			
– Mainland China	**524**	523	–
– Hong Kong	**397**	490	(19)
Energy	**886**	(1,090)	N/A
Tunnels	**437**	443	(1)
Dah Chong Hong	**402**	320	26
CITIC 1616	**196**	181	8
Disposal of assets	**1,146**	1,619	(29)
Cash inflows from business operations	**7,227**	6,044	20
Other cash inflows	**11,745**	6,842	72
EBITDA	**10,765**	(9,950)	N/A
Return on equity	**11%**	(23%)	N/A

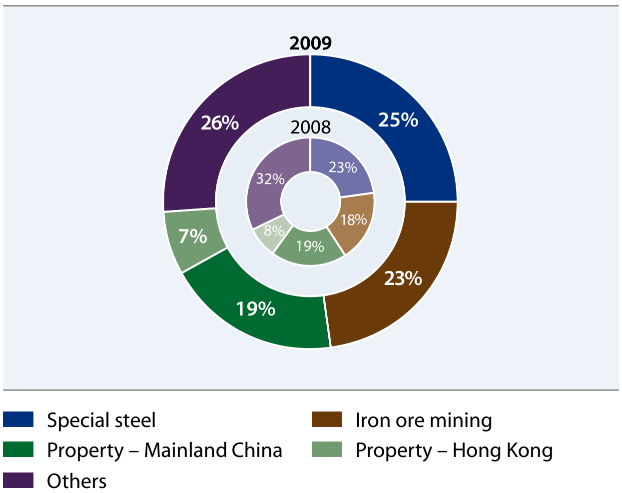
In HK$ million	**As at 31 December 2009**	As at 31 December 2008	Increase/ (Decrease) %
Total assets	**155,741**	138,901	12
Net debt	**44,122**	38,938	13
Cash and bank deposits	**21,553**	18,296	18
Available committed banking facilities	**14,570**	18,505	(21)
Shareholders' funds	**60,259**	49,688	21
Net debt to total capital	**42%**	44%	

In HK$	**2009**	2008
Earnings per share	**1.63**	(5.70)
Dividends per share	**0.40**	0.30

Profit attributable to shareholders



Assets



Who we are and What we do

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

We have a team of experienced professionals who have deep knowledge of and expertise in developing and operating businesses in China.

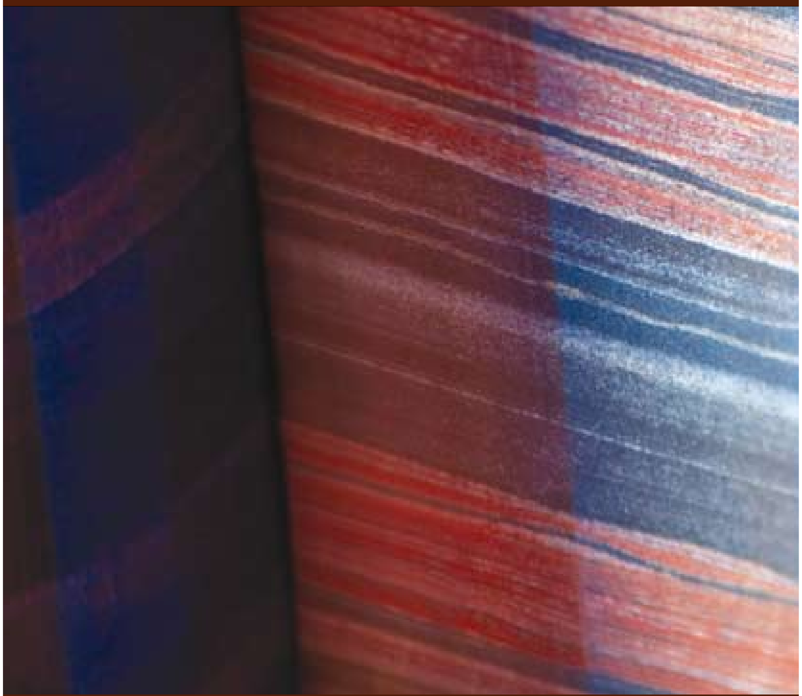
We are a diversified company, with a primary focus on **Special Steel** manufacturing, **Iron Ore Mining** and **Property** development in mainland China. These three business areas together constituted 67% of total assets at the end of 2009.

Special Steel

- **25%** of assets
- **21%** of total contribution
- **3** key production plants in China
- Over **7 million** tonnes of annual production capacity

CITIC Pacific Special Steel is the largest special steel manufacturer in China. Special steel is used in a wide range of industries, including auto components, machinery manufacturing, transportation, energy, railways and shipping. The major products are bearing steel, gear steel, spring steel, seamless steel tubes and medium to thick plates.

Find out more on page 8



Iron Ore Mining

- **23%** of assets
- **2 billion** tonnes of magnetite ore reserves
- About **28 million** tonnes of concentrate product to be exported annually
- Potential to increase production to more than **70 million** tonnes annually

Once built, CITIC Pacific's iron ore mine will be the largest magnetite mine in Australia. Production is expected to start by the end of 2010, ensuring a stable, quality supply of iron ore to CITIC Pacific's special steel plants, as well as other steel producers in China.

Find out more on page 22

Property
mainland China

- **19%** of assets
- **8%** of total contribution
- Developing **5.1 million** square metres of gross floor area

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 Delta area, as well as Hainan Island.

Find out more on page 32

Chairman's Letter to Shareholders

Dear Shareholders,

I am pleased to report that CITIC Pacific recorded a profit attributable to shareholders of HK$5,950 million for the year 2009. This was achieved in a complex and difficult environment.

The conditions under which our businesses operate improved steadily throughout 2009 as major markets in the world began to recover from the economic crisis that began in 2008. Our special steel business was profitable in 2009 despite market challenges. The construction of our iron ore mine in Australia is progressing apace, and our property projects in mainland China were well received by the market when put up for sale.

Our balance sheet remains strong with HK$36 billion of bank deposits and available committed facilities at the end of 2009, which are sufficient to fund our planned investments. Long-term financing is in place in many of our projects, such as the iron ore mine and properties, and at the corporate level. As we invest in expanded special steel manufacturing capacity, build our iron ore mine and develop our properties, I take note that our net debt to total capital ratio of 42% is higher than ideal. However, as more property projects are completed and sold, and once the iron ore mine begins production, a significant amount of cash will be generated which will reduce our leverage naturally.

The return generated on shareholder's equity for 2009 was 11%. My goal is to see the return increase over time.

We fully appreciate that our investors would like to receive steady dividend payments. After taking into consideration factors including our investment needs and our obligation to repay debts as they mature, your board has recommended paying a final dividend of HK$0.25 per share, giving you a full year dividend of HK$0.40 per share.

Our Businesses and Development Strategies

There is no doubt that 2009 was a very challenging year, and so I am very proud of what we have achieved, thanks to the hard work and tireless efforts of our staff in each of our businesses. New products and new markets were developed and businesses were run more efficiently at lower cost. To put it simply, we have people who know their business and who pursue excellence in what they do every day.

Special Steel

In a year in which demand for steel was relatively weak, particularly at the beginning of 2009, our managers focused on rationalising product mix to meet the challenges of a changing marketplace. The result was that sales of our special steel products recorded a slight increase from 2008, and our special steel mills all achieved operating profit. We now have over 2,000 product types, all manufactured to customers' specifications – a characteristic of our special steel production. Product types will be further expanded when our new plate production lines come on stream.

Shareholders will have seen that we are in discussion to sell our 65% interest in Shijiazhuang Special Steel. This steel mill is located in the city centre and for city planning and environmental reasons is required to be relocated outside the city. We believe such a task is best handled by the government rather than a private company. Our intention is to continue to serve our customers by expanding our other facilities. At the same time, we will continue to focus on developing new products and raising their overall quality and technology content. This is essential for our continued success in a competitive environment and maintaining our position as the leading special steel manufacturer in China.

Iron Ore Mining

Our mine will be the largest magnetite iron ore mine in Australia. When I first visited the site, I was struck by its sheer size and scope. As I write to you, the gas pipeline that will fuel the 450MW power station has been laid, and planning is underway for the power station's pre-commissioning, the port is substantially constructed, and the first two grinding mills have been offloaded at the port with preparations underway for their installation. Almost 3,000 workers are now involved in building the project, and at the peak of construction this number will reach 4,500.

We have added experienced personnel to our team. Five senior executives from CITIC Construction have relocated to Perth. They bring with them extensive experience managing large-scale international engineering projects. One of them, Dr Hua Dongyi, has been appointed Chairman of CITIC Pacific Mining and will work closely with CEO Barry Fitzgerald. We now have a strong team focusing not only on the construction of the mine, but also on its future operation.

As with all large projects, we have to face and solve many issues and problems, big and small, every day. The project involves construction of some of the largest mining equipment and infrastructure in the world, built by numerous contractors. It requires the application of sophisticated knowledge, extensive experience and strong technical support, as well as the need to manage our contractors. Whilst we are making good progress towards our goal of beginning production on the first mill line by the end of 2010, there is still much more to be done, and we face many challenges and tough decisions.

Property in mainland China

Our property developments in mainland China are also making progress. One of the two office towers currently being finished in Shanghai Pudong's Lu Jia Zui financial district was sold to a single corporation, which will make its headquarters there. We are optimistic that the other tower will soon be sold, subject to contract, to another major corporation. Our residential developments in Shanghai, Wuxi, Yangzhou and Jiangyin continue to receive strong interest from buyers. The projects we are developing are large scale, and all are in excellent locations. We will be very busy developing them over the next few years, and we expect to see an increased profit contribution from this business.

I am aware of the current concern that the mainland property market could be overheating. We continue to believe that, although there may be short-term volatility, the long-term outlook for high quality offices and housing in China is bright, driven by rising living standards and urbanisation.

Strategies

During the conversations and meetings my colleagues and I have had with many investors and analysts, two questions have been frequently raised: 'What is the business model of CITIC Pacific?' and 'What is the company's strategic direction going forward?' More specifically, will we retain only the main businesses of special steel, iron ore mining and property in mainland China and sell everything else?

I believe CITIC Pacific is, and will continue to be, a company with multiple businesses in a few industries. This is a model that works well for us; however, we are not simply an investment holding company with a portfolio of assets, but rather an operating company. A few years ago, we began to focus on three main businesses, and this exercise has been more pronounced in the past year. When we analyse a business, we look at its market position, competitiveness, future prospects and the extent of our ability to influence its management. Based on these principles, in 2009 we disposed of two power stations, sold a 14.5% interest in Cathay Pacific and restructured CITIC Capital, bringing in CIC as a 40% shareholder.

Most recently, in February 2010, CITIC Pacific agreed to sell our 20% interest in Macau Telecom (CTM) to our telecom subsidiary, CITIC 1616.

As a result of all these actions, we are now the majority owner of almost all our assets. The three main businesses are of course controlled by CITIC Pacific, and they accounted for 67% of the company's total assets at the end of 2009. The balance of our assets – with the exception of the Western Harbour Tunnel in Hong Kong – are also majority owned. They are the Eastern Harbour Tunnel, Ligang power station and our two listed subsidiaries, DCH and CITIC 1616, which will continue to provide stable profits and cash flows to CITIC Pacific.

Our strategy is clear. We will continue to invest capital in special steel, iron ore mining, their related upstream and downstream industries and property in mainland China. Any future businesses we undertake, whether they are the upstream businesses of sourcing raw materials and participating in supporting transportation infrastructure and logistics or developing downstream products, should have synergies with, or supplement and enhance, the value of the main businesses, particularly steel and mining.

Take steel as an example. We are the largest and leading special steel manufacturer in China. The raw materials used, such as iron ore, coal and alloy, are mostly sourced from third parties on the spot market, which can be unreliable and less cost effective than having our own sources. Once our own iron ore mine is in production, it will help meet the demands of our own steel mills and others too. The coal mine in Shandong province we invested in began small-scale production in late 2008. Its high quality coal is ideal for steel making and power generation. Once in full production, its output will reach six million tonnes a year, supplying not just our steel mills but also our power plants. Accessing raw materials, at production cost, will be very important to the future development of the steel business.

To efficiently transport the ore from our mine to our steel mills, we ordered 12 ships for delivery from 2011 onwards. Our port handling facilities at Jiangyin along the Yangtze River have been expanded to receive these ships, which can sail directly there from Australia. Therefore, having access to efficient transportation is also important.

The ore from our mine will not only supply our own steel mills, but also other mills in China. We have already signed letters of intent with steel mills. We believe selling and trading ore and other commodities will help enhance the value of our mining operations.

Our Management and Governance

2009 was difficult for most major economies and for corporations both large and small. CITIC Pacific was not immune. Not only were we operating in a challenging environment, we were also recovering from the effect that the losses of 2008 had on our organisation.

In April, I became Chairman of CITIC Pacific. Many people have asked me what being a subsidiary of the CITIC Group meant to CITIC Pacific. 'How will the company be run in the future?' 'Will the culture and values of the company change?' 'What are our aspirations?' These are clearly fundamental issues that define who we are and how we intend to move forward. I have given them much thought, and I would like to share some of my thinking with you here.

CITIC Pacific has a proud history. We are managed by a team of highly qualified and experienced professionals who strive to achieve the highest standards. As CITIC Group is now the majority shareholder, we have to be even more vigilant about our obligations to minority shareholders, even as we continue to leverage our relationship with the CITIC Group to access resources and opportunities.

Our employees are very hard working and dedicated. As we evolve to a more formalised decision-making structure with a clear set of guidelines and processes, the businesses will be more resilient in dealing with increasingly volatile conditions. Our employees must become more innovative while operating within the risk management framework we have established, and they will learn to become better managers and better communicators. My aspiration is for CITIC Pacific to be recognised as one of the best-run companies in the world, although I realise that much more needs to be done for us to deserve that accolade.

In my letter of August 2009, I communicated to you a number of initiatives and measures put in place since the end of 2008, with the aim of strengthening corporate governance and improving internal controls.

I am glad to report to you that our investment, executive and asset and liability management committees continue to function well and the overall decision-making process at the company is now more formalised and systematic. Of course, these committees form just one element in our overall effort to put ourselves at the forefront of corporate governance. Equally important is our continued commitment and on-going assessment of areas for improvement. Let me tell you some other initiatives and steps we have taken.

In September 2009, we engaged a consulting firm to conduct a thorough study and assessment of CITIC Pacific's finance function. This exercise not only helped us meet the corporate governance requirements of the Hong Kong Stock Exchange, but more importantly provided us with greater clarity on the adequacy of the finance function in our company. A total of 113 senior employees in our finance areas were interviewed in depth, and a very comprehensive report was produced. I am glad to say that the finance functions at CITIC Pacific are adequately and appropriately staffed with people who have the knowledge and skills to perform well in their respective jobs. However, the report did identify certain areas requiring improvement, including the need for enhanced training and better communication between headquarters and subsidiary companies. We are taking these findings very seriously and have begun to formulate programmes to address them.

One of my goals has been and will continue to be disseminating our financial results to you as early as possible. We have made significant improvements to our reporting process and are upgrading our systems to accelerate the delivery of our accounts to you in the future. Regular readers of our annual report will notice that we have published our 2009 full year results two weeks earlier than in the previous year. We are committed to a more timely release of our financial results, bringing us in line with leading corporations in the world.

For us to do well, we must have the best people – they are our most important asset. Attracting high calibre individuals is crucial to our future as they come with new perspectives, fresh thinking and energy. Our new financial controller and treasurer are quickly making their presence felt and have already made a difference in a short period of time. Our mining management team has also been strengthened with the appointment of a number of experienced executives.

We need not only loyal and capable employees but also strong leaders. I told our shareholders at the Annual General Meeting that I would be looking for a managing director. I am happy to report that Mr Zhang Jijing was appointed to this position in November 2009. Mr Zhang has been with the CITIC Group for over 24 years and has broad experience in both China and Australia, where he worked for 16 years. I believe he is the ideal person to implement our business strategy. Mr Zhang will work with me, the board and the management team to take CITIC Pacific forward.

At the board level, I am mindful of the fact that structural changes may be needed to meet today's governance standards, in particular the need for more independent directors. This is an area we will address.

We have accomplished much in one of the most difficult operating environments in recent history. The foundations we have laid so far will enable us to grow in a rational manner. But there is still much to be done, and together with our management team I will continue to drive the process of change. Markets are becoming increasingly competitive, and the macro environment is not always going to be in our favour. Our challenge is to continue to perform to the best of our ability and to generate strong returns for our shareholders. I believe that if we can continue to identify and grasp opportunities, the fundamentals are in place for continued success. We have got off to a good start in 2010, and I would like to invite you to share my cautious optimism for the new year – the year of the Tiger!

In closing, I would like to thank our board and our hard working employees for the results we achieved. To our investors and banks, I thank you for your continued support.

Chang Zhenming
Chairman
Hong Kong, 10 March 2010

Business Review

Special Steel

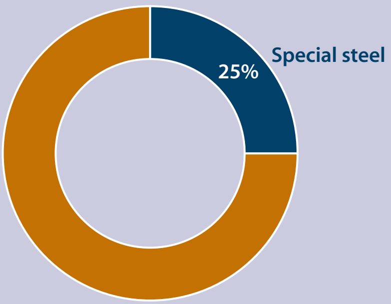



Key operational highlights

- 6.4 million tonnes of special steel produced in 2009
- Achieved profitability in a very challenging market environment
- Organic growth through expansion of existing facilities
- Continued focus on rationalising product mix to meet the challenges of a changing market

HK$ million	2009	2008	Change
Turnover	19,079	22,758	(16)%
Profit contribution	1,415	1,617	(12)%
Assets	38,710	32,500	19%
Liabilities	18,146	14,572	25%
Cash inflow from operations	1,370	3,847	(64)%
Capital expenditure	7,611	8,381	(9)%

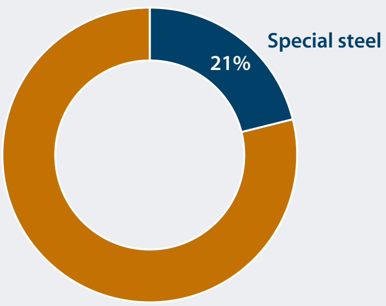
Assets

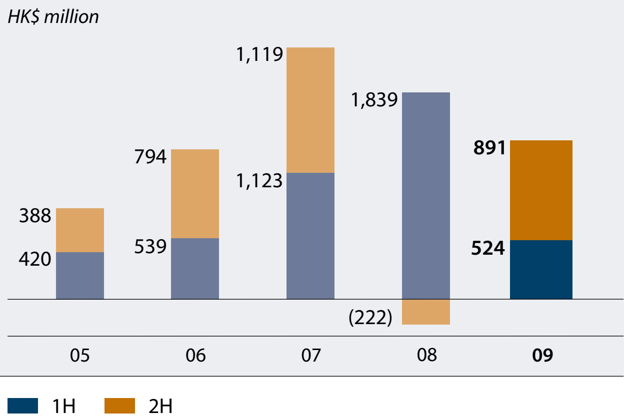


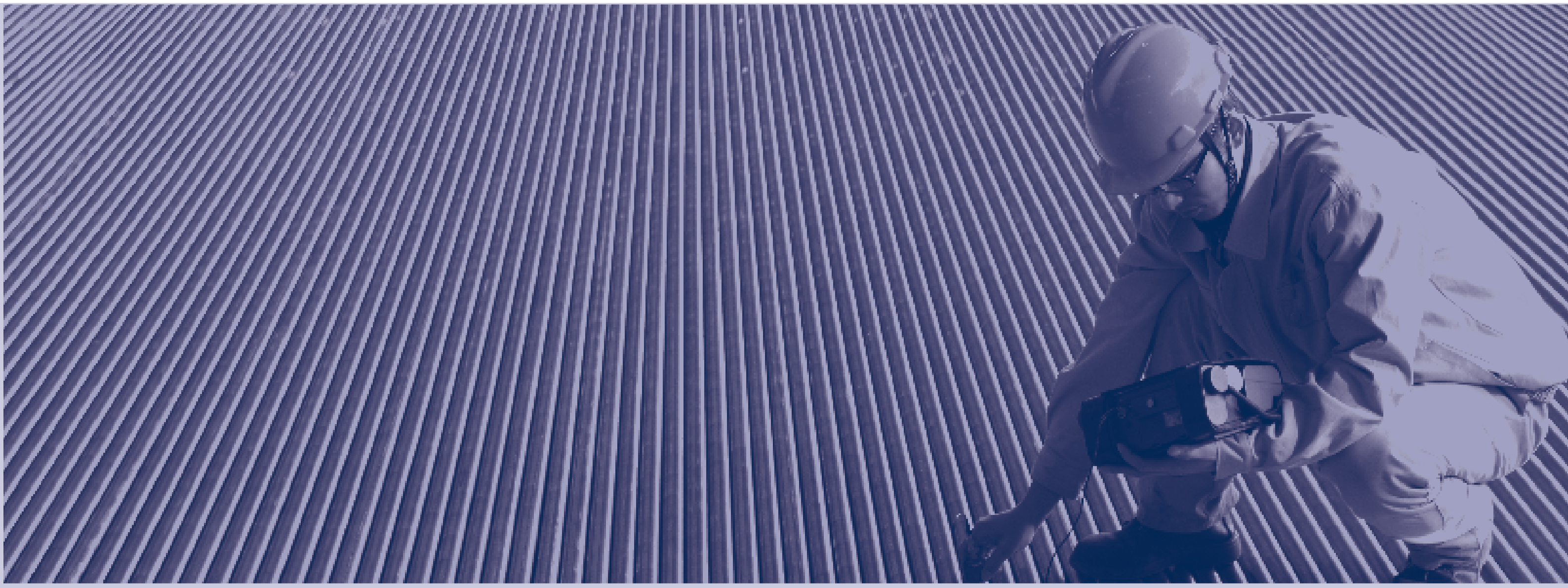
Review of 2009

2009 was a very challenging year for all steel producers in China, particularly in the first half when demand for steel products was especially weak. The second half saw recovery in the sector, as a result of the government's policies of increasing domestic demand. Taking the year as a whole, overall demand for steel was better than originally anticipated. However, overseas markets remained very weak for most of the year, with some pickup beginning in July. Exports from our three steel

Profit contribution

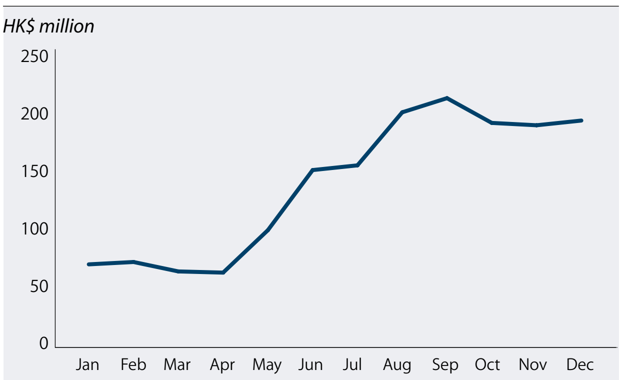






mills for the year were 6% of total sales compared with 16% in 2008. Demand for higher quality special steel declined as well. Although prices of special steel products rose in the second half of 2009, they were still well below the average of 2008.

2009 monthly profit



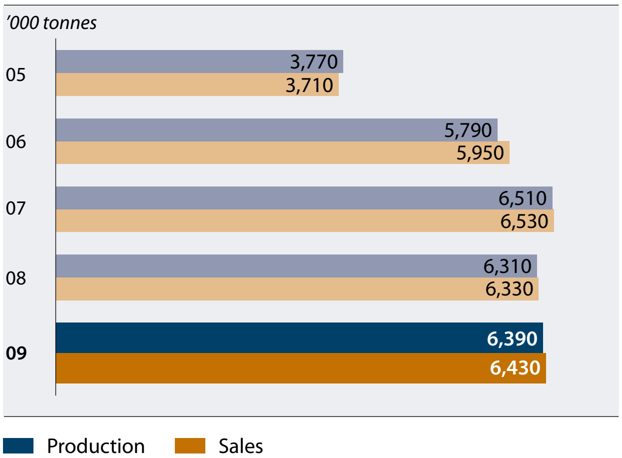
CITIC Pacific Special Steel's profit contribution in 2009 was HK$1,415 million, a decrease of 12% compared with 2008. However, all three of our steel plants generated operating profits, and total profit contribution in the second half of 2009 increased 70% compared with the first half.

Production and Sales

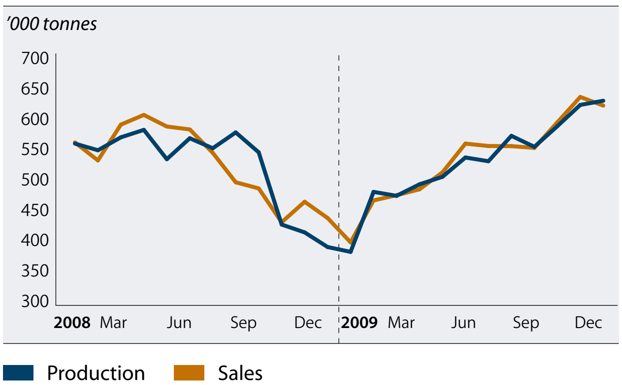
In 2009, total production of special steel was 6.4 million tonnes. The amount sold was about the same, and both production and sales were approximately 2% higher compared with 2008. Demand for special steel products picked up quarter by quarter during the year. This was reflected in the utilisation rates of our steel mills, which were around 75% in the early part of 2009 and close to full capacity at year-end.

Our steel mills operate on the principle of production based on orders and therefore achieved a sales-to-production ratio of 100% for 2009. Inventory of finished products awaiting delivery to customers was 220,000 tonnes at the end of 2009, 20% lower than at the beginning of the year.

Annual production and sales volume



Monthly production and sales volume



Products

Key products of CITIC Pacific Special Steel

Product	2009 Market share	Sales ('000 tonnes) 2009	2008	Change
Gear steel	45%	**893**	863	3%
Bearing steel	42%	**948**	769	23%
Alloy spring steel	36%	**487**	447	9%
Alloy structural steel	23%	**1,589**	1,741	(9)%
Carbon structural steel	22%	**1,221**	1,265	(3)%
Seamless steel tubes	6%	**315**	380	(17)%

Statistics are from the China Special Steel Enterprises Association, and include only registered enterprises

Of the total production in 2009, high value-added products with higher technology content – which can command better prices than similar products – were 26% of the total steel produced.

Customers

CITIC Pacific's special steel products are sold to approximately 3,500 customers in China, which is our primary market accounting for 94% of total sales in 2009.

In 2009, about 73% of sales were to customers with whom we have long-term relationships. Annual sales volume contracts are generally negotiated at the end of the previous year and are for volume only. Pricing is determined either when firm orders are placed or before products are delivered, thus they reflect changes in the market and our costs.

Products are manufactured and delivered according to customers' requirements. Typically, delivery periods range from one to three months after the order is placed with the majority being less than two months.

Our products are sold to these industries

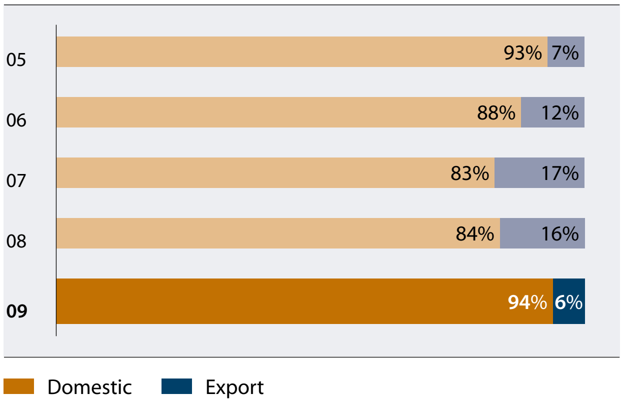
Industry	2009 Sales ('000 tonne)	Percentage of total sales	Percentage change from 2008
Auto components	2,799	44%	5%
Machinery manufacturing	1,401	22%	0%
Metal works	721	11%	(13)%
Power generation	464	7%	12%
Oil and petrochemical	343	5%	(10)%
Railway	177	3%	13%
Shipbuilding	138	2%	38%
Others	389	6%	0%
Total	**6,432**	**100%**	**2%**

Auto component manufacturers remain an important customer segment for our special steel products. Benefiting from the Chinese government's stimulus plan, auto sales increased significantly in 2009, which in turn pushed up demand for special steel. This was reflected in our 5% sales increase in the auto component sector. However, the majority of the increased vehicles sold were small capacity passenger vehicles, which do not use a lot of special steel. Other large capacity vehicles, such as buses and commercial vehicles, use much more special steel but sales increases for these were relatively small.

44% of our products were sold directly to component manufacturers. Many buyers of our products are producers affiliated with or contracted to manufacturers in the auto, machinery manufacturing, oil and petrochemical industries. Our end users include Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and SKF.

Demand for special steel products from overseas customers was very weak in 2009 and, as a result, exports of our special steel products were 6% of total sales compared with 16% in 2008.

Domestic vs. export sales



Monthly export volume

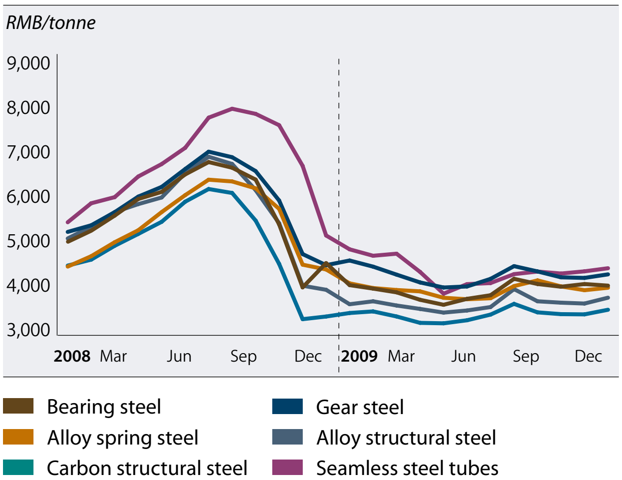
Our products are exported to these regions

Region/ country	Amount ('000 tonne)	Percentage of total export	Percentage change from 2008
Asia	290	72%	(46)%
Korea	*116*	*29%*	*(47)%*
Thailand	*44*	*11%*	*(38)%*
Indonesia	*38*	*9%*	*(38)%*
Others	*92*	*23%*	*(56)%*
Middle East & others	64	16%	(41)%
Americas	31	8%	(83)%
Europe	17	4%	(89)%
Total	**402**	**100%**	**(59)%**

Pricing

Pricing of special steel products is mainly driven by two factors: demand and the cost of raw materials. Product prices remained low in the first half of 2009 mainly due to lower demand, partially as a result of excess inventory held by end users. From the end of April to December, prices rose gradually supported by the general pickup in demand for products as well as the rise in the cost of raw materials.

Price of major products

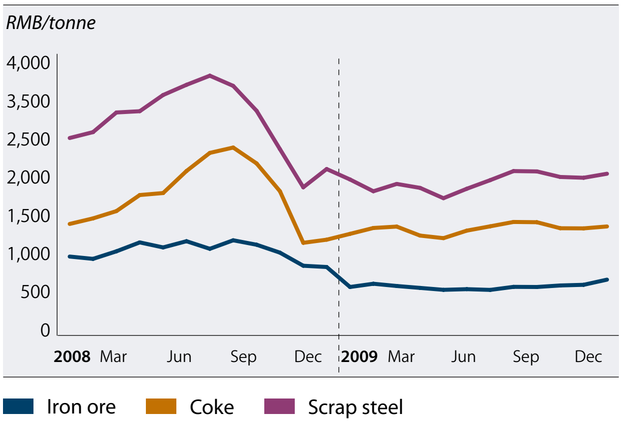


Raw Materials

Major raw materials used

Type	2009 ('000 tonnes)	Percentage of total raw material cost	Percentage of production cost
Iron ore	9,200	29%	26%
Coke	2,640	20%	18%
Scrap steel	1,680	19%	17%
Alloy	240	13%	11%
Coal	2,200	10%	8%
Total	**15,960**	**91%**	**80%**

Price of major raw materials



Iron Ore

Country	Percentage of total	Main supplier
Australia	35%	BHP, Hamersley, Fortescue
China	19%	Small mines in Northeast China and Hebei province
Brazil	18%	Vale
India	12%	Noble, Mineral Enterprises
Others	16%	Asia Energy

Of the total 9.2 million tonnes of iron ore purchased in 2009, approximately 35% was sourced through supply contracts. The rest was purchased on the spot market.

With increased steel production beginning in May, the market spot price of iron ore rebounded from the trough in April.

When CITIC Pacific's iron ore mine in Australia is in full production, it will be able to supply sufficient concentrate to meet the steel mills' requirement for pellet making.

Coking Coal

Currently, we have three coking coal plants with a total capacity approaching three million tonnes per annum. They include the coking plant in Tongling with 900,000 tonnes of annual production capability, which was completed and began operation in September 2009. For 2009, 57% of the coke our steel mills used came from our own coking coal plants and the balance was sourced from other suppliers in China.

Scrap Steel

In 2009, 82% of the scrap steel used was sourced domestically with only 18% from overseas.

Alloy

The main alloys used in special steel production are silicon, manganese and high carbon content chromium, molybdenum and vanadium.

The Environment

Over the years, we have increased our efforts to reduce emissions and save energy, which are not only important for the long-term development of our businesses but are also part of our commitment to social responsibility. Our initiatives in this area have included the following:

- Focusing on the consistent usage of high quality raw materials to control the emission of pollutants at the source. An example of this is the use of low sulphur coal.
- Making the best use of resources and ensuring overall cleanness through a highly efficient, continuous and compact production process.
- Treating pollutants discharged from the production process, such as fumes and dust, and recycling and treatment of waste water, gas and other waste residuals.

Major pollutant	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 large noise generating equipment; factories not close to residential areas
Sulfur dioxide (SO_2)	Treated with wet desulphurising device

Health and Safety

One of the top priorities for the management of our steel mills is to create a safe and healthy environment for our workers. We pay a great deal of attention to technology innovation and the employment of modern manufacturing equipment and production lines. Equally important, we strictly observe and follow sound management principles and operating systems.

Each plant enforces systems with clearly defined responsibilities at each level of the management and on the production lines. Operating instructions and manuals regarding health and safety are provided to all staff. They must be studied, and rules and procedures are strictly enforced. Training programmes are provided to all staff to ensure they have a clear understanding of the rules and regulations regarding health and safety at the plants. Management also promotes a culture in which employees are actively involved in safety awareness.
In addition, the company frequently reviews its comprehensive emergency response system. The effectiveness of senior managers in promoting health and safety is one of the most important measures of their performance.

Looking to the Future

With the gradual recovery of the world's major economies, we remain optimistic about the special steel industry in 2010. Continued growth of the Chinese economy, particularly in sectors such as auto and industrial manufacturing, will drive demand for our products.

Overseas markets are expected to recover gradually, and exports from our special steel mills are projected to increase significantly.

Over-supply in certain categories of special steel at the lower end of the product spectrum means that improving product quality and moving the product mix upwards are essential for us to remain competitive.

Looking at 2010, we will continue to develop markets for products where we expect increasing demand. For example, we are co-operating with Bekaert, a world leading company in drawn steel wire products and applications, to develop further the market for steel cord thread, which is mainly used in the auto and machinery industries. 2009 saw sales of this product reaching 100,000 tonnes. Another example is round bloom steel used in wind power generation. We are the only producer in China capable of producing large diameter (800mm) casting round tube billet. With China's increasing need for wind power, sales of this product reached 230,000 tonnes in 2009, a rise of over 56% from 2008.

As the largest special steel producer in China, CITIC Pacific benefits from economies of scale combined with our leadership position in the types of steel produced.

Our Jiangyin Xingcheng Special Steel currently has an annual production capacity of three million tonnes. Another three million tonnes will be added allowing the plant to increase its steel producing capacity to six million tonnes by the end of 2011. The two special steel plate production lines being constructed will be completed in the first half of 2010 and 2011 respectively. As a result, our product range will be further expanded. Products will include shipbuilding plate steel, engineering mechanism steel, petroleum pipeline steel and pressure vessel steel. The products from these lines will also be used in industries that require special steel with characteristics such as resistance to high temperature, corrosion, high strength and hardness.

The market for medium plates has been growing rapidly in China in recent years, with strong demand for high quality, high value-added plates. This market currently relies on imports, in particular pipeline steel, ship plate and those used in marine engineering and machinery manufacturing. Products from the new lines will be able to meet future demand for similar products in China.

In Xin Yegang, two new lines with a total annual production capacity of 630,000 tonnes of medium wall seamless steel tubes were completed in the second half of 2009. Products from the two lines are widely used in the machinery manufacturing, energy, petrochemical, coal and military industries. In the past year, the European Union and the United States imposed anti-dumping duties on all Chinese steel tube manufacturers. As a result, sales of our seamless steel tubes were affected to some extent.

Facts and Statistics

CITIC Pacific Special Steel

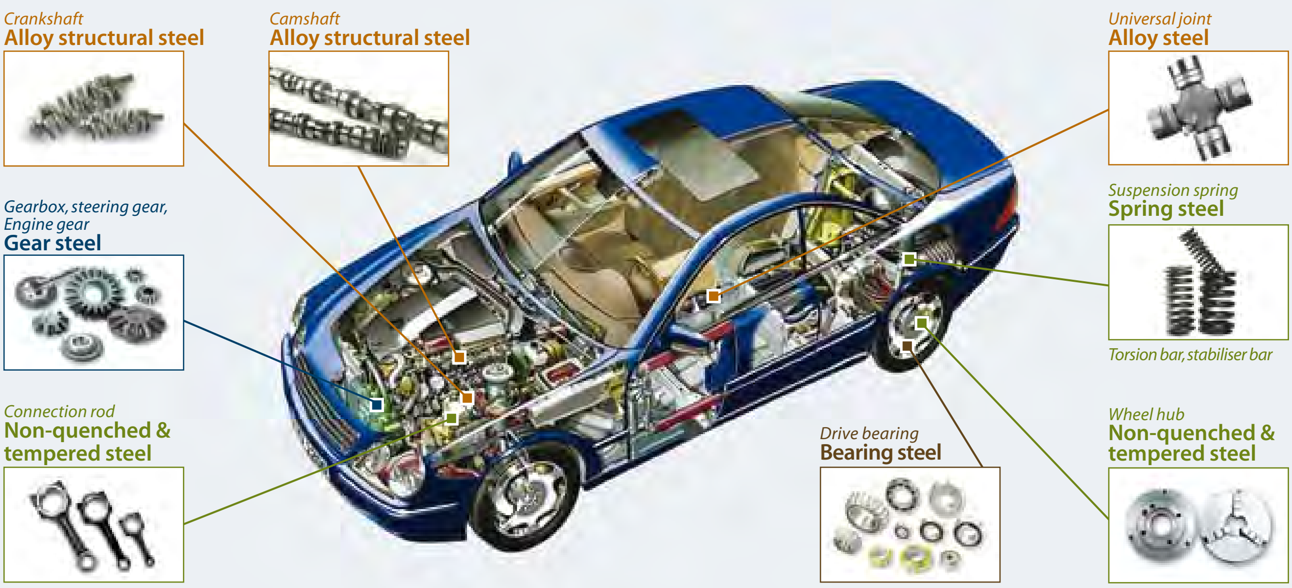
CITIC Pacific Special Steel is the largest special steel manufacturer in China with an annual production capacity of seven million tonnes at the end of 2009. By the end of 2011, total capacity will increase to nine million tonnes per annum.

Our three operating plants, Jiangyin Xingcheng Special Steel, Xin Yegang Steel and Shijiazhuang Steel, are ideally located to cover the main markets for special steel in eastern, central and northern China. The major products manufactured are bearing steel, gear steel, spring steel, seamless steel tubes and special wide and heavy plates. These are widely used in various industries, including auto components, machinery manufacturing, oil, petrochemicals, transportation, energy, railways and shipping.

What is Special Steel?

Special steel refers to steel that has added or extra benefits, such as heat resistance and anti-corrosion and anti-fatigue properties. Categorised by shape, special steel includes bar steel, plate, strip steel, tube steel and wire steel. In 2009, approximately 85% of CITIC Pacific Special Steel's products were bar steel; 5% were seamless steel tubes and spring flat steel; 3% were wire steel; and another 2% were forgings and bright bars. These bars are sold to manufacturers to make products such as gears, bearings and springs. With the completion of two new special steel plate production lines, our product range will be further expanded. An additional 630,000 tonnes capacity was added in 2009 to produce big section medium and thick wall seamless steel tubes.

Products used in a passenger vehicle

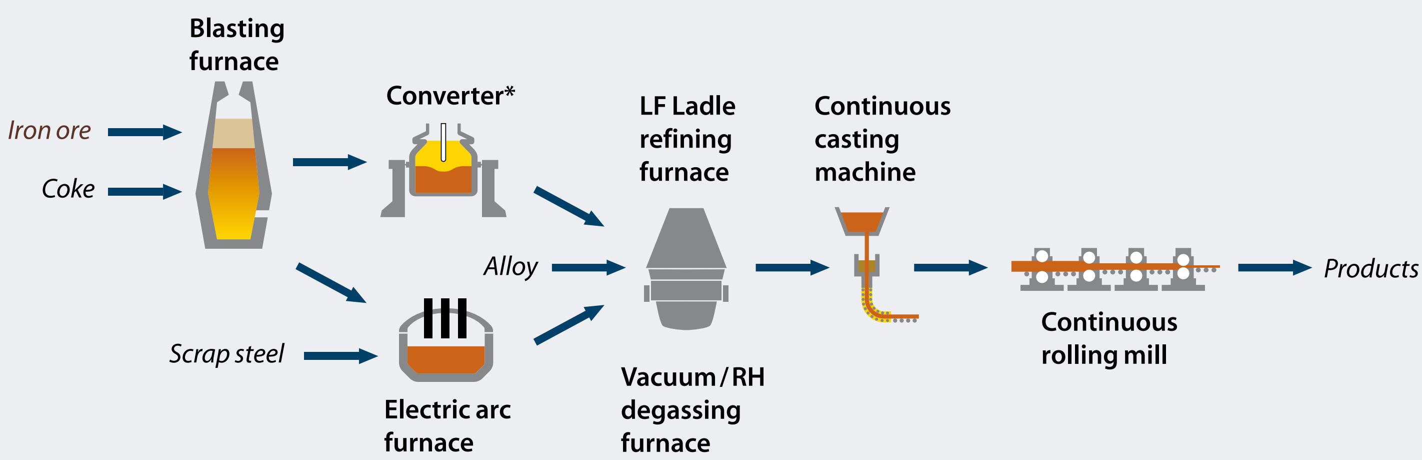


Industries and major products used

Industry	Product	Practical example
Auto components	Gear steel, bearing steel, carbon structural steel	Transmission gears, bearings, crankshaft, connection rod
Machinery manufacturing	Alloy structural steel, carbon structural steel	Oil cylinder pipes for engineering mechanisms, hydraulic props support for coal mining machinery
Power generation	Alloy steel	High pressure boiler tubes
Oil and petrochemical	Seamless steel tubes	Drill collars, casing couplings
Railway	Spring steel, carbon structural steel	Locomotive springs, wheel, axle
Shipbuilding	Anchor chain steel	Anchor chains

Special Steel Production Process

Our three special steel plants employ two different technological approaches: long and short processes. The long process uses iron ore and coke as raw materials, while the short process uses scrap steel, pig iron or molten iron. During the next phase of both the long and short processes, alloys are added to the molten steel produced. Through a ladle-refining furnace, an 'RH' or vacuum degassing furnace, and a continuous casting and rolling process, steel billets are produced and shaped to various specifications according to customers' specific requirements. The management teams at the plants are focused on cost efficiency and product quality, and will therefore choose whichever one of the processes that has the lowest raw material input costs.



* Xin Yegang does not use a converter

Jiangyin Xingcheng Special Steel

www.jyxc.com

Owned by CITIC Pacific since November 1993, Jiangyin Xingcheng Special Steel is located in Jiangsu Province in the eastern part of China and is a leader in special steel manufacturing in the country. With an annual production capacity of three million tonnes at the end of 2009, this plant has a production line that was built in partnership with Sumitomo Metals Kokura of Japan. Completed in 2007, this line produces special steel for high-end auto components sold to customers such as Toyota, Honda, General Motors, Volkswagen and Citroën.

Jiangyin Xingcheng Special Steel is also the first and only plant in China capable of producing casting round tube billet with a diameter of 800mm for use in machinery manufacturing. The plant's other high-grade products are used in the making of bearings, gears, springs and high-pressurised tubes.

In 2009, Jiangyin Xingcheng Special Steel completed the construction of the iron and steel making part of two special plate lines, which have a total annual steel production capacity of three million tonnes. The rolling part of the two lines is now being constructed, with the 3,500mm wide line scheduled for completion in the first half of 2010 and the 4,300mm wide line scheduled for completion in the first half of 2011. Main products from these two lines will include shipbuilding steel plate, engineering mechanism steel, petroleum pipeline steel and pressure vessel steel. The products will also be used in industries that require special steel with characteristics such as resistance to high temperature, corrosion, high strength and hardness. In the next one to two years, total annual steel production capacity of Jiangyin Xingcheng Special Steel will reach six million tonnes.

Jiangyin Xingcheng Special Steel is strategically situated next to the Yangtze River and has a 50,000 tonne wharf, providing efficient transport of its raw materials and finished products. The wharf has been expanded to accommodate the 115,000DWT ships ordered by CITIC Pacific.

Many of Jiangyin Xingcheng's products are certified by users.

Type of product	Certification
Bearing steel	SKF, FAG, DELPHI, SNR Bearings, KOYO and NSK
Gear steel, non-quenched & tempered steel steel for vehicles	Toyota, Honda, Hyundai, Volkswagen, ZF, Eaton, ArvinMeritor, Peugeot, Volvo
Spring steel	GM, Russini, NHK, FAW, Dongfeng Auto, China Heavy Duty Truck Group, SAIC Group, China Ministry of Railways
Alloy tube steel	American Petroleum Institute
Wire (steel cord thread)	Bekaert

Xin Yegang Steel (Xin Yegang)

www.xinyegang.com

Xin Yegang became a member of CITIC Pacific in September 2004. At the end of 2009, it had an annual production capacity of two million tonnes, including the capacity of Daye Special Steel, an A-share listed company in which CITIC Pacific indirectly holds a 58% interest. Xin Yegang's products include bearing steel, gear steel, spring steel, carbon structural steel and seamless steel tubes that are used in the auto, petrochemical, power and machinery manufacturing sectors. A technological transformation programme is currently under planning, which will increase Xin Yegang's annual production to three million tonnes by the end of 2011.

Two new steel tube production lines totalling 630,000 tonnes have been constructed, raising Xin Yegang's annual seamless steel tubes capacity to one million tonnes. Products from the new lines are of big section medium and thick wall seamless steel tubes, which are primarily used in the machinery manufacturing, energy, petrochemical, coal and military industries.

Xin Yegang is located in the city of Huangshi next to the Yangtze River, with three 5,000 tonne wharfs. In the future, CITIC Pacific's mini-cape sized ships will transport iron ore from various sources to ports on the Yangtze River, where it will be transshipped to Xin Yegang and unloaded at its wharves. As a result, trans-shipment costs should be reduced.

Type of product	Certification
Bearing steel	SKF, FAG
Forgings	FOMAS Group
Seamless steel tubes (gas cylinder & pressure vessel), structural steel tube	EU
Gear steel	Caterpillar worldwide supplier and bronze supplier certificate

Shijiazhuang Steel Mill (Shigang)

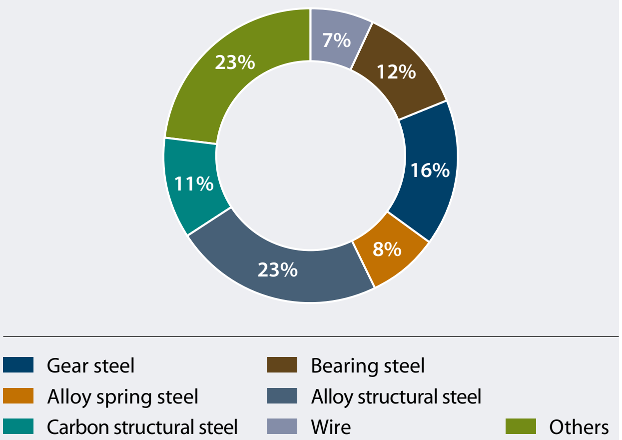
www.csggs.com

Located in the city of Shijiazhuang in Hebei Province, Shigang (www.csggs.com) benefits not only from the efficient transportation networks around Beijing and Tianjin, but also from abundant coal resources in neighbouring Shanxi Province. Established in 1957, Shigang is a manufacturer of special steel with an annual production capacity of over two million tonnes.

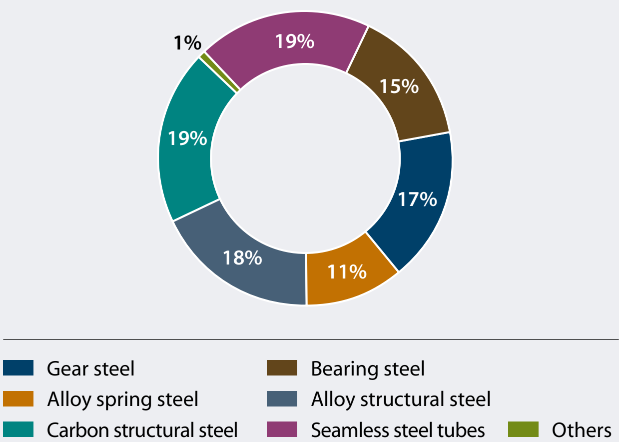
Its main products include bearing steel, gear steel and alloy structural steel, which are supplied mainly to the auto components and machinery manufacturing sectors.

Type of product	Certification
Alloy structural steel	Sinotruck, Dongfeng Auto, Shandong Wendeng Hengrun, YTO Group
Carbon structure steel, gear steel non-quenched & tempered steel,	First Automobile Works, Shanxi Fast Gear
Bearing steel	Wafangdian Bearing

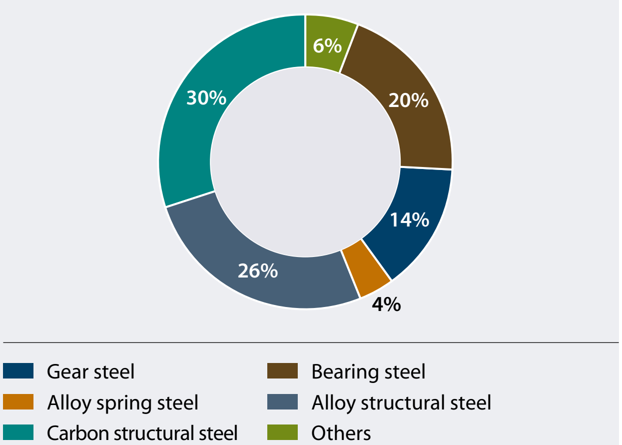
Jiangyin Xingcheng's products



Xin Yegang's products

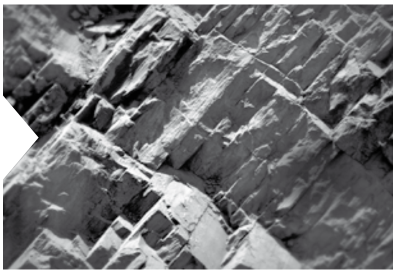


Shigang's products



Business Review

Iron Ore Mining

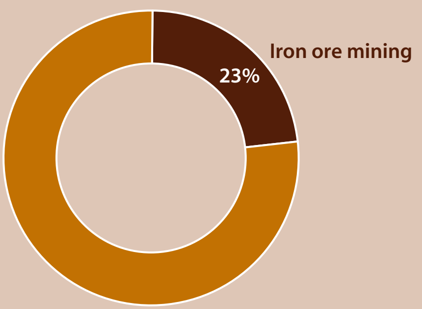



Key operational highlights

- Construction of key infrastructure progressing well
- Close to 3,000 contractor employees on site
- Over 50 million tonnes of material removed from the mine pit
- All key government environmental and heritage approvals in place

HK$ million	**2009**	2008	Change
Assets	**36,026**	24,187	49%
Liabilities	**25,977**	16,112	61%
Capital expenditure			
Iron ore mining	**9,742**	8,479	15%
Ships	**291**	1,531	(81)%

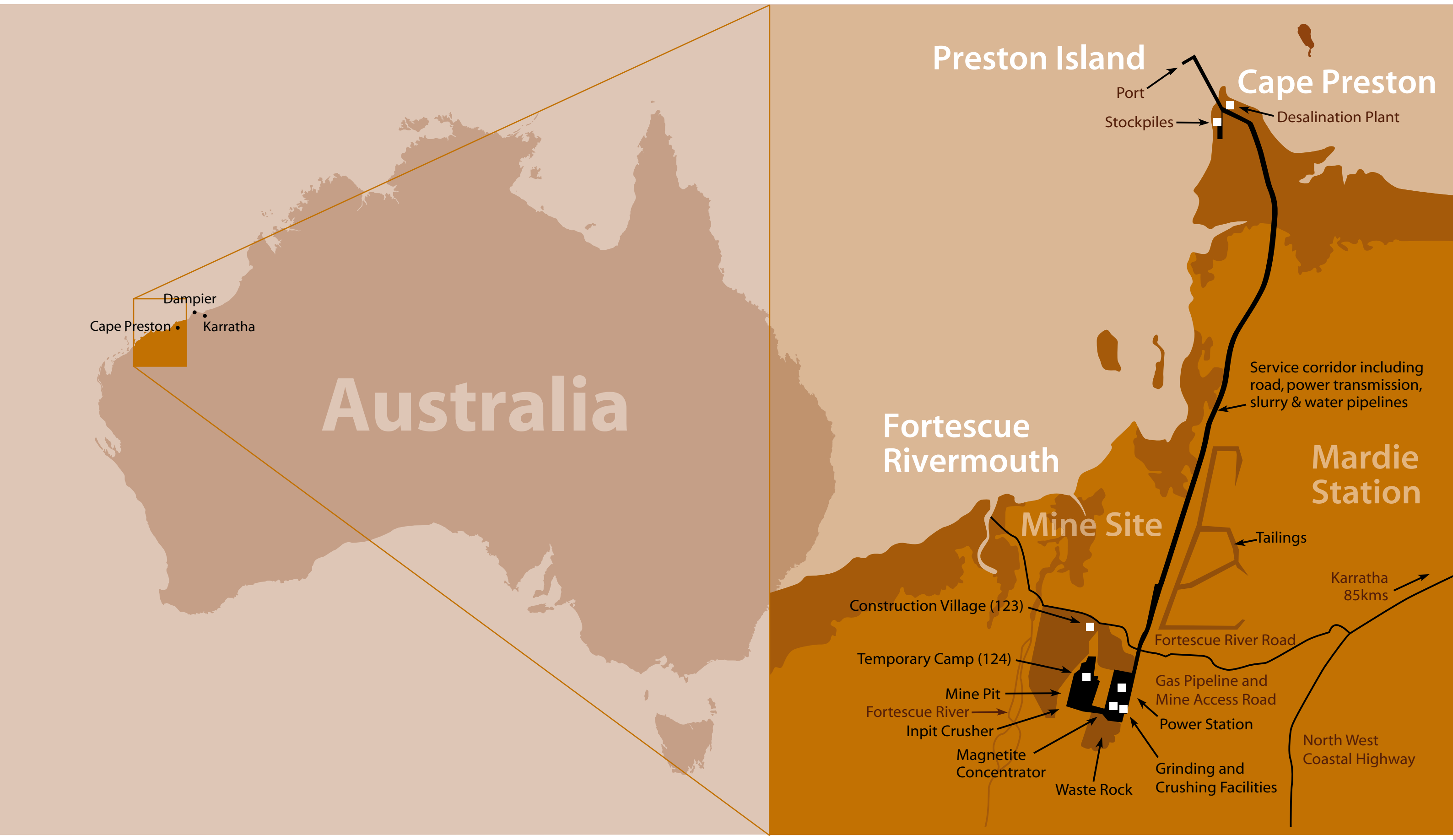
Assets



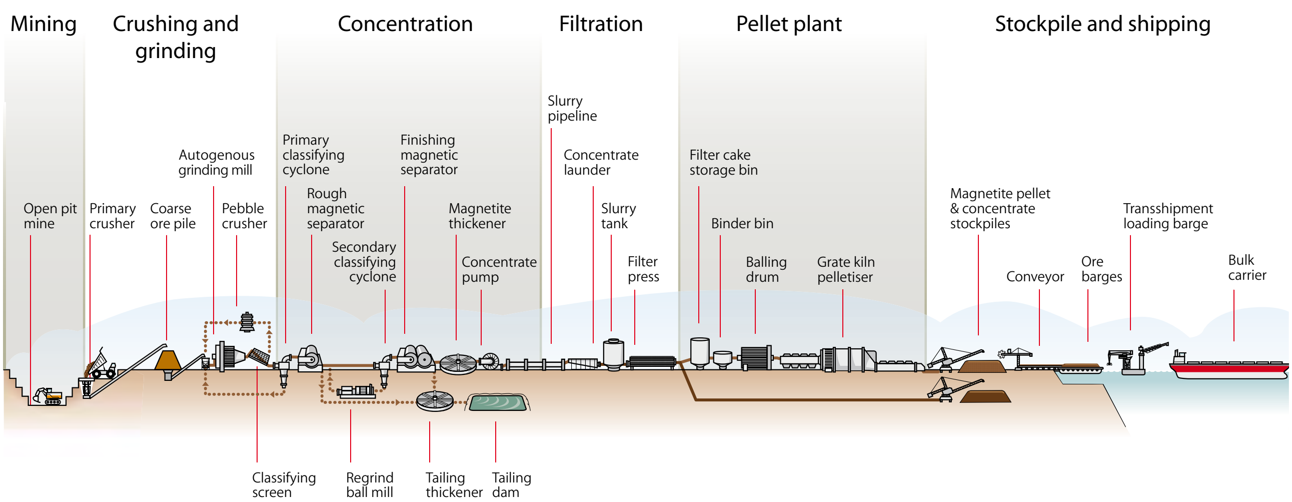
In 2009, construction activity increased substantially in order to meet first mill line production targeted to commence by the end of 2010. All six lines are targeted to be in production during 2011. We made significant progress in building the project in partnership with our lead construction contractor, China Metallurgical Group (MCC), and dozens of other key contractors. Together with our contractors, we continued work in China and other parts of the world to manufacture the equipment needed to build and commission the project on schedule. With the countdown to first production underway, we expect construction progress to benefit from an influx of equipment and workers to the site.

Approvals

All major approvals for the construction and operation of the project have now been received. In 2009, we obtained approval under the Western Australian Government's Environmental Protection Act and Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act to build our port and expand the project to export 28mtpa of concentrate product.



Magnetite mining and processing for export



Progress

Concentrator

Construction of the magnetite concentrator reached a significant milestone in February 2010 with the arrival on site of the first ball mill and first autogenous grinding mill. Developed by Chinese and Australian engineering and design teams, these enormous mills built by CITIC Heavy Industries in Luoyang, China are among the largest and most powerful in the world. The mills, of which there will be 12 in total, will grind millions of tonnes of magnetite iron ore into a fine concentrate. Other equipment for the concentrator is almost ready for delivery from China, including the primary crusher and stacker.

Mine Development

To access the magnetite ore body, we have removed more than 50 million tonnes of waste material from the mine pit. We are using some of the world's biggest machinery for our mining fleet to increase efficiency and lower the operating costs per tonne of ore mined. The entire mining fleet is now on site operating or in various stages of assembly. Excavation is underway in the mine pit of the four crusher pocket slots, which will house mobile in-pit crushers. About 80 million tonnes of material each year will go through the in-pit crushers from a total of 140 million tonnes of material mined each year. The remaining 60 million tonnes is waste material.

Power Station

Our contractors, Austrian Energy and Environment, Siemens and Shin Nippon, made excellent progress on our 450-megawatt power station, and planning is now underway for the start of pre-commissioning works from about September. During the year, the contractors completed the installation of the gas and steam turbine generators, heat recovery steam generators and cooling towers. This highly-efficient power station, which is a combined-cycle plant, will produce 40 percent less greenhouse emissions than an open-cycle plant.

Gas Pipeline

During the year, we completed and pressure tested the gas pipeline that will fuel the project. This 13.5-kilometre pipeline will carry gas from Western Australia's main Dampier-to-Bunbury gas pipeline to the power station, which will generate electricity to run the project's massive grinding circuit. Demand for gas has helped bring about the development of the Reindeer gas field, which will supply our project.

Port

The Cape area has undergone a dramatic transformation, with major progress made on the development of our transshipment port. The area's hilly terrain is now mostly levelled following earthworks, drilling and blasting. More than 7.8 million tonnes of material was removed in 2009, much of it used to build the port breakwater. The 2.6-kilometre port breakwater is reaching its final shape following the placement of 3.6 million cubic metres of rock. In recent months, works were completed to allow the delivery of key infrastructure modules directly to site. These included thousands of special concrete CoreLoc units shipped from Thailand, which will form an armour barrier to protect the breakwater from the ocean. Once the project goes into operation, product ready for export will be moved from land to vessels berthed at sea via transshipment. Transshippers, barges and tugs are now under construction in China.

Desalination Plant

Construction in China is advancing on the 51-gigalitre desalination plant. The plant is being shipped to site in four giant pre-assembled modules. Located near the port, the desalination plant will supply water for a variety of uses, including the transportation of concentrate product along the 25-kilometre slurry pipeline. Civil works are underway at site, including construction of concrete foundations in readiness for the arrival of the plant modules, which are nearing completion in China.

Accommodation

Although accommodating our rapidly-growing workforce has been a challenge, our contractors have successfully completed villages designed to house more than 2,300 people. Construction is now underway on a permanent accommodation village, which will house our long-term operations employees and will accommodate 1,750 people, including some construction personnel. It is on schedule for completion ahead of first production.

Transportation and Service Corridors

All major transportation and service corridors were completed during the year. These include the permanent causeway and causeway bridge over a tidal creek, which will provide the essential link from the mine site to the port, and the north-south and east-west roads connecting the site.

Market Outlook

The iron ore market remains strong as evidenced by bullish iron ore prices in the spot market. This is being driven by the strong demand from China's steel industry and recovering demand from the rest of the world. Chinese domestic iron ore production growth, while impressive, is not sustainable.

People

The past 12 months have seen a considerable increase in the number of construction employees on site. There are now almost 3,000 contractor employees involved in building the project. This is expected to peak at about 4,500 personnel later this year. CITIC Pacific Mining now directly employs approximately 800 people. As the job market in 2010 is expected to be competitive, we have launched a recruitment campaign to attract high quality employees.

Safety

In May, the project suffered a fatality when a Downer EDI Mining contractor tragically died while working on our project. Although not a direct result of the accident, during the year we redoubled our efforts to ensure the health and safety of our employees with the launch of our vision, Incident Free Through the Way We Think and Act. Released in August, this vision aligns the efforts of CITIC Pacific Mining and its contractors, while promoting an understanding of our safety values, priorities and expected safety behaviours on the project. The vision is supported by safety commitments, measurement of success, safe work habits, regular safety leadership meetings and a reward and recognition programme. Our focus on health and safety has seen the continued reduction of the project's Recordable Case Frequency Rate (RCFR), which is the most accurate measure of safety performance in the mining industry.

As the project site is located in a high cyclone risk area, we strengthened our cyclone management procedures in order to protect employees and minimise infrastructure and equipment damage in the event of a cyclone. In addition, we built accommodation units and refuges capable of withstanding a Category 5 cyclone and introduced more comprehensive cyclone communication tools.

Environment and Heritage

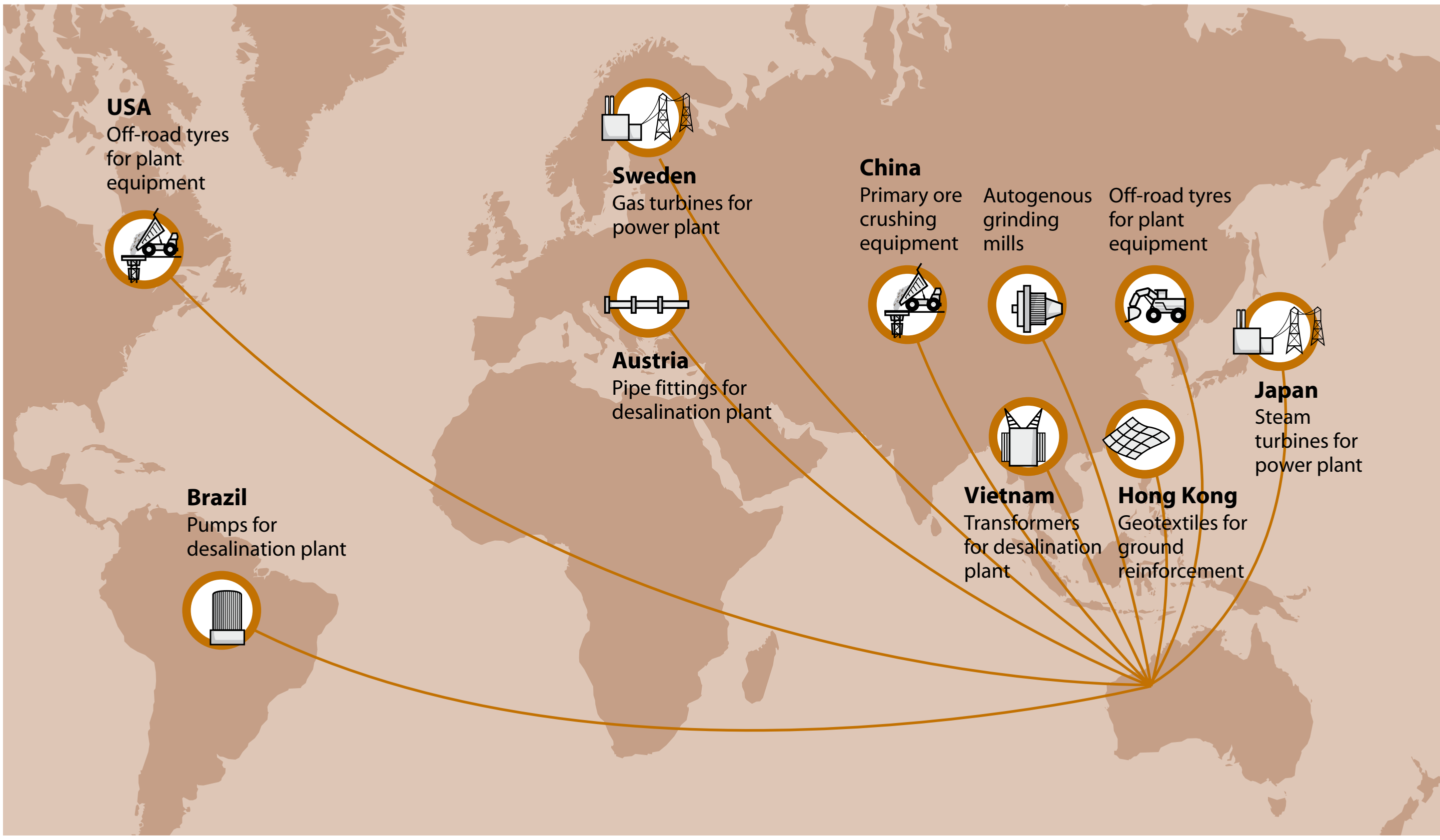
Throughout 2009, our heritage team undertook a series of surveys across the project site and gained the relevant approvals to use and develop the land. This, along with the salvage of heritage material, enabled us to gain access to almost the entire site so that construction could progress unimpeded. The team also fulfilled obligations under our Indigenous Land Use Agreements (ILUA's) to ensure relationships remain strong with the indigenous people where our project operates.

We obtained environmental approvals that are critical to the project's progress as well as its potential future expansion. During the year, we monitored groundwater, subterranean fauna, turtles and shore birds, and audited the environmental performance of our contractors to ensure protection of the natural environment.

Greenhouse Gas Emissions

In the past year, the Australian government proposed a Carbon Pollution Reduction Scheme (CPRS) targeted at reducing carbon emissions. The CPRS has not been passed into legislation, and the targets for emissions reductions, start date of the proposed scheme and detailed regulations under the scheme have not been concluded. Under the currently proposed CPRS, emission activities in Australia will be penalised. As energy and water are key inputs, the Sino Iron project has made a conscious effort to reduce its

Global procurement



environmental footprint. Supplementary to that, we are making a strong effort to explain to the government the environmental benefits of magnetite in the global iron making and steel making process. We are also working on our eligibility for the Emission Intensive Trade Exposed assistance programme with the Australian Government.

Looking Ahead to First Production

The focus is now on commissioning in the lead-up to first mill line production. This includes the power station, gas pipeline and concentrator circuit (first grinding mill line, concentrator thickener, magnetic separators, slurry pipeline and high voltage power supply). The port and breakwater as well as the transshipment fleet are being completed so that we can begin exporting our first shipment of magnetite concentrate.

To meet our significant personnel requirements, we will continue our recruitment efforts throughout the year and build additional accommodation to house the growing construction and operations teams. The international experience of our senior management team, together with the technological achievements made through our Australian-Chinese partnership, will help us stay on schedule for first production and contribute to the ongoing production ramp-up.

There will be challenges this year, however. A number of major resources projects coming on stream in Western Australia are expected to create a competitive job environment. To meet our large labour requirements, we are undertaking a national recruitment campaign to attract and retain employees of the highest calibre. As more and more construction and operations employees start work, accommodating these personnel will remain a challenge. Another potential issue could emerge following changes last year to Australian labour relations laws. These changes increase the role of unions to represent workers and raise the possibility of industrial unrest. There is also the ongoing challenge of meeting tight schedules on a highly complex project being built by a large and diverse number of contractors.

Given the scale of this project and the change seen in the iron ore market, a thorough review of the overall project cost is being conducted with a view that it could go up. Management is vigilant about costs and is working hard to ensure the project is completed in a timely and cost efficient manner.

Facts

Project Overview

The Sino Iron project, which is located at Cape Preston 100 kilometers southwest of Karratha in Western Australia's Pilbara region, is being developed by CITIC Pacific Mining (CPM), an Australian subsidiary of CITIC Pacific. The project will be 80% owned by CITIC Pacific. MCC – China Metallurgical Group Corporation, will have the other 20% interest, subject to approval by relevant Chinese government authorities.

The Sino Iron project was granted major project facilitation status by the Australian federal government in 2006 after entering into agreements with Mineralogy Pty Ltd to acquire rights to one billion tonnes of resource. During 2008 CPM acquired rights to a second billion tonnes of resource, giving the project an expected mine life of about 25 years at a production rate of about 28 million tonnes per year. CPM has rights to acquire an additional four billion tonnes, which would lift production to 70 million tonnes each year.

The project features a significant infrastructure investment for processing ore into magnetite concentrate and pellets. About 28 million tonnes of product will be exported each year. High quality magnetite is a product that is in demand by steel mills, including those of CITIC Pacific in China. CPM is headquartered in Perth, Western Australia and has a representative office in Beijing.

Products

The Sino Iron project will help satisfy demand from China's steelmaking industry by providing a reliable source of high quality iron ore. The products from the Sino Iron project will not only be used in CITIC Pacific's three special steel mills in China, but also in other Chinese steel mills. It is believed the high quality concentrate product will be strongly welcomed by Chinese customers. The magnetite product to be exported from the project will have a higher iron

content with lower impurities than traditional products. Subject to final plant design, the concentrate is expected to have an iron content of about 67 per cent.

Mineral Resource Estimate

CPM currently has rights to mine two billion tonnes of magnetite ore. The latest mineral resource estimation has identified additional resources of 2,190 million tonnes. This would allow the most efficient extraction of the highest quality material. This information would also be used in considering whether options for further mining rights are exercised in the future.

Total Joffre resource

Classification	Million tonnes	Magnetic Fe (%)
Measured	466	22.52
Indicated	1,158	23.04
Inferred	2,881	23.64
Total	**4,504**	**23.37**

Note: 'Mineral Resource' estimates are based on assay data at January 2009. Model released June 2009. A 'Mineral Resource' is a concentration or occurrence of material 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. 'Joffre' is a member of the Brockman Iron Formation, the main ore body for the project.

Key Contractors

Apart from the project's lead contractor, MCC, there are numerous other contractors helping build the Sino Iron project. Some of the bigger contractors include:

Lead contractor	China Metallurgical Group Corporation (MCC)
Power plant	Austrian Energy & Environment (Australia)
Port breakwater	NRW Holdings and VDM Group (joint venture)
Desalination plant	IDE Technologies
Accommodation	Wylie & Skene
Crushing/maintenance	Downer EDI Mining
Causeway	Thiess
Mobile equipment	Terex

Business Review

Property

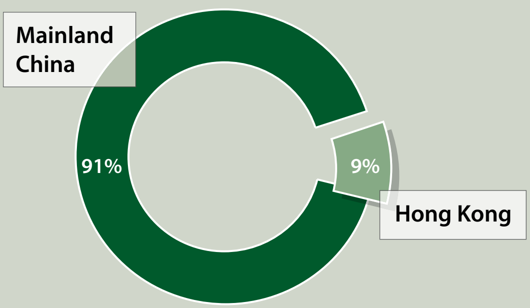
Key operational highlights

- Twin office towers of Shanghai Lu Jia Zui New Financial District Project topped out, one already sold
- Ningbo Pacific Plaza office building completed
- Construction of the infrastructure, two hotels and apartments at Hainan project progressing well
- Strong residential sales in Shanghai, Wuxi, Yangzhou and Jiangyin

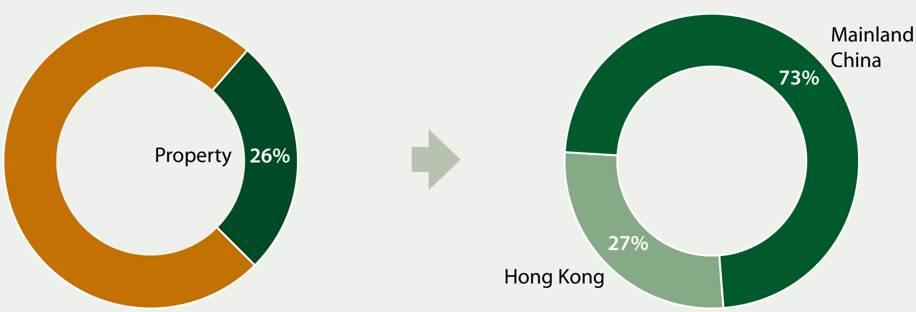
HK$ million	2009	2008	Change
Turnover	**1,647**	787	109%
Profit contribution			
Mainland China	**524**	523	0%
Hong Kong	**397**	490	(19)%
Assets			
Mainland China	**29,728**	25,973	14%
Hong Kong	**11,093**	11,121	0%
Liabilities			
Mainland China	**7,158**	4,391	63%
Hong Kong	**473**	492	(4)%
Cash inflow from operations	**3,620**	1,007	259%
Capital expenditure	**3,381**	5,058	(33)%

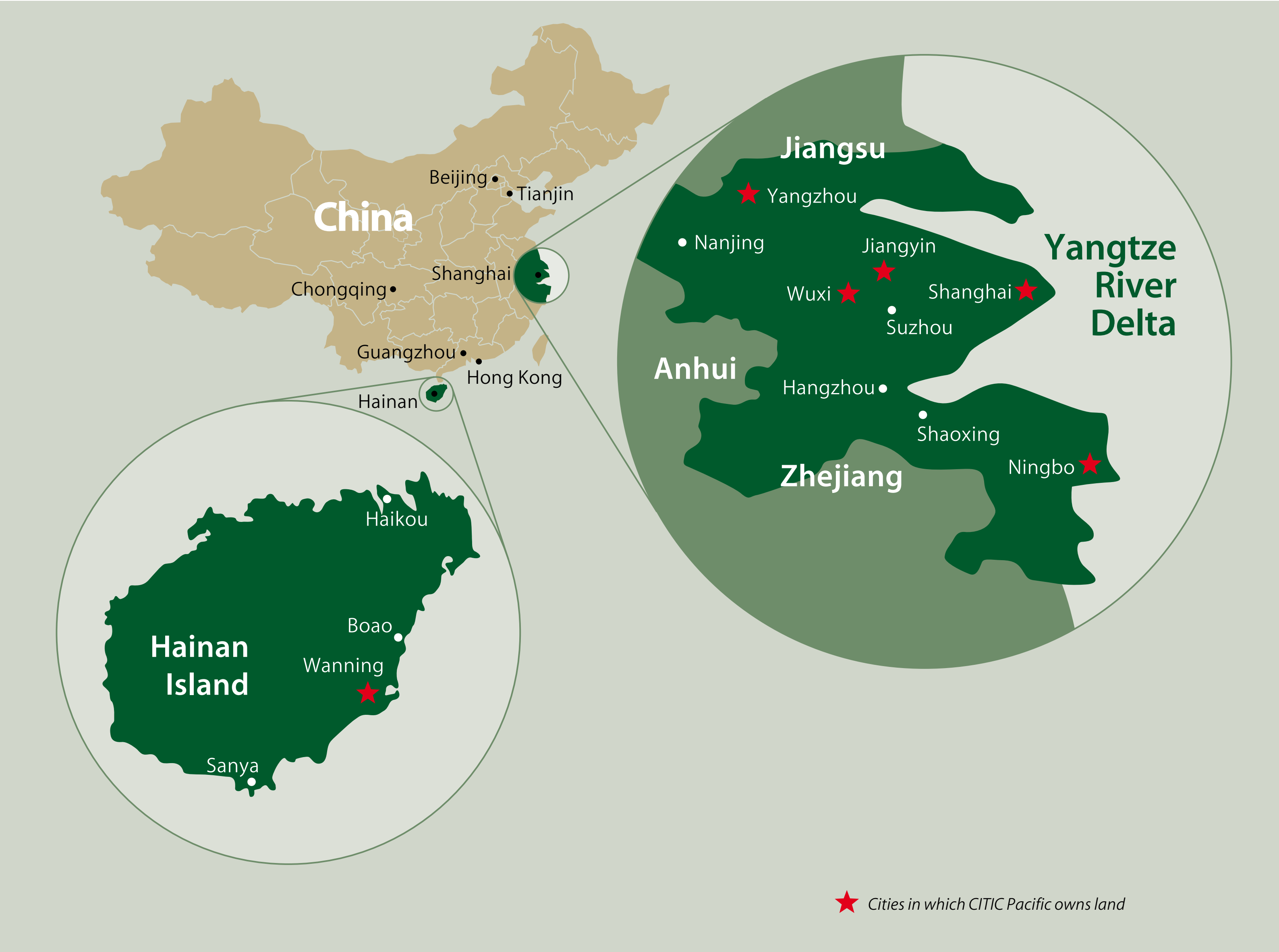
CITIC Pacific properties

Gross floor area

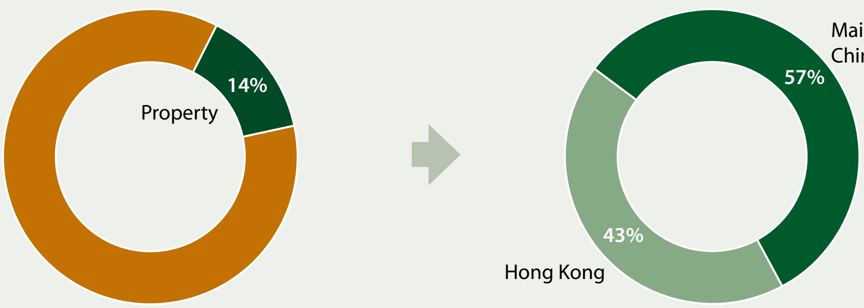


Assets





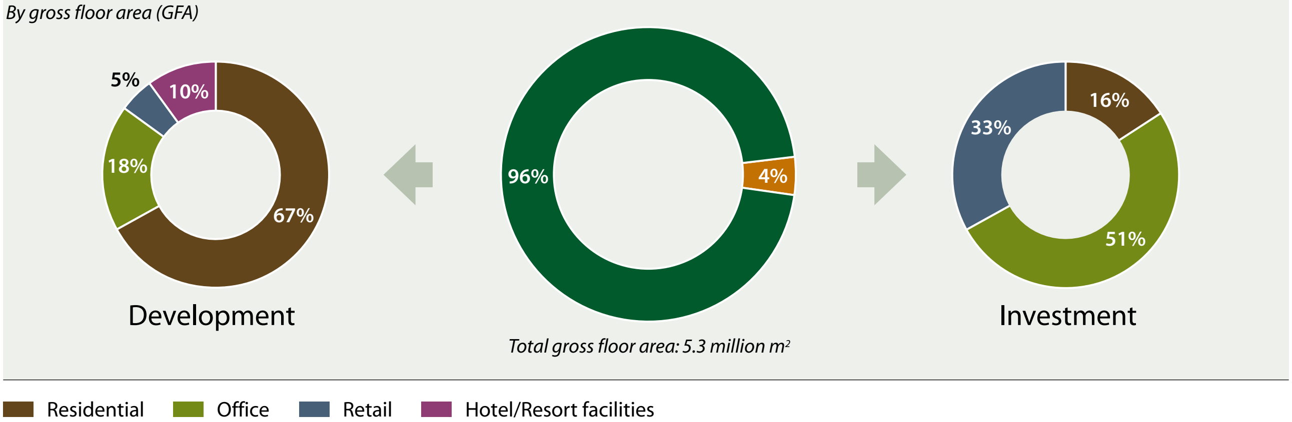
Profit contribution



Mainland China

- The mainland China property market is a key focus and a main business of CITIC Pacific
- Strategic focus on Shanghai and major cities in the Yangtze River Delta area, as well as the Shenzhou Peninsula on Hainan Island
- Co-operation with CITIC Real Estate on future projects. The two companies will share knowledge, market information and other resources

By gross floor area (GFA)



In 2009, the property market in mainland China saw transaction volume rise over 50%. To maintain a healthy property market, the government has been stepping up the pace of land supply and the provision of economic housing.

Two factors driving the long-term development of mainland China's property market are economic growth and urbanisation. With the construction of new high-speed railway lines and urban transportation interchanges, secondary town centres are emerging with large-scale residential communities supported by well-planned facilities.

CITIC Pacific has properties in excellent locations in mainland China, many of which are substantial in scale. These include Shanghai's Lu Jia Zui New Financial District project, the Sichuan Beilu Station and Jiading New City Station projects, which form part of the city's new railway transport system. Zhujiajiao New Town project in Shanghai and Noble Manor in Yangzhou are large-scale residential developments offering comprehensive community facilities.

The development of our resort project in Shenzhou Peninsula on Hainan Island is well underway and stands to benefit from the government's plan to promote the island as an international tourism destination.

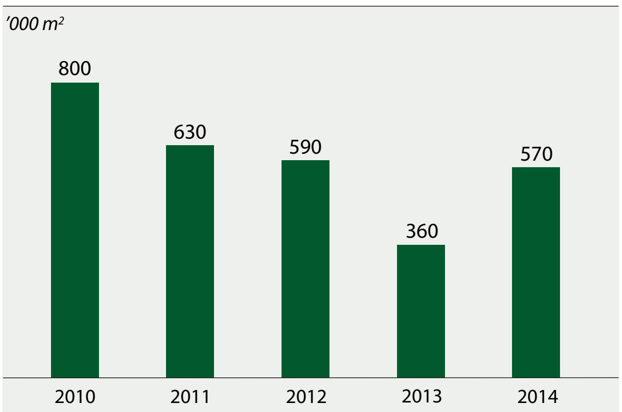
We expect the profit contribution from our property projects in China to increase substantially in the coming years.

Development Properties

Project	Usage	Ownership	Approx. site area (m²)	Approx. GFA (m²)	Expected completion
Shanghai					
New Westgate Garden	Residential, retail	100%			
Phase I			32,900	2,000	Completed
Phase II			35,300	137,000	2015
Qingpu Residential Development	Residential, hotel, retail	100%	796,800	545,000	In phases from 2009 onwards (approx. 31,000 m^2 completed)
Lu Jia Zui New Financial District Project	Office, hotel, residential, retail	50%	249,400	847,000	2010 to 2018
Site at Sichuan Beilu Station of Metro Line No. 10, Hongkou	Office, retail	100%	13,300	53,000	2012
No.10, Hainan Rd., Hongkou	Office, retail	100%	16,400	66,000	After 2012
Site at Jiading New City Station of Metro Line No. 11, Jiading	Office, hotel, residential, retail	100%	156,000	538,000	In phases from 2011 onwards
Zhejiang Province					
Pacific Plaza, *Ningbo*	Office, retail	100%	39,500	18,000	Completed
Jiangsu Province					
Yangzhou	Residential, retail	100%	328,600	359,000	In phases from 2009 onwards (approx. 90,000 m^2 completed
Jiangyin	Residential, retail	70%	91,300	178,000	2010 to 2011
Binhu District, *Wuxi*	Residential, retail	70%	1,479,000	249,000	In phases from 2010 onwards
Hainan Province					
Shenzhou Peninsula *Wanning*	Hotel, retail, residential	80% – 99.9%	7,432,700	2,100,000	In phases from 2010 onwards
Total			**10,671,200**	**5,092,000**	

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

Projected completion in the next five years



Target completion from 2015 to 2018: 2.1 million m²

SHANGHAI Lu Jia Zui New Financial District Project *50% owned*

Site area:	249,400 m²
Gross floor area:	847,000 m²
Usage:	Office, retail, hotel and residential
Expected completion:	2010 – 2018

The site of the Lu Jia Zui New Financial District project, previously used as a shipyard by Shanghai Shipyard Co., is the last prime development area on the south shore of the Huangpu River in central Shanghai. Jointly developed by CITIC Pacific and the China State Shipbuilding Corporation, this project will comprise Grade-A office buildings, retail premises, apartments and a hotel.

With riverside views and convenient transport links, it is being developed in phases under a comprehensive master plan. Once completed, the project will become a prominent landmark in the Lu Jia Zui Financial District along the Huangpu River.

Phase I comprises two Grade-A office buildings and a five star hotel with serviced apartments, which will be managed by an internationally renowned hotel operator.

As the financial centre of China, Shanghai (and particularly the Lu Jia Zui Financial District in Pudong) is attracting an increasing number of financial institutions that wish to set up their regional headquarters in the city. The twin office towers were topped out in November 2009 and are expected to be completed in the fourth quarter of 2010. One tower has already been sold to a corporation that will set up its headquarters in the building; the other tower, subject to contract, will soon be sold to another corporation.

Progress

	Approx. GFA (m^2)	Percentage of total GFA	Target completion	Status up to end Jan 2010
Phase I	263,000	31%		
Twin office towers	200,000	24%	4Q 2010	One tower sold to a single corporation The other to be sold soon subject to contract
Hotel & serviced apartments	63,000	7%	4Q 2012	Basement and superstructure works under construction
Other phases	584,000	69%		Under planning
Total	**847,000**	**100%**		

SHANGHAI Qingpu Residential Project – Zhujiajiao New Town *100% owned*

Site area:	796,800 m^2
Gross floor area:	576,000 m^2
Usage:	Low density residential, retail and hotel
Expected completion:	In phases from 2009 onwards

Located at the junction of Shanghai, Zhejiang Province and Jiangsu Province, Qingpu District is the gateway to and focus of development in the western part of Shanghai.

Next to scenic Dadian and Dianshan lakes, the Zhujiajiao New Town project will take full advantage of the cultural traditions and history of the area. It will create a unique living environment in the core district of Zhujiajiao, with villas, semi-detached houses, town houses, retail shops and a hotel.

Progress

				Sales up to end Jan 2010			
	Approx. GFA (m^2)	Percentage of total GFA	Target completion	Pre-sale year	Units sold	GFA(m^2)	Average price RMB/m^2
Phase I Apartments & low-rise houses	31,000	5%	Completed	2007 2008 2009	61 54 85	9,800 7,800 11,300	8,400 12,000 10,800
Phase II Apartments & low-rise houses	39,000	7%	2Q 2010	2009	347	35,600	10,300
Phase III Apartments & low-rise houses	74,000	13%	1H 2011	–	–	–	–
Hotel	27,000	5%	In phases from 2011	–	–	–	–
Other phases	405,000	70%	Under planning				
Total	**576,000**	**100%**			**547**	**64,500**	

From the first pre-sale in September 2007 to the end of January 2010, a total of 547 units (64,500 m^2 GFA) were sold, of which 44,000m^2 GFA were apartments and the remainder were low-rise houses with average selling prices of RMB8500/m^2 and RMB14,200/m^2 respectively.

SHANGHAI New Westgate Garden *100% owned*

Phase I	
Site area:	32,900 m^2
Gross floor area:	117,000 m^2
Usage:	Residential
Completed:	June, 2006
Current Status:	99% sold
Phase II	
Site area:	35,300 m^2
Gross floor area:	Approx. 137,000 m^2 (subject to government authority approval)
Usage:	Residential and retail
Expected completion:	2015
Current Status:	Re-settlement in progress

Located in the Huangpu District of Shanghai at Xizang Nanlu and Jianguo Donglu, this premium residential development is within walking distance of the Lao Xi Men subway station on the new Metro Line 8.
It comprises residential towers and retail shops with a basement car park.

SHANGHAI Sichuan Beilu Station of Metro Line No.10 *100% owned*

Site area:	13,300 m^2
Gross floor area:	53,000 m^2
Usage:	Office and retail
Expected completion:	2012
Current status:	Basement construction in progress

The site is situated above the Sichuan Beilu Metro Station of Metro Line No. 10, which is currently under construction and expected to be operational by mid 2010. The project, comprising office buildings and retail outlets, will benefit from the pedestrian flow generated by the metro line and the overall geographical advantages offered by Hongkou.

SHANGHAI No.10, Hainan Road *100% owned*

Site area:	16,400 m^2
Gross floor area:	66,000 m^2
Usage:	Office and retail
Expected completion:	After 2012
Current status:	Design in progress

Acquired in December 2007, the site is situated on the east side of our Sichuan Beilu Station project. It will be designed and developed as a combined landmark project for this thriving district.

SHANGHAI Jiading New City Station of Metro Line No.11 *100% owned*

Site area:	156,000 m^2
Gross floor area:	538,000 m^2
	Phase I – approx. 97,000 m^2
	Other phases – approx. 441,000 m^2
Usage:	Office, retail, hotel and residential
Expected completion:	In phases from 2011 onwards
Current Status:	Construction in progress

Located in northwest Shanghai, Jiading District is the gateway to a number of neighbouring economic regions such as Suzhou, Kunshan and Taicang in Jiangsu Province. As the first satellite city of Shanghai, Jiading is well known as a base for the science and automobile industries. This project is situated at the Jiading New City Station of the new Metro Line No.11, which will run through Jiading, Putuo, Changning, Xuhui and Pudong New District after its completion. The first phase of the Metro Line, which includes the Jiading New City Station, was completed and under trial operation at the end of 2009.

The Jiading New City Station project, also being developed in phases, will include residences, offices, retail shops and a hotel. The development will be integrated with an interchange hub incorporating the city's metro lines and other public transport, under a comprehensive plan of residential districts, business centres, sports and recreational parks and scientific research districts in the surrounding area.

ZHEJIANG PROVINCE Ningbo Pacific Plaza *100% owned*

Site area:	39,500 m^2
Gross floor area:	98,000 m^2
Usage:	Office and retail
Expected completion:	October 2009
Current Status:	Sale and leasing underway

Pacific Plaza is located in Jiangdong District of Ningbo, the economic provincial capital of Zhejiang Province. The site is close to Ningbo Eastern New City, the future political and economic heart of Ningbo. In 2009, CITIC Pacific acquired the remaining 0.7% equity interest of the project company from the local joint venture partner.

Pacific Plaza comprises two Grade-A office towers and a shopping mall. Strata-title sales of one office tower and leasing of another office tower and its retail podium are currently underway.

Progress

By the end of January 2010, the shopping mall (approx. 27,100m^2 GFA) and 17% of the office space (approx. 3,500m^2 GFA) were sold.

JIANGSU PROVINCE Wuxi Binhu District Residential Project *70% owned*

Site area:	1,479,000 m^2
Gross floor area:	249,000 m^2
Usage:	Residential and retail
Expected completion:	In phases from 2010 onwards

CITIC Pacific, together with the Wuxi Guolian Group, is jointly developing this residential and commercial property in the Binhu District of Wuxi. The site is located in front of scenic Tai Lake and is about 15 minutes' driving distance of the city centre. Developed in phases with villas, town houses and low-rise and mid-rise residential buildings, the project will take advantage of picturesque views of the landscape, golf course and Tai Lake.

Progress

				Sales up to end Jan 2010			
	Approx. GFA (m^2)	Percentage of total GFA	Target completion	Pre-sale year	Units sold	GFA(m^2)	Average price RMB/m^2
Phase I Apartments & low-rise houses	157,000	63%	2Q 2010	In phases from 2009	381	69,000	17,300
Phase II Apartments & low-rise houses	92,000	37%	3Q 2011	–	–	–	–
Total	**249,000**	**100%**			**381**	**69,000**	

From the first pre-sale in May 2009 to the end of January 2010, a total of 381 units (69,000 m^2 GFA) were sold, of which 47,300 m^2 GFA were apartments and the remainder were low-rise houses with average selling prices of RMB12,300/m^2 and RMB28,200/m^2 respectively.

Business Review

JIANGSU PROVINCE Yangzhou Noble Manor *100% owned*

Site area:	328,600 m^2
Gross floor area:	437,000 m^2
Usage:	Residential and retail
Expected completion:	In phases from 2009 onwards

Located in the western part of the city centre, this project has been designed to blend harmoniously with the area's historical culture and neighbouring environment of Yangzhou. A variety of residential units in low-rise, mid-rise and high-rise buildings will be provided.

Progress

	Approx. GFA (m^2)	Percentage of total GFA	Target completion	Sales up to end Jan 2010 Pre-sale year	Units sold	GFA(m^2)	Average price RMB/m^2
Phase I Apartments	90,000	21%	Completed	2007 2008 2009 2010	253 231 174 3	28,000 27,400 21,200 500	5,600 5,900 5,900 6,200
Phase II Apartments	92,000	21%	2010/2011	In phases from 2009	371	45,200	6,100
Other phases	255,000	58%	Under planning		–	–	
Total	**437,000**	**100%**			**1,032**	**122,300**	

From the first pre-sale in September 2007 to the end of January 2010, a total of 1,032 apartment units (122,300 m^2 GFA) were sold with an average selling price of RMB5,900/m^2.

JIANGSU PROVINCE Jiangyin Residential Project *70% owned*

Site area:	91,300 m^2
Gross floor area:	178,000 m^2
Usage:	Residential and retail
Expected completion:	2010 – 2011

In Jiangyin, one of the fastest-growing cities in Jiangsu Province, CITIC Pacific and the Wuxi Guolian Group are co-developing the Jiangyin Xingcheng's old steel mill site in the eastern city centre into a residential and commercial property.

Progress

	Approx. GFA (m^2)	Percentage of total GFA	Target completion	Sales up to end Jan 2010 Pre-sale year	Units sold	GFA(m^2)	Average price RMB/m^2
Apartments	154,000	87%	Mid 2010	2008 2009 2010	56 670 13	8,700 105,900 2,200	7,800 8,400 10,400
Retail	24,000	13%	End of 2011	–	–	–	–
Total	**178,000**	**100%**			**739**	**116,800**	

From the first pre-sale in December 2008 to the end of January 2010, a total of 739 apartment units (116,800 m^2 GFA) were sold with an average selling price of RMB8,400/m^2.

HAINAN PROVINCE Wanning Shenzhou Peninsula *80%-99.9% owned*

Site area:	7,432,700 m^2
Gross floor area:	2,100,000 m^2
Usage:	Residential, hotel, retail and recreation
Expected completion:	In phases from 2010 onwards
Current Status:	Design and construction of Phase I (approx. 440,000 m^2 GFA) in progress

CITIC Pacific is developing a resort project on the Shenzhou Peninsula of Hainan Island and is responsible for the project's overall planning and infrastructure construction. This project will benefit from the government's recent plan to promote the island as an international tourism destination.

The project will also benefit from a new express railway line being built along the east coast of Hainan Island, which will connect the cities of Haikou and Sanya, and a railway station at Wanning city, which is approximately six kilometres from the Shenzhou Peninsula site.

Constructed by the Hainan provincial government, this new express railway is targeted for completion in 2011. By then, the accessibility of the Shenzhou Peninsula site will be significantly improved from Haikou and Sanya, both of which are regional hubs with international flights.

We recently sold the development rights of several lots (approx. 291,000m^2 GFA) to a local developer.

The construction of roads and bridges is substantially completed, and development of the two hotels and Sunbury apartments of Phase I is in progress. The two hotels, which will be managed and operated by Starwood Hotels Group as a Sheraton hotel and Four Points by Sheraton hotel, are scheduled to open at the end of 2010. Pre-sale and target completion of Sunbury apartments are expected in 2010/2011 and the second half of 2011 respectively.

Investment Properties

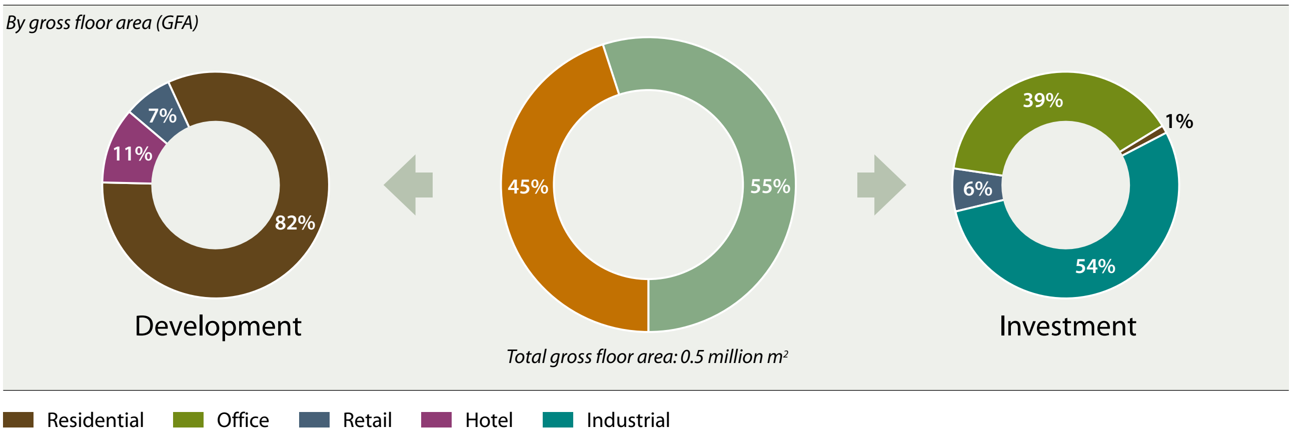
Project	Usage	Ownership	Approx. GFA (m^2)
CITIC Square, *Shanghai*	Office, retail	100%	114,000
Royal Pavilion, *Shanghai*	Serviced apartments	100%	35,000
New Westgate Garden, Retail Portion (phase I), *Shanghai*	Retail	100%	23,000
Pacific Plaza, Ningbo, *Zhejiang Province*	Office, retail	100%	49,000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

GFA = gross floor area

CITIC Pacific's investment properties in mainland China continue to enjoy steady rental growth with an overall occupancy of about 93% if the newly completed Pacific Plaza in Ningbo is excluded.

Hong Kong

- 231,000 m² of gross floor area to be developed in Discovery Bay
- Major investment properties include CITIC Tower (the Group's headquarters) and DCH Commercial Centre. The portfolio enjoys a stable rental income with an overall occupancy of approximately 84% as of the end of January 2010



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 next 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 and marina.

The current Yi Pak Bay development is located in the northern part of Discovery Bay. It has a gross floor area of approximately 218,000 m^2, of which 91,000 m^2 have been developed as Siena One (Phase 11) and Siena Two (Phase 12). Chianti (Phase 13), which has a gross floor area of 50,000 m^2, was 99% sold as of the end of January 2010.

Superstructure works of Phase 14 (a mid-rise development of approximately 16,000m^2 GFA) is in progress with completion scheduled for the second half of 2010. Construction of Phase 15 (a low-rise development of approximately 18,000m^2 GFA) commenced in December 2009, with scheduled completion in the first half of 2011. Pre-sale of Phase 14 and Phase 15 is planned for 2010 and the second quarter of 2011 respectively.

Investment Properties

Project	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%	37,000
Broadway Centre	Industrial	100%	21,000
Yee Lim Industrial Centre, Block C	Industrial	100%	30,000
111 Lee Nam Road	Industrial	100%	60,000
Other	Various	100%	49,000
Total			**285,000**

GFA = gross floor area

Business Review

Energy

HK$ million	2009	2008	Change
Profit contribution	**886**	(1,090)	n.m.
Proportion of total contribution	**13%**	(38)%	n.m.
Assets	**6,868**	7,765	(12)%
Liabilities	**52**	8	550%

At the end of 2009, CITIC Pacific had a total attributable power generating capacity of 3,630MW, a decrease of 42% compared with 2008. This was due primarily to the disposal of our 20% interest in North United Power and 49% interest in Weihai Power. The total electricity generated in 2009 by all power plants in which CITIC Pacific had an interest was about 35.7billion kwh; heat generated was 12,345kGJ.

Total electricity consumption in China declined significantly in 2009. Our managers focused on reducing costs and better managing the plants, therefore, despite a reduction in generation capacity, our power plants recorded a profit contribution of HK$886 million compared with a loss in 2008.

The five 57,000 tonne DWT vessels ordered by Ligang power plant will be delivered in stages, beginning in May 2010. These vessels will help reduce transportation costs and, at the same time, provide service to CITIC Pacific's special steel mills.

Our Xin Ju Long coalmine in Shangdong Province, in which CITIC Pacific has a 30% interest, produces high quality coking coal and thermal coal. Coking coal is

supplied to our steel mills and thermal coal to our power plants; both forms of coal are also sold on the open market. In 2009, 2.4 million tonnes of coal was produced. Four million tonnes is planned for 2010 and full production of 6 million tonnes will be reached in the years ahead.

For 2010, increases in the price of coal will remain a challenge to our power plants. As the economy continues to recover, we believe that demand for electricity will gradually recover. We will further strengthen our cooperation with large coal producers in China to ensure a stable supply of coal to our power plants. Our management team will remain focused on controlling costs and, at the same time, explore opportunities to vertically integrate our energy business. We expect this business to contribute more to the bottom line of CITIC Pacific in the future.

CITIC Pacific's power plants

						Electricity generated			Heat generated		
Power plant	Location (province)	Installed capacity (MW)	Ownership	Type	Utilisation hours	2009 (m kWh)	2008 (m kWh)	Change	2009 (kGJ)	2008 (kGJ)	Change
Ligang	Jiangsu			Coal fired							
I & II		1,440	65%		5,363	7,723	7,066	9%	NA	NA	NA
III & IV		2,460	71.3%		4,269	10,502	10,757	(2)%	NA	NA	NA
Hanfeng	Hebei	1,320	15%	Coal fired	5,188	6,848	6,974	(2)%	NA	NA	NA
Huaibei	Anhui	640	12.5%	Coal fired	4,786	3,063	3,818	(20)%	NA	NA	NA
Zhengzhou	Henan	1,000	50%	Co-generation	5,327	5,327	5,682	(6)%	6,863	6,236	10%
Hohhot	Inner Mongolia	400	35%	Co-generation	5,218	2,087	2,213	(6)%	2,871	2,896	(1)%
Chenming	Shandong	36	49%	Co-generation	3,365	104	73	42%	2,611	2,716	(4)%
Total		**7,296**				**35,654**	**36,583**		**12,345**	**11,848**	

Tunnels

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

	2009	2008	Change
Profit contribution	**437**	443	(1)%
Proportion of total contribution	**7%**	16%	(9)%
Assets	**1,928**	1,883	2%
Liabilities	**194**	192	1%

Eastern Harbour Tunnel

www.easternharbourtunnel.com.hk

The Eastern Harbour Tunnel registered average daily traffic of 62,987 vehicles in 2009, a slight decrease from 63,218 vehicles in 2008. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 27% market share of total traffic in 2009.

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 2009, average daily traffic was 48,222 vehicles, up 1% from 2008. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 21% market share of total traffic in 2009.

CITIC Pacific has a 35% interest in the company that manages the Cross Harbour Tunnel on behalf of the government.

Dah Chong Hong

www.dch.com.hk

56.7% owned by CITIC Pacific
Stock code: 01828 (The Stock Exchange of Hong Kong)

HK$ million	2009	2008	Change
Profit contribution	**402**	320	26%
Proportion of total contribution	**6%**	11%	(5)%
Assets	**11,460**	11,163	3%
Liabilities	**5,704**	5,994	(5)%

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

CITIC 1616

www.citic1616.com

52.6% owned by CITIC Pacific
Stock code: 01883 (The Stock Exchange of Hong Kong)

HK$ million	2009	2008	Change
Profit contribution	**196**	181	8%
Proportion of total contribution	**3%**	6%	(3)%
Assets	**2,532**	2,402	5%
Liabilities	**749**	819	(9)%

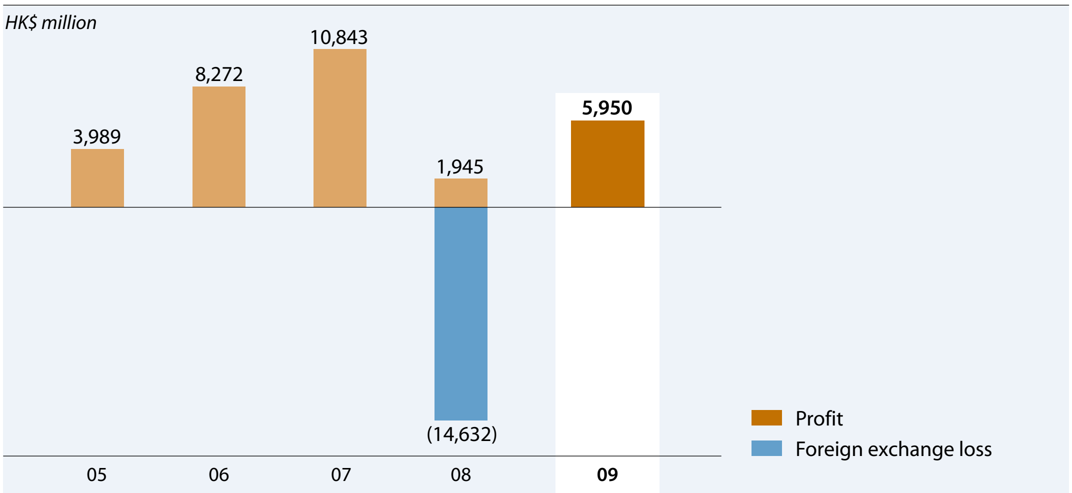
CITIC 1616 is Asia's leading hub-based telecommunications service provider. Its main businesses include voice, SMS, mobile VAS and data services. CITIC 1616's key markets are mainland China and Hong Kong. It is also actively expanding its services to international telecoms operators. Its independent hub connects to over 440 telecoms operators in 62 countries. CITIC 1616 was a wholly-owned subsidiary of CITIC Pacific until its listing in April 2007.

In February 2010, CITIC 1616 agreed to acquire a 20% interest in Companhia de Telecomunicacoes de Macau from CITIC Pacific. The transaction will be paid with cash and the issuance of new shares. As a result, and subject to approvals by independent shareholders of CITIC 1616 and the government of Macau, CITIC Pacific's interest in CITIC 1616 will increase from 52.6% to 60.65%.

Financial Review

A net profit of HK$5,950 million was attributable to shareholders for the fiscal year 2009, showing a strong improvement compared with a net loss of HK$12,687 million for 2008, of which HK$14,632 million was attributable to after tax foreign exchange losses.

Profit attributable to shareholders



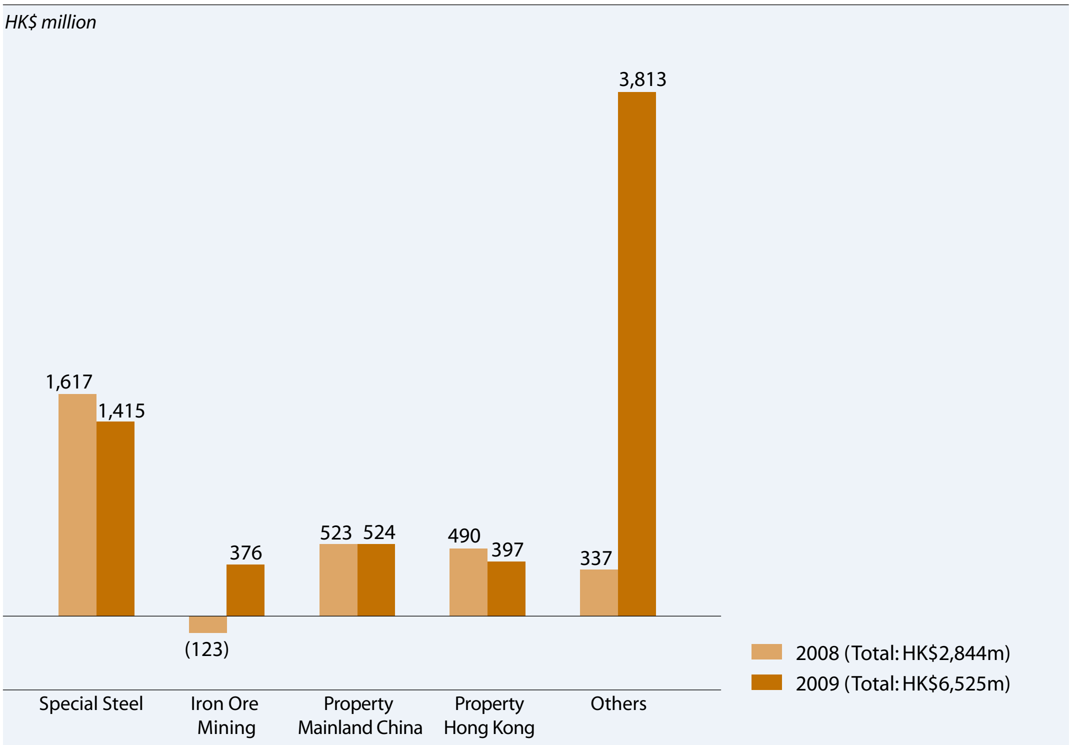
Performance by Business

Contribution by business

In HK$ million	2009 Contribution 2009	2009 Assets as at 31 Dec 2009	2009 Return on Assets	2008 Contribution 2008	2008 Assets as at 31 Dec 2008	2008 Return on Assets
Special steel	1,415	38,710*	4%	1,617	32,500	5%
Iron ore mining	376	36,026	1%†	(123)	24,187	(1%)
Property						
Mainland China	524	29,728	2%	523	25,973	2%
Hong Kong	397	11,093	4%	490	11,121	4%
Sub-total	**2,712**	**115,557**	**3%**	**2,507**	**93,781**	**3%**
Energy	886	6,868	12%	(1,090)	7,765	(14%)
Tunnels	437	1,928	23%	443	1,883	24%
Dah Chong Hong	402	11,460	4%	320	11,163	3%
CITIC 1616	196	2,532	8%	181	2,402	8%
Others	746	9,237	7%	(1,136)	13,201	(9%)
Disposal of assets	1,146	–	N/A	1,619	–	N/A
Total	**6,525**	**147,582**	**5%**	**2,844**	**130,195**	**2%**

* Includes assets under construction for the expansion of the steel plants amounting to HK$6,819 million in 2009 (2008: HK$4,670 million) .

† The iron ore mine had not commenced production in 2009. The contribution for the Iron ore mining business was a gain from the sale of excess AUD.



Special Steel The contribution for 2009 was HK$1,415 million compared with HK$1,617 million in 2008. 2009 was characterised by a recovering market for special steel, with a steady upward trend in sales volume resulting from the fiscal stimulus and the recovering economy. Management's continuous focus on achieving a more profitable product mix and reducing raw material costs was beneficial. This emphasis will continue.

Iron Ore Mining The build-out of the Australian mining operations infrastructure continued in 2009, with good progress made on the port, the gas pipeline for the power station and the installation of the first grinding mill. A contribution of HK$376 million was recorded, an increase that was mainly due to the sale of excess AUD, which strengthened during the year.

China Property Net contribution from leasing and sales was stable at HK$524 million in 2009 compared with HK$523 million in 2008. Leasing performed relatively well, with CITIC Square, Royal Pavilion and New Westgate Garden retail and other properties showing a 21% underlying profit increase from the same period last year. This increase was due mainly to higher rental rates for new leases signed during the period and increased income from retail leases due to higher consumer spending in 2009. The average occupancy rate increased to 94% from 92% in 2008. Residential sales were robust and mainly driven by our Shanghai, Wuxi and Yangzhou properties. During the review period, the company also sold a retail asset in Ningbo.

Hong Kong Property Profits from leasing decreased slightly to HK$363 million in 2009 from HK$365 million in 2008, due to the average occupancy rate of our Hong Kong portfolio declining slightly from 88% in 2008 to 86% in 2009 when the commercial leasing market remained soft. HK$34 million of contribution was derived from the sale of properties in Discovery Bay by our associated company, Hong Kong Resorts, in 2009.

Contribution from property

In HK$ million	**2009**	2008
Mainland China		
Sales	**207**	298
Leasing	**334**	277
Property under development	**(17)**	(52)
Hong Kong		
Sales	**34**	125
Leasing	**363**	365

Energy Despite a decline of 2.5% year-on-year in total power generated due to soft economic conditions in the first half of 2009, the energy division showed a HK$886 million profit compared with a HK$1,090 million loss in 2008. This was due to an increase in power tariffs towards the end of 2008 and cheaper coal from suppliers. Our coal mine in Shandong continued to increase production, which contributed strongly to the profitability of this segment.

Tunnels This segment showed a profit contribution of HK$437 million for 2009 compared with HK$443 million in 2008. This was due to the poor economic conditions in the first half of the year, which reduced total traffic volume. However, traffic began to show some increase during the second half of 2009.

Dah Chong Hong CITIC Pacific's share of DCH's net profit was HK$402 million for 2009 compared with HK$320 million for 2008. The 26% increase in contribution was mainly driven by the motor vehicle segment in mainland China, the strong demand for imported vehicles and increased sales through the expanded dealership network in the PRC. Profit from the trading and food segment was the same as 2008, with the growth in fast-moving consumer goods offset by the decline in sales of edible oil and worldwide food commodity prices in 2009. The performance of the logistics segment improved with additional logistics facilities in Hong Kong and mainland China coming into service and the provision of more value-added services to customers.

CITIC 1616 Our share of CITIC 1616's net profit was HK$196 million for 2009 compared with HK$181 million for 2008. CITIC 1616's improved performance was mainly due to new business from China Motion Netcom, which was acquired in November 2008, and ComNet Communications (Singapore) Pte. Ltd. (formerly Macquarie Telecom Pte. Ltd.), which was acquired in July 2009, as well as increased revenue from mobile value-added services and virtual private network (VPN).

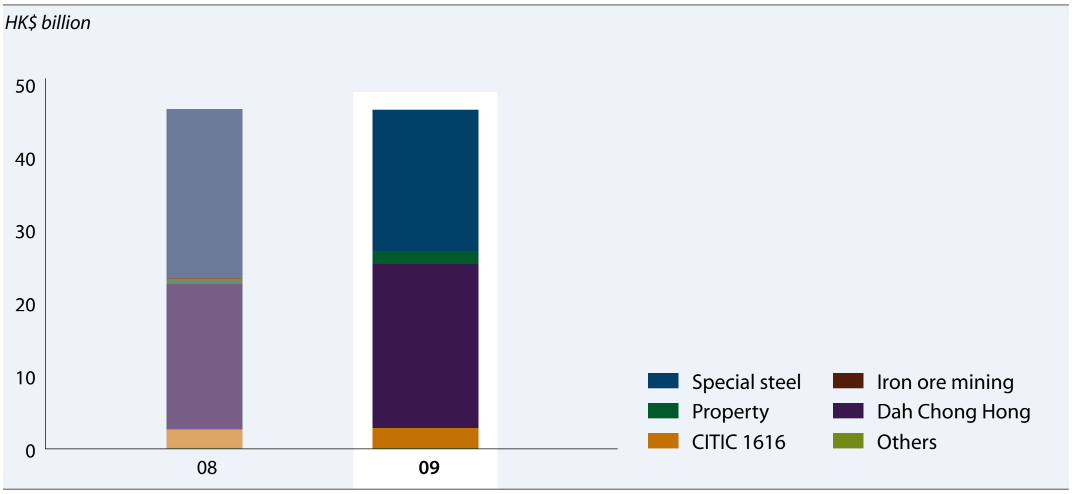
Disposal of Assets The sale of 14.5% of Cathay Pacific was completed in November 2009, resulting in a one-time gain of HK$996 million for CITIC Pacific. Cathay Pacific also contributed HK$168 million of net income for the period. Other net income was derived from the sale of listed shares, which decreased to HK$73 million in 2009 from HK$1,215 million in the previous year.

Turnover

Special Steel and Dah Chong Hong accounted for the majority of the consolidated turnover of CITIC Pacific in 2009.

Turnover at Special Steel decreased 16%, while turnover at Dah Chong Hong increased 14% from the previous year. Economic conditions in mainland China continued to improve due to government stimulus measures.

By business



In HK$ million	**2009**	2008
Special steel	**19,079**	22,758
Iron ore mining	**27**	27
Property		
Mainland China	**1,390**	544
Hong Kong	**257**	243
Sub-total	**20,753**	23,572
Energy	**–**	–
Tunnels	**724**	734
Dah Chong Hong	**22,131**	19,496
CITIC 1616	**2,716**	2,486
Others	**85**	132
Total	**46,409**	46,420

Derivatives Contracts

In 2009, we restructured our portfolio of leveraged foreign exchange contracts outstanding at the end of 2008 to ensure that derivative products are used only for hedging our business risks (The exception was three RMB leveraged foreign exchange contracts maturing in January and July 2010). These hedges were set up as accounting hedges. A one-time pre-tax gain of HK$283 million was reported for 2009, mainly due to gains up to the date of the restructuring of the leveraged foreign exchange derivative contracts, which were intended to hedge exposures at our Australian mining operations.

As at 31 December 2009, CITIC Pacific had gross outstanding derivative instruments of HK$49,148 million, compared with gross outstanding derivative instruments of HK$74,794 million as at 31 December 2008.

	Notional Amount		Fair Value as at	
In HK$ million	**31 Dec 2009**	31 Dec 2008	**31 Dec 2009**	31 Dec 2008
Forward foreign exchange contracts	**18,341**	14,309	**457**	(910)
Leveraged foreign exchange contracts*	**1,186**	20,204	**(108)**	(3,178)
Interest rate swaps	**28,426**	39,008	**(1,581)**	(4,541)
Credit default swap	**–**	78	**–**	–
Cross currency swaps	**1,195**	1,195	**178**	155
	49,148	74,794	**(1,054)**	(8,474)

* Maximum deliverable/notional amount for leveraged foreign exchange contracts.

Three AUD leveraged forward exchange contracts were restructured into a series of plain vanilla forward contracts from March to May 2009. Since then, no additional AUD leveraged forward contracts have been entered into. Together with the contracts restructured in 2008, CITIC Pacific had AUD plain vanilla contracts with a notional amount of AUD 2.0 billion as at 31 December 2009. These contracts were qualified for hedge accounting purposes. They are accounted for as hedges against movements in the spot exchange rate, which allows most of the movements in the fair market value of these derivatives to be recorded in equity, with a small residual amount. The latter largely reflects the difference in AUD/USD interest rates, and is recorded in the profit and loss account.

One Euro dual currency leveraged foreign exchange contract was terminated in January 2009. At the moment, we have no remaining Euro leveraged forward exchange contracts. Three RMB target redemption forward contracts with a maximum notional amount of RMB943 million were held by CITIC Pacific to hedge its RMB exposures. Two of these leveraged foreign exchange contracts matured in January 2010, and the remaining contract will mature in July 2010. These leveraged forward contracts are not eligible for hedge accounting, and gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

Interest Expense

CITIC Pacific's interest expense charged to the profit and loss account decreased from HK$747 million to HK$650 million in 2009. Capitalised interest of HK$1,816 million was mainly attributable to special steel and property development projects under construction in mainland China and our mining operations in Australia.

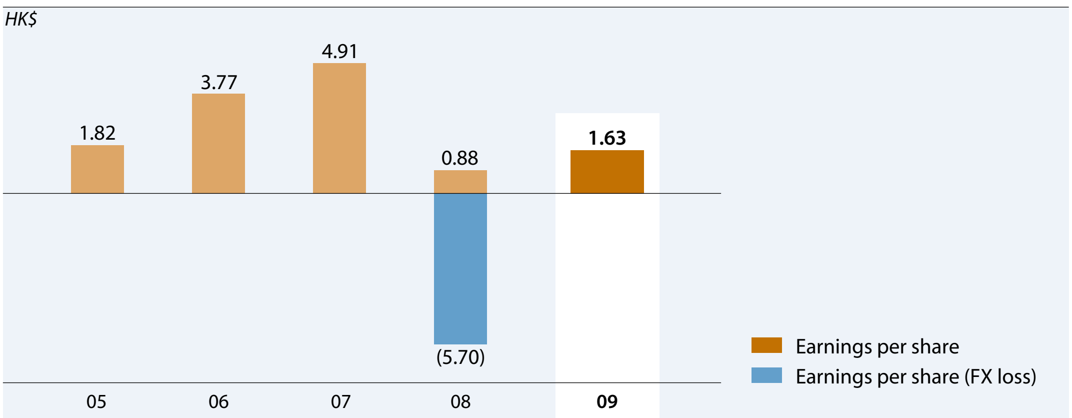
The weighted average cost of debt (including both interest capitalised and expensed) declined from 4.7% for 2008 to 3.7% for 2009. This was due to the continuing low interest rate environment in Hong Kong and the United States.

Taxation

In 2009, current taxation increased from HK$690 million to HK$779 million due to increased profits from operations. In 2008, Sino Iron recognised a significant deferred taxation credit of HK$1.3 billion in respect of losses stemming from leveraged foreign exchange contracts.

Earnings per Share

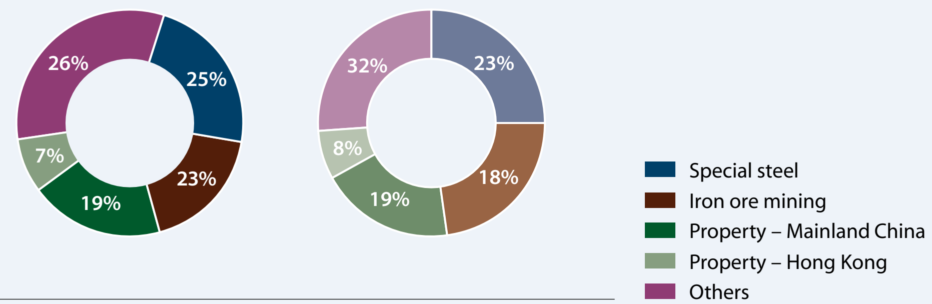
Earnings per share were HK$1.63 in 2009 compared with a loss of HK$5.70 in 2008. Earnings per share grew from 2005 to 2007 but declined sharply in 2008 due to large losses from leveraged foreign exchange derivatives. The performance in 2009 is a reflection of the general economic environment and conditions affecting our businesses, suggesting a return to normal operating conditions after derivative losses in 2008.



Assets

Total assets increased from HK$138,901 million to HK$155,741 million in 2009. Asset growth was mainly driven by our three main lines of business – iron ore mining in Australia, special steel and mainland property. With the continuing divestment of non-core businesses such as Cathay Pacific, a power plant and the reduction of our stake in CITIC Capital, these core businesses increased their share of total assets from 60% in 2008 to 67% in 2009.

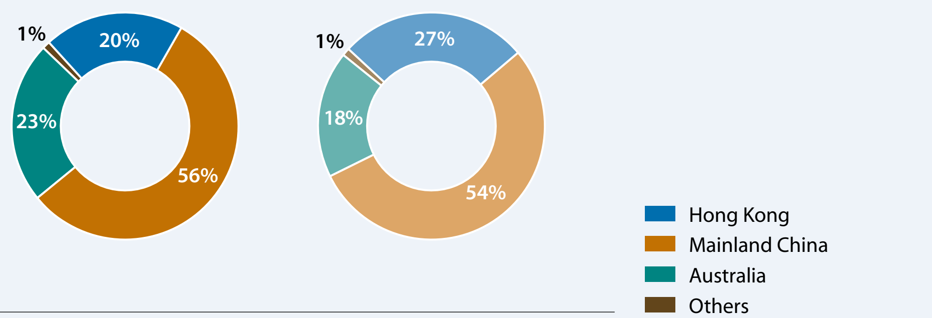
By business



as at 31 Dec 2009
(Total: HK$155,741m)

as at 31 Dec 2008
(Total: HK$138,901m)

By geographic area

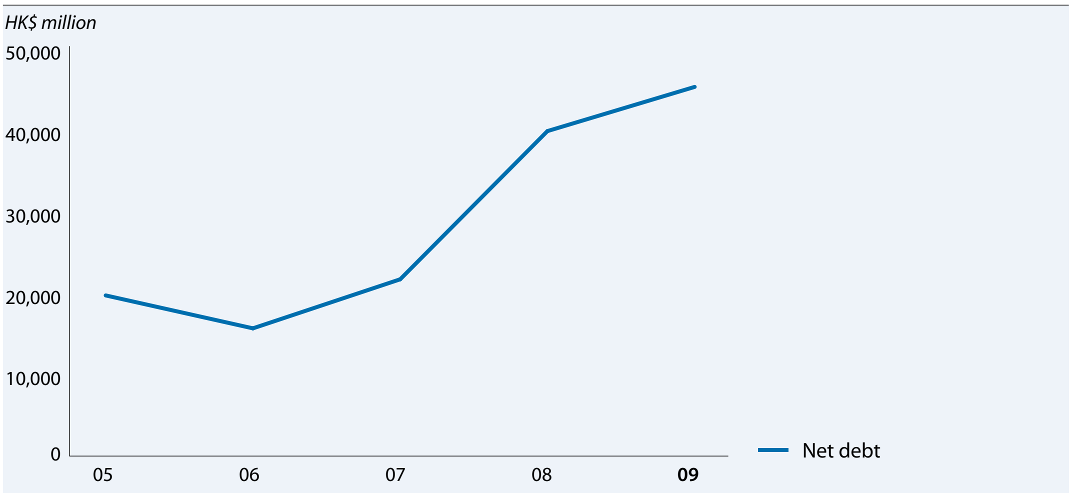


as at 31 Dec 2009

as at 31 Dec 2008

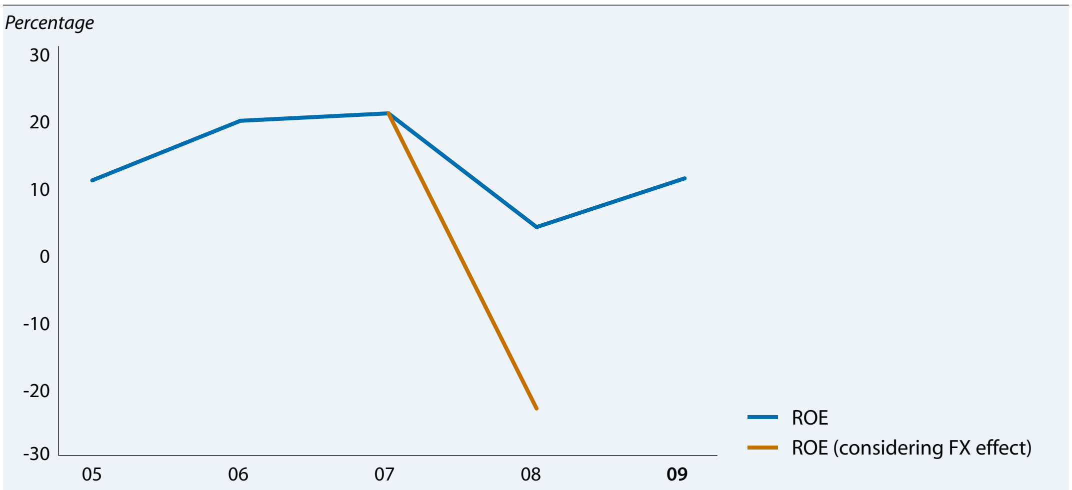
Net Debt

Net debt has grown in line with the planned expansion of our businesses. CITIC Pacific expects net debt to begin declining once the major capital expenditure plans for the steel and mining businesses and major property projects have been completed in 2011.



Return on Equity*

The return on equity for 2009 was 11%, with the return to profitability after the losses arising from leveraged foreign exchange contracts in 2009.



* ROE = Profit Attributable to Shareholders / Average Shareholders' Funds

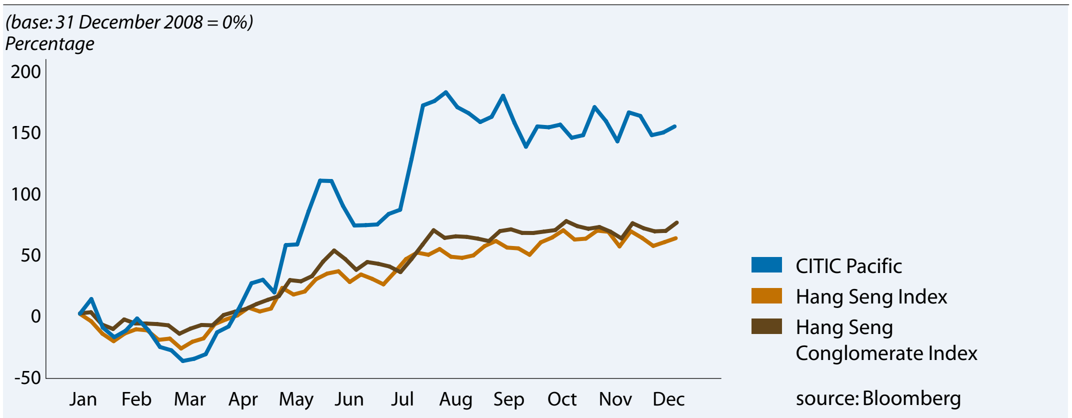
Shareholders' Funds

Shareholders' funds increased from HK$49,688 million at 31 December 2008 to HK$60,259 million at 31 December 2009, due to profit for the year and mark-to-market gains in the derivatives portfolio. These gains were mainly due to a rise in the exchange rate of the AUD against the USD as well as the rise in USD and HKD interest rates, and are mainly reflected in reserves as most of the underlying instruments qualify for hedge accounting.

Share Price Performance

During 2009, the share price of CITIC Pacific rose by 149% as a result of improving economic conditions and shareholder confidence. This was benchmarked against a rise in the Hang Seng Index of 52% and a 66% rise in the Hang Seng Conglomerate Index. In 2009, the share price had a high of HK$23.70 and a low of HK$7.18.

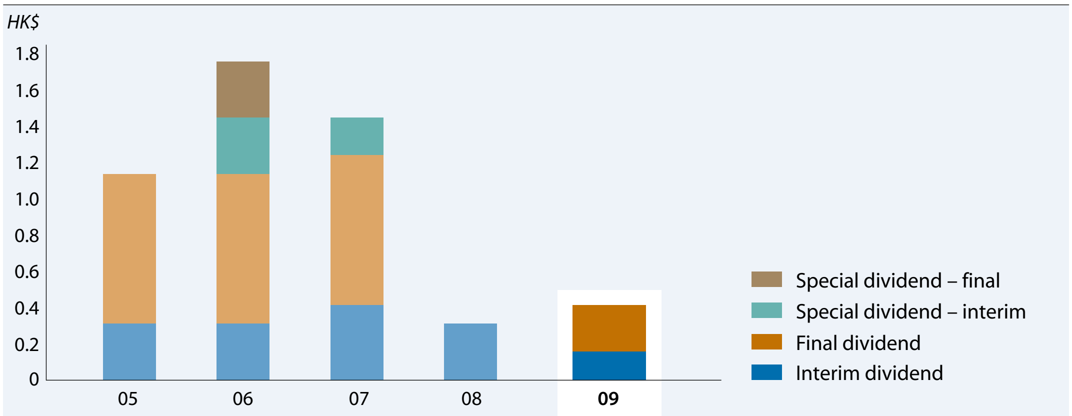
CITIC Pacific vs HSI and HSCI



Dividends

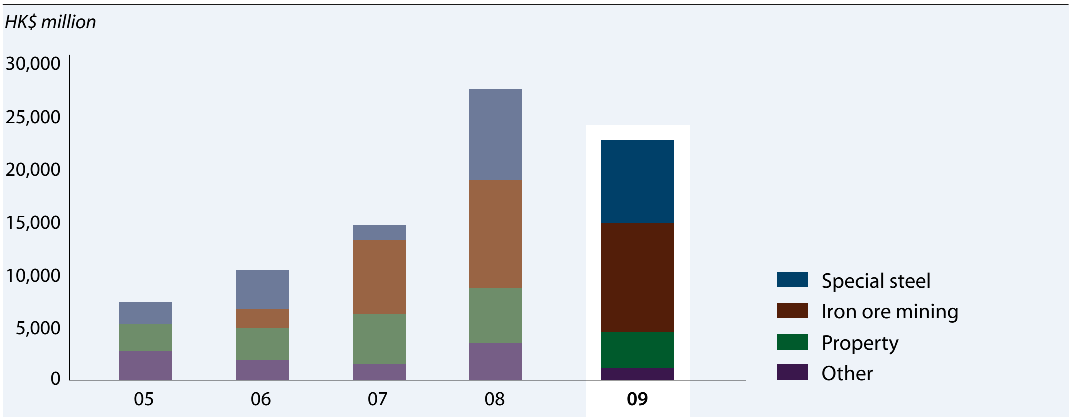
A final dividend of HK$0.25 per share in addition to the interim dividend of HK$0.15 per share has been recommended for 2009, following the return to profitability. This equates to an aggregate cash distribution of HK$1,459 million. In view of the loss in 2008, no final dividend was paid for that year.

Dividend per share



Capital Expenditure

Capital expenditure has continued to grow over the past five years with the Australian mining operations accounting for the largest share in the past three years.



In HK$ million	**2009**	2008
Special steel	**7,611**	8,381
Iron ore mining	**10,033**	10,010
Property		
Mainland China	**3,362**	5,049
Hong Kong	**19**	9
Sub-total	**21,025**	23,449
Others	**1,079**	3,400
Total	**22,104**	26,849

Capital expenditure presented in the above table includes expenditure to acquire or increase fixed assets, properties under development and acquisition of businesses and minority interests, deposits paid on fixed asset purchases, payments for mining rights and related development costs including capitalised interest.

CITIC Pacific has maintained its focus on its major businesses and has invested approximately HK$7.6 billion in the special steel division, HK$10.0 billion in the Australian mining project and HK$3.4 billion in its property projects in China, accounting for 34%, 45% and 15% of the total capital expenditure of CITIC Pacific for 2009 respectively.

- In 2009 new special steel plate production lines were constructed at Jiangyin Special Steel with a capacity over 3 million tonnes. At Xin Yegang, two new lines capable of producing 630,000 tonnes of medium to thick wall seamless steel tubes were completed in 2009.
- The Australian mining project has continued to build out the essential infrastructure. Major achievements in 2009 included progress made on the construction of the main causeway, the gas pipeline and the production of the first grinding mill.
- Property projects currently under construction in mainland China are located in Shanghai, Wuxi, Jiangyin, Yangzhou and Hainan Island. In Hong Kong, our development projects in Discovery Bay are under construction. (See pages 32 to 45.)

Cash Inflows

Consolidated cash inflows totalled HK$18,972 million in 2009 compared with HK$12,886 million for the comparable period in 2008. Cash inflows principally represent cash generated from operating activities after income taxes, dividends from associated companies and jointly controlled entities, proceeds from divestment of businesses, sales of listed investments and sales of fixed assets and investment properties.

In HK$ million	**2009**	2008
Cash Inflows from Business Operations		
Special steel	**1,370**	3,847
Iron ore mining	**55**	(36)
Property		
Mainland China	**3,339**	721
Hong Kong	**281**	286
Energy	**32**	–
Tunnels	**521**	513
Dah Chong Hong	**1,200**	429
CITIC 1616	**402**	400
Others	**27**	(116)
	7,227	6,044
Other Cash Inflows		
Dividends from associated companies & jointly controlled entities	**299**	824
Divestments of business	**9,700**	1,503
Sales of other listed investments & other financial assets	**599**	3,368
Sales of fixed assets & investment properties	**282**	486
Others	**865**	661
	11,745	6,842
Total	**18,972**	12,886

Proceeds from divestments of businesses in 2009 included a HK$2,130 million advance payment from the sale of a 20% interest in the Australian mining operations to China Metallurgical Group Corporation and the receipt of HK$7,347 million from the sale of a 14.5% stake in Cathay Pacific to Air China and Swire Pacific.

Treasury Risk Management

General Policies

- Maintain central management of finance and financial exposures throughout CITIC Pacific while delegating to business units specific responsibilities appropriate to their business for which local management is responsible.
- Diversify funding sources utilising both bank financing and capital markets, and employing limited or non-recourse project finance when available.
- Arrange financing to match each business' characteristics and cash flows to the extent that it is possible.

Responsibilities

CITIC Pacific's overall risk management programme seeks to minimise the impact of fluctuations in exchange rates, interest rates and various input cost fluctuations on its financial performance. The asset and liability management committee ('ALCO'), set up by the board in October 2008, meets monthly to set out the policies and procedures to be followed throughout the organisation and to monitor risk exposures.

The group finance department is responsible for maintaining and implementing financial risk management policies and procedures within the framework agreed by ALCO.

The group finance department monitors the funding requirements of CITIC Pacific along with resulting interest rate, currency, credit and liquidity risks. This portfolio approach to financial risk management enables activities in these areas to be carried out in a more economic and efficient manner.

Subsidiaries, jointly controlled entities and business units are responsible for managing their liquidity, interest rate risks, foreign exchange risks and input costs under policies approved by the boards of their respective companies, but also within the confines of the overall ALCO strategy.

CITIC Pacific's listed subsidiaries, Dah Chong Hong ('DCH'), CITIC 1616 and Daye Special Steel, arrange their financial and treasury affairs themselves, within ALCO policies.

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.

In June 2009, CITIC Pacific 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. Valuations provided by Reval were used in the compilation of the annual report.

The use of financial instruments is currently restricted to loans, deposits, interest rate swaps and plain vanilla foreign exchange contracts. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes.

Foreign Exchange Risk

The company's functional currency is HKD. CITIC Pacific has major operations in Hong Kong, mainland China and Australia and is subject to market risk 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') and Swedish Krona ('SEK') (from equipment purchases).

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:

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

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

iii) USD denominated debt; and

iv) purchases of finished products for sale by DCH.

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

US Dollar (USD) CITIC Pacific's investment in businesses whose functional currency is USD is mostly attributable to the iron ore mining business, which had USD gross assets of HK$35 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 31 December 2009, CITIC Pacific had HK$41 billion equivalent of US dollar debt, of which HK$5 billion was economically hedged using plain vanilla forwards and cross currency swaps.

Renminbi (RMB) Businesses in mainland China had RMB gross assets of approximately HK$87 billion as at 31 December 2009, offset by debts and other liabilities of HK$29 billion. This gave the company an RMB net asset exposure of HK$58 billion (2008: RMB gross asset exposure of approximately HK$75 billion, offset by debt and other liabilities of HK$23 billion, with RMB net asset exposure of HK$52 billion). The Renminbi is currently not a freely convertible currency and 'registered capital', which usually accounts for no less than 25% of the total investment amount for projects in mainland China, is required to be paid in foreign currency by foreign investors such as CITIC Pacific. As investment in mainland China is expanding, CITIC Pacific has an increasing exposure to the Renminbi.

In 2008, we entered into several RMB non-deliverable leveraged forward contracts for general purpose hedging of RMB exposures, which all expire in 2010. As at 31 December 2009, the maximum notional amount of these contracts was RMB 943 million.

Australian Dollar (AUD) Our Australian mining operations' 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. USD/AUD forward contracts are currently employed to hedge these currency exposures up to 2013 at an average rate of 0.82.

As at 31 December 2009, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$2 billion that qualify as accounting hedges, because their maturity matches the needs of the business over the next three years as well as fulfilling other relevant criteria to be considered accounting hedges.

Japanese Yen (JPY) CITIC Pacific issued a JPY 8 billion bond in 2005. From an economic perspective, this bond was fully hedged through a cross currency swap into Hong Kong dollars 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 2009 there were no other JPY exposures at the corporate level.

For the Australian mining operations, as at 31 December 2009 there was a net JPY 181 million denominated exposure for capital expenditures to purchase machinery.

Swedish Krona (SEK) SEK exposure amounted to SEK 31 million at 31 December 2009 due to a contract with Siemens to supply a steam turbine generator for the Australian mining operations. This position is currently 71% hedged using plain vanilla forward contracts.

Euro (EUR) EUR exposure amounted to EUR 68 million as at 31 December 2009. Most of this exposure is related to contracts for procurement and design services for the Australian mining project and equipment purchases by the special steel business.

Interest Rate Risk

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

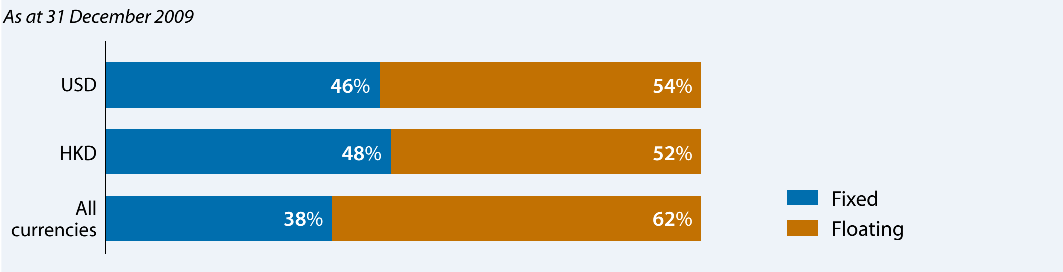
This risk is managed by considering the portfolio of interest bearing assets and liabilities. The net desired position is then managed by borrowing fixed rate or through the use of interest rate swaps, which have the economic effect of converting floating rate borrowings into fixed rate borrowings.

The appropriate ratio of fixed/floating 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. The current ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific stands at 38%.

In 2008, the company entered into HK$16 billion of swaps to lock in fixed rates for periods of up to 20 years, partly in connection with the iron ore mining project. Most of these forward starting swaps became effective in 2009, and the balance will become effective in 2010.

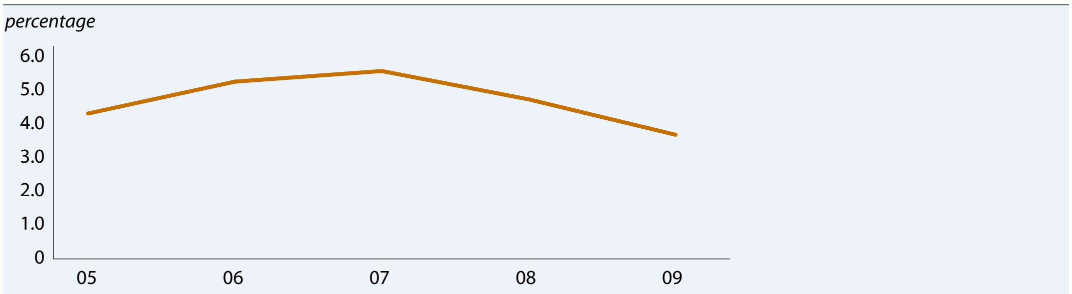
As at 31 December 2009, CITIC Pacific's portfolio of floating to fixed interest rate derivative contracts had a notional amount of HK$21 billion. After hedging, 62% of the borrowings of CITIC Pacific were linked to floating interest rates.

Fixed and floating interest rates



CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) in 2009 was approximately 3.7% compared with 4.7% in 2008.

Average borrowing costs



Counterparty Risk

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. Deposits are liquid, interest-bearing and consistent with treasury and business purpose needs.

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.

Liquidity Risk

CITIC Pacific takes liquidity risk into consideration when deciding its source of funds and their respective tenors. It manages its liquidity risk by maintaining substantial undrawn committed credit facilities, money market lines and cash deposits so as to avoid over-reliance on any one source of funds and to minimise substantial refinancing in any one period. In addition, CITIC Pacific has established cooperative agreements with major banks in mainland China. Under these cooperative agreements, CITIC Pacific's projects in mainland China can apply for credit facilities, subject to the banks' approval on a project-by-project basis in accordance with banking regulations in the Mainland.

ALCO monitors rolling forecasts of CITIC Pacific's liquidity reserve (comprised of undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows). In addition, CITIC Pacific's liquidity management procedures involve projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these cash flow requirements. The group finance department also monitors balance sheet liquidity ratios against internal requirements and maintains debt financing plans.

Group Debt and Liquidity

CITIC Pacific seeks to secure financing from a diversified set of counterparties at the most competitive terms available in the market. It is our policy to retain sufficient liquidity to maintain our financial flexibility and to maintain our credit rating.

At the end of December 2009, CITIC Pacific had around 30 principal borrowing relationships with financial institutions based in Hong Kong, mainland China and other countries. Our policy is to diversify funding sources through bank borrowings and accessing capital markets. We seek to maintain a mix of short and long-term borrowings to stagger maturities and minimise refinancing risk.

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific. The major exceptions are CITIC Pacific's guarantees for the US$1.3 billion syndicated loan to fund Phase I of its mining operations, expiring upon fulfilment of certain conditions subsequent, and associated interest rate and foreign exchange hedging transactions to Sino Iron Pty Ltd. A 20-year US$1.1 billion corporate loan for the Phase II mining operations has also been guaranteed. US$813 million in guarantees was also provided to the iron ore mining project to support performance/obligations under construction or procurement contracts.

The net debt of CITIC Pacific as at 31 December 2009 as compared with 31 December 2008 is as follows:

HK$ million	**2009**	2008
Total debt	**65,675**	57,234
Cash and bank deposits	**21,553**	18,296
Net debt	**44,122**	38,938

In 2009, total debt increased from HK$57 billion at the end of 2008 to HK$66 billion at 31 December 2009 due to the continuing outlays for the Australian mining business as well as the drawing down of additional debt by CITIC Pacific's steel and property businesses in mainland China for additional capital expenditure.

In 2009, the company received a HK$2 billion deposit from the sale of a 20% interest in the Australian mining operations to China Metallurgical Group. This sale is still awaiting regulatory approval and has not been completed. HK$8 billion was realised from the sale of Cathay Pacific and other shares in various listed companies held by CITIC Pacific. The contract for the sale of CITIC Pacific's 20% interest in North United Power has been signed at a consideration of HK$2 billion. This sale is expected to be completed, and the proceeds to be received, in the first quarter of 2010. Cash received from other divestments amounted to HK$280 million.

Changes in Financing

During 2009, facilities totalling HK$17 billion were established or renewed, HK$10 billion by the company and HK$7 billion by subsidiaries. The new facilities included a US$550 million loan to fund the Australian mining operations. In 2009, HK$3 billion of bank loans were prepaid (before contracted maturity dates) in order to improve CITIC Pacific's maturity profile. Subsequent to 31 December 2009, an additional HK$3 billion of facilities have been provided to CITIC Pacific.

Currency Profile

The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 31 December 2009 is summarised as follows:

	Denomination					
HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
Total debt in original currency	11,405	40,834	12,805	534	97	65,675
Total debt after hedging	16,957	35,811	12,805	5	97	65,675
Cash and bank deposits	4,843	9,119	7,046	218	327	21,553
Net debt/(cash) after hedging	12,114	26,692	5,759	(213)	(230)	44,122

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. CITIC Pacific uses cross currency swaps to hedge USD and JPY financing, which swap the cash flows into HKD to hedge currency exposures.

Total debt after hedging (HK$66 billion)

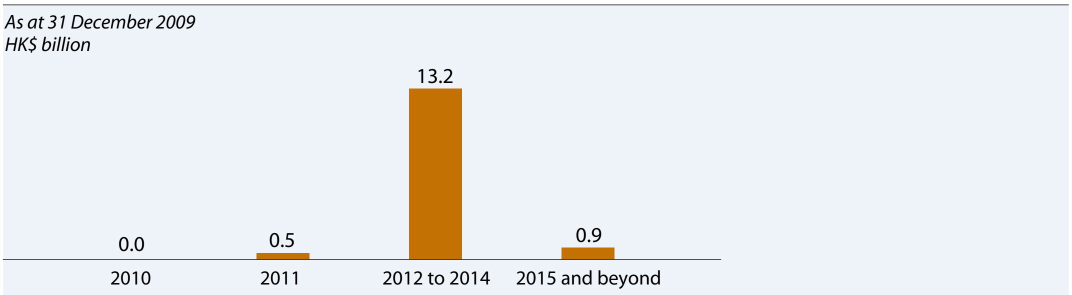
As at 31 December 2009

Available Sources of Financing

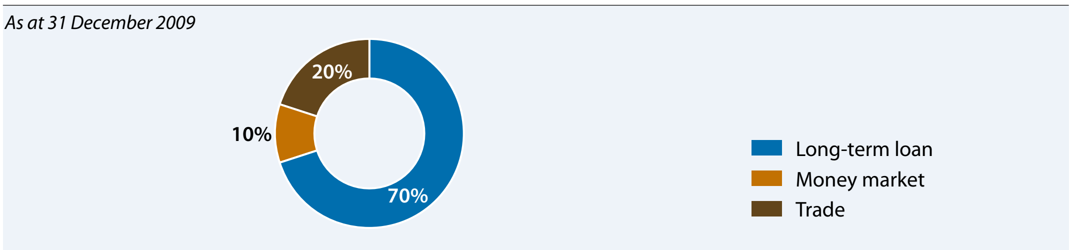
In addition to the cash and deposits balance of HK$22 billion, as at 31 December 2009 CITIC Pacific had available loan and trade facilities totalling HK$17 billion and HK$4 billion respectively. Borrowings by source of financing as at 31 December 2009 are summarised as follows:

HK$ million	Total facilities	Amount utilised	Available unutilised facilities
Committed facilities			
Term loans	73,449	58,879	14,570
Global bonds (USD bond)	3,510	3,510	–
Private placement (JPY bond)	529	529	–
Total committed facilities	77,488	62,918	14,570
Uncommitted facilities			
Money market lines and short-term facilities	4,776	2,718	2,058
Trade facilities	5,767	1,490	4,277
Total uncommitted facilities	10,543	4,208	6,335

Available committed banking facilities by maturity (total HK$14.6 billion)



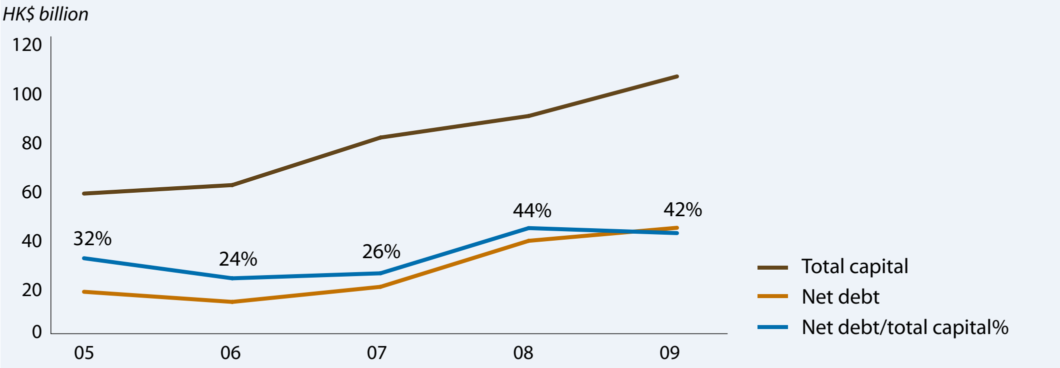
Available total banking facilities by type (HK$21 billion)



As at 31 December 2009, total committed facilities were HK$77 billion, of which HK$15 billion (19%) remain undrawn. In addition to the above facilities, CITIC Pacific has established cooperative agreements with major banks in mainland China. Under these cooperative agreements, CITIC Pacific's projects in mainland China can apply for credit facilities subject to the banks' approval on a project-by-project basis in accordance with banking regulations in mainland China.

Leverage

Net debt divided by total capital was 42% as at 31 December 2009 compared with 44% as at the end of 2008.



Maturity Profile of Outstanding Debt

CITIC Pacific emphasises raising long-term debt over short-term debt and actively manages its debt portfolio to ensure that the debt maturing in each year will not exceed the anticipated cash flow and CITIC Pacific's ability to refinance the debt in that year. As at 31 December 2009, outstanding loans that will mature by the end of 2010 amounted to HK$4 billion, against cash and deposits totalling HK$22 billion.

The weighted average life of CITIC Pacific's debt was 6.4 years (2008: 5.6 years).

HK$ million	2010	2011	2012	2013	2014	2015 and beyond	Total	Percentage
Parent company*	700	9,494*	7,350	4,595	1,285	7,149*	30,573	47%
Subsidiaries	3,657	5,130	3,311	2,693	1,628	18,683	35,102	53%
Total maturing debt	4,357	14,624	10,661	7,288	2,913	25,832	65,675	100%

* Including through wholly-owned special purpose vehicles.

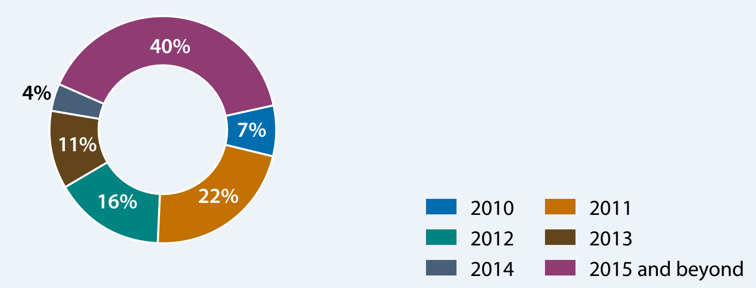
Total outstanding debt by type (HK$66 billion)

As at 31 December 2009

Financial Review

Total outstanding debt by maturity (HK$66 billion)

As at 31 December 2009



Net Debt and Cash in Jointly Controlled Entities and Associated Companies

For accounting purposes, some of CITIC Pacific's businesses are classified as jointly controlled entities and associated companies. The following table shows the net debt/cash position of jointly controlled entities and associated companies by business sector as at 31 December 2009, which under Hong Kong generally accepted accounting standards are not consolidated into CITIC Pacific's accounts.

Business Sector *HK$ million*	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	1,975	1,316
Property		
Mainland China	(4,913)	(2,457)
Hong Kong	(324)	(157)
Energy	15,698	6,032
Tunnels	1,891	662
Dah Chong Hong	(46)	(26)
Other investments	250	216
Total	14,531	5,586

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 is guaranteed by CITIC Pacific or its subsidiaries. Certain of CITIC Pacific's associates, such as Hong Kong Resort Company Ltd which holds property projects in Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

Pledged Assets

As at 31 December 2009, assets of HK$903 million (2008: HK$746 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. In addition, iron ore mining assets of HK$24 billion were pledged under its project financing. Contracts for building 12 ships (HK$5 billion in aggregate) to transport iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing.

Contingent Liabilities

Details of CITIC Pacific's contingent liabilities as at 31 December 2009 are stated under Note 37 to the Financial Statements.

Loan Covenants

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

	Covenant limits	Actual 2009
Minimum consolidated net worth		
Consolidated net worth	≥ HK$25 billion	HK$62 billion
Gearing		
Consolidated borrowing/consolidated net worth	≤1.5	1.06
Negative pledge		
Pledged assets/consolidated total assets	≤ 30%	0.58%

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
February 2010		Ba1 (Stable)
31 December 2009	BBB- (Stable)	Ba1 (Negative)
December 2009	BBB- (Stable)	
October 2009	BB+ (Positive)	
February 2009	BB+ (Stable)	Ba1 (Negative)
1 January 2009	BB (Negative)	Ba2 (Negative)

In December 2009, Standard & Poor's upgraded the company's credit rating to BBB- from BB+. In February 2010, Moody's changed the rating outlook to stable from negative on its Ba1 rating. The stable outlook from the ratings agencies reflects the expectation that the company will continue to receive strong support from the CITIC Group, will execute new projects while maintaining its key financial metrics and has the flexibility to sell non-core assets to maintain its liquidity.

One of CITIC Pacific's risk management objectives is to continue to upgrade its credit profile. The ratings agencies will consider an upgrade if funds from operations ('FFO')/ debt is greater than 15-20%, the ratio of debt to total capital is below 45% and FFO interest coverage improves to 4-5x on a sustained basis. The company expects its overall financial and operating profile will improve substantially after the iron ore mine becomes fully operational.

Despite the uncertain economic environment, the stability of our core businesses will ensure that we meet all our commitments to our lenders and allow us to secure additional financing to support our funding needs in the future.

Forward Looking Statements

The Annual Report contains certain 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.

Ten Year Statistics

At year end (HK$ million)	2000	2001	2002	2003	2004	2005	2006	2007	2008	**2009**
Shareholders' funds	40,650	40,781	41,742	37,848	36,921	39,103	46,510	59,535	49,688	**60,259**
per share *(HK$)*	18.51	18.62	19.07	17.29	16.84	17.83	21.18	26.91	13.63	**16.52**
Debt										
Debt	15,709	14,639	9,267	10,528	14,580	21,218	18,293	28,654	57,234	**65,675**
Bank deposits	5,201	4,631	2,545	5,511	2,417	2,579	3,679	8,045	18,296	**21,553**
Net debt/total capital	21%	20%	14%	12%	25%	32%	24%	26%	44%	**42%**
Interest cover*	5x	6x	12x	8x	15x	11x	20x	50x	(13)x	**17x**
Capital employed	56,359	55,420	51,009	48,376	51,501	60,321	64,803	88,189	106,922	**125,934**
Property, plant and equipment	4,983	6,293	4,174	4,335	6,066	8,871	9,491	12,154	23,028	**39,236**
Investment properties	5,531	5,357	8,493	7,923	8,115	8,645	9,604	10,895	11,230	**11,164**
Properties under development	246	460	586	679	1,672	1,849	2,712	4,288	9,848	**11,237**
Leasehold land	1,102	1,076	1,094	1,194	1,596	1,618	1,712	1,641	2,320	**2,377**
Jointly controlled entities	2,019	2,365	3,582	4,085	7,852	10,413	14,922	17,446	21,140	**22,097**
Associated companies	23,497	22,704	22,183	22,584	21,439	23,239	16,416	17,683	14,801	**5,611**
Other financial assets	9,264	8,070	7,092	1,027	1,121	929	2,819	7,502	1,063	**2,198**
Intangible assets	1,547	1,842	1,697	1,619	1,785	1,795	3,581	4,602	8,979	**10,913**
Stock market capitalisation	60,720	37,993	31,514	43,332	48,444	47,038	58,952	96,338	30,556	**76,258**
Number of shareholders	9,808	11,044	12,260	12,198	11,554	11,262	10,433	8,571	8,712	**8,565**
Staff	11,354	11,733	11,643	12,174	15,915	19,174	23,822	24,319	28,654	**30,329**
For the year (HK$ million)										
Net profit/(loss) after tax										
Net profit/(loss) after tax	3,283	2,084	3,835	1,148	3,534	3,989	8,272	10,843	(12,687)	**5,950**
per share *(HK$)*	1.49	0.95	1.75	0.52	1.61	1.82	3.77	4.91	(5.70)	**1.63**
Contribution by major businesses										
Special steel	29	95	126	178	438	808	1,333	2,242	1,617	**1,415**
Iron ore mining	–	–	–	–	–	–	–	–	(123)	**376**
Property										
Mainland China	–	–	103	112	125	154	308	197	523	**524**
Hong Kong	414	625	783	243	434	952	1,727	534	490	**397**
Energy	314	281	245	229	439	368	268	494	(1,090)	**886**
Roads and tunnels	1,265	1,318	1,174	578	276	362	411	412	443	**437**
Dah Chong Hong	221	105	234	253	284	233	297	417	320	**402**
CITIC 1616	39	129	252	116	120	122	191	157	181	**196**
Other investments	1,969	549	1,857	815	1,671	992	3,520	1,469	483	**1,892**
Net gain from listing of subsidiary companies	–	–	–	–	–	–	–	4,552†	–	**–**
Fair value change of investment properties	–	–	–	(587)	181	755	1,077	1,217	(33)	**120**
EBITDA	5,238	3,921	5,691	3,126	5,666	6,412	11,882	15,160	(9,950)	**10,765**
Dividends per share *(HK$)*										
Regular	0.85	0.80	1.00	1.00	1.10	1.10	1.10	1.20	0.30	**0.40**
Special	–	–	1.00	–	–	–	0.60	0.20	–	**–**
Cover	1.8x	1.2x	1.8x	0.5x	1.5x	1.7x	3.4x	4.1x	(19.0)x	**4.1x**

Note:
1. 2008 figures have been restated to reflect the group's adoption of HK(IFRIC)-Int 13 'Customer Loyalty Programmes'.
2. The adoption of HKFRS 8 'Operating segments' in year 2009 has resulted in a change of presentation in segment information, in particular aviation segment had been included in other investments segment.
3. Prior years' figures have been restated to reflect the group's adoption of Hong Kong Financial Reporting Standards except the figures have not been adjusted for years 2001 and before following the adoption of revised accounting standard of SSAP 12 'Income Tax' in year 2002.

* 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 1616 in 2007.

Human Resources

Committed and talented people have been a key factor in the sustainable development and business success of CITIC Pacific.

We strive to attract, motivate and retain talent by providing an environment that promotes fairness, respect and a high standard of business ethics. We also offer equal opportunities and competitive rewards that recognise and motivate outstanding performance. Moreover, we support professional and personal development by providing learning and development opportunities as well as financial sponsorship for self-learning.

People

CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 30,329 staff as at December 2009 (2008: 28,654). Of these, 82% were based in mainland China; 15% in Hong Kong; 2% in Australia; and the other 1% in Japan, Taiwan and Canada.

There was a 5.9% growth in our workforce in 2009, as compared with 2008. The main increases came from the Mainland Property, CITIC 1616 and Iron Ore Mining business segments, as a result of new development projects and acquisitions.

Remuneration

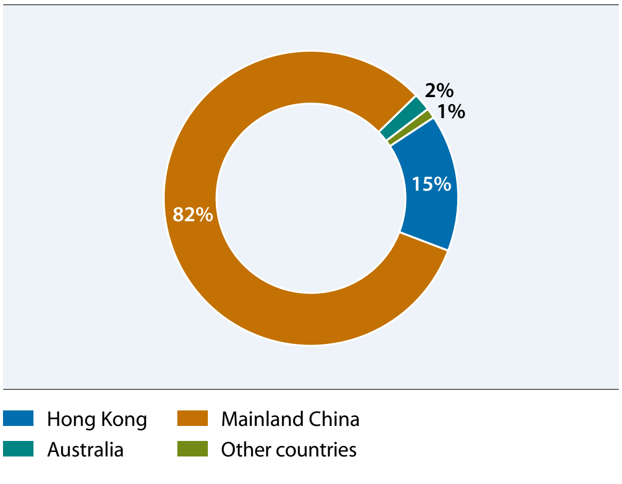
CITIC Pacific offers competitive remuneration packages designed to motivate and retain talented people, and reviews remuneration packages annually to ensure their competitiveness.

In addition to base pay and comprehensive benefits programmes, CITIC Pacific has implemented a variable bonus policy that links pay with individual performance and business results. For senior management, variable bonuses constitute a significantly higher proportion of their total remuneration package. Over the years, this variable pay policy has proved to be effective in motivating performance.

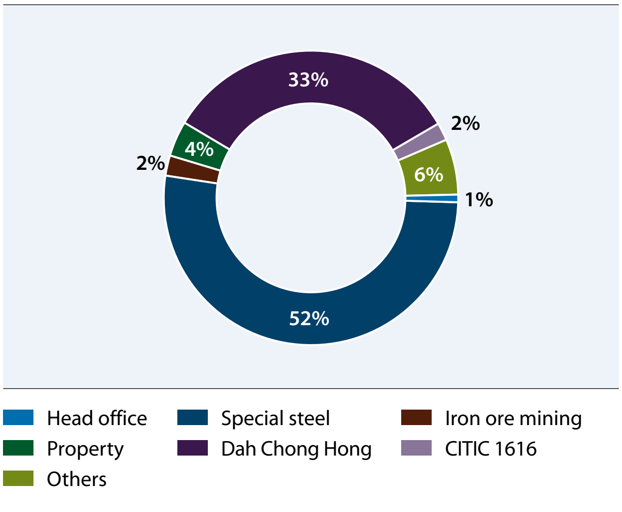
Remuneration Committee

The remuneration committee, established in August 2003, comprises three non-executive directors, two of whom are independent non-executive directors. The committee meets at least once a year to review the remuneration packages of individual executive directors and other key executives. Factors include salary levels, bonuses, benefits in kind and the terms under which executives are permitted to participate in any share option or other reward plans, relative to remuneration paid at comparable companies.

2009 headcount by location



2009 headcount by business segment



The committee also takes into account the time commitment and responsibilities of the directors and key executives as well as employment conditions elsewhere across the Group. CITIC Pacific considers performance-based remuneration to be desirable, as it aligns management incentives with shareholder interests.

Details of the CITIC Pacific Share Incentive Plan 2000 and the granting of options are reported on pages 97 to 100. With the recovery of business in 2009, CITIC Pacific resumed the bonus award suspended in 2008 to its directors. However, the total remuneration of HK$117 million paid to the directors in 2009 is still substantially lower than 2007 (2007: HK$294 million; 2008: HK$27 million). Further information on individual director's emoluments can be found on page 143.

People Development

CITIC Pacific is committed to providing an environment that is conducive to the development of its staff. To this end, we organise a wide range of internal and external training programmes to expand the business expertise, competencies and skill sets of staff to meet the ever-changing challenges of the marketplace.

In addition to management and leadership training programmes, we organise seminars and presentations conducted by professional institutions on specific topics, such as legislative changes, workplace safety and new technology, to maintain the industry and technical knowledge of staff members. With the continuing growth of its businesses in mainland China, CITIC Pacific encourages and facilitates knowledge sharing and skills transfer between staff in Hong Kong and mainland China. We also support and encourage self-initiated personal development through financial sponsorship.

Employee Relations

To enhance the sense of engagement, pride and community among the 30,329 staff of CITIC Pacific, numerous activities and interest groups have been organised throughout the year. In 2009, various activities such as singing and photography competitions and outings were held at the mainland China business units to celebrate the 60th anniversary of the People's Republic of China.

Corporate Social Responsibility

CITIC Pacific is proud to be a socially-responsible organisation and contributes to the community by supporting and sponsoring activities such as charitable work, education, anti-drug and anti-smoking programmes, environment protection, sports, culture and the arts in Hong Kong, mainland China and overseas.

CITIC Pacific has been recognised under the Caring Company Scheme of the Hong Kong Council of Social Service since 2007.

Nurturing Youth

Giving young people opportunities to improve their future through the acquisition of knowledge and skills is the best way to support the long-term development of the community.

In 2009, CITIC Pacific worked closely with the Labour Department and the Hong Kong Federation of Youth Groups on the Path Builders training project. This project offers workplace attachments and on-the-job training placements for candidates under the Youth Work Experience and Training Scheme and the Youth Pre-employment Training Programme. During the year, a total of 14 candidates were offered job attachments or on-the-job training placements at CITIC Pacific; 6 of those candidates were selected for permanent placements after they completed the training programme.

CITIC Pacific Mining has implemented a Work Ready Programme in Australia. This 13-week pilot programme provides graduates with systematic training prior to taking up a job. In September 2009, five young people graduated from the first Work Ready Programme and were offered permanent positions. CITIC Pacific Mining has also entered into a three-year partnership with the Clontarf Foundation to organise education-based programmes that support Aboriginal boys and young men in the Roebourne and Karratha communities in Australia.

Helping Those in Need

CITIC Pacific and its subsidiaries are long-term supporters of the Community Chest of Hong Kong through continuous donations and participation in their campaigns and fund-raising activities.

In November 2009, the head office of CITIC Pacific and the Group's subsidiary companies, such as Dah Chong Hong, sponsored staff and their family members in the Walk for Millions organised by the Community Chest of Hong Kong to raise money for Family and Child Welfare Services.

In support of Oxfam's fund-raising activities, Dah Chong Hong sponsored rice for the Oxfam Rice Sale to raise funds for the Oxfam China Development Fund. Dah Chong Hong also sent two teams to participate in the Oxfam Trailwalker to raise funds for Oxfam's various poverty alleviation and emergency relief projects in Africa and Asia, including Hong Kong and mainland China. Other charitable activities over the year included CITIC 1616's donation of HK$500,000 to help the victims of the Taiwan earthquake.

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 maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. A number of initiatives and measures have been taken and put in place since the end of 2008, with the aim of strengthening corporate governance and improving internal controls at CITIC Pacific. Over the past eighteen months, CITIC Pacific has established or redefined the roles of a number of committees to oversee its corporate governance. These include an asset and liability management committee, investment committee and executive committee, all of which have made the overall decision-making process at CITIC Pacific more formalised and systemised. A special committee to deal with matters relating to the investigation of CITIC Pacific by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force was also established in April 2009. A special committee to deal with CITIC Pacific's leveraged foreign exchange contracts has completed its tasks and was dissolved.

Following the appointment of Mr Zhang Jijing as managing director of CITIC Pacific on 18 November 2009, the roles of chairman and chief executive officer were separated and assumed by Mr Chang Zhenming and Mr Zhang Jijing respectively. Aside from this, CITIC Pacific complied throughout 2009 with all of the provisions in the code on corporate governance practices ('the code') contained in Appendix 14 of the Listing Rules.

Directors' Securities Transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ('the model code') contained in Appendix 10 of the Listing Rules. All directors complied with the required standard set out in the model code throughout 2009.

Board of Directors

As of 1 April 2010, the board comprises nine executive and seven non-executive directors, of whom three are independent. (The biographies of the directors, together with information about the relationships among them, are set out on pages 86 to 87.) Non-executive directors comprise more than 43% of the board, and independent non-executive directors make up more than 18%. Four 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 does professional work for CITIC Pacific; one is a director of CITIC Group; and one is a director of a company in which CITIC Group is a substantial shareholder.

Under Article 104(A) of CITIC Pacific's articles of association, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years.

The board determines the overall strategies of CITIC Pacific, monitors and controls operating and financial performance and sets appropriate policies to manage risk in pursuit of the strategic objectives of CITIC Pacific. Day-to-day management of CITIC Pacific's businesses is delegated to the executive director or officer in charge of each division. The strategic direction and planning of

CITIC Pacific, including investment plans and proposed disposals or divestments as well as the annual operating and capital budgets, are reviewed by the investment committee. The asset and liability management committee reviews, on a monthly basis, the asset and liability balance of CITIC Pacific and monitors risk and sets limits on exposure regarding asset and liability mismatches, counterparties, currencies, interest rates, commitments and commodities. Matters reserved for the board are those affecting CITIC Pacific's overall strategic policies, finances and shareholders, including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All board members have separate and independent access to senior management in order to fulfil their duties. They also have full and timely access to relevant information about CITIC Pacific and are kept abreast of the conduct, business activities and development of CITIC Pacific. Independent professional advice can be sought at CITIC Pacific's expense upon their request.

The board meets regularly to review the financial and operating performance of CITIC Pacific and other business units and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2009. Individual attendance of each director at the board meetings during 2009 is set out below:

Directors	Attendance/ number of board meetings Regular	Special
Executive Directors		
Mr Chang Zhenming – Chairman (appointed as chairman on 8 April 2009)	4/4	1/1
Mr Zhang Jijing – Managing Director (appointed as director on 1 April 2009 and Managing Director on 18 November 2009)	3/3	1/1
Mr Peter Lee Chung Hing (resigned with effect from 1 April 2010)	4/4	1/1
Mr Carl Yung Ming Jie	4/4	0/1
Mr Vernon Francis Moore	4/4	1/1
Mr Li Shilin	0/4	0/1
Mr Liu Jifu	4/4	1/1
Mr Milton Law Ming To	4/4	1/1
Mr Wang Ande	4/4	1/1
Mr Kwok Man Leung	4/4	1/1
Mr Larry Yung Chi Kin (resigned on 8 April 2009)	1/1	1/1
Mr Henry Fan Hung Ling (resigned on 8 April 2009)	1/1	1/1
Independent Non-executive Directors		
Mr Alexander Reid Hamilton	4/4	1/1
Mr Hansen Loh Chung Hon	4/4	1/1
Mr Norman Ho Hau Chong	4/4	1/1
Mr Hamilton Ho Hau Hay (resigned on 1 January 2010)	4/4	0/1
Non-executive Directors		
Mr Willie Chang	4/4	1/1
Mr André Desmarais (two of the regular meetings were attended by his alternate)	4/4	0/1
Mr Ju Weimin (appointed on 1 April 2009)	2/3	1/1
Mr Yin Ke (appointed on 18 November 2009)	1/1	–

Chairman and Chief Executive Officer

Mr Chang Zhenming was appointed as chairman and managing director following the resignation of Messrs Larry Yung Chi Kin and Henry Fan Hung Ling as directors on 8 April 2009. On 18 November 2009, Mr Zhang Jijing was appointed as managing director, and simultaneously Mr Chang Zhenming ceased to be managing director. Mr Zhang Jijing, as the managing director of CITIC Pacific, is the chief executive officer as described in Appendix 14 of the Listing Rules. The roles of the chairman and the managing director are segregated. The primary role of the chairman is to provide leadership for the board, to ensure that it works effectively in discharging its responsibilities and to report to the board on the strategy of CITIC Pacific. The managing director is responsible for the day-to-day management of CITIC Pacific's business. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Remuneration Committee

The remuneration committee was established by the board in August 2003. The full terms of reference can be found on CITIC Pacific's website (http://www.citicpacific.com/eng/about/governance_remun.html).

Responsibility

The principal role of the remuneration committee is to exercise the powers of the board to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind and the terms under which they participate in any share option and other plans. The committee considers factors such as salaries paid by comparable companies; time commitment and responsibilities of the directors and senior management; employment conditions elsewhere in CITIC Pacific; and desirability of performance-based remuneration so as to align management incentives with shareholder interests.

Membership and Attendance

Member	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Norman Ho Hau Chong (Chairman)	4/4
Mr Alexander Reid Hamilton	3/4
Non-executive Director	
Mr Willie Chang	4/4

Work Done

The remuneration committee reviewed the applicable remuneration policies and approved the salaries and bonuses of the executive directors and senior management. No executive director took part in any discussion about his own remuneration.

Details of CITIC Pacific's remuneration policies are set out in the Human Resources section on pages 73 to 74. Directors' emoluments and retirement benefits are disclosed on pages 143 to 144. Details of the CITIC Pacific Share Incentive Plan 2000 and the granting of options are disclosed on pages 97 to 100.

Nomination of Directors

There is no nomination committee of the board. Messrs Zhang Jijing and Ju Weimin were appointed as directors by the board with effect from 1 April 2009. They were re-elected by shareholders at the first annual general meeting after their appointment. Mr Yin Ke was appointed as a director by the board with effect from 18 November 2009 and will be subject to re-election at the forthcoming annual general meeting.

Audit Committee

The board established an audit committee in March 1995. The terms of reference of the audit committee were revised following the revisions to the code, which became effective on 1 January 2009. The audit committee's oversight function in its annual review of the system of internal control now includes consideration of the adequacy of resources, qualifications and experience of staff of CITIC Pacific's accounting and financial reporting functions, including their training programme and training budget. The revised terms of reference can be found on CITIC Pacific's website (http://www.citicpacific.com/eng/about/governance_audit.html).

Responsibility

The audit committee assists the board in meeting its responsibilities for ensuring an adequate system of internal control and compliance, and in meeting its external financial reporting obligations. The audit committee oversees the relationship with the external auditors and reviews and monitors the effectiveness of the internal audit function.

Membership and Attendance

The audit committee members have a wide range of experience in different industries and its chairman has appropriate professional qualifications and experience in accounting matters. The audit committee meets at least four times a year together with the group finance director, group financial controller and the external and internal auditors. Other executive directors do not attend the meeting unless by invitation. During 2009, the audit committee held five meetings.

Member	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Alexander Reid Hamilton (Chairman)	5/5
Mr Hansen Loh Chung Hon	5/5
Non-executive Director	
Mr Willie Chang	5/5

Work Done

The audit committee reviewed the half year and annual financial statements and recommended the board adopt the half year and annual reports for 2009. The committee reviewed and approved the internal audit programme for the year and considered the internal audit findings and management's response. The committee endorsed the adjustment of CITIC Pacific's internal audit role to a more risk-based approach and encouraged the enhancement of the internal audit team through the hiring of additional persons with appropriate industry and information systems auditing expertise. The committee considered the external auditors' audit fees and discussed with the external auditors their independence and the nature and scope of the audit . The committee considered the proposed revisions to its terms of reference to take into account the changes in the code and recommended their adoption by the board. The audit committee reviewed the response of management to recommendations made by PricewaterhouseCoopers ('PwC') arising from their reviews of CITIC Pacific's financial risk management and entity-level corporate controls, as well as to recommendations made by PwC pursuant to a specially commissioned review of internal controls across the group and arising from PwC's annual audit and review of the half year accounts. The committee also reviewed a report on compliance with the code of conduct.

Executive Committee

The board has re-defined the executive committee, which serves as a channel for communicating the direction and priorities of CITIC Pacific and for sharing information about key developments and issues affecting the various businesses of CITIC Pacific. This committee, which was reconstituted in May 2009 under revised terms of reference and with an expanded composition, served as an important means of communicating information with and amongst the senior executives of CITIC Pacific to:

- receive guidance from the chairman and managing director on CITIC Pacific's business direction and priorities;
- receive and consider reports from the group finance director on CITIC Pacific's results and forecasts;
- receive and consider reports from leaders of CITIC Pacific's major businesses on the results, activities and outlook for those businesses; and
- receive and consider reports from head office functional leaders when required.

The executive committee is chaired by the managing director and its membership includes the chairman, a deputy managing director, group finance director, other executive directors and the leaders of the major businesses in the group. Leaders of the key head office functional departments also attend meetings. The executive committee meets every month, and in 2009 following its reconstitution in May met eight times.

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 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, the group finance director and one other executive director.

The committee meets on an 'as required' basis. The committee met six times in 2009 following its establishment in May.

Asset and Liability Management Committee

The 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/affiliate level;
- set limits on exposure at group, subsidiary or business unit level in relation to
  - asset and liability mismatches
  - 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 and a non-executive director, the group treasurer, group financial controller, the executive with responsibility for financial risk management and other finance team representatives. 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 eleven times during 2009 to consider the matters within its terms of reference. The committee also reviewed and adopted a Treasury and Risk Management Policy manual which designates the responsibility and structure for managing and monitoring financial risks; sets out CITIC Pacific's policies and processes for managing CITIC Pacific's liquidity, foreign exchange exposure, interest rate risk, commodity risk and counterparty credit risk; lists the instruments and arrangements which may be used to manage these risks; and confirms the financial risk reporting requirements. More details on these policies and processes are included in the section on Treasury Risk Management in this report.

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 comprises two members, namely, Mr Zhang Jijing and Mr Ju Weimin.

Auditor's Remuneration

PwC has been CITIC Pacific's independent auditor since 1989. The audit engagement partner is changed every seven years to ensure independence; the current audit partner was first appointed for the audit of the 2006 accounts. During the year, PwC's fees for its services were approximately as follows:

Statutory audit fee: HK$28 million (2008: HK$15 million)

Fees for other services, including 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$16 million (2008: HK$10 million)

Other audit firms provided recurring audit services to subsidiaries at a fee of approximately HK$27 million (2008: HK$22 million) and provided other services for fees of HK$12 million (2008: HK$22 million)

Internal Controls

The board has overall responsibility for maintaining a sound and effective system of internal control.

Internal controls are designed to provide reasonable assurance with respect to the achievement of CITIC Pacific's objectives in the following areas:

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

CITIC Pacific has put and continues to place considerable emphasis on enhancing its systems of internal control, including implementation of the recommendations contained in reports on different aspects of internal controls commissioned from PwC. These include a report on entity level corporate controls, a report on financial risk management, a special review of internal controls across the group, and recommendations arising from PwC's audit of the 2008 financial statements and review of the 2009 half year accounts.

The entity level corporate controls report identified the following main areas requiring attention:

Management oversight and internal reporting mechanisms

A number of steps have been taken resulting in a more formal structure for decision making. These steps include

- clarifying the terms of reference of the executive committee and expanding the composition of the executive committee to include leaders of all main businesses and attendance of key functional leaders;
- the establishment of the investment committee as a body to consider corporate strategy, review and adopt budgets and review and approve investments and disposals; and
- the development of the activities of the asset and liability management committee to monitor the financial risks of CITIC Pacific on a regular and structured basis.

The standardisation of control procedures across the group:

A primary initial focus of standardisation has been to enhance control over financial reporting. A formal and detailed accounting package has been deployed across the group, and policies and processes put in place for earlier identification of accounting issues. A major project is under way to accelerate and enhance the reporting process by deploying a financial reporting software system.

Risk management:

CITIC Pacific has taken steps to address key risk factors, notably in respect to financial risk management and the risks associated with making new investments and financial reporting risk and will continue to do so.

The remit and effectiveness of internal audit:

Actions taken to further enhance the effectiveness of internal audit are described in the next section.

Following recommendations arising from PwC's review of financial risk management, CITIC Pacific took steps to enhance controls in a number of areas, including simplification of the underlying exposures; formalising risk management objectives and risk appetite; improving performance management and reporting; better definition of roles and responsibilities; recruitment of individuals with appropriate experience and skill sets; and formalising and improving the governance structure. These matters are more fully addressed in the section on Treasury Risk Management in this report.

CITIC Pacific has taken steps to implement the recommendations made by PwC arising from its special review of internal controls and its statutory audit and half year review. It recognises the importance of continuing to maintain a constant focus on enhancing its systems of control.

On behalf of the board the audit committee has reviewed the effectiveness of CITIC Pacific's internal control system. On behalf of the board the audit committee 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 this review, the following were considered:

- the reviews and reports of PwC and ensuing actions taken by CITIC Pacific;
- a self-assessment by the management of major subsidiaries and business units 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 process has been made more rigorous this year, and the documentation supporting the self assessment was subjected to review by group internal audit. The results of the self assessment were consolidated and reviewed by the audit committee. Whilst no material deficiencies were identified, the subsidiaries and businesses have indicated a number of areas of internal control which they intend to enhance;
- letters of representation from executive management confirming that their self assessments remain correct and that their accounts are prepared in accordance with the group's accounting policies;
- the reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee, which reviews the findings at each committee meeting and reports to the board on such reviews where appropriate; and
- a report from a third-party human resources management consulting firm, which was commissioned to review the adequacy of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budget in light of the revision to the code. The main conclusions are that
  - the resources in the finance function are adequate for current needs, but the function could be enhanced if CITIC Pacific were to take steps to clarify roles and responsibilities, improve lines of communication and improve its performance management;
  - the qualifications and experience of the staff of the accounting and finance functions are satisfactory overall; and
  - the training activities and budget require enhancement.

CITIC Pacific has accepted this analysis and is developing a training policy and programmes aimed at providing appropriate tailored training in technical, management and communication skills for different grades of staff, with regard to the varied training needs of different businesses and functions. Whilst much of the training will be outsourced to third party service providers, the programme will be administered by designated staff at head office and in each major business unit. An adequate training budget for 2010 has been approved.

Internal Audit

CITIC Pacific regards the group internal audit as a very important part of the board and audit committee's oversight function. A number of steps have been taken during the year to further enhance the effectiveness of internal audit, including

- the audit plan and audit work for the year were developed having greater regard to a risk assessment methodology;
- the scope of reviews has been expanded and includes greater coverage of head office functions;
- the skill sets of group internal audit have been enhanced, with hiring of additional staff with appropriate industry and information systems auditing expertise;
- an internal audit group has been set up within the Perth office to provide enhanced audit services for the iron ore mining business, in addition to the existing teams in Hong Kong and Shanghai;
- the information technology ('IT') audit function has been strengthened to cope with the increasing IT governance needs among different operations and process automation;
- since May 2009, the head of group internal audit has attended the monthly meetings of the executive committee to ensure that he is aware of all significant developments in the group; and
- a formal training and development plan for group internal audit staff has been prepared.

Group internal audit reports to the audit committee, which reviews and approves the annual internal audit plan. 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 work. Reports are prepared at the end of each audit visit and summarised for review at each audit committee meeting. A quarterly follow-up review is undertaken by group internal audit to establish the extent of any required remedial action taken by management, and the results of this review are considered by the audit committee. Group internal audit also conducts ad hoc investigations of particular incidents or circumstances when required.

Codes

To ensure the highest standard of integrity in its businesses, the group adopted a code of conduct defining the ethical standards expected of all employees as well as non-discriminatory employment practices. An induction briefing for the code of conduct is held for all employees, and the audit committee receives a report on the operation of the code of conduct and its compliance every year.

CITIC Pacific has followed the guide to good employment practices issued by the Employers' Federation of Hong Kong.

Notifiable Transactions, Connected Transactions, Annual Reports and Half-Year Reports

During 2009, 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/eng/inv/announce/announce_index.php).

The annual and half-year reports of CITIC Pacific can also be viewed on the group's website.

Communication with Shareholders

CITIC's annual general meeting ('AGM') is one of the principal channels of communication with its shareholders. Separate resolutions are proposed for each substantially separate issue at the AGM. The group also maintains a website at http://www.citicpacific.com where CITIC Pacific's announcements, business developments and operations, financial information, corporate governance practices and other information are posted.

Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings and the poll results will be posted on the websites of the Stock Exchange and CITIC Pacific respectively on the same day of the shareholders' meeting.

Fair Disclosure and Investor Relations

CITIC Pacific uses its best endeavours to distribute material information about the group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

CITIC Pacific recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are regularly received and visited to explain the group's businesses. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that no price sensitive information was disclosed selectively.

Information about CITIC Pacific can be found on the group's website, which includes descriptions of each business and the annual reports for the last ten years.

Financial Reporting

The directors acknowledge their responsibility for preparing accounts that give a true and fair view of the group's affairs and of its results and cash flows for the period in accordance with Hong Kong Financial Reporting Standards. The directors endeavour to ensure a balanced, clear and understandable assessment of CITIC Pacific's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the accounts except for those disclosed in Note 1(a) on pages 119 to 120.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2009 are set out in the Independent Auditor's Report on page 199.

Directors and Senior Managers

Executive Directors

Chang Zhenming
Age 53: appointed chairman and managing director of CITIC Pacific on 8 April 2009. On 18 November 2009 he ceased being managing director. From 2000 to 2005 he served as an executive director, and from 2006 as a non-executive director, of CITIC Pacific. He is the president, and a vice chairman of CITIC Group, the vice chairman of China CITIC Bank Corporation Limited ('CITIC Bank') and CITIC International Financial Holdings Limited ('CIFH') and the managing director of CITIC Hong Kong (Holdings) Limited ('CITIC HK'). He was a non-executive director and deputy chairman of Cathay Pacific Airways Limited ('Cathay') from May to November 2009. Mr Chang is a member of the executive committee and the chairman of the investment committee of CITIC Pacific.

Zhang Jijing
Age 54: managing director of CITIC Pacific from November 2009 and a non-executive director since April 2009. He is a director, an assistant president and the head of the strategy and planning department of CITIC Group, a non-executive director of CITIC Resources Holdings Limited, CITIC Securities Co., Ltd. ('CITIC Securities') and CITIC Bank. He was the managing director of CITIC Australia Group, and a director and vice president of CITIC Australia Pty. Ltd. Mr Zhang is the chairman of the executive committee and a member of the investment committee of CITIC Pacific.

Peter Lee Chung Hing
Age 56: deputy managing director and a director since 1990, transferring from CITIC HK which he joined in 1988. He is a director of CITIC Pacific Mining Management Pty Ltd ('CP Mining') and group companies involved in special steel. He is a member of both the executive committee and the investment committee of CITIC Pacific. Mr Lee resigned as executive director and deputy managing director of CITIC Pacific with effect from 1 April 2010 as he retired from CITIC Pacific group.

Carl Yung Ming Jie
Age 41: deputy managing director and a director since 2000, joining CITIC Pacific in 1993. He is the chairman of Shanghai CITIC Square Co., Ltd. and Shanghai New Westgate Garden Property Co., Ltd, a director of CITIC Pacific China Holdings Limited ('CP China') and responsible for our Hong Kong property business. Mr Yung is a member of the executive committee of CITIC Pacific.

Vernon Francis Moore
Age 63: group finance director and a director since 1990, transferring from CITIC HK. He is a director of CP Mining, the chairman of New Hong Kong Tunnel Company Limited ('NHKTC') and Western Harbour Tunnel Company Limited ('WHT'), and an independent non-executive director of CLP Holdings Limited ('CLP'). He was a non-executive director of Cathay until November 2009 and an executive director of CITIC HK from 1987 to 2007. Mr Moore is the chairman of the asset and liability management committee, a member of both the executive committee and the investment committee of CITIC Pacific.

Li Shilin
Age 60: a director since 2000. He is an executive director and a vice president of CITIC Group, the chairman of CITIC Guoan Group and CITIC Guoan Information Industry Co., Ltd. He was until November 2009 the chairman and a director of CITIC Offshore Helicopter Co., Ltd.

Liu Jifu
Age 66: a director since 2001. He is a director of CITIC HK and CIFH. He was with the Financial and Economics Research Institute in the China Academy of Social Sciences, an executive director of China Everbright Group Limited, and the chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

Milton Law Ming To
Age 46: a director since 2006, joined CITIC Pacific in 1992. He is a director of NHKTC, WHT, Daye Special Steel Co., Ltd. ('Daye'), and CP Mining. Mr Law is a member of both the executive committee and the asset and liability management committee of CITIC Pacific.

Wang Ande
Age 60: a director since 2006, joining CITIC Pacific in 2003. He is the managing director of CP China and a director of group companies concerned with property projects in the PRC. He was responsible for lands and property development in the Shanghai Municipal Government and Pudong New Area Government. Mr Wang is a member of the executive committee of CITIC Pacific.

Kwok Man Leung
Age 41: a director since 2008, joining CITIC Pacific in 1993. He is a director of NHKTC and of group companies involved in special steel, and a non-executive director of CITIC 1616 Holdings Limited ('CITIC 1616') and Dah Chong Hong Holdings Limited ('DCH'). Mr Kwok is a member of the executive committee, the investment committee and the asset and liability management committee of CITIC Pacific.

Non-executive Directors

Willie Chang
Age 66: a director since 1987. He is the sole proprietor of Willie Chang & Co., solicitors. He was a partner of Johnson, Stokes and Master. Mr Chang is a member of both the audit committee and the remuneration committee of CITIC Pacific.

André Desmarais
Age 53: a director since 1997. He is the president and co-chief executive officer of Power Corporation of Canada and a senior advisor to the International Advisory Council of China Association for the Promotion of Industrial Development.

Ju Weimin
Age 46: a director since April 2009. He is a director and the chief financial officer of CITIC Group, chairman of CITIC Trust Co. Ltd, and a non-executive director of CITIC Securities, CITIC Bank, Asia Satellite Telecommunications Holdings Limited, CIFH and CITIC Ka Wah Bank Limited. Mr Ju is a member of the asset and liability management committee of CITIC Pacific.

Yin Ke
Age 46: appointed in November 2009. He is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited, a director and vice chairman of CITIC Securities, a non-executive director of Zhongxing Shenyang Commercial Building Group Company Limited, and from 1 January 2010 a non-executive director of DCH.

Peter Kruyt
Age 54: an alternate director to André Desmarais since 2003. He is vice president of Power Corporation of Canada, chairman of Power Pacific Corporation Limited, the Canada China Business Council, and Concordia University, and president and chief executive officer of Victoria Square Ventures Inc.

Independent Non-executive Directors

Alexander Reid Hamilton
Age 68: a director since 1994. He is an independent non-executive director of China COSCO Holdings Company Limited, Shangri-La Asia Limited, Esprit Holdings Limited and Octopus Cards Limited. He was a partner of PricewaterhouseCoopers, and a director of China Central Properties Limited until 17 September 2009. He is the chairman of the audit committee and a member of the remuneration committee of CITIC Pacific.

Hansen Loh Chung Hon
Age 72: a director since 1994. He is the managing director of Wyler Textiles, Limited and an independent non-executive director of CLP. Mr Loh is a member of the audit committee of CITIC Pacific.

Norman Ho Hau Chong
Age 54: a director since 1994. He is an executive director of Honorway Investments Limited, Tak Hung (Holding) Company Limited, Miramar Hotel and Investment Company, Limited and Vision Values Holdings Limited (formerly New World Mobile Holdings Limited), and an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited. He was a non-executive director of Taifook Securities Group Limited until 30 June 2009. Mr Ho is the chairman of the remuneration committee of CITIC Pacific.

Company Secretary

Ricky Choy Wing Kay
Age 35: appointed company secretary on 1 January 2010. He joined CITIC Pacific in 2008. He is a qualified solicitor in Hong Kong. He previously practiced as a commercial lawyer in private practice in Hong Kong.

Corporate Functional Leaders

Fei Yiping
Age 46: group financial controller, appointed in May 2009. He is a director and chief financial officer of CITIC HK, and a non-executive director of CITIC 1616 and DCH. He joined the CITIC Group in 1991. He has over 10 years of experience in accounting and financial management. Mr Fei is a member of the asset and liability management committee of CITIC Pacific.

Wei Yen
Age 60: group treasurer. He joined CITIC Pacific in October 2009. Before that, he was a managing director with Nomura International and Lehman Brothers. From 2004 to 2006, Mr Yen was a managing director in financial institutions with Moody's Asia Pacific. He has over 19 years of financial industry experience in New York and Hong Kong. Mr Yen is a member of the asset and liability management committee of CITIC Pacific.

Patricia Shih
Age 50: group general counsel. She joined CITIC Pacific in 2008. She has been a qualified solicitor in Hong Kong for 25 years. She previously practiced as a commercial lawyer in private practice in Hong Kong.

Paul Lo Kai Sing
Age 54: director of group human resources. He joined the CITIC Pacific group in 2005. Mr Lo has many years of experience in human resources management in a variety of industries and once served as the general manager, group human resources and communications, of DCH from 1997 to 2000.

Holly Chen Meng
Age 43: director of group investor relations. Ms Chen joined CITIC Pacific in 2001. Prior to that, she worked for over 10 years at investment banks including Lehman Brothers, Merrill Lynch and Citibank, where she obtained extensive experience in corporate finance and corporate communications.

Raymond Ma Wai Man
Age 43: group internal auditor, joined CITIC Pacific in June 2008. He has over 21 years of experience in auditing and finance. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Operating Business Leaders

Special Steel Manufacturing

Yu Yapeng
Age 54: president of CITIC Pacific Special Steel Co., Ltd. He joined CITIC Pacific group in 1993. From 1988 to June 2008, he has been the chief engineer, executive vice general manager and general manager of Jiangyin Xingcheng Special Steel Works Co., Ltd. He was the vice chairman of the China Special Steel Enterprises Association since 1997 and now is the chairman of the China Special Steel Enterprises Association. Since July 2008, he is a director and the president of CITIC Pacific Special Steel group.

Iron Ore Mining

Hua Dongyi *PhD*
Age 45: chairman of CP Mining, appointed in January 2010. He joined CITIC Group in 2002. During the past 10 years, Dr Hua has held executive management positions in international projects in China, Africa, Angola, the Philippines, Pakistan and Algeria. He has extensive experience in project management, FIDIC contract management, and cost and risk management. Dr Hua is a member of the executive committee of CITIC Pacific.

Barry Wayne Fitzgerald
Age 57: chief executive officer and chief engineer of CP Mining. He joined CP Mining in 2006. He has over 35 years of experience in the mining industry covering research, operating process plants, design, project management and construction and general management.

Property

Aaron Wong Ha Hang
Age 51: director, property department, is also a director of NHKTC. He joined CITIC Pacific in 1996. Before that he worked for an international consulting firm in the United Kingdom and in Hong Kong. Mr Wong is a member of the executive committee of CITIC Pacific.

Energy

Li Yajun
Age 46: general manager of CITIC Pacific energy department. Joined the Ligang Power plant in 1987. He is the chairman of Sunburst Energy Development Co., Ltd., Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited. Mr Li has over 20 years' practical experience in power plant management. In recent years, he has been involved in coal and other energy industries. He also has extensive experience in investment and capital management. Mr Li is a member of the executive committee of CITIC Pacific.

Tunnels

Miranda Yip Siu Wai
Age 46: general manager of NHKTC. She joined NHKTC in 1999 as deputy general manager and was appointed as executive director and general manager in 2004. Ms Yip has extensive experience in public administration.

Listed Subsidiaries

Dah Chong Hong

Clement Hui Ying Bun
Age 63: chairman of DCH. He joined DCH in 1966. Mr Hui has more than 40 years of experience with DCH group in the motor vehicle business and corporate management.

Yip Moon Tong
Age 57: chief executive officer of DCH. He joined DCH in 1992. Mr Yip has over 30 years of experience, in both the public and private sectors, in engineering and motor vehicle businesses.

CITIC 1616

Xin Yue Jiang
Age 61: chairman of CITIC 1616. He joined CITIC 1616 in 2008. Mr Xin possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation.

Norman Yuen Kee Tong
Age 61: chief executive officer of CITIC 1616. He joined the CITIC Pacific group in 2001. Before that, Mr Yuen was the deputy chief executive of Hong Kong Telecommunications Ltd. and later, Pacific Century CyberWorks Ltd. Mr Yuen has more than 20 years of extensive experience in all aspects of the telecoms industry.

Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2009.

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 49.

Dividends

The directors declared an interim dividend of HK$0.15 per share for the year ended 31 December 2009 which was paid on 24 September 2009. The directors are recommending, to shareholders at the forthcoming Annual General Meeting, the payment of a final divided of HK$0.25 per share in respect of the year ended 31 December 2009 payable on 24 May 2010 to shareholders on the Register of Members at the close of business on 14 May 2010. This represents a total distribution for the year of HK$1,459 million.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 27 to the financial statements.

Donations

Donations made by CITIC Pacific Limited and its subsidiary companies during the year amounted to HK$3 million.

Fixed Assets

Movements of fixed assets are set out in the Financial Statements on pages 145 to 149.

Major Customers and Suppliers

The aggregate percentage of purchases from CITIC Pacific Limited and its subsidiary companies' five largest suppliers is less than 30%. The aggregate percentage of sales to CITIC Pacific Limited and its subsidiary companies' five largest customers is less than 30%.

No directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of CITIC Pacific's share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The names of the principal subsidiary companies, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in Note 43 to the financial statements.

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') for refinancing the indebtedness of CITIC Pacific and for general corporate purposes, to investors pursuant to the purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at the end of the year.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly-owned subsidiary of 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 a subscription agreement dated 26 October 2005. The coupon and principal of the JPY Notes was swapped into Hong Kong Dollar through cross currency swap, and net proceeds equivalent to

HK$400 million were received. The JPY Notes holders have a one time right to put the JPY Notes to the issuer at 81.29% of the principal amount together with accrued interest on 28 October 2015. All of the JPY Notes remained outstanding at the end of the year.

Save as aforesaid, neither CITIC Pacific nor its subsidiary companies have issued any debt securities.

Borrowings

Particulars of borrowings of CITIC Pacific Limited and its subsidiary companies are set out in Note 28 to the financial statements.

Directors

Mr Chang Zhenming was appointed as chairman and managing director following the resignation of Messrs Larry Yung Chi Kin and Henry Fan Hung Ling as directors on 8 April 2009. On 18 November 2009, Mr Zhang Jijing was appointed as managing director and simultaneously Mr Chang Zhenming ceased to be managing director of CITIC Pacific. Mr Yin Ke was appointed as a non-executive director of CITIC Pacific with effect from 18 November 2009. Mr Hamilton Ho Hau Hay resigned as independent non-executive director of CITIC Pacific with effect from 1 January 2010 and Mr Peter Lee Chung Hing resigned as executive director and deputy managing director of CITIC Pacific with effect from 1 April 2010. Except for these changes, the directors of CITIC Pacific whose names and biographical details appear on pages 86 to 87 were the directors in office during the whole of the financial year ended 31 December 2009.

In accordance with Article 95 of the Articles of Association of CITIC Pacific, Mr Yin Ke will hold office until the forthcoming Annual General Meeting and is then eligible for re-election. In addition, pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Chang Zhenming, Vernon Francis Moore, Liu Jifu, Willie Chang and Norman Ho Hau Chong shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

CITIC Pacific has received from each independent non-executive director an annual confirmation of his independence and CITIC Pacific still considers such directors to be independent.

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 and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the Annual General Meeting of CITIC Pacific to be held on 14 May 2010.

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.

Related Party Transactions

CITIC Pacific Limited and its subsidiary companies entered into certain transactions in the ordinary course of business and on normal commercial terms which were 'Related Parties Transactions', the details of which are set out in Note 38 to the financial statements of CITIC Pacific. Some of these transactions also constitute 'Continuing Connected Transactions' and 'Connected Transactions' under the Listing Rules as summarised below.

Connected Transactions

Set out below is information in relation to certain connected transactions involving CITIC Pacific and / or its subsidiaries, particulars of which were previously disclosed in the announcements of CITIC Pacific but are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of CITIC Pacific. The full text of each announcement can be found on http://www.citicpacific.com/eng/inv/announce/announce_index.php.

1. On 30 March 2009, CITIC Pacific had entered into an equity transfer agreement with, inter alia, 上海申通地鐵資產經營管理有限公司 (Shanghai Shentong Metro Assets Management Company Limited) ('Shentong Metro Assets'), pursuant to which CITIC Pacific agreed to purchase a 10% equity interest in 上海利通置業有限公司 (Shanghai Li Tong Real Property Co. Ltd.) ('Shanghai Li Tong') from Shentong Metro Assets at a consideration of RMB75,003,271 (approximately HK$85 million). Upon completion, Shanghai Li Tong becomes a wholly-owned subsidiary of CITIC Pacific. Shanghai Li Tong is the developer of the properties at Sichuan Beilu Station of Metro Line No. 10 in Shanghai, China. The acquisition was completed during the year.

Before the acquisition, Shanghai Li Tong was a non wholly-owned subsidiary of CITIC Pacific. As Shentong Metro Assets was a substantial shareholder of Shanghai Li Tong, it was a connected person of CITIC Pacific. Accordingly, the aforesaid acquisition constitutes a connected transaction for CITIC Pacific.

2. DCH Food Industries Limited ('DCH Food', a wholly-owned subsidiary of DCH Holdings) together with Rotary Vortex Limited ('RVL') agreed to rationalise and streamline their respective interests in上海雙匯大昌泰森有限公司 (Shanghai Shineway DCH Tyson Co., Ltd.) ('Shanghai Shineway'), a company engaged in the production and selling of processed meat and related food products, such that instead of holding a combined 40% interest through Mainstream Holdings Limited ('MHL', a joint venture company held as to approximately 65.09% by DCH Food and 34.91% by RVL upon completion of a restructuring involving RVL (the 'RVL Restructuring')), each of DCH Food and RVL would hold their own shareholding of approximately 26.04% and 13.96% respectively in Shanghai Shineway (which was equivalent to their respective attributable interests).

To give effect to the above reorganisation, the following agreements were entered into on 5 June 2009:

i) the equity transfer agreement between MHL and RVL whereby MHL agreed to sell to RVL a 13.96% equity interest in the registered capital of Shanghai Shineway for a consideration of RMB28,533,393.25 (the 'Disposal'), which was paid by RVL in HKD in the sum of HK$32,367,667.09. Such consideration was set off against the outstanding shareholders' loans due and owing by MHL to RVL in the total amount of HK$32,367,667.09; and

ii) the share purchase agreement between DCH Food and RVL whereby DCH Food agreed to purchase the remaining 34.91% equity interest in the issued share capital of MHL from RVL for a consideration of HK$4,500 (the 'Acquisition') (the Acquisition and the Disposal collectively referred to as the 'Reorganisation').

As RVL became a substantial shareholder of MHL upon completion of the RVL Restructuring but before completion of the Disposal and the Acquisition, each of the Disposal and the Acquisition constituted a connected transaction for DCH Holdings and CITIC Pacific under the Listing Rules.

The Reorganisation was completed in August 2009. MHL has become a wholly-owned subsidiary of DCH Holdings and each of DCH Food and RVL has held their own shareholding of 26.04% and 13.96% respectively in Shanghai Shineway.

3. On 10 June 2009, 廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited) ('Guangzhou Guangbao', a company accounted for as a non wholly-owned subsidiary of DCH Holdings) entered into an equity transfer agreement (the 'Equity Transfer Agreement') with 廣州市騰創貿易有限公司 (Guangzhou Tengchuang Trade Co., Ltd.) ('TC') and 廣州建元物流有限公司 (Guangzhou Jiangyuan Material Trade & Logistics Co., Ltd.) ('JY'), pursuant to which Guangzhou Guangbao agreed to acquire the remaining 30% equity interest in 廣州龍的豐田汽車銷售服務有限公司 (Guangzhou Longde Toyota Motors Sale and Service Limited) ('Guangzhou Longde') from TC and JY at a total consideration of RMB16,750,375.06. Guangzhou Longde provides vehicles sales, spare parts services and customer survey services for the manufacturer or supplier in respect of the 'FAW Toyota' brand in Guangzhou, the PRC. Since completion, Guangzhou Longde has been accounted for as a wholly-owned subsidiary of Guangzhou Guangbao, which is in turn a company accounted for as a non wholly-owned subsidiary of DCH Holdings.

TC and JY were, on the date of the Equity Transfer Agreement, substantial shareholders of Guangzhou Longde and therefore connected persons of DCH Holdings and CITIC Pacific. The entering into of the Equity Transfer Agreement constituted a connected transaction for CITIC Pacific under the Listing Rules.

4. On 18 August 2009, 無錫太湖苑置業有限公司 ('Taihu Yuan') (a 70% owned subsidiary of CITIC Pacific), CITIC Pacific and 無錫市國聯發展(集團)有限公司 ('Wuxi Guolian') agreed to provide guarantees on a several basis in proportion to their respective ultimate shareholding interests in Taihu Yuan in favour of China Construction Bank ('CCB') in relation to the repayment obligations of Taihu Yuan under the loan agreement entered into between Taihu Yuan and CCB in relation to an RMB150 million loan ('the Loan Agreement').

On the same day, Right Pole Investments Limited ('Right Pole') (a wholly-owned subsidiary of CITIC Pacific and a 70% shareholder of Taihu Yuan) and Wuxi Guolian agreed to provide to Taihu Yuan a shareholders' loan in an aggregate sum not exceeding RMB350 million ('the Shareholders' Loan') for a two-year period from 18 August 2009, depending on the works progress on a pro rata basis with respect to their respective shareholdings in Taihu Yuan. The pro rata portion of the Shareholders' Loan to be provided by Right Pole may be paid by other wholly-owned subsidiaries of CITIC Pacific on behalf of Right Pole. The Shareholders' Loan is interest bearing at the prevailing market rate, unsecured and repayable on demand. As at 31 December 2009, the amount of Shareholders' Loan made by other wholly-owned subsidiaries of CITIC Pacific on behalf of Right Pole was RMB50 million.

Taihu Yuan is engaged in residential and commercial property development in Wuxi, Jiangsu Province, the PRC and the provision of the pro rata guarantee in respect of the Loan Agreement and the pro rata Shareholders' Loan by CITIC Pacific or its wholly-owned subsidiaries are to meet the funding requirements of Taihu Yuan.

Wuxi Guolian is a substantial shareholder of several subsidiaries of CITIC Pacific and therefore a connected person of CITIC Pacific. Taihu Yuan is deemed as a connected person of CITIC Pacific by virtue of its being an associate of Wuxi Guolian.

5. On 24 August 2009, CITIC Pacific through its subsidiaries entered into the following agreements:

i) a sale and purchase agreement executed between Maxy Rich Investments Limited ('HK Purchaser', a wholly-owned subsidiary of CITIC Pacific), Bright Trinity Enterprises Ltd. ('HK Seller') and the shareholders of HK Seller ('Guarantors') pursuant to which HK Purchaser agreed to acquire from HK Seller the 100% interest in each of Approach Well Limited ('Approach Well') and Perfect Future International Limited ('Perfect Future') together with the related shareholder's loans in each of Approach Well and Perfect Future for a total consideration of RMB1,124,724,398; and

ii) an equity transfer agreement executed between Jiangsu CP Xingcheng Special Steel Co., Ltd. ('PRC Purchaser', a subsidiary of CITIC Pacific), 江陰鋼廠有限公司 ('PRC Seller') and the Guarantors pursuant to which PRC Purchaser agreed to acquire from PRC Seller the 100% equity interest in 江陰興業投資有限公司 ('the PRC Company') for a consideration of

RMB184,659,406; and a loan transfer agreement executed between PRC Purchaser, PRC Seller and the PRC Company for acquiring from PRC Seller the outstanding loan of RMB213,416,196 owed by the PRC Company to the PRC Seller for a consideration of RMB213,416,196.

The above acquisitions were completed during the year. Prior to the completion, Approach Well, Perfect Future and the PRC Company directly or indirectly owned interests in the operating companies ('the Operating Companies') of the Jiangyin special steel mill which were non wholly-owned subsidiaries of CITIC Pacific. After completion, each of Approach Well, Perfect Future, the PRC Company and the Operating Companies became wholly-owned subsidiaries of CITIC Pacific and the group gained complete control of the Operating Companies of the Jiangyin special steel mill, giving CITIC Pacific complete control to enhance its return on the investment.

Each of HK Seller and PRC Seller is wholly-owned by the Guarantors. HK Seller, being a substantial shareholder of the Operating Companies, is a connected person of CITIC Pacific. Some of the Guarantors, being directors of the Operating Companies, are connected persons of CITIC Pacific. Hence, PRC Seller is also a connected person of CITIC Pacific.

6. On 8 January 2010, Wanning Renhe Development Company Limited（萬寧仁和發展有限公司）(a 99.90% owned subsidiary of CITIC Pacific) as the employer entered into a residential project contract with CITIC International Contracting Co., Ltd.（中信國華國際工程承包有限責任公司）('CIC') as the contractor under which CIC was engaged by the group to carry out the construction works for the residential towers to be constructed in Shenzhou Peninsula, Wanning City, Hainan Province, the PRC ('Shenzhou Peninsula') with a contract sum of RMB115,399,966.41.

Apart from the above contract, on 21 October 2009, CITIC Pacific Wanning United Development Company Limited（中信泰富萬寧（聯合）開發有限公司）(a 80% owned subsidiary of CITIC Pacific) as the employer entered into a clubhouse contract with CIC as the contractor under which CIC was engaged by the group to carry out the construction works for the construction of a clubhouse and related facilities for Shenzhou Peninsula with a contract sum of RMB32,171,677.64.

The development of Shenzhou Peninsula is one of the property development projects run by the group.

CIC is a connected person of CITIC Pacific by virtue of its being an associate of CITIC Group, the controlling shareholder of CITIC Pacific.

7. On 28 January 2010, Boton Investments Limited ('Boton', a wholly-owned subsidiary of DCH Holdings), Denker Group Development Limited ('Denker'), DCH Holdings and Mr Mak Hing Lung ('Mr Mak') entered into a financial assistance agreement ('the Shanghai JV Shareholders' Financial Assistance Agreement') for the purpose of providing additional funding to the Shanghai Project. The Shanghai Project is to develop and roll out the business operations of 上海駿佳市場營銷策劃有限公司 (Shanghai Junjia Marketing Company Limited) ('Shanghai Junjia') which provides vehicle sales, spare parts and services and customer surveys for the manufacturer or supplier in respect of the 'Lexus' brand in Shanghai in the PRC through Kamfield International Limited ('Kamfield') and Shanghai Junjia (together, 'the Shanghai JV Group'). Pursuant to the Shanghai JV Shareholders' Financial Assistance Agreement, among other things, Boton and Denker agreed to provide and/or procure financial assistance for the benefit of the Shanghai Project of up to a maximum amount of RMB125,000,000 in the forms as stipulated therein.

On 28 January 2010, Brilliant Way International Limited ('Brilliant Way', a wholly-owned subsidiary of DCH Holdings), Denker Group Limited ('DGL'), DCH Holdings and Mr Mak entered into a financial assistance agreement ('the Ningbo JV Shareholders' Financial Assistance Agreement') for the purpose of providing additional funding to the Ningbo Project. The Ningbo Project is to develop and roll out the business operations of 寧波慈溪駿佳雷克薩斯汽車銷售服務有限公司 (Ningbo Cixi Junjia Lexus Motors Sale and Service Limited) ('Cixi Junjia') which provides vehicle sales, spare parts and services and customer surveys for the manufacturer or supplier in respect of the 'Lexus' brand in Ningbo in the PRC through Powerful Maker Limited ('Powerful Maker') and Cixi Junjia (together, 'the Ningbo JV Group'). Pursuant to the Ningbo JV Shareholders' Financial Assistance Agreement, among other things, Brilliant Way and DGL agreed to provide and / or procure financial assistance for the benefit of the Ningbo Project of up to a maximum amount of RMB120,000,000 in the forms as stipulated therein.

Denker and DGL are wholly-owned by Mr Mak who is a director and substantial shareholder of various subsidiaries of DCH Holdings. Therefore, Denker and DGL are associates of Mr Mak and thus connected persons of DCH Holdings and CITIC Pacific. Kamfield and Powerful Maker, non wholly-owned subsidiaries of DCH Holdings, are owned equally by DCH Holdings and Mr Mak. Shanghai Junjia and Cixi Junjia are wholly-owned by Kamfield and Powerful Maker, respectively. Therefore, the Shanghai JV Group and the Ningbo JV Group are associates of Mr Mak and thus connected persons of DCH Holdings and CITIC Pacific. Thus, the entering into of the Shanghai JV Shareholders' Financial Assistance Agreement and the Ningbo JV Shareholders' Financial Assistance Agreement constitute connected transactions for CITIC Pacific under the Listing Rules.

8. CITIC Pacific entered into the following agreements with 河北鋼鐵集團有限公司 (Hebei Iron & Steel Group Co. Ltd.) ('the Purchaser') on 19 March 2010:

i) a framework agreement ('Framework Agreement') to dispose of its entire 65% equity interest in 石家莊鋼鐵有限責任公司 (Shijiazhuang Iron & Steel Co., Ltd.) ('Shijiazhuang Steel') (together with all ancillary rights, declared but unpaid dividends and other rights to undistributed profit receivable from Shijiazhuang Steel). Under the Framework Agreement, CITIC Pacific also acted as agent for 河北眾富投資有限責任公司 (Hebei Zhongfu Investment Limited) ('Zhongfu Investment'), a company owned by certain management members and employees of Shijiazhuang Steel, for the sale of Zhongfu Investment's 15% equity interest in Shijiazhuang Steel. The total consideration for the 80% interest is RMB1,900 million and the portion of the consideration receivable by CITIC Pacific for its 65% equity interest is RMB1,577,245,000. CITIC Pacific also agreed to sell to the Purchaser five wholly-owned subsidiaries which were incorporated for the purpose of acquiring some reclaimed land in Cangzhou, Huanghua (滄州黃驊), PRC for US$6.75 million representing the capital injected by CITIC Pacific into these wholly-owned subsidiaries;

ii) a management agreement ('Management Agreement') pursuant to which the day-to-day operation and management of Shijiazhuang Steel would be entrusted to the Purchaser from the date of the Management Agreement until the completion of the transfer of the sale interest pursuant to the sale and purchase agreement or the termination of the Framework Agreement, as the case may be.

河北省國有資產控股運營有限公司 (Hebei Province State-owned Assets Hold & Operation Co., Ltd.) ('HPSA') is the current owner of 20% interest in Shijiazhuang Steel and is therefore a substantial shareholder of Shijiazhuang Steel which is a subsidiary of CITIC Pacific under the Listing Rules (but accounted for as a jointly controlled entity). As the Purchaser and HPSA are both under the ultimate control of 中國河北省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Government of Hebei Province, PRC), the Purchaser is a connected person of CITIC Pacific. The entering into of the Framework Agreement and the Management Agreement constitute a connected transaction for CITIC Pacific.

Non-Exempt Continuing Connected Transactions

Set out below is information in relation to certain non-exempt continuing connected transactions involving CITIC Pacific and/or its subsidiaries, particulars of which were previously disclosed in the announcements of CITIC Pacific and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of CITIC Pacific. The full text of each announcement can be found on http: //www.citicpacific.com/eng/inv/announce/announce_index.php.

1. On 19 March 2008, Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited (collectively the 'Power Companies'), principally engaged in the construction and operation of the power station(s) in Ligang, the PRC, entered into an agreement ('Coal Transportation Agreement') with Shanghai CITIC Shipping Corporation Limited ('CITIC Shipping'), pursuant to which CITIC Shipping agreed to provide the Power Companies with coal transportation services for the 3 years ending 31 December 2010. The service fee payable under the Coal Transportation Agreement was negotiated on an arm's length basis and shall be equal to the prevailing market rate of transportation fee per ton as confirmed by the parties from time to time. The annual caps for the service fees (nett of demurrage fee) to be incurred for the transaction was estimated to be RMB500 million (approximately HK$550 million) for each of the 3 years ending 31 December 2010.

CITIC Shipping is a subsidiary of CITIC HK, a substantial shareholder of CITIC Pacific, and thus a connected person of CITIC Pacific.

The actual amount paid by the Power Companies to CITIC Shipping for the year ended 31 December 2009 under the Coal Transportation Agreement was approximately RMB168.38 million.

2. Pursuant to a contract for unit load device ('ULD') maintenance and repair entered into between DAS Nordisk Limited ('DAS Nordisk'), a non wholly-owned subsidiary of DCH Holdings, and Cathay Pacific Airways Limited ('CX') dated 1 July 2005 (with a term which expired on 30 June 2008) ('the Old ULD Maintenance Services Agreement'), DAS Nordisk agreed to carry out maintenance and repair services on CX's ULD equipment. CX is the holding company of Hong Kong Dragon Airlines Limited ('KA'), which is a substantial shareholder of certain subsidiaries of DCH Holdings, and therefore a connected person of CITIC Pacific. DAS Nordisk is engaged in the provision of maintenance services for air cargo containers, sale of related spare parts and letting of air cargo equipment. CX is engaged in the operation of scheduled airline services, airline catering, aircraft handling and engineering.

The arrangements under the Old ULD Maintenance Services Agreement were renewed under a contract entered into between DAS Nordisk and CX dated 17 September 2008, pursuant to which CX agreed to appoint DAS Nordisk to provide ULD maintenance and repair services for a term of three years from 1 July 2008 to 30 June 2011 ('the New ULD Maintenance Services Agreement').

The pricing for such maintenance services was determined with reference to the relevant costs associated with the estimated maintenance hours and the frequency of visit of the relevant type of ULD. The amount of maintenance fees payable by CX to DAS Nordisk was expected to be subject to an annual cap of HK$60 million for the financial year ended 31 December 2008 and for each of the financial years ending 31 December 2009, 2010 and 2011. An aggregate amount of approximately HK$32.6 million was payable by CX to DAS Nordisk during the year.

3. Pursuant to an outsourcing master agreement entered into between DAS Nordisk and Dah Chong Hong – Dragonair Airport GSE Service Limited ('DAS') dated 28 September 2007 (with a term expiring on 31 December 2009) ('the Original Outsourcing Master Agreement'), DAS Nordisk agreed to outsource part of its maintenance services on ULD to DAS. DAS is an associate of KA and therefore a connected person of CITIC Pacific. DAS is engaged in the provision of airport ground support equipment maintenance services.

On 17 September 2008, DAS Nordisk entered into a supplemental agreement with DAS to supplement and amend certain provisions of the Original Outsourcing Master Agreement for the purpose of revising the annual caps for the financial year ended 31 December 2008 and for the financial year ending 31 December 2009 to HK$41 million and HK$58 million respectively. The above annual caps were determined with reference to historical transaction values with DAS at market price, the estimated potential cargo growth, the expected increase in business volume, particularly in view of the renewal of the transactions pursuant to the New ULD Maintenance Services Agreement, and the expected increase in labour cost.

An aggregate amount of approximately HK$25.1 million was payable by DAS Nordisk to DAS during the year.

The above outsourcing master agreement (as supplemented) was renewed on 26 January 2010 for a term of three years from 1 January 2010 to 31 December 2012 with the annual cap for each of the financial years ending 31 December 2010, 2011 and 2012 to be HK$30.0 million, HK$37.5 million and HK$46.8 million respectively.

4. CITIC Pacific as tenant has leased its Hong Kong headquarters at 29th to 33rd Floors, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong pursuant to a lease agreement dated 30 April 2008 ('the Lease Agreement') entered into with Goldon Investment Limited ('Goldon'). The term of the Lease Agreement is three years from 1 May 2008 to 30 April 2011 (both days inclusive).

The rental for the premises is HK$5,072,203.80 per month (exclusive of rates, service charge and government rent) and a service charge of HK$359,383.20 was also payable each month. Accordingly, the aggregate rentals and service charge to be paid by CITIC Pacific to Goldon for each of the two years ending 31 December 2010 and the four months ending 30 April 2011 are expected not to exceed HK$66 million, HK$66 million and HK$22 million respectively.

Goldon is owned as to 40% by CITIC Pacific and 25% by CITIC Group. Goldon is a connected person of CITIC Pacific when it became an associate of CITIC Group after CITIC Group became the controlling shareholder of CITIC Pacific in December 2008.

The actual amount paid by CITIC Pacific to Goldon for the year ended 31 December 2009 under the Lease Agreement was approximately HK$65.20 million.

The independent non-executive directors of CITIC Pacific have reviewed the above continuing connected transactions (the 'Transactions') and confirm that the Transactions have been entered into:

a) in the ordinary and usual course of business of CITIC Pacific;

b) on normal commercial terms or on terms no less favourable to CITIC Pacific than terms available to or from (as appropriate) independent third parties; and

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

The auditors of CITIC Pacific have confirmed that:

a) the Transactions have been approved by the board of directors of CITIC Pacific;

b) the Transactions have been entered into in accordance with the relevant terms of the relevant agreement governing the Transactions; and

c) the total amounts of the Transactions have not exceeded the relevant caps as disclosed in the relevant announcements.

Transactions numbered 2 and 3 were entered into by subsidiaries of DCH Holdings. The auditors of CITIC Pacific further found that the Transactions numbered 2 and 3 have been entered into in accordance with the pricing policy of DCH Holdings for these Transactions.

5. On 20 August 2007, Catak Enterprises Corp. (a wholly-owned subsidiary of CITIC Pacific) entered into a sale and purchase agreement with China Metallurgical Group Corp. ('MCC') for the disposal of a 20% interest in Sino Iron Pty Ltd ('Sino Iron', a wholly-owned subsidiary of CITIC Pacific) ('Disposal') at cost, i.e. for a consideration equivalent to 20% of all the funds provided to Sino Iron Holdings Pty Ltd ('Sino Iron Holdings') by the group up to the date of completion of the Disposal together with interest. The group's shareholding in Sino Iron will be reduced to 80% as a result of the Disposal.

Upon completion of the Disposal, MCC will be a substantial shareholder of Sino Iron Holdings and will become a connected person of CITIC Pacific. The construction contract and the supplemental agreement thereto previously entered into between Sino Iron and MCC and the transactions contemplated thereunder will constitute a continuing connected transaction for CITIC Pacific.

As at 31 December 2009, the Disposal had not yet been completed. Accordingly, the construction contract as supplemented and the transactions contemplated thereunder did not constitute a continuing connected transaction for CITIC Pacific during the year.

6. 廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.) ('GDVTR') was previously a 20% associate of DCH Holdings and became a wholly-owned subsidiary of DCH Holdings in August 2008. Before DCH Holdings' acquisition of all the interests in GDVTR, an agency agreement (the 'Agency Agreement') was entered into between GDVTR and its then intermediate holding company, Anping Holdings Inc. ('Anping'), on 1 August 2008 for a term of six months expiring on 31 January 2009, under which Anping agreed to act as the selling agent for GDVTR. Anping is an associate of a director of GDVTR and therefore is a connected person of DCH Holdings and CITIC Pacific. During the year, GDVTR and Anping had not carried out any sales transactions contemplated under the Agency Agreement.

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000. The major terms of the Plan are as follows:

1. The purpose of the Plan is to promote the interests of CITIC Pacific and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of CITIC Pacific, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of CITIC Pacific.

2. The participants of the Plan are any director, executive or employee of CITIC Pacific or its subsidiaries as invited by the board.

3. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of CITIC Pacific from time to time or (ii) the issued share capital of CITIC Pacific as at the date of adopting the Plan, whichever is the lower. As at 10 March 2010, the maximum number of shares available for issue under the Plan is 148,987,616, representing approximately 4.08% of the issued share capital.

4. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of CITIC Pacific in issue.

5. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The exercise price determined by the board will be at least the higher of (i) the closing price of CITIC Pacific's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ('Stock Exchange') on the date of grant; (ii) the average closing price of CITIC Pacific's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of CITIC Pacific's shares.

8. The Plan shall be valid and effective till 30 May 2010.

Since the adoption of the Plan and up to the year ended 31 December 2009, CITIC Pacific has granted five 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

Subsequent to the year end, CITIC Pacific granted 880,000 share options on 14 January 2010 at the exercise price of HK$20.59 per share.

All options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of grant. The closing price of CITIC Pacific's shares immediately before the grant on 19 November 2009 and 14 January 2010 was HK$21.40 and HK$19.98 respectively.

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

None of the share options granted under the Plan were cancelled, but options for 7,750,000 shares have lapsed during the year ended 31 December 2009. A summary of the movements of the share options during the year ended 31 December 2009 is as follows:

A. CITIC Pacific Directors

Name of director	Date of grant	Exercise price HK$	Number of share options: Balance as at 01.01.09	Granted during the year ended 31.12.09	Exercised during the year ended 31.12.09	Lapsed during the year ended 31.12.09	Balance as at 31.12.09	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
Peter Lee Chung Hing	01.11.04	19.90	1,000,000	–	1,000,000 *(Note 1)*	–	–	
	20.06.06	22.10	1,200,000	–	–	–	1,200,000	
	16.10.07	47.32	1,200,000	–	–	–	1,200,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							2,900,000	0.079
Carl Yung Ming Jie	01.11.04	19.90	500,000	–	–	500,000	–	
	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	
							1,900,000	0.052
Vernon Francis Moore	01.11.04	19.90	1,000,000	–	–	1,000,000	–	
	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	
							1,800,000	0.049
Li Shilin	16.10.07	47.32	500,000	–	–	–	500,000	0.014
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	
							1,900,000	0.052
Milton Law Ming To	01.11.04	19.90	334,000	–	334,000 *(Note 1)*	–	–	
	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	
							2,100,000	0.058
Wang Ande	20.06.06	22.10	350,000	–	–	–	350,000	
	16.10.07	47.32	800,000	–	–	–	800,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							1,650,000	0.045
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
Larry Yung Chi Kin	16.10.07	47.32	2,000,000	–	–	2,000,000	N/A *(Note 2)*	N/A *(Note 2)*

Note:
1. The weighted average closing price of the shares of CITIC Pacific immediately before the dates on which the options were exercised was HK$20.55.
2. Mr Larry Yung Chi Kin resigned with effect from 8 April 2009.

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 01.01.09	Granted during the year ended 31.12.09	Exercised during the year ended 31.12.09	Lapsed during the year ended 31.12.09	Balance as at 31.12.09
01.11.04	19.90	1,030,000	–	830,000 *(Note 3)*	200,000	–
20.06.06	22.10	1,996,000	–	50,000	–	1,946,000
16.10.07	47.32	6,700,000	–	–	–	6,700,000
19.11.09	22.00	–	9,240,000	–	–	9,240,000

Note:
3. The weighted average closing price of the shares of CITIC Pacific immediately before the dates on which the options were exercised was HK$21.03.

C. Others

		Number of share options				
Date of grant	Exercise price HK$	Balance as at 01.01.09	Granted during the year ended 31.12.09	Exercised during the year ended 31.12.09	Lapsed during the year ended 31.12.09	Balance as at 31.12.09
01.11.04	19.90	1,050,000 *(Note 4)*	–	200,000 *(Note 5)*	850,000	–
20.06.06	22.10	1,650,000 *(Note 4)*	–	–	1,600,000	50,000
16.10.07	47.32	3,650,000 *(Note 4)*	–	–	3,600,000	50,000
19.11.09	22.00	–	50,000 *(Note 4)*	–	–	50,000

Note:
4. These are in respect of options granted to former directors or employees under continuous contract, who have subsequently resigned or retired.
5. The weighted average closing price of the shares of CITIC Pacific immediately before the date on which the options were exercised was HK$20.70.

The fair value of an option on one CITIC Pacific share granted in the year ended 31 December 2009 measured as at the date of grant of 19 November 2009 was HK$5.33 based on the following data and assumptions using the Binomial Lattice Model:

- The share price at the grant date is HK$21.55
- The exercise price is HK$22.00
- The option's contractual life is 5 years
- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 2.75 years
- Expected volatility of CITIC Pacific's share price at 50% per annum (based on historical movements of share prices and the trend of the volatility rate in recent years)
- Expected annual dividend yield of 4% (based on historical dividend payments)
- Rate of eligible grantees leaving service assumed at 7% per annum
- Early exercise assumption for option holders to exercise their options when the share price is at least 150% of the exercise price
- Risk-free interest rate of 0.65% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date)

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

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

The total expense recognised in CITIC Pacific's profit and loss account for the year ended 31 December 2009 in respect of the grant of the aforesaid 13,890,000 options is HK$74,033,700.

Share Option Plans Adopted by Subsidiaries of CITIC Pacific

CITIC 1616 Holdings Limited

CITIC 1616 Holdings Limited ('CITIC 1616') adopted a share option plan ('CITIC 1616 Share Option Plan') on 17 May 2007. The major terms of the CITIC 1616 Share Option Plan are as follows:

1. The purpose of the CITIC 1616 Share Option Plan is to attract and retain the best quality personnel for the development of CITIC 1616's businesses; to provide additional incentives to Employees (as defined herebelow); and to promote the long term financial success of CITIC 1616 by aligning the interests of grantees to shareholders of CITIC 1616.

2. The grantees of the CITIC 1616 Share Option Plan are any person employed by CITIC 1616 or any subsidiary and any person who is an officer or director (whether executive or non-executive) of CITIC 1616 or any subsidiary ('Employee') as the board of CITIC 1616 may in its absolute discretion select.

3. The maximum number of shares of CITIC 1616 ('CITIC 1616 Shares') over which options may be granted under the CITIC 1616 Share Option Plan must not exceed 10% of (i) the CITIC 1616 Shares in issue from time to time; or (ii) the CITIC 1616 Shares in issue as at the date of adopting the CITIC 1616 Share Option Plan, whichever is the lower. As at 10 March 2010, the maximum number of shares available for issue under the CITIC 1616 Share Option Plan is 133,455,000, representing approximately 6.75% of the issued share capital of CITIC 1616.

4. The total number of CITIC 1616 Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the CITIC 1616 Shares in issue. Where any further grant of options to a grantee would result in the CITIC 1616 Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the CITIC 1616 Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC 1616 in its general meeting.

5. The exercise period of any option granted under the CITIC 1616 Share Option Plan must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The subscription price determined by the board of CITIC 1616 will not be less than the higher of (i) the closing price of CITIC 1616 Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of CITIC 1616 Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of CITIC 1616 Shares.

8. The CITIC 1616 Share Option Plan shall be valid and effective till 16 May 2017.

Since the adoption of the CITIC 1616 Share Option Plan, CITIC 1616 has granted two lots of share options:

Date of grant	Number of share options	Exercise Period	Exercise price HK$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10

The closing price of CITIC 1616 Shares immediately before the grant on 17 September 2009 was HK$2.10 per CITIC 1616 Share. All options granted were accepted except for options for 115,000 CITIC 1616 Shares.

None of the share options granted under the CITIC 1616 Share Option Plan were exercised but options for 300,000 CITIC 1616 Shares have lapsed during the year ended 31 December 2009. The grantees were directors or employees of CITIC 1616 working under continuous contracts (as defined in the Employment Ordinance). On 17 September 2009, options for 300,000 CITIC 1616 Shares have been granted to Mr Kwok Man Leung, an executive director of CITIC Pacific, and options for 300,000 CITIC 1616 Shares have been granted to an ex-employee of CITIC Pacific. Such options were not exercised, cancelled or lapsed during the year ended 31 December 2009. Apart from the above, none were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

The average fair value of an option on one CITIC 1616 Share granted during the year ended 31 December 2009 measured as at the date of grant of 17 September 2009 was HK$0.733 based on the following assumptions using the Binomial Model:

- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 4.3 years;
- Expected volatility of CITIC 1616's share price at 50% per annum (based on historical movements of CITIC 1616's and its comparators' share prices);
- Expected annual dividend yield of 2.5%;
- Rate of eligible grantees leaving service assumed at 10% per annum;
- Early exercise assumption for option holders to exercise their options when the share price is at least 175% of the exercise price; and
- Risk-free interest rate of 1.55% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date).

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

The total expense recognised in the CITIC 1616 group's income statement for the year ended 31 December 2009 in respect of the grant of the aforesaid 35,825,000 options for CITIC 1616 Shares is HK$4,872,000.

All the options forfeited before expiry of the CITIC 1616 Share Option Plan will be treated as lapsed options which will not be added back to the number of shares available to be issued under the CITIC 1616 Share Option Plan.

Dah Chong Hong Holdings Limited

Pre-IPO Share Option Scheme

DCH Holdings adopted the Pre-IPO Share Option Scheme ('Pre-IPO Scheme') on 28 September 2007. The major terms of the Pre-IPO Scheme are as follows:

1. The purpose of the Pre-IPO Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees of the DCH Holdings group and to promote the long-term success of DCH Holdings.

2. The participants of the Pre-IPO Scheme are any employee of DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.

3. The maximum number of shares over which options may be granted under the Pre-IPO Scheme shall not exceed 18,000,000 shares, being 1% of the total number of issued shares immediately following the commencement of dealings of DCH Holdings' shares on the Stock Exchange.

4. The grantee shall not, within 6 months from the listing of DCH Holdings, exercise any of the options granted under the Pre-IPO Scheme.

5. The exercise period of any option granted under the Pre-IPO Scheme must not be more than five years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a nonrefundable payment of HK$1 from the grantee.

7. The subscription price shall be HK$5.88 per share which is equal to the initial public offer price of DCH Holdings' shares upon listing.

8. No options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in DCH Holdings' shares on the Stock Exchange.

On 3 October 2007, options to subscribe for a total of 18,000,000 shares in DCH Holdings at the exercise price of HK$5.88 per share were granted under the Pre-IPO Scheme.

All options are granted and accepted 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.

None of the options granted under the Pre-IPO Scheme were exercised or cancelled but options for 500,000 shares have lapsed during the year.

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ('Post-IPO Scheme') on 28 September 2007. The major terms of the Post-IPO Scheme are as follows:

1. The purpose of the Post-IPO Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees and to promote the long-term success of DCH Holdings.

2. The participants of the Post-IPO Scheme are any employee of DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.

3. The maximum number of shares over which options may be granted under the Post-IPO Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 10 March 2010, the maximum number of shares available for issue under the Post-IPO Scheme is 161,783,300, representing approximately 9% of the issued share capital of DCH Holdings. Options lapsed in accordance with the terms of the Post-IPO Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.

4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of DCH Holdings in issue.

5. The exercise period of any option granted under the Post-IPO Scheme must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a nonrefundable payment of HK$1 from the grantee.

7. The subscription price determined by the board of DCH Holdings will not be less than whichever is the higher of (i) the closing price of DCH Holdings' shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of DCH Holdings' shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of DCH Holdings.

8. The Post-IPO Scheme shall be valid and effective till 27 September 2017, after which no further options will be granted.

DCH Holdings has not granted any options under the Post-IPO Scheme.

Disclosure Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the changes in monthly salaries and allowance for the following directors with effect from 1 January 2010:

Director	Previous monthly salary/allowance	Monthly salary/allowance (with effect from 1 January 2010)
Chang Zhenming	HK$0	HK$100,000
Zhang Jijing	HK$0	HK$100,000
Carl Yung Ming Jie	HK$130,000	HK$140,000
Vernon Francis Moore	HK$160,000	HK$175,000
Liu Jifu	HK$46,580	HK$53,850
Milton Law Ming To	HK$130,000	HK$140,000
Wang Ande	RMB100,000	RMB130,000
Kwok Man Leung	HK$103,500	HK$140,000

Note: for information in relation to the 2009 full year emoluments of the directors, please refer to Note 12 to the financial statements.

In addition, following the re-designation as an executive director, the director's fee of each of Mr Chang Zhenming and Mr Zhang Jijing is changed from HK$200,000 per annum to HK$150,000 per annum.

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 2009 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

Name of director	Number of shares Personal interests unless otherwise stated	Percentage to issued share capital
CITIC Pacific Limited		
Peter Lee Chung Hing	1,000,000	0.027
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000 *(Note 1)*	0.115
Li Shilin	300,000	0.008
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
Wang Ande	400,000	0.011
Hansen Loh Chung Hon	1,550,000 *(Note 2)*	0.042
André Desmarais	8,145,000 *(Note 3)*	0.223
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC 1616 Holdings Limited		
Vernon Francis Moore	200,000 *(Note 1)*	0.010
Dah Chong Hong Holdings Limited		
Li Shilin	12,000	0.001
Liu Jifu	33,600 *(Note 4)*	0.002
Hansen Loh Chung Hon	62,000 *(Note 5)*	0.003
CITIC Guoan Information Industry Co., Ltd.		
Li Shilin	92,466	0.006
CITIC Resources Holdings Limited		
Zhang Jijing	28,000 *(Note 4)*	0.001

Note:
1. Trust interest
2. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other
3. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares
4. Family interest
5. Corporate interest in respect of 20,000 shares and joint interest in respect of 42,000 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 1616

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC 1616 are stated in the preceding section 'Share Option Plans adopted by subsidiaries of CITIC Pacific'.

CITIC Capital Holdings Limited

		Number of share options					
Name of director	Date of grant	Balance as at 01.01.09	Granted during the year ended 31.12.09	Lapsed / exercised during the year ended 31.12.09	Cancelled during the year ended 31.12.09	Balance as at 31.12.09	Percentage to issued share capital
Chang Zhenming	11.12.07	125,000	–	–	125,000	–	–
Peter Lee Chung Hing	02.03.05	15,000	–	–	15,000	–	
	04.04.06	10,000	–	–	10,000	–	
	11.12.07	10,000	–	–	10,000	–	–
Vernon Francis Moore	02.03.05	15,000	–	–	15,000	–	
	04.04.06	10,000	–	–	10,000	–	
	11.12.07	10,000	–	–	10,000	–	–
Ju Weimin	11.12.07	15,000 *(Note 6)*	–	–	15,000	–	–

Note:

6. Mr Ju Weimin was appointed as director of CITIC Pacific on 1 April 2009. Thus, this is in respect of the balance as of 1 April 2009.

CITIC Resources Holdings Limited

		Number of share options				
Name of director	Date of grant	Balance as at 01.01.09	Granted during the year ended 31.12.09	Lapsed / cancelled / exercised during the year ended 31.12.09	Balance as at 31.12.09	Percentage to issued share capital
Zhang Jijing	02.06.05	10,000,000 *(Note 7)*	–	–	10,000,000	0.165

Note:

7. Mr Zhang Jijing was appointed as director of CITIC Pacific on 1 April 2009. Thus, this is in respect of the balance as of 1 April 2009.

Save as disclosed above, as at 31 December 2009, 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 2009, 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

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group	2,098,736,285	57.520
CITIC HK	747,486,203	20.486
Heedon Corporation	598,261,203	16.397
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345
Larry Yung Chi Kin	358,418,000	9.823
Honpville Corporation	310,988,221	8.523
Earnplex Corporation	255,237,000	6.995

CITIC Group 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	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC HK	747,486,203	20.486
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345

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	3.353
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.523
Hainsworth Limited	93,136,000	2.553
Southpoint Enterprises Inc.	10,000,000	0.274
Raymondford Company Limited	2,823,000	0.077

CITIC Group is the holding company of CITIC HK, 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 in CITIC Pacific duplicate the interests of CITIC HK, Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited in CITIC Pacific;

ii) 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;

iii) 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;

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

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

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

vii) 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.

Shareholding Statistics

Based on the share register records of CITIC Pacific, set out below is a shareholding statistic chart of the shareholders of CITIC Pacific as at 31 December 2009:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,304	50.25
1,001 to 10,000	3,416	39.88
10,001 to 100,000	767	8.96
100,001 to 1,000,000	71	0.83
1,000,001 above	7	0.08
Total	8,565	100

As at 31 December 2009, the total number of issued shares of CITIC Pacific was 3,648,688,160 and based on the share register records of CITIC Pacific, HKSCC Nominees Limited held 1,572,457,699 shares representing 43.10% of the issued share capital of CITIC Pacific.

Share Capital

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2009. 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 2009.

During the year ended 31 December 2009, 2,414,000 shares were issued under the Share Option Plan as described above.

Service Contracts

As at 31 December 2009, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the group and any director proposed for re-election at the forthcoming Annual General Meeting.

Continuing Disclosure Requirements under Rule 13.22 of the Listing Rules in Relation to Financial Assistance to Affiliated Companies

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

Proforma combined balance sheet of affiliated companies

in HK$ million	CITIC Pacific Limited and its subsidiary companies' attributable interest as at 31 Dec 2009
Fixed assets	11,849
Jointly controlled entities	271
Associated companies	46
Other financial assets	21
Deferred tax assets	7
Intangible assets	1,692
Other non current assets	1,805
Net current assets	1,159
Total assets less current liabilities	16,850
Long term borrowings	(7,374)
Deferred tax liabilities	(296)
Derivative financial instruments	(14)
Loan from shareholders	(2,301)
	6,865

Auditors

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

Sufficiency of Public Float

Based on information that is publicly available to CITIC Pacific and within the knowledge of the directors, the directors confirm that CITIC Pacific has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2009.

By Order of the Board,
Chang Zhenming *Chairman*
Hong Kong, 10 March 2010

Corporate Governance

Contents of Financial Statements and Notes

Financial Statements

Consolidated Profit and Loss Account

for the year ended 31 December 2009

in HK$ million	Note	2009	As restated 2008
Turnover	3	**46,409**	46,420
Cost of sales		**(38,248)**	(38,367)
Gross profit		**8,161**	8,053
Other income/(loss) and net gains/(losses)	4	**2,632**	(13,568)
Distribution and selling expenses		**(1,470)**	(1,477)
Other operating expenses		**(3,523)**	(3,028)
Change in fair value of investment properties		**90**	12
Profit/(loss) from consolidated activities	5 & 6	**5,890**	(10,008)
Share of results of			
Jointly controlled entities	5	**2,018**	200
Associated companies	5	**642**	(1,761)
Profit/(loss) before net finance charges and taxation		**8,550**	(11,569)
Finance charges		**(937)**	(1,287)
Finance income		**313**	499
Net finance charges	7	**(624)**	(788)
Profit/(loss) before taxation		**7,926**	(12,357)
Taxation	8	**(1,097)**	578
Profit/(loss) for the year		**6,829**	(11,779)
Attributable to:			
Shareholders of the Company	9	**5,950**	(12,687)
Minority interests		**879**	908
		6,829	(11,779)
Dividends	10	**(1,459)**	(658)
Earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company during the year (HK$)	11		
Basic		**1.63**	(5.70)
Diluted		**1.63**	(5.70)

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

in HK$ million	2009	2008
Profit/(loss) for the year	**6,829**	(11,779)
Other comprehensive income, net of tax Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**4,312**	(3,459)
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	**(80)**	(4,095)
Fair value changes from other financial assets	**509**	(453)
Transfer to profit and loss account on impairment of other financial assets	**–**	98
Share of other comprehensive income of associated companies and jointly controlled entities	**51**	(35)
Exchange translation differences	**246**	1,979
Reserve released on disposal/dilution of interest in jointly controlled entities	**(27)**	(93)
Reserve released on disposal of interest in associated companies	**50**	–
Total comprehensive income for the year	**11,890**	(17,837)
Total comprehensive income for the year attributable to Shareholders of the Company	**11,000**	(19,023)
Minority interests	**890**	1,186
	11,890	(17,837)

Consolidated Balance Sheet

as at 31 December 2009

in HK$ million	Note	**2009**	As restated 31 December 2008	As restated 1 January 2008
Non-current assets				
Property, plant and equipment	15	**39,236**	23,028	12,154
Investment properties	15	**11,164**	11,230	10,895
Properties under development	15	**9,065**	8,630	4,245
Leasehold land	15	**2,377**	2,320	1,641
		61,842	45,208	28,935
Jointly controlled entities	17	**22,097**	21,140	17,446
Associated companies	18	**5,611**	14,801	17,683
Other financial assets	19	**2,198**	1,063	7,502
Intangible assets	20	**10,913**	8,979	4,602
Deferred tax assets	32	**554**	1,967	100
Derivative financial instruments	31	**748**	235	150
Non-current deposits	21	**6,480**	8,709	5,723
		110,443	102,102	82,141
Current assets				
Properties under development	15	**2,172**	1,218	43
Properties held for sale		**1,651**	733	440
Other assets held for sale	22	**1,765**	–	1,127
Inventories	23	**6,983**	5,605	5,982
Derivative financial instruments	31	**92**	1,016	251
Debtors, accounts receivable, deposits and prepayments	24	**11,082**	9,931	8,041
Cash and bank deposits		**21,553**	18,296	8,045
		45,298	36,799	23,929
Current liabilities				
Bank loans, other loans and overdrafts				
secured	28	**105**	490	328
unsecured	28	**4,252**	8,892	3,326
Creditors, accounts payable, deposits and accruals	25	**19,992**	13,500	10,661
Derivative financial instruments	31	**167**	3,043	66
Provision for taxation		**243**	274	590
Liabilities held for sale		**–**	–	2
		24,759	26,199	14,973
Net current assets		**20,539**	10,600	8,956
Total assets less current liabilities		**130,982**	112,702	91,097
Non-current liabilities				
Long term borrowings	28	**61,318**	47,852	25,000
Deferred tax liabilities	32	**1,891**	1,710	1,587
Derivative financial instruments	31	**1,727**	6,682	69
Provisions	33	**807**	734	–
		65,743	56,978	26,656
Net assets	5	**65,239**	55,724	64,441
Equity				
Share capital	26	**1,459**	1,458	885
Reserves	27	**57,888**	48,230	56,880
Proposed dividend		**912**	–	1,770
Equity attributable to shareholders of the Company		**60,259**	49,688	59,535
Minority interests in equity		**4,980**	6,036	4,906
Total equity		**65,239**	55,724	64,441

Chang Zhenming
Chairman

Zhang Jijing
Managing Director

Vernon F. Moore
Group Finance Director

Balance Sheet

as at 31 December 2009

in HK$ million	Note	2009	2008
Non-current assets			
Property, plant and equipment	15	**10**	16
Subsidiary companies	16	**61,243**	65,026
Jointly controlled entities	17	**5,102**	5,305
Associated companies	18	**2,544**	5,551
Derivative financial instruments	31	**342**	1,113
		69,241	77,011
Current assets			
Other assets held for sale		**1,894**	–
Derivative financial instruments	31	**62**	1,376
Amounts due from subsidiary companies	16	**1,467**	1,577
Debtors, accounts receivable, deposits and prepayments	24	**129**	190
Cash and bank deposits		**7,754**	7,289
		11,306	10,432
Current liabilities			
Bank loans, other loans and overdrafts unsecured	28	**700**	4,601
Amounts due to subsidiary companies	16	**9,288**	9,801
Creditors, accounts payable, deposits and accruals	25	**143**	300
Derivative financial instruments	31	**150**	1,749
		10,281	16,451
Net current assets/(liabilities)		**1,025**	(6,019)
Total assets less current liabilities		**70,266**	70,992
Non-current liabilities			
Long term borrowings	28	**25,834**	27,237
Derivative financial instruments	31	**1,328**	3,885
		27,162	31,122
Net assets		**43,104**	39,870
Equity			
Share capital	26	**1,459**	1,458
Reserves	27	**40,733**	38,412
Proposed dividend		**912**	–
Equity attributable to shareholders of the Company		**43,104**	39,870

Chang Zhenming
Chairman

Zhang Jijing
Managing Director

Vernon F. Moore
Group Finance Director

Consolidated Cash Flow Statement

for the year ended 31 December 2009

in HK$ million	Note	2009	As restated 2008
Cash flows from operating activities			
Profit/(loss) before taxation		**7,926**	(12,357)
Share of results of jointly controlled entities and associated companies		**(2,660)**	1,561
Net finance charges		**624**	788
(Gain)/loss on leveraged foreign exchange contracts		**(283)**	15,891
Realised and unrealised exchange gain		**(707)**	(192)
Income from other financial assets		**(3)**	(96)
Depreciation and amortisation		**1,186**	1,091
Impairment losses		**487**	650
Net gain from sale of other financial assets		**(86)**	(1,215)
Share-based payment		**75**	–
Gain on disposal of property, plant and equipment		**(92)**	(47)
Negative goodwill from acquisition of a jointly controlled entity		**–**	(73)
Change in fair value of investment properties		**(90)**	(12)
Profit on disposal of interests in subsidiary companies and associated companies		**(1,154)**	(170)
Loss/(profit) on disposal of interest in jointly controlled entities		**76**	(422)
Operating profit before working capital changes		**5,299**	5,397
Decrease in properties held for sale		**874**	74
(Increase)/decrease in inventories		**(1,279)**	860
Increase in debtors, accounts receivable, deposits and prepayments		**(587)**	(91)
Increase in creditors, accounts payable, deposits and accruals		**3,715**	859
Effect of foreign exchange rate changes		**11**	(34)
Cash generated from operating activities		**8,033**	7,065
Income taxes paid		**(806)**	(1,021)
Cash generated from operating activities after income taxes paid		**7,227**	6,044
Net payment for termination cost in respect of interest rate swaptions		**(333)**	–
Payment for leveraged foreign exchange contracts		**(1,024)**	(1,691)
Interest received		**308**	457
Interest paid		**(2,419)**	(1,840)
Realised exchange gain		**400**	–
Other finance charges and financial instruments		**(62)**	(47)
Net cash from consolidated activities before increase of properties under development		**4,097**	2,923
Increase in properties under development		**(2,295)**	(3,811)
Net cash from/(used in) consolidated activities		**1,802**	(888)

in HK$ million	Note	**2009**	As restated 2008
Cash flows from investing activities			
Purchase of			
Subsidiary companies (net of cash and cash equivalents acquired)	36	**(240)**	(392)
Additional interests in subsidiary companies		**(1,817)**	–
Properties under development for own use		**(346)**	(179)
Property, plant and equipment		**(13,359)**	(10,199)
Leasehold land		**(42)**	(292)
Intangible assets		**(1,589)**	(2,756)
Other financial assets		**(404)**	(393)
Proceeds of			
Disposal of property, plant and equipment and investment properties		**282**	486
Sale of other financial assets		**599**	3,368
Disposal of interests in associated companies		**7,451**	–
Disposal of interests in jointly controlled entity		**–**	978
Disposal of interests in subsidiary companies (net of cash and cash equivalents disposed)	36	**–**	525
Increase in pledged deposit with banks		**(66)**	(102)
Net payments for non-current deposits		**(171)**	(4,584)
Investment in jointly controlled entities and associated companies		**(25)**	(2,547)
Repayment/(addition) in loans to jointly controlled entities and associated companies		**855**	(815)
Dividend received from jointly controlled entities and associated companies		**299**	824
Income received from other financial assets		**5**	96
Deposits received from sale of business interest		**2,249**	–
Net cash used in investing activities		**(6,319)**	(15,982)

in HK$ million	Note	2009	As restated 2008
Cash flows from financing activities			
Proceeds from issue of shares net of amount payable for novation of certain leveraged foreign exchange contracts		–	2,470
Issue of shares pursuant to the Plan	26	**49**	8
Repurchase of shares		–	(656)
New borrowings		**30,640**	32,800
Repayment of loans		**(22,238)**	(5,226)
Decrease in minority interests		**(220)**	(265)
Dividends paid		**(547)**	(2,415)
Net cash from financing activities		**7,684**	26,716
Net increase in cash and cash equivalents		**3,167**	9,846
Cash and cash equivalents at 1 January		**18,117**	8,017
Effect of foreign exchange rate changes		**19**	254
Cash and cash equivalents at 31 December		**21,303**	18,117
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		**21,553**	18,296
Bank overdrafts and pledged deposits		**(250)**	(179)
		21,303	18,117
Major non-cash transaction			
Consideration from issue of new shares		–	11,625
Less: Amount payable by the Company to CITIC Group in respect of certain leveraged foreign exchange contracts		–	9,155
Net cash proceeds		–	2,470

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

in HK$ million	Note	Attributable to shareholders of the Company: Share capital	Other reserves	Retained profits	Total	Minority interests	Total equity
Balance at 31 December 2008, as previously reported		**1,458**	**38,243**	**10,270**	**49,971**	**6,036**	**56,007**
Impact on Cathay Pacific Airway Limited, associated company on its adoption of HK(IFRIC)-Int 13	1	–	–	(283)	(283)	–	(283)
Balance at 1 January 2009, as restated		**1,458**	**38,243**	**9,987**	**49,688**	**6,036**	**55,724**
Profit for the year		–	–	5,950	5,950	879	6,829
Other comprehensive income, net of tax, for the year Exchange translation differences		–	235	–	235	11	246
Share of other comprehensive income of associated companies and jointly controlled entities		–	51	–	51	–	51
Fair value changes from other financial assets		–	509	–	509	–	509
Reserves released on deemed disposal of jointly controlled entities		–	(27)	–	(27)	–	(27)
Reserves released on disposal of an associated company		–	50	–	50	–	50
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets		–	(80)	–	(80)	–	(80)
Cash flow hedging reserves movement from interest rate swaps		–	4,312	–	4,312	–	4,312
Total comprehensive income for the year		–	**5,050**	**5,950**	**11,000**	**890**	**11,890**
Dividends paid to shareholders of the Company		–	–	(547)	(547)	–	(547)
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	(375)	(375)
Share of associated company's share-based payment		–	–	(6)	(6)	–	(6)
Acquisition of interests from minority shareholders		–	–	–	–	(1,671)	(1,671)
Capital injection by minority shareholders		–	–	–	–	88	88
Capital refund to minority shareholders		–	–	–	–	(2)	(2)
Transfer to general reserve		–	160	(160)	–	–	–
Minority interests arising from acquisition of subsidiary company		–	–	–	–	10	10
Disposal of a subsidiary company		–	–	–	–	(14)	(14)
Loan from minority shareholders		–	–	–	–	16	16
Share options exercised		–	48	–	48	–	48
Share capital issued		1	–	–	1	–	1
Share-based payment		–	75	–	75	–	75
Equity-settled share-based transaction		–	–	–	–	2	2
		1	**283**	**(713)**	**(429)**	**(1,946)**	**(2,375)**
Balance at 31 December 2009		**1,459**	**43,576**	**15,224**	**60,259**	**4,980**	**65,239**

in HK$ million	Note	Attributable to shareholders of the Company: Share capital	Other reserves	Retained profits	Total	Minority interests	Total equity
Balance at 31 December 2007, as previously reported		885	32,660	26,248	59,793	4,906	64,699
Impact on Cathay Pacific Airway Limited, associated company on its adoption of HK(IFRIC)-Int 13	1	–	–	(258)	(258)	–	(258)
Balance at 1 January 2008, as restated		885	32,660	25,990	59,535	4,906	64,441
Loss for the year, as restated		–	–	(12,687)	(12,687)	908	(11,779)
Other comprehensive income, net of tax, for the year							
Exchange translation differences		–	1,701	–	1,701	278	1,979
Share of other comprehensive income of associated companies and jointly controlled entities		–	(35)	–	(35)	–	(35)
Fair value changes from/impairment of other financial assets		–	(453)	–	(453)	–	(453)
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets		–	(4,095)	–	(4,095)	–	(4,095)
Transfer to profit and loss account on impairment of other financial assets		–	98	–	98	–	98
Reserves released on disposal of jointly controlled entities		–	(93)	–	(93)	–	(93)
Cash flow hedging reserves movement from interest rate swaps		–	(3,459)	–	(3,459)	–	(3,459)
Total comprehensive income for the year		–	(6,336)	(12,687)	(19,023)	1,186	(17,837)
Dividends paid to shareholders of the Company		–	–	(2,415)	(2,415)	–	(2,415)
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	(439)	(439)
Share repurchase		(8)	8	(656)	(656)	–	(656)
Share of associated company's share repurchase		–	–	(26)	(26)	–	(26)
Acquisition of interests from minority shareholders		–	–	–	–	(2)	(2)
Minority interests arising from acquisition of subsidiaries		–	–	–	–	251	251
Capital injection by minority shareholders		–	–	–	–	136	136
Purchase of own shares by a subsidiary		–	–	–	–	(2)	(2)
Transfer to general reserve		–	220	(220)	–	–	–
Share options exercised		–	7	–	7	–	7
Released upon lapse of share options of a subsidiary		–	(1)	1	–	–	–
Issue of shares upon full conversion of the convertible bond							
Premium received		–	11,685	–	11,685	–	11,685
Share capital issued		581	–	–	581	–	581
		573	11,919	(3,316)	9,176	(56)	9,120
Balance at 31 December 2008, as restated		1,458	38,243	9,987	49,688	6,036	55,724

Notes to the Financial Statements

1 Significant Accounting Policies

a Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated accounts ('the Accounts') of CITIC Pacific Limited (the 'Company') and its subsidiary companies (together the 'Group') are set out below. These policies have been consistently applied to each of the years presented, other than the adoption of new or revised Hong Kong Financial Reporting Standards ('HKFRS') in 2009 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 below in (h) and (w). The applicable HKFRS include all applicable Hong Kong Accounting Standards ('HKAS') and Hong Kong International Financial Reporting Interpretations ('HK(IFRIC)') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). The following standards, amendments or interpretations became effective in 2009 and are relevant to the Group.

Standard No.	Title	Effect
HKAS 1 (Revised)	Presentation of financial statements	Note (a)
HKAS 16 (Amendment)	Property, plant and equipment	Insignificant
HKAS 23 (Revised)	Borrowing costs	Insignificant
HKAS 28 (Amendment)	Investments in associates	Insignificant
HKAS 32 (Amendment)	Financial instruments: Presentation	Insignificant
HKAS 36 (Amendment)	Impairment of assets	Insignificant
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement	Insignificant
HKAS 40 (Amendment)	Investment property	Note (b)
HKFRS 7 (Amendment)	Financial instruments: Disclosures	Note (c)
HKFRS 8	Operating segments	Note (d)
HK(IFRIC) Interpretation 13	Customer loyalty programmes	Note (e)

Adoption of the above standards has not had a significant impact on these Accounts except as stated below.

(a) Under HKAS 1(Revised), entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two performance statements.

(b) As a result of amendments to HKAS 40, 'Investment property', investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the years presented.

(c) As a result of the adoption of the amendments to HKFRS 7 'Financial instruments: Disclosures', the Accounts include expanded disclosures in Note 29(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable marketable data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

1 Significant Accounting Policies *continued*

a Basis of Preparation *continued*

(d) HKFRS 8, 'Operating segments' replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of this standard did not have any effect on the Group's results of operation or financial position. The Group has determined that its operating segments are substantially the same as the business segments previously identified under HKAS 14.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee. The adoption of HKFRS 8 has resulted in a change of presentation in segment information. Comparatives for 2008 segment disclosures have been restated.

Goodwill is allocated by management to groups of cash-generating units at a segment level. The change in reportable segments has not resulted in any goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities.

(e) HK(IFRIC) Interpretation 13 'Customer loyalty programmes'. The part of revenue from initial sales transactions equal to the fair value of customer loyalty awards granted is deferred until the awards are redeemed and the related service is provided. This change in accounting treatment has had a material impact on Cathay Pacific Airways Limited, an associated company up until August 2009 and reduced the Group's share of the retained profits of that company by HK$258 million and HK$283 million as at 1 January 2008 and 2009 respectively. There is no material impact to the Group's results for the year.

HKAS 24 'Related party disclosure' (Revised) reduces the related party disclosure requirements for transactions with the government and other government related entities as well as clarifies and simplifies the definition of a related party. The Group has adopted the partial exemption in the disclosure requirements for government-related entities as permitted under HKAS 24 (Revised), which has no effect on the financial statements other than more simplified disclosures on transactions with government-related entities.

The following new standards, amendments and interpretations which have been issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') as of 31 December 2009 may impact the Group in future years but are not yet effective for the year ended 31 December 2009:

Standard No.	Title	Applicable accounting period to the Group
HKFRS 3 (revised)	Business combinations	2010
Amendment to HKAS 27	Consolidated and separate financial statements	2010
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items	2010
HK(IFRIC) 17	Distribution of non-cash assets to owners	2010
Improvement to HKFRS 2009		2010
HKAS 24	Related party disclosure (revised)	2011
HKFRS 9	Financial instruments	2013

The adoption of the above standards, amendments or interpretations in the years listed and the Group is in the process of assessing their impact on future accounting periods.

1 Significant Accounting Policies *continued*

b Basis of Consolidation

The consolidated accounts incorporate the accounts of the Company and all its subsidiary companies made up to the balance sheet date. The results of subsidiary companies acquired or disposed of during the year are included as from the effective dates of acquisition or up to the effective dates of disposal respectively.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiary companies have been changed where necessary in the consolidated accounts to ensure consistency with the policies adopted by the Group.

c Goodwill

Positive goodwill arising on the acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Negative goodwill arising on the acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of the acquisition.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within jointly controlled entities and associated companies at cost less accumulated impairment losses and is subject to impairment testing at least annually. Impairment losses on goodwill are not reversed. Negative goodwill is recognised in profit and loss account immediately on acquisition.

d Subsidiary Companies and Minority Interests

A subsidiary company is a company which is controlled by the Company through share ownership or otherwise. Control represents the power to govern the financial and operating policies of that company.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interests.

Minority interests in the balance sheet comprise the outside shareholders' proportion of the net assets of subsidiary companies. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity interests to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases of equity interests from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary company, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary company subsequently reports profits, all such profits are allocated as attributable to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Investments in subsidiary companies are carried in the Company's balance sheet at cost less any impairment. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

1 Significant Accounting Policies *continued*

e Jointly Controlled Entities

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to joint control.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year, unless the jointly controlled entity is classified as held for sale (or included in a disposal group held for sale), and adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill on acquisition.

When the Group's share of losses equals or exceeds its interest in the jointly controlled entity, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Share of results of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less any impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

f Associated Companies

Associated companies are companies, other than subsidiary companies and jointly controlled entities, in which the Group generally holds not more than 50 per cent of the equity share capital for the long term and over whose management it can exercise significant influence.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, unless the associated company is classified as held for sale (or included in a disposal group held for sale), and adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of net assets of the associated companies, after attributing fair values to the net assets at the date of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associated company, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Share of results of associated entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less any impairment. The results of associated companies are only reflected to the extent dividends are received or are receivable.

1 Significant Accounting Policies *continued*

g Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment.

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Construction in progress in respect of the iron ore mining project includes expenditure such as bank charges, interest costs, equipment hire costs, consultants' costs and depreciation costs. Such costs are capitalised until commencement of mine production and then amortised in accordance with Note 1(o).

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rate specified below.

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis at the following annual rates:

Freehold land is not amortised.

• Buildings	2%-4% or the remaining lease period of the land where applicable
• Plant and machinery	9%-20%
• Other property, plant and equipment, comprising telecommunications equipment, traffic equipment, cargo lighters, computer installations, motor vehicles, furniture, fixture and equipment	10%-25%

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Note 4, in the consolidated income statement.

h Investment Properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated profit and loss account.

1 Significant Accounting Policies *continued*

i Properties under Development

Properties under development consist of land for development and buildings under construction and development.

Properties under development for own use – investments in leasehold land are amortised over the lease term, and are stated at cost less accumulated amortisation and any accumulated impairment. Amortisation of leasehold land is capitalised as the cost of buildings during the construction period. The investments in buildings under construction and development are stated at cost less any accumulated impairment losses.

Properties under development for sale are carried at the lower of cost and the estimated net realisable value. Given the Group's diverse portfolio of property development projects, there is presently not a uniform operating cycle and hence properties under development for sale with the development expected to be completed within one year from the balance sheet date are classified under current assets. Such development properties are transferred to investment property when and only when there is a change in use as evidenced by the commencement of an operating lease to another party.

Properties under development for investment purposes are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss account.

j Capitalisation of Development Costs

Property development expenditure, including borrowing costs and professional fees, is capitalised as cost of development.

Borrowing costs incurred on assets under development that take a substantial period of time to get ready for their intended use or sale are capitalised into the carrying value of the assets under development.

The capitalisation rate applied to funds borrowed for the development of assets is based on the attributable cost of funds to the Group.

All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

k Properties Held for Sale

Properties held for sale consisting of leasehold land and buildings are classified under current assets and stated at the lower of cost and net realisable value. Leasehold land is stated at cost less accumulated amortisation and any impairment. Building costs are stated at cost less any impairment.

l Other Assets Held for Sale

Other assets held for sale are stated at their carrying amount which is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

m Leasehold Land

Leasehold land comprises land held under operating lease arrangements and is amortised on a straight-line basis over the lease term.

1 Significant Accounting Policies *continued*

n Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. They comprise goodwill, expenditure on mining rights and a vehicular tunnel concessions. The accounting policies for goodwill and exploration, evaluation and development expenditure of mining rights are outlined in accounting policies 1(c) and 1(o).

Amortisation of the vehicular tunnel concession is based on the actual traffic volume in the year compared to the projected traffic volume for the remainder of the concession period.

o Mining Exploration, Evaluation and Development Expenditure

Mining exploration, evaluation and development expenditures incurred are capitalised and carried forward in respect of each identifiable area of interest where the rights to mine are current and:

- it is expected that the expenditure will be recouped by future development and commercial exploitation or sale; or,
- at the balance sheet date, exploration and evaluation activities have not reached a stage, which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

Development costs represent costs accumulated for an area of interest where the decision has been made to develop the mine. Development costs include such costs as plant hire, contractor site labour costs and resource assessment costs. Exploration and evaluation assets are transferred to development costs when this decision has been made. Development costs are tested for impairment in accordance with Note 1(y).

Amortisation of costs carried forward is not charged until production commences. When production commences, capitalised expenditures on exploration, evaluation and development are amortised over the life of the area of interest to which they relate. Amortisation is recognised in the consolidated profit or loss on a unit of production method over the estimated useful lives of intangible assets from the date that they are available for use. Unamortised expenditure relating to that area of interest is written off in the period that abandonment is decided.

Provision for restoration costs is made at the time when the activities which give rise to the need for restoration occur, and would form part of the costs of the respective phase of operations. The need for a provision is assessed annually such that full provision is made by the end of the exploration life of each area.

The ultimate recoupment of costs carried forward for exploration, evaluation and development phases is dependent on the successful development and commercial exploitation of sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration phase and accordingly, production has not commenced.

Subsequent to the commencement of mining production, expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in consolidated profit or loss when incurred.

Mining exploration, evaluation and development expenditure is written down to its recoverable amount if it is lower than its carrying amount.

1 Significant Accounting Policies *continued*

p Trade and Other Receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit and loss account.

q Cash and Cash Equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

r Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

s Provisions
Provisions are made when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not made for future operating losses.

In respect of the Group's iron ore mining operations:

i) Site restoration
In accordance with the iron ore mining group's environmental policy and applicable legal requirements, the Group has an obligation to conduct rehabilitation works in respect of disturbed areas comprising the waste rock dumps, open areas, open pits and abandonment bunds. A non-current provision has been made for the site restoration commitment with the corresponding intangible assets increased by an equivalent amount.

ii) Mining rights
In accordance with the mining rights/lease agreements entered into by two subsidiary companies of the Company, the Group is committed to pay a defined royalty if either of the two subsidiary companies' production is less than 6 million tonnes by March 2013. A non-current provision has been made for this commitment with the corresponding intangible assets increased by an equivalent amount.

t Share Capital
Share capital issued by the Company is recorded at the proceeds received, net of direct issue costs.

1 Significant Accounting Policies *continued*

u Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Geographically, management considers separate segments as mainland China, Hong Kong and overseas, which is further segregated into Australia and others. The performance of the operating segments is assessed on the profit attributable to the shareholders of the Company. Gain from leveraged foreign exchange contracts and net exchange gain are attributable to the corporate segment, as the cash position of the group is managed centrally by the corporate treasury function.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

v Revenue Recognition

i) Sales of goods

Revenue arising from the sale of goods is generally recognised on the delivery of goods to customers. Revenue is after deduction of any trade discounts.

Revenue arising from the sale of motor vehicles is recognised when the registration document is issued or on delivery of the vehicle, whichever is earlier. This is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

ii) Rendering of services

Commission income is recognised when the goods concerned are sold to customers. Revenue arising from the rendering of repairing services is recognised when the relevant work is completed.

Revenue from the provision of telecommunications services is recognised upon delivery of the service.

iii) Sales of properties under development and properties held for sale

Revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

Revenue from completed properties held for sale is recognised at the date when the sales agreement is signed.

iv) Toll income

Toll income is recognised as revenue when the service is provided.

v) Rental income

Rental income is recognised as revenue on a straight-line basis over the period of the relevant lease.

1 Significant Accounting Policies *continued*

v Revenue Recognition *continued*

vi) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Dividends proposed or declared after their balance sheet date by companies in which the Group has an investment are not recognised as revenue at the balance sheet date but on the date when the right to receive the dividend is established.

w Financial Instruments

The Group classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets and, (iv) derivative financial instruments. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets on initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of all categories financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except financial assets carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been legally transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this sub-category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, unless maturity is greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in debtors, accounts receivable, deposits and prepayments in the balance sheet.

Loans and receivables and held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

1 Significant Accounting Policies *continued*

w Financial Instruments *continued*

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are carried at fair value, or cost less impairment loss if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the profit and loss account.

iv) Derivative financial instruments

Derivatives are stated at fair value. The gain or loss on change in fair values is recognised in the profit and loss account unless the derivative qualifies for hedge accounting.

Cash flow hedges

Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, whether on the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and the ineffective part in the profit and loss account. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the profit and loss account in the same period or periods during which the transaction it hedges is recognised in the profit and loss account. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit and loss. The ineffective portion is recognised immediately in profit and loss.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 31. Movements on the hedging reserve in shareholders' equity are shown in Note 27. When the remaining maturity of the hedged item is more than 12 months, the full fair value of a hedging derivative is classified as a non-current asset or liability.

1 Significant Accounting Policies *continued*

x Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable and receivable under operating leases are accounted for on a straight line basis over the respective periods of the leases.

y Impairment of Assets

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication the carrying value of these assets may not be recoverable. If such assets are considered to be impaired, the impairment to be recognised in the profit and loss account is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (called cash-generating units).

z Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. They are valued at the lower of cost and net realisable value. Cost represents the actual cost of purchase or production and is calculated on the first-in first-out, specific identification or weighted average basis as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

aa Foreign Currencies

The consolidated and the company's accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

Transactions in foreign currencies are translated into the functional currency at the rates ruling at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as a qualifying cash flow hedge or net investment hedge.

Assets and liabilities of subsidiary companies, jointly controlled entities and associated companies, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into Hong Kong dollars at the rates of exchange at the balance sheet date. Results in foreign currencies are translated at the average rates of exchange ruling during the year. All resulting exchange differences are recognised as a separate component of equity – exchange fluctuation reserve.

Exchange differences arising from the translation of the net investment in foreign entities, and of financial instruments which are designated as hedges of such investment, are taken directly to the exchange fluctuation reserve. On the disposal of these investments, such exchange differences are recognised in the consolidated profit and loss account as part of the profit or loss on disposal.

When a gain or loss on a non-monetary item is recognised directly in equity, any translation difference on that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the profit and loss account any translation difference on that gain or loss is recognised in the profit and loss account.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date. Such differences are taken directly to the exchange fluctuation reserve.

1 Significant Accounting Policies *continued*

bb Deferred Taxation

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiary companies to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the applicable profits tax rate.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

cc Employee Benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The Group operates a share option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period with a corresponding increase in capital reserve. Fair values of share option awards, measured at the date of grant of the award, are calculated using a binomial lattice model methodology that is based on the underlying assumptions of the Black-Scholes model.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair value excludes the impact of any non-market services and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and recognises the impact of the revision, if any, in the consolidated profit and loss account.

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Investment properties

The fair values of investment properties are determined annually by independent qualified valuers on an open market value at the balance sheet date on an existing use basis calculated on the net income allowing for reversionary potential.

ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(y). For the purposes of impairment testing, goodwill acquired has been allocated to individual cash-generating units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

iii) Impairment of assets

The Group has made substantial investments in tangible and intangible assets. The Group considers impairment assessment as an area requiring extensive application of judgement and estimation. Assets that have an indefinite useful life are tested for impairment annually. Other assets are reviewed for impairment when there is an indication that the carrying value of these assets may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the profit and loss account.

Mining operation

The Group's mining operation is considered as a separate cash generating unit. Whenever events or circumstances indicate an impairment may have occurred, the Group tests whether assets attributable to the Group's mining operations have suffered any impairment. The recoverable amount of the mining operation is determined based on fair value less costs to sell which is based on cashflow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Assumptions about selling prices, operating costs, exchange rates and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

2 Critical Accounting Estimates and Judgements *continued*

iii) Impairment of assets *continued*

Property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

Properties under development

The Group writes down properties under development to their recoverable amount based on the assessment of recoverability which takes into account cost to completion based on past experience and cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate. Write downs are recorded where events or changes in circumstances indicate that the balances may not be fully realised. The identification of write downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted to profit and loss account in the period in which such estimate is changed.

Jointly controlled entities and associated companies

The Group regularly reviews investments in jointly controlled entities and associated companies for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the intent and ability to hold to maturity or until forecasted recovery, the financial health, cash flow projections and future prospects of the companies.

Debtors, accounts receivables, deposits and prepayments

Debtors, accounts receivables, deposits and prepayments are assessed and impairment provided based on regular review of the ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the impairment loss would affect the profit in future years.

iv) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

v) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in Note 1(z). Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's profit and net asset value.

2 Critical Accounting Estimates and Judgements *continued*

vi) Fair value of derivative financial instruments

The fair values of outstanding derivative transactions are based on independent valuations by Reval Inc., a derivative risk management and hedge accounting solutions firm, and are cross checked against fair values obtained from major financial institutions. Judgement is required in determining such valuations. Changes in the underlying assumptions could materially impact profit and loss or equity.

vii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation that future taxable profit will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

3 Turnover and Revenue

The principal activities of CITIC Pacific Limited is holding its subsidiary companies, jointly controlled entities and associated companies (collectively the 'Investee Companies'), and raising finance. Revenue generating activities of the Group are conducted through the subsidiaries. The principal activities of the Investee Companies are set out in Note 43 to the financial statements.

Turnover of the Group comprises the total invoiced value of goods supplied net of government taxes where applicable, charges to telecommunication services, fees from services rendered to customers, gross proceeds from sale of properties, gross property rental and godown and cold storage income, and toll income analysed as follows:

	Group	
in HK$ million	**2009**	2008
Sale of goods	**40,033**	41,257
Telecommunications	**2,716**	2,486
Services rendered to customers	**1,234**	1,102
Properties sales	**911**	96
Rental income	**788**	745
Toll income	**691**	701
Others	**36**	33
	46,409	46,420

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenues.

Further details regarding the Group's principal activities are disclosed in the following notes to these financial statements.

4 Other Income/(Loss) and Net Gains/(Losses)

in HK$ million	Group 2009	2008
Other income		
Commission income, subsidy income and rebates	**202**	160
Dividend income from other financial assets		
Listed shares	**3**	89
Co-operative joint ventures	**–**	7
	205	256
Gain/(loss) from leveraged foreign exchange contracts (Note i)		
net realised gain/(loss)	**84**	(12,691)
unrealised gain/(loss)	**199**	(3,200)
	283	(15,891)
Net exchange gain (Note ii)	**707**	192
Net gain from disposal of a subsidiary company	**–**	170
Net (loss)/gain from disposal/deemed disposal of jointly controlled entities	**(76)**	422
Net gain from disposal of associated companies	**1,154**	–
Net gain from sale of other financial assets, mainly listed investments	**86**	1,215
Net gain from disposal of fixed assets	**92**	–
Others	**181**	68
	1,437	1,875
	2,632	(13,568)

Notes:

i) In 2008, the Group entered into multiple Australian dollar (AUD), Euro and Renminbi (RMB) leveraged foreign exchange contracts with the intention of minimizing currency exposure of the Group's iron ore mining project. These contracts were not eligible for hedge accounting and gains and losses arising from changes in the fair market value of these contracts were reflected in the profit and loss account. The Group incurred a total loss of HK$15.9 billion in 2008 in respect of such contracts. Most of the losses arose on AUD contracts. There was a significant change in the AUD to the USD exchange rate which combined with their leveraged features resulted in the amount of AUD deliverable to the Group increasing significantly and exceeding the Group's need for AUD.

All of the leveraged foreign exchange contracts were novated to CITIC Group, terminated, or restructured into plain vanilla forward contracts (that are eligible for hedge accounting), during the period from December 2008 to May 2009, with the exception of three RMB leveraged foreign exchange contracts at a negative fair value of HK$108 million as at 31 December 2009 and which mature in 2010. A net gain of HK$283 million was recognised for the year ended 31 December 2009 in relation to leveraged foreign exchange contracts, which comprised gains and costs incurred upon termination or restructuring of outstanding AUD and Euro leveraged foreign exchange contracts, realised gains and losses on taking delivery of foreign currencies under these leveraged contracts, and unrealised gains on revaluation of the RMB leveraged foreign exchange contracts.

ii) The realised and unrealised exchange gain of HK$707 million (2008: HK$192 million) mainly represents the net exchange gain on Australian dollars bank balances received upon settlement of the forward foreign exchange contracts arising from their revaluation to the exchange rate at 31 December 2009.

5 Segment Information

a Turnover and Profit/(Loss) Attributable to Shareholders of the Company

		Year ended 31 December 2009										
in HK$ million	Turnover*	Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations†	Segment profit/(loss)	Taxation	Minority interests	Profit/(loss) attributable to shareholders of the Company
Special steel	19,079	1,591	371	29	151	(162)	1,980	–	1,980	(317)	(248)	1,415
Iron ore mining	27	484	–	–	1	–	485	–	485	(109)	–	376
Property												
Mainland China	1,390	654	–	–	40	(25)	669	4	673	(161)	12	524
Hong Kong	257	189	–	141	–	–	330	86	416	(19)	–	397
Energy	–	(65)	1,018	(16)	–	–	937	–	937	(51)	–	886
Tunnels	724	488	148	–	–	–	636	–	636	(80)	(119)	437
Dah Chong Hong	22,131	1,090	73	28	12	(112)	1,091	(90)	1,001	(252)	(347)	402
CITIC 1616	2,716	444	–	(1)	5	–	448	–	448	(75)	(177)	196
Other investments‡	85	1,060	408	411	6	–	1,885	–	1,885	7	–	1,892
Change in fair value of investment properties	–	90	–	50	–	–	140	–	140	(20)	–	120
Corporate												
General and administration expenses	–	(562)	–	–	–	–	(562)	–	(562)	(20)	–	(582)
Gain from leveraged foreign exchange contracts	–	283	–	–	–	–	283	–	283	(88)	–	195
Exchange gain	–	144	–	–	–	–	144	–	144	–	–	144
Net finance charges	–	–	–	–	98	(638)	(540)	–	(540)	88	–	(452)
Total	46,409	5,890	2,018	642	313	(937)	7,926	–	7,926	(1,097)	(879)	5,950

* Companies making up each reportable segment are set out in Note 43.

† Segment allocations arise from property leases between segments carried out at arms' length rentals.

‡ Other investments segment had included Aviation segment which comprised a profit of approximately HK$1 billion from disposal of interests in Cathay Pacific Airways Ltd.

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5 Segment Information *continued*

a Turnover and Profit/(Loss) Attributable to Shareholders of the Company *continued*

		Year ended 31 December 2008 (as restated)										
in HK$ million	Turnover*	Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations†	Segment profit/(loss)	Taxation	Minority interests	Profit/(loss) attributable to shareholders of the Company
Special steel	22,758	2,147	53	–	266	(141)	2,325	–	2,325	(344)	(364)	1,617
Iron ore mining	27	(133)	–	–	1	–	(132)	–	(132)	9	–	(123)
Property												
Mainland China	544	590	16	–	57	(41)	622	4	626	(109)	6	523
Hong Kong	243	343	–	62	–	–	405	89	494	(4)	–	490
Energy	–	(358)	(243)	(507)	2	–	(1,106)	–	(1,106)	16	–	(1,090)
Tunnels	734	498	142	–	1	–	641	–	641	(74)	(124)	443
Aviation	–	402	–	(1,432)	11	–	(1,019)	–	(1,019)	–	–	(1,019)
Dah Chong Hong	19,496	919	64	(11)	27	(132)	867	(93)	774	(191)	(263)	320
CITIC 1616	2,486	393	–	(1)	21	(1)	412	–	412	(68)	(163)	181
Other investments	132	1,203	168	128	1	–	1,500	–	1,500	2	–	1,502
Change in fair value of investment properties	–	12	–	–	–	–	12	–	12	(45)	–	(33)
Corporate												
General and administration expenses	–	(348)	–	–	–	–	(348)	–	(348)	79	–	(269)
Loss from leveraged foreign exchange contracts	–	(15,891)	–	–	–	–	(15,891)	–	(15,891)	1,259	–	(14,632)
Exchange gain	–	215	–	–	–	–	215	–	215	–	–	215
Net finance charges	–	–	–	–	112	(972)	(860)	–	(860)	48	–	(812)
Total	46,420	(10,008)	200	(1,761)	499	(1,287)	(12,357)	–	(12,357)	578	(908)	(12,687)

* Companies making up each reportable segment are set out in Note 43.
† Segment allocations arise from property leases between segments carried out at arms' length rental.

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

	Group	
in HK$ million	**2009**	2008
Mainland China	**34,467**	33,125
Hong Kong	**9,891**	10,968
Other countries	**2,051**	2,327
	46,409	46,420

5 Segment Information *continued*

b Assets and Liabilities

An analysis of the Group's segment assets and liabilities by operating segment is as follows:

in HK$ million	Segment assets 2009	Segment assets 2008	Investments in jointly controlled entities 2009	Investments in jointly controlled entities 2008	Investments in associated companies 2009	Investments in associated companies As restated 2008	Total assets 2009	Total assets As restated 2008	Segment liabilities 2009	Segment liabilities As restated 2008	Total net assets 2009	Total net assets As restated 2008	Additions of non-current assets (other than financial instruments and deferred tax assets) 2009	Additions of non-current assets (other than financial instruments and deferred tax assets) 2008
By principal activities														
Special steel	**34,271**	27,938	**4,291**	4,444	**148**	118	**38,710**	32,500	**(18,146)**	(14,572)	**20,564**	17,928	**6,296**	8,631
Iron ore mining	**36,026**	24,187	**–**	–	**–**	–	**36,026**	24,187	**(25,977)**	(16,112)	**10,049**	8,075	**10,310**	11,113
Property														
Mainland China	**24,263**	20,323	**5,465**	5,650	**–**	–	**29,728**	25,973	**(7,158)**	(4,391)	**22,570**	21,582	**3,325**	5,346
Hong Kong	**6,389**	6,425	**–**	–	**4,704**	4,696	**11,093**	11,121	**(473)**	(492)	**10,620**	10,629	**20**	6
Energy	**301**	358	**6,567**	5,632	**–**	1,775	**6,868**	7,765	**(52)**	(8)	**6,816**	7,757	**–**	2,359
Tunnels	**980**	983	**948**	900	**–**	–	**1,928**	1,883	**(194)**	(192)	**1,734**	1,691	**–**	–
Aviation	**–**	–	**–**	–	**–**	7,699	**–**	7,699	**–**	–	**–**	7,699	**15**	–
Dah Chong Hong	**11,072**	10,781	**258**	234	**130**	148	**11,460**	11,163	**(5,704)**	(5,994)	**5,756**	5,169	**524**	797
CITIC 1616	**2,532**	2,397	**–**	–	**–**	5	**2,532**	2,402	**(749)**	(819)	**1,783**	1,583	**376**	370
Other investments	**4,040**	862	**4,568**	4,280	**629**	360	**9,237**	5,502	**(113)**	(130)	**9,124**	5,372	**–**	–
Corporate	**8,159**	8,706	**–**	–	**–**	–	**8,159**	8,706	**(31,936)**	(40,467)	**(23,777)**	(31,761)	**–**	–
Segment assets/ (liabilities)	**128,033**	102,960	**22,097**	21,140	**5,611**	14,801	**155,741**	138,901	**(90,502)**	(83,177)	**65,239**	55,724	**20,866**	28,622

Corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the group treasury function and are not allocated to individually reportable segments.

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

in HK$ million	Group 2009	Group 2008
Mainland China	**59,132**	54,505
Hong Kong	**18,934**	24,352
Australia	**30,215**	20,166
Other countries	**860**	877
	109,141	99,900

6 Profit/(Loss) from Consolidated Activities

in HK$ million	Group 2009	2008
The profit/(loss) from consolidated activities is arrived at after crediting		
Rental income from		
investment properties		
Gross income	**788**	745
Less: direct outgoings	**(54)**	(92)
	734	653
other operating leases	**155**	124
write back of impairment loss on properties held for development	**–**	253

in HK$ million	Group 2009	2008
And after charging		
Cost of inventories	**33,566**	35,206
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses		
Staff costs	**2,668**	2,359
Depreciation of property, plant and equipment	**1,001**	940
Amortisation of leasehold land	**61**	44
Amortisation of intangible assets	**124**	107
Other operating expenses	**3,523**	3,028
Auditor's remuneration	**55**	34
Contributions to staff retirement schemes	**102**	95
Impairment losses provision on (Note)		
Other financial assets	**114**	177
Property, plant and equipment	**13**	2
Jointly controlled entities and associated companies	**339**	403
Trade and other receivable	**19**	41
Intangible assets	**2**	27
Operating lease rentals		
land and buildings	**289**	252

Note

in HK$ million	2009	2008
Impairment losses by operating segment		
Special steel (Note a)	**253**	2
Energy (Note b)	**75**	449
Dah Chong Hong	**30**	26
CITIC 1616	**–**	14
Other investments (Note c)	**129**	159
	487	650

Notes:

a. An impairment provision of HK$249 million was made in 2009 with a view that the carrying value of a Special Steel business would not be fully recoverable by this amount.

b. Certain energy businesses recorded losses in 2009. The impairment provision for the energy segment was determined by reference to values in use of the respective power plants in operation based on their estimated cashflows discounted at a rate of 10%.

c. The market value of certain listed shares were significantly below the purchase prices.

6 Profit/(Loss) from Consolidated Activities *continued*

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
in HK$ million	**2009**	2008
Within 1 year	**701**	731
After 1 year but within 5 years	**612**	763
After 5 years	**51**	94
	1,364	1,588

7 Net Finance Charges

	Group	
in HK$ million	**2009**	2008
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	**1,240**	1,124
Bank loans not wholly repayable within five years	**947**	427
Other loans wholly repayable within five years	**268**	268
Other loans not wholly repayable within five years	**11**	14
	2,466	1,833
Amount capitalised	**(1,816)**	(1,086)
	650	747
Other finance charges	**62**	47
Other financial instruments		
Net realised loss	**155**	–
Fair value loss	**70**	493
	937	1,287
Finance income		
Interest income	**(313)**	(499)
	624	788

The capitalisation rates applied to funds borrowed are between 2.2% and 4.1% per annum (2008: 4.1% and 5.4% per annum).

8 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Overseas taxation is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

	Group	
in HK$ million	**2009**	2008
Current taxation		
Hong Kong profits tax	**226**	120
Overseas taxation	**553**	570
Deferred taxation (Note 32)		
Changes in fair value of investment properties	**19**	51
Origination and reversal of other temporary differences		
arising from leveraged foreign exchange contracts of an Australian subsidiary company	**88**	(1,259)
others	**210**	(27)
Effect of tax rate changes	**1**	(33)
	1,097	(578)
Aggregate current and deferred tax relating to items charged/(credited) to reserves		
Deferred tax relating to mining assets and others	**1,243**	(518)

Taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
in HK$ million	**2009**	As restated 2008
Profit/(loss) before taxation	**7,926**	(12,357)
Less: share of results of		
jointly controlled entities	**(2,018)**	(200)
associated companies	**(642)**	1,761
	5,266	(10,796)
Calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**868**	(1,781)
Effect of different taxation rates in other jurisdictions	**54**	(657)
Effect of non-taxable income and non-deductible expenses		
arising from leveraged foreign exchange contracts	**–**	1,699
others	**(24)**	120
Utilisation of tax losses previously unrecognised and net of tax losses not recognised	**14**	65
Over provision in prior years	**(46)**	(31)
Effect of tax rate changes	**1**	(33)
Others	**230**	40
Taxation	**1,097**	(578)

9 Profit/(Loss) Attributable to Shareholders of the Company

The Group's profit/(loss) attributable to shareholders of the Company is recorded in the accounts of the Company to the extent of a profit of HK$2,247 million (2008: loss of HK$10,302 million).

10 Dividends

in HK$ million	**2009**	2008
2008 Final dividend paid: HK$Nil (2007: HK$0.80) per share	**–**	1,757
Interim		
2009 Interim dividend paid: HK$0.15 (2008: HK$0.30) per share	**547**	658
Final		
2009 Final dividend proposed: HK$0.25 (2008: HK$Nil) per share	**912**	–
	1,459	658
Dividend per share (HK$)	**0.40**	0.30

11 Earnings/(Loss) per Share

The calculation of earnings/(loss) per share is based on the consolidated profit attributable to shareholders of HK$5,950 million (2008: loss of HK$12,687 million).

The basic earnings/(loss) per share is based on the weighted average number of 3,646,765,954 shares in issue during the year (2008: 2,227,717,822 shares in issue). Diluted earnings per share for the year ended 31 December 2009 is the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of options because the exercise price was above the average market price of the Company's shares for the year ended 31 December 2009.

12 Directors' Emoluments

The remuneration of each Director for the year ended 31 December 2009 is set out below:

in HK$ million Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share based payment	Retirement benefits	**2009** Total	2008 Total
Chang Zhenming#	0.16	–	5.00	3.198	–	**8.358**	0.20
Zhang Jijing#	0.14	–	–	2.665	–	**2.805**	–
Peter Lee Chung Hing#	0.15	2.08	18.00	2.665	0.10	**22.995**	2.35
Carl Yung Ming Jie#	0.15	1.63	8.00	2.665	0.08	**12.525**	1.86
Vernon Francis Moore#	0.15	2.05	10.00	2.665	0.01	**14.875**	2.22
Li Shilin#	0.15	0.56	–	–	–	**0.71**	0.71
Liu Jifu#	0.15	0.65	8.00	2.665	0.01	**11.475**	0.81
Milton Law Ming To#	0.15	1.76	7.50	2.665	0.08	**12.155**	2.02
Wang Ande#	0.15	1.56	8.00	2.665	–	**12.375**	1.71
Kwok Man Leung#*	0.42	1.39	10.00	2.715	0.06	**14.585**	1.52
Willie Chang	0.35	–	–	–	–	**0.35**	0.45
Hamilton Ho Hau Hay	0.20	–	–	–	–	**0.20**	0.20
Alexander Reid Hamilton	0.35	–	–	–	–	**0.35**	0.65
Hansen Loh Chung Hon	0.30	–	–	–	–	**0.30**	0.40
Norman Ho Hau Chong	0.25	–	–	–	–	**0.25**	0.25
André Desmarais	0.20	–	–	–	–	**0.20**	0.20
Ju Weimin	0.15	–	–	–	–	**0.15**	–
Yin Ke	0.02	–	–	–	–	**0.02**	–
Larry Yung Chi Kin	0.04	1.05	–	–	–	**1.09**	3.84
Henry Fan Hung Ling	0.04	1.26	–	–	–	**1.30**	3.60
Leslie Chang Li Hsien	–	–	–	–	–	**–**	1.89
Chau Chi Yin	–	–	–	–	–	**–**	1.71
	3.67	13.99	74.50	24.57	0.34	**117.07**	26.59

During the year, 4,600,000 share options were granted (2008: Nil) to directors of the Company.

Mr Chang Zhenming was appointed as executive director and chairman on 8 April 2009. He was a non-executive director before the change.

Mr Zhang Jijing was appointed as a non-executive director on 1 April 2009 and re-designated as executive director and appointed as managing director on 18 November 2009.

Mr Ju Weimin was appointed as non-executive director on 1 April 2009.

Mr Yin Ke was appointed as non-executive director on 18 November 2009.

Mr Larry Yung Chi Kin and Henry Fan Hung Ling resigned during the year.

Mr Leslie Chang Li Hsien and Mr Chau Chi Yin resigned during 2008.

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

* Included fees of HK$0.27 million and share based payment of HK$0.05 million from listed subsidiary companies of the Group.

13 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, four (2008: none) are directors whose emoluments are disclosed in Note 12.

The aggregate emoluments in respect of the other individual (2008: five) are as follows:

in HK$ million	**2009**	2008
Salaries and other emoluments	**8.31**	17.90
Discretionary bonuses	**11.85**	15.11
Retirement Scheme Contribution	**0.01**	0.49
Share based payment	**1.60**	–
	21.77	33.50

The number of these individuals with emoluments within the following bands were:

	2009	2008
HK$5,000,001 – HK$6,000,000	**–**	1
HK$6,000,001 – HK$7,000,000	**–**	2
HK$7,000,001 – HK$8,000,000	**–**	2
HK$21,000,001 – HK$22,000,000	**1**	–

14 Retirement Benefits

Hong Kong employees are offered the option to enrol in one of the MPF Master Trust Schemes under the CITIC Group MPF Scheme – the Fidelity Retirement Master Trust, the Hang Seng Mandatory Provident Fund and the RCM Mandatory Provident Fund. All these master trust schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in mainland China and other locations are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities and contributions are made according to the local mandatory requirements.

15 Fixed Assets and Properties under Development

a Group

in HK$ million	Fixed assets: Property, plant and equipment: Self-used properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 1 January 2009	**5,558**	**9,515**	**11,259**	**3,182**	**29,514**	**11,230**	**2,686**	**8,791**	**52,221**
Exchange adjustments	**33**	**38**	**19**	**35**	**125**	**14**	**6**	**31**	**176**
Additions	**73**	**73**	**16,541**	**361**	**17,048**	**–**	**73**	**3,134**	**20,255**
Acquisition of subsidiary companies	**9**	**–**	**198**	**24**	**231**	**–**	**6**	**–**	**237**
Disposals	**(73)**	**(92)**	**(21)**	**(345)**	**(531)**	**(85)**	**(4)**	**(270)**	**(890)**
Change in fair value of investment properties	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**–**	**90**
Transfer to current assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,172)**	**(2,172)**
Transfer upon completion	**2,058**	**4,295**	**(6,336)**	**185**	**202**	**–**	**(1)**	**(201)**	**–**
Reclassification	**110**	**(5)**	**78**	**(58)**	**125**	**(85)**	**37**	**(77)**	**–**
At 31 December 2009	**7,768**	**13,824**	**21,738**	**3,384**	**46,714**	**11,164**	**2,803**	**9,236**	**69,917**
Accumulated depreciation, amortisation and impairment									
At 1 January 2009	**1,174**	**3,233**	**23**	**2,056**	**6,486**	**–**	**366**	**161**	**7,013**
Exchange adjustments	**5**	**13**	**–**	**11**	**29**	**–**	**–**	**1**	**30**
Charge for the year	**181**	**475**	**1**	**335**	**992**	**–**	**61**	**9**	**1,062**
Depreciation capitalised to construction in progress	**3**	**288**	**–**	**28**	**319**	**–**	**4**	**–**	**323**
Written back on disposals	**(27)**	**(69)**	**–**	**(265)**	**(361)**	**–**	**(5)**	**–**	**(366)**
Impairment loss	**6**	**2**	**–**	**5**	**13**	**–**	**–**	**–**	**13**
Reclassification	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
At 31 December 2009	**1,342**	**3,941**	**24**	**2,171**	**7,478**	**–**	**426**	**171**	**8,075**
Net book value									
At 31 December 2009	**6,426**	**9,883**	**21,714**	**1,213**	**39,236**	**11,164**	**2,377**	**9,065**	**61,842**
Represented by									
Cost	**7,768**	**13,824**	**21,738**	**3,384**	**46,714**	**–**	**2,803**	**9,236**	**58,753**
Valuation	**–**	**–**	**–**	**–**	**–**	**11,164**	**–**	**–**	**11,164**
	7,768	**13,824**	**21,738**	**3,384**	**46,714**	**11,164**	**2,803**	**9,236**	**69,917**

15 Fixed Assets and Properties under Development *continued*

a Group *continued*

	Fixed assets								
	Property, plant and equipment								
in HK$ million	Self-used properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 1 January 2008	4,869	7,658	2,484	2,640	17,651	10,895	1,959	4,656	35,161
Exchange adjustments	193	425	49	28	695	364	56	233	1,348
Additions	188	547	10,141	462	11,338	5	402	5,369	17,114
Acquisition of subsidiary companies	422	65	6	220	713	36	96	–	845
Disposals	(301)	(453)	(44)	(185)	(983)	(1)	(42)	(15)	(1,041)
Change in fair value of investment properties	–	–	–	–	–	12	–	–	12
Reclassification	12	5	(19)	1	(1)	–	173	(172)	–
Transfer to self-used properties/ leasehold land	101	–	–	–	101	(143)	42	–	–
Transfer to current assets	–	–	–	–	–	–	–	(1,218)	(1,218)
Transfer upon completion	74	1,268	(1,358)	16	–	62	–	(62)	–
At 31 December 2008	5,558	9,515	11,259	3,182	29,514	11,230	2,686	8,791	52,221
Accumulated depreciation, amortisation and impairment									
At 1 January 2008	977	2,647	90	1,783	5,497	–	318	411	6,226
Exchange adjustments	59	167	5	16	247	–	4	4	255
Charge for the year	164	456	–	320	940	–	44	–	984
Depreciation capitalised to construction in progress	–	142	–	14	156	–	–	–	156
Acquisition of subsidiary companies	44	19	–	66	129	–	2	–	131
Written back on disposals	(61)	(245)	(36)	(142)	(484)	–	(3)	(1)	(488)
Impairment loss	1	1	–	–	2	–	–	–	2
Written back impairment loss	–	–	–	–	–	–	–	(253)	(253)
Reclassification	(10)	46	(36)	(1)	(1)	–	1	–	–
At 31 December 2008	1,174	3,233	23	2,056	6,486	–	366	161	7,013
Net book value									
At 31 December 2008	4,384	6,282	11,236	1,126	23,028	11,230	2,320	8,630	45,208
Represented by									
Cost	5,558	9,515	11,259	3,182	29,514	–	2,686	8,791	40,991
Valuation	–	–	–	–	–	11,230	–	–	11,230
	5,558	9,515	11,259	3,182	29,514	11,230	2,686	8,791	52,221

15 Fixed Assets and Properties under Development *continued*

a Group *continued*

Notes:

i) During the year, interest capitalised in properties under development and construction in progress amounts to HK$401 million (2008: HK$242 million) and HK$394 million (2008: HK$221 million) respectively.

ii) As at 31 December 2009, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$15,779 million (2008: HK$7,845 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

iii) Construction in progress comprises the development of an iron ore mine in Western Australia amounting to HK$14,745 million (2008: HK$6,480 million), and expansion of the Group's special steel mills amounting to HK$6,819 million (2008: HK$4,670 million) and others of HK$174 million (2008: HK$109 million).

iv) Other property, plant and equipment comprise traffic equipment, cargo lighters, computer installations, telecommunications equipment, motor vehicles and furniture, fixtures and equipment.

v) As at 31 December 2009, certain of the Group's properties under development are in the process of applying for certificates of land use rights in the PRC.

vi) Capital commitments of the Group in respect of fixed assets and properties under development:

in HK$ million	**2009**	2008
Authorised but not contracted for property, plant and equipment, properties under development and leasehold land	**3,040**	263
Contracted but not provided for property, plant and equipment, properties under development and leasehold land	**18,311**	23,955

	Group	
in HK$ million	**2009**	2008
Additions to fixed assets and properties under development by operating segment		
Special steel	**8,032**	5,235
Iron ore mining	**8,531**	6,045
Property	**3,160**	5,257
Tunnels	**14**	7
Dah Chong Hong	**404**	438
CITIC 1616	**112**	124
Other investments	**2**	8
	20,255	17,114
Additions to fixed assets and properties under development by geographical area		
Mainland China	**11,190**	10,487
Hong Kong	**534**	582
Overseas	**8,531**	6,045
	20,255	17,114
Depreciation and amortisation by segment		
Special steel	**644**	619
Property	**64**	73
Tunnels	**6**	4
Dah Chong Hong	**235**	183
CITIC 1616	**106**	99
Other investments	**7**	6
	1,062	984

15 Fixed Assets and Properties under Development *continued*

b Company

in HK$ million	Motor vehicles, equipment, furniture and fixtures **2009**	2008
Cost		
At 1 January	**109**	106
Additions	**2**	3
Disposals	**(6)**	–
At 31 December	**105**	109
Accumulated depreciation		
At 1 January	**93**	87
Charge for the year	**5**	6
Written back on disposals	**(3)**	–
At 31 December	**95**	93
Net book value, at cost		
At 31 December	**10**	16

c The tenure of the properties of the Group is as follows:

in HK$ million	Self-used properties **2009**	2008	Investment properties **2009**	2008	Properties under development* **2009**	2008	Leasehold land **2009**	2008	Total **2009**	2008
Leasehold properties held										
In Hong Kong										
Leases of over 50 years	**23**	23	**849**	852	**–**	–	**–**	–	**872**	875
Leases of between 10 to 50 years	**1,007**	1,046	**3,879**	3,929	**24**	81	**1,151**	1,114	**6,061**	6,170
Leases of less than 10 years	**12**	16	**–**	–	**–**	–	**–**	–	**12**	16
In mainland China										
Leases of over 50 years	**247**	141	**1,545**	1,499	**3,337**	4,759	**23**	–	**5,152**	6,399
Leases of between 10 to 50 years	**6,182**	4,087	**4,470**	4,479	**5,875**	3,951	**1,608**	1,572	**18,135**	14,089
Leases of less than 10 years	**76**	26	**–**	–	**–**	–	**21**	–	**97**	26
Properties held overseas										
Freehold	**221**	219	**421**	471	**–**	–	**–**	–	**642**	690
	7,768	5,558	**11,164**	11,230	**9,236**	8,791	**2,803**	2,686	**30,971**	28,265

* Amount includes properties under development for sale classified as non-current assets of HK$7,577 million (2008: HK$7,505 million).

15 Fixed Assets and Properties under Development *continued*

d Property Valuation

Investment properties were revalued at 31 December 2009 by the following independent, professionally qualified valuers.

Properties located in	Valuers
Hong Kong and Shanghai	Knight Frank Petty Limited
Japan	Tekko Building Co., Limited

e Fixed assets and properties held for sale under current assets of the Group let under operating leases to generate rental income are as follows:

in HK$ million	Investment properties	Self-used properties	Other fixed assets	Fixed assets total	Properties held for sale
Cost or valuation	**11,164**	**25**	**217**	**11,406**	**310**
Accumulated depreciation/impairment	**–**	**(10)**	**(130)**	**(140)**	**(67)**
Net book value at 31 December 2009	**11,164**	**15**	**87**	**11,266**	**243**
Depreciation charges/amortisation charges for the year	**–**	**–**	**33**	**33**	**3**
Cost or valuation	11,230	6	217	11,453	310
Accumulated depreciation/amortisation	–	(2)	(123)	(125)	(64)
Net book value at 31 December 2008	11,230	4	94	11,328	246
Depreciation charges/amortisation charges for the year	–	–	34	34	3

16 Subsidiary Companies

	Company	
in HK$ million	**2009**	2008
Non-current		
Unlisted shares, at cost less impairment losses	**1,363**	1,101
Amounts due by subsidiary companies (Note)	**59,880**	63,925
	61,243	65,026
Current		
Amounts due from subsidiary companies (Note)*	**1,467**	1,577
Amounts due to subsidiary companies (Note)*	**(9,288)**	(9,801)
	(7,821)	(8,224)

Particulars of the principal subsidiary companies are shown in Note 43.

Note: Amounts due by subsidiary companies and amounts due to subsidiary companies are interest bearing at market rates except for amounts due by subsidiary companies of approximately HK$40,166 million (2008: HK$41,137 million) and amounts due to subsidiary companies of approximately HK$5,796 million (2008: HK$6,304 million), which are non-interest bearing. These loans have no fixed repayment terms and were not in default or impaired except for a provision for impairment loss of HK$879 million which was made in 2009 (2008: HK$1,198 million).

* These amounts approximate fair value.

17 Jointly Controlled Entities

in HK$ million	Group 2009	2008
Share of net assets	**15,909**	14,333
Goodwill and intangible assets		
At 1 January	**2,219**	512
Additions (Note a)	**–**	1,574
Disposal	**(28)**	–
Amortisation	**(13)**	(4)
Exchange differences	**6**	137
At 31 December	**2,184**	2,219
	18,093	16,552
Loans due from jointly controlled entities (Note c)	**4,005**	4,589
Loans due to jointly controlled entities (Note c)	**(1)**	(1)
	22,097	21,140

in HK$ million	Company 2009	2008
Unlisted shares, at cost	**4,244**	4,244
Loans due from jointly controlled entities	**858**	1,061
	5,102	5,305

Note:

a. During 2008, the Group acquired a 30% interest in a jointly controlled entity, Shangdong Xin Ju Long Energy Co. Ltd. which owns a coal mine in Shangdong Province, China, for a consideration of RMB1.56 billion, equivalent to approximately HK$1,766 million.

b. Jointly controlled entities include the Western Harbour Tunnel Company Limited ('WHTCL') whose year end is 31 July which is not coterminous with the Group's year end. The results of certain jointly controlled entities (including WHTCL) have been equity accounted for based on their unaudited accounts for the years ended 31 December 2008 and 2009.

c. Loans due from jointly controlled entities and loans due to jointly controlled entities are interest bearing at market rates except for loans to jointly controlled entities of approximately HK$1,567million (2008: HK$1,423 million), which are non-interest bearing. These loans have no fixed repayment terms and were not in default or impaired, and the carrying amounts approximate their fair value.

17 Jointly Controlled Entities *continued*

d. The following amounts represent the Group's share of the assets and liabilities, and revenue and results of jointly controlled entities and are included in the consolidated balance sheet and the consolidated profit and loss account using the equity method and after adjusting for goodwill and amortisation:

in HK$ million	**2009**	2008
Assets		
Non-current assets	**22,809**	23,087
Current assets	**19,916**	18,399
	42,725	41,486
Liabilities		
Non-current liabilities	**(12,104)**	(13,335)
Current liabilities	**(14,434)**	(13,583)
	(26,538)	(26,918)
Net assets	**16,187**	14,568
Revenue	**18,394**	20,524
Expenses	**(15,908)**	(20,254)
	2,486	270
Taxation	**(407)**	(97)
Profit for the year	**2,079**	173
Share of jointly controlled entities' capital commitments (Note i)		
authorised but not contracted for	**22**	–
contracted but not provided for	**1,191**	1,285

Note:

i) The Group has fully contributed its attributable portion of capital and loans to the respective jointly controlled entities.

ii) There are no material contingent liabilities for 2009 and 2008 to be shared by the Group.

e. Particulars of the principal jointly controlled entities are shown in Note 43.

18 Associated Companies

in HK$ million	2009	Group As restated 31 December 2008	As restated 1 January 2008
Share of net assets	**3,433**	10,997	13,510
Goodwill			
At 1 January	**1,439**	1,439	1,444
Disposal	**(1,374)**	(1)	(5)
Exchange differences	**–**	1	–
At 31 December	**65**	1,439	1,439
Loans due from associated companies (Note b)	**2,122**	2,375	2,746
Loans due to associated companies (Note b)	**(9)**	(10)	(12)
	5,611	14,801	17,683
Investment at cost			
Unlisted shares	**2,673**	5,051	4,744
Shares listed in Hong Kong	**–**	6,247	6,252
	2,673	11,298	10,996
Market value of listed shares	**–**	5,998	14,033

in HK$ million	Company 2009	2008
Investment at cost		
Unlisted shares	**303**	2,197
Shares listed in Hong Kong	**–**	931
	303	3,128
Loans due from associated companies	**2,250**	2,432
Loans due to associated companies	**(9)**	(9)
	2,544	5,551
Market value of listed shares	**–**	624

18 Associated Companies *continued*

Dividend income from associated companies during the year is as follows:

in HK$ million	Group 2009	2008
Listed associated companies	**–**	426
Unlisted associated companies	**268**	349
	268	775

Note:

a. Associated companies include the Hong Kong Resort Company Limited ('HKR') whose year end is 31 March which is not coterminous with the Group's year end. The results of certain associated companies including HKR have been equity accounted for based on their unaudited management accounts for the years ended 31 December 2008 and 2009.

b. Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for loans due to associated companies of approximately HK$9million (2008: HK$9 million), which are non-interest bearing. These loans have no fixed repayment terms and were not in default or impaired except for a provision for impairment loss of HK$24 million made in 2007 for the loans due from an associated company. The carrying amounts of the loans approximate their fair value.

c. Particulars of the principal associated companies are shown in Note 43.

Summarised financial information of the associated companies on a gross basis:

in HK$ million	Group 2009	As restated 2008
Assets	**19,616**	208,489
Liabilities	**14,000**	151,385
Revenue	**7,843**	110,001
Profit/(loss)	**1,753**	(10,373)
Capital commitments		
authorised but not contracted for	**99**	58
contracted but not provided for	**1,002**	653
Contingent liabilities	**199**	214

19 Other Financial Assets

in HK$ million	Group 2009	2008
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	**2,174**	683
Shares listed overseas	**–**	3
	2,174	686
Others		
Unlisted investments		
Shares, at cost	**11**	11
Investment fund, at fair value	**13**	–
Loans receivable	**–**	366
	2,198	1,063

Other financial assets are denominated in the following currencies:

in HK$ million	Group 2009	2008
Hong Kong dollars	**2,185**	690
Renminbi	**–**	370
Other currencies	**13**	3
	2,198	1,063

20 Intangible Assets

in HK$ million	Goodwill	Intangible assets: Mining assets	Intangible assets: Vehicular tunnel	Intangible assets: Others	Total
Cost					
At 1 January 2009	**966**	**6,898**	**2,000**	**265**	**10,129**
Exchange adjustment	**2**	**10**	**–**	**–**	**12**
Additions	**191**	**1,703**	**–**	**26**	**1,920**
Acquisition of subsidiaries	**90**	**–**	**–**	**38**	**128**
At 31 December 2009	**1,249**	**8,611**	**2,000**	**329**	**12,189**
Accumulated amortisation and impairment losses					
At 1 January 2009	**25**	**21**	**1,098**	**6**	**1,150**
Charge for the year	**–**	**–**	**106**	**18**	**124**
Impairment loss	**–**	**–**	**–**	**2**	**2**
At 31 December 2009	**25**	**21**	**1,204**	**26**	**1,276**
Net book value					
At 31 December 2009	**1,224**	**8,590***	**796**	**303**	**10,913**
Cost					
At 1 January 2008	639	2,984	2,000	–	5,623
Exchange adjustment	9	(10)	–	1	–
Additions	–	3,924	–	42	3,966
Acquisition of subsidiaries	318	–	–	222	540
At 31 December 2008	966	6,898	2,000	265	10,129
Accumulated amortisation and impairment losses					
At 1 January 2008	25	–	996	–	1,021
Exchange adjustment	–	(5)	–	–	(5)
Charge for the year	–	–	102	5	107
Impairment loss	–	26	–	1	27
At 31 December 2008	25	21	1,098	6	1,150
Net book value					
At 31 December 2008	941	6,877*	902	259	8,979

* Including site restoration and mining rights provisions of HK$807 million (2008: HK$734 million). For details see Note 33.

The amortisation charge for the year is included in 'other operating expenses' in the consolidated profit and loss account.

As at 31 December 2009, the remaining amortisation period of the vehicle tunnel is 7 years, whilst the mining assets are currently under construction and will be amortised on a unit of production basis on completion of construction and when the mine is in production. The Group estimates that it will mine a total of 2 billion tones of iron ore over a period of approximately 25 years.

20 Intangible Assets *continued*

Analysed by:

in HK$ million	2009 Goodwill	2009 Intangible assets Mining assets (Note a)	2009 Intangible assets Vehicular tunnel (Note b)	2009 Intangible assets Others	2008 Goodwill	2008 Intangible assets Mining assets	2008 Intangible assets Vehicular tunnel	2008 Intangible assets Others
Special steel	**231**	**–**	**–**	**–**	66	–	–	–
Iron ore mining	**25**	**8,590**	**–**	**–**	–	6,877	–	–
Property								
Mainland China	**323**	**–**	**–**	**–**	297	–	–	–
Tunnels	**7**	**–**	**796**	**–**	7	–	902	–
Dah Chong Hong	**287**	**–**	**–**	**263**	283	–	–	241
CITIC 1616	**351**	**–**	**–**	**40**	288	–	–	18
	1,224	**8,590**	**796**	**303**	941	6,877	902	259

Note:

a. Current year addition to goodwill mainly represents expected increases in value of group synergy by the acquisition of the remaining minority interest in Jiangyin Xincheng Steel Mills.

b. The vehicular tunnel rights represent a franchise to operate a vehicular tunnel for the period ending 7 August 2016. At the end of the franchise period, the assets of the franchise will be vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise.

21 Non-Current Deposits

in HK$ million	Group 2009	Group 2008
Non-current deposits represent deposit payments for		
Construction of cargo ships	**3,847**	3,754
Land acquisitions	**156**	339
Acquisition and construction of other property, plant and equipment mainly in relation to the Group's steel plant new phases and the Australian iron ore mining project	**2,477**	4,616
	6,480	8,709

22 Other Assets Held for Sale

As at 31 December 2009, an interest in an associated company, North United Power Corporation was presented as an asset held for sale as a sale contract has been entered into with a state-owned enterprise in PRC (see Note 38 for definition) during the year. This disposal is expected to be completed in 2010.

23 Inventories

in HK$ million	Group 2009	2008
Raw materials	**2,540**	1,350
Work-in-progress	**892**	676
Finished goods	**3,265**	3,407
Others	**286**	172
	6,983	5,605

An amount of HK$35 million (2008: HK$353 million) for write-down and HK$387 million (2008: HK$25 million) for reversal of write-down of inventories to net realisable value have been included in cost of sales in the profit and loss account.

24 Debtors, Accounts Receivable, Deposits and Prepayments

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Trade debtors and bills receivable aged				
Within 1 year	**5,322**	5,281	**–**	–
Over 1 year	**134**	56	**–**	–
	5,456	5,337	**–**	–
Accounts receivable, deposits and prepayments	**5,626**	4,594	**129**	190
	11,082	9,931	**129**	190

Note:

i) Trade debtors are net of provision and the ageing is classified based on invoice date.

ii) Each business unit has its own defined credit policy.

iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair value.

iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$183 million (2008: HK$181 million), which are unsecured, interest free and recoverable on demand, except for an amount of HK$Nil (2008: HK$1.3 million) which is interest bearing, and amounts due from associated companies of HK$27 million (2008: HK$27 million) which are unsecured, interest free and recoverable on demand.

As of 31 December 2009, trade receivables of HK$104 million (2008: HK$166 million) were past due but not impaired. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

in HK$ million	**2009**	2008
Less than 3 months	**84**	–
3 to 6 months	**17**	131
Over 6 months	**3**	35
	104	166

24 Debtors, Accounts Receivable, Deposits and Prepayments *continued*

Movements on the provision for impairment of trade receivables are as follows:

in HK$ million	**2009**	2008
At 1 January	**141**	83
Exchange adjustments	**–**	6
Provision for impairment loss	**19**	41
Receivables written off during the year	**(14)**	(4)
Unused amounts reversed	**(20)**	–
Impairment loss written back	**(9)**	–
Through acquisition of a subsidiary company	**10**	15
At 31 December	**127**	141

The creation and release of provision for impairment losses has been included in other operating expenses in the consolidated profit and loss account. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

As of 31 December 2009, trade receivables of HK$125 million (2008: HK$162 million) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which are in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific provision for impairment loss of HK$78 million (2008: HK$91 million) was recognised against the receivables. The Group does not hold any collateral over these balances.

Accounts receivable, deposits and prepayments do not contain impaired assets.

25 Creditors, Accounts Payable, Deposits and Accruals

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Trade creditors and bills payable aged				
Within 1 year	**6,983**	5,517	**–**	–
Over 1 year	**482**	424	**–**	–
	7,465	5,941	**–**	–
Accounts payable, deposits and accruals	**12,527**	7,559	**143**	300
	19,992	13,500	**143**	300

Note: The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair value.

26 Share Capital

	Number of shares of HK$0.40 each	HK$ million
Authorised		
At 31 December 2008 and 2009	6,000,000,000	2,400
Issued and fully paid		
At 1 January 2008	2,212,127,160	885
Issue of shares during the year	1,453,468,000	581
Repurchased during the year	(19,321,000)	(8)
At 31 December 2008	3,646,274,160	1,458
At 1 January 2009	3,646,274,160	1,458
Issue of shares pursuant to the Plan	2,414,000	1
At 31 December 2009	3,648,688,160	1,459

Changes during the year:

During 2009, the Company issued and allotted a total of 2,364,000 shares at HK$19.90 per share and 50,000 shares at HK$22.10 per share upon the exercise of share options which were granted under the Plan.

Share Option Plan:

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

Since the adoption of the Plan and up to the year ended 31 December 2009, the Company has granted five lots of share options:

					Outstanding balance	
Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	At 31 December 2009	At 31 December 2008
28 May 2002	11,550,000	0.32%	18.20	18.10	–	–
1 November 2004	12,780,000	0.35%	19.90	19.90	–	4,914,000
20 June 2006	15,930,000	0.44%	22.10	22.50	6,346,000	7,996,000
16 October 2007	18,500,000	0.51%	47.32	47.65	13,250,000	16,850,000
19 November 2009	13,890,000	0.38%	22.00	21.40	13,890,000	–

Subsequent to the year end, the Company has granted 880,000 share options on 14 January 2010 at the exercise price of HK$20.59 per share.

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

Other than the Plan, certain of the Company's subsidiary companies have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

26 Share Capital *continued*

a Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in HK$ per share	Options	Average exercise price in HK$ per share	Options
At 1 January		**29,760,000**		30,153,000
Granted	**22.00**	**13,890,000**	–	–
Exercised	**19.95**	**(2,414,000)**	22.10	(343,000)
Lapsed	**33.09**	**(7,750,000)**	47.32	(50,000)
At 31 December		**33,486,000**		29,760,000
Weighted average remaining contractual life		**3.41 years**		2.95 years

Details of share options exercised during the year:

Exercise price HK$	Number of shares 2009	2008
19.90	**2,364,000**	–
22.10	**50,000**	343,000
	2,414,000	343,000

The related weighted average share price at the time of exercise was HK$20.63 (2008: HK$35.19) per share.

b Fair Value of Share Options and Assumptions

The fair value of an option on one CITIC Pacific share granted in the year ended 31 December 2009 measured as at the grant date of 19 November 2009 was HK$5.33 based on the following data and assumptions using the Binomial Lattice Model ('Model'):

- The share price at the grant date is HK$21.55
- The exercise price is HK$22.00
- The option's contractual life is 5 years
- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 2.75 years
- Expected volatility of CITIC Pacific's share price at 50% per annum (based on historical movements of share prices and the trend of the volatility rate in recent years)
- Expected annual dividend yield of 4% (based on historical dividend payments)
- Rate of eligible grantees leaving service assumed at 7% per annum
- Early exercise assumption for option holders to exercise their options when the share price is at least 150% of the exercise price
- Risk-free interest rate of 0.65% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at grant date)

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

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

The total expense recognised in the Company's profit and loss account for the year ended 31 December 2009 in respect of the grant of the aforesaid 13,890,000 options was HK$74,033,700 (2008: Nil).

27 Reserves

a Group

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2009, as previously reported	36,467	29	958	(1,738)	238	4,781	(3,478)	986	10,270	48,513
Share of retained earnings of an associated company on the adoption of HK(IFRIC)-13	–	–	–	–	–	–	–	–	(283)	(283)
At 1 January 2009, as restated	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230
Share of reserves of associated companies	–	–	10	–	2	–	31	–	(6)	37
Share of reserves of jointly controlled entities	–	–	8	–	6	(16)	9	1	–	8
Exchange translation differences	–	–	–	–	–	235	–	–	–	235
Reserves released on deemed disposal of jointly controlled entities	–	–	(19)	–	–	(8)	–	–	–	(27)
Reserves released on disposal of associated companies	–	–	(10)	–	(112)	133	39	–	–	50
Cash flow hedges										
Fair value gain in the year	–	–	–	–	–	–	5,676	–	–	5,676
Transfer to construction in progress	–	–	–	–	–	–	(501)	–	–	(501)
Transfer to net finance charges	–	–	–	–	–	–	380	–	–	380
Tax effect	–	–	–	–	–	–	(1,243)	–	–	(1,243)
	–	–	–	–	–	–	4,312	–	–	4,312
Fair value gain on other financial assets	–	–	–	–	509	–	–	–	–	509
Fair value released on disposal of financial assets	–	–	–	–	(80)	–	–	–	–	(80)
Transfer from profits	–	–	–	–	–	–	–	160	(160)	–
Issue of shares pursuant to the Plan	48	–	–	–	–	–	–	–	–	48
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	5,950	5,950
Dividends (Note 10)	–	–	–	–	–	–	–	–	(547)	(547)
Share-based payment	–	–	75	–	–	–	–	–	–	75
At 31 December 2009	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Representing										
At 31 December 2009 after proposed final dividend										57,888
2009 Final dividend proposed										912
										58,800
Retained by										
Company and subsidiary companies	36,515	29	898	(1,738)	541	4,634	923	1,130	9,836	52,768
Jointly controlled entities	–	–	93	–	22	108	(10)	17	4,088	4,318
Associated companies	–	–	3	–	–	–	–	–	1,300	1,303
Non-current assets held for sale	–	–	28	–	–	383	–	–	–	411
	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800

27 Reserves *continued*

a Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2008, as previously reported	25,415	21	240	(1,738)	4,756	3,016	185	765	26,248	58,908
Share of retained earnings of an associated company on the adoption of HK(IFRIC)-13	–	–	–	–	–	–	–	–	(258)	(258)
At 1 January 2008, as restated	25,415	21	240	(1,738)	4,756	3,016	185	765	25,990	58,650
Share of reserves of associated companies	–	–	1	–	(75)	71	(181)	–	(26)	(210)
Share of reserves of jointly controlled entities	–	–	78	–	7	86	(23)	1	–	149
Exchange translation differences	–	–	–	–	–	1,701	–	–	–	1,701
Reserves released on disposal of jointly controlled entities	–	–	–	–	–	(93)	–	–	–	(93)
Cash flow hedges										
Fair value loss in the year	–	–	–	–	–	–	(4,069)	–	–	(4,069)
Transfer to net finance charges	–	–	–	–	–	–	92	–	–	92
Tax effect	–	–	–	–	–	–	518	–	–	518
	–	–	–	–	–	–	(3,459)	–	–	(3,459)
Fair value loss on other financial assets	–	–	–	–	(453)	–	–	–	–	(453)
Fair value released on disposal of financial assets	–	–	–	–	(4,095)	–	–	–	–	(4,095)
Transfer to the profit and loss account on impairment of financial assets	–	–	–	–	98	–	–	–	–	98
Transfer from retained profits	–	–	–	–	–	–	–	220	(220)	–
Issue of shares pursuant to the Plan	8	–	(1)	–	–	–	–	–	–	7
Premium on shares issued (Notes 26)	11,044	–	641	–	–	–	–	–	–	11,685
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	–	(12,687)	(12,687)
Dividends (Note 10)	–	–	–	–	–	–	–	–	(2,415)	(2,415)
Share repurchase	–	8	–	–	–	–	–	–	(656)	(648)
Released upon lapse of share options of a subsidiary	–	–	(1)	–	–	–	–	–	1	–
At 31 December 2008	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230
Retained by										
Company and subsidiary companies	36,467	29	823	(1,738)	112	4,782	(3,390)	970	6,139	44,194
Jointly controlled entities	–	–	103	–	16	132	(19)	16	2,160	2,408
Associated companies	–	–	32	–	110	(133)	(69)	–	1,688	1,628
	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230

27 Reserves *continued*

b Company

in HK$ million	Capital redemption reserve	Capital reserve	Hedging reserve	Share premium	Retained profits	Total
At 1 January 2009	**29**	**804**	**(2,297)**	**36,467**	**3,409**	**38,412**
Share-based payment	**–**	**74**	**–**	**–**	**–**	**74**
Issue of shares pursuant to the Plan	**–**	**–**	**–**	**48**	**–**	**48**
Cash flow hedges						
Fair value gain in the year	**–**	**–**	**1,046**	**–**	**–**	**1,046**
Transfer to net finance charges	**–**	**–**	**365**	**–**	**–**	**365**
	–	**–**	**1,411**	**–**	**–**	**1,411**
Profit attributable to shareholders of the Company (Note 9)	**–**	**–**	**–**	**–**	**2,247**	**2,247**
Dividends (Note 10)	**–**	**–**	**–**	**–**	**(547)**	**(547)**
At 31 December 2009	**29**	**878**	**(886)**	**36,515**	**5,109**	**41,645**
Representing						
At 31 December 2009 after proposed final dividend						**40,733**
2009 Final dividend proposed						**912**
						41,645
At 1 January 2008	21	164	(50)	25,415	16,782	42,332
Issue of shares pursuant to the Plan	–	(1)	–	8	–	7
Cash flow hedges						
Fair value loss in the year	–	–	(2,339)	–	–	(2,339)
Transfer to net finance charges	–	–	92	–	–	92
	–	–	(2,247)	–	–	(2,247)
Premium on shares issued	–	641	–	11,044	–	11,685
Loss attributable to shareholders of the Company (Note 9)	–	–	–	–	(10,302)	(10,302)
Dividends (Note 10)	–	–	–	–	(2,415)	(2,415)
Share repurchase	8	–	–	–	(656)	(648)
At 31 December 2008	29	804	(2,297)	36,467	3,409	38,412

27 Reserves *continued*

c Nature and Purpose of Reserves

i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

ii) Capital reserve

The capital reserve comprises the following:

- the portion of the grant date fair value of unexercised share options granted to employees
- the amount allocated to the unexercised equity component of convertible notes issued

iii) Goodwill

The Goodwill reserve is as a result of goodwill arising on acquisitions prior to year 2001 which under the then prevailing Accounting Standards was reflected in reserves rather than as a separate asset.

iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

vii) Distributable reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance was HK$5,109 million (2008: HK$3,409 million).

28 Borrowings

a

in HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Short term borrowings				
Bank loans				
unsecured	**2,652**	6,704	**–**	3,355
secured	**49**	324	**–**	–
	2,701	7,028	**–**	3,355
Other loans				
unsecured	**–**	6	**–**	–
secured	**56**	105	**–**	–
	56	111	**–**	–
Current portion of long term borrowings	**1,600**	2,243	**700**	1,246
Total short term borrowing	**4,357**	9,382	**700**	4,601
Long term borrowings				
Bank loans				
unsecured	**46,819**	37,577	**26,534**	28,483
secured	**12,059**	8,478	**–**	–
	58,878	46,055	**26,534**	28,483
Other loans				
unsecured	**4,040**	4,040	**–**	–
Less: current portion of long term borrowings	**(1,600)**	(2,243)	**(700)**	(1,246)
Total long term borrowings	**61,318**	47,852	**25,834**	27,237
Total borrowings	**65,675**	57,234	**26,534**	31,838
Analysed into				
unsecured	**53,511**	48,327	**26,534**	31,838
secured	**12,164**	8,907	**–**	–
	65,675	57,234	**26,534**	31,838

Note:

i) On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of the Company and for general corporate purposes, to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at 31 December 2009.

ii) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, 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. All of the JPY Notes remained outstanding at 31 December 2009.

iii) Bank loans and other loans, other than the JPY Notes, are fully repayable on or before 2032 and bear interest mainly at the prevailing market rates.

iv) As at 31 December 2009, certain of the Group's inventories, deposits, accounts receivable, properties under development and self-used properties with an aggregate carrying value of HK$903 million (2008: HK$746 million) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$23.5 billion (2008: HK$15.1 billion) of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$1.1 billion. Shipbuilding contracts of HK$5.1 billion (2008: HK$5.1 billion) for the 12 ships being built to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$29.5 billion (2008: HK$20.9 billion).

28 Borrowings *continued*

b The maturity of the Group's and the Company's long term borrowings is as follows:

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Bank loans are repayable				
in the first year	**1,599**	2,242	**700**	1,246
in the second year	**11,114**	5,625	**5,984**	2,992
in the third to fifth years inclusive	**20,862**	21,867	**13,230**	15,975
after the fifth year	**25,303**	16,321	**6,620**	8,270
	58,878	46,055	**26,534**	28,483
Other loans are repayable				
in the first year	**1**	1	**–**	–
in the second year	**3,510**	–	**–**	–
in the third to fifth years inclusive	**–**	3,510	**–**	–
after the fifth year	**529**	529	**–**	–
	4,040	4,040	**–**	–
	62,918	50,095	**26,534**	28,483

c The exposure of the Group's and the Company's total borrowings to interest-rate changes is as follows:

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Total borrowings	**65,675**	57,234	**26,534**	31,838
Borrowing at fixed rates for more than one year (from balance sheet date)	**(3,815)**	(3,984)	**(78)**	(78)
Interest rate swaps converting floating to fixed	**(21,096)**	(8,044)	**(14,166)**	(7,744)
Borrowings subject to interest-rate changes	**40,764**	45,206	**12,290**	24,016

The effective interest rate per annum on the Group's and the Company's borrowings after considering the impact of interest rate swaps (converting floating to fixed rates of interest) was as follows:

	Group		Company	
	2009	2008	**2009**	2008
Total borrowings	**3.7%**	4.7%	**3.3%**	4.2%

d The fair value of borrowings is HK$64,371 million (2008: HK$53,033 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrecognised gain of HK$1,304 million (2008: HK$4,201 million). This unrecognised gain has not been recorded in the accounts as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

28 Borrowings *continued*

e The carrying amounts of the total borrowings are denominated in the following currencies:

in HK$ million	Group 2009	2008	Company 2009	2008
Hong Kong dollar	**11,405**	14,886	**10,547**	13,983
US dollar	**40,834**	30,165	**15,987**	17,298
Renminbi	**12,805**	10,970	**–**	–
Other currencies	**631**	1,213	**–**	557
	65,675	57,234	**26,534**	31,838

The Group has the following undrawn borrowing facilities:

in HK$ million	Group 2009	2008	Company 2009	2008
Floating rate				
expiring within one year	**2,058**	3,032	**823**	1,862
expiring beyond one year	**14,570**	17,285	**12,545**	3,809
	16,628	20,317	**13,368**	5,671

29 Financial Risk Management and Fair Values

Financial Risk Factors

The Group is exposed to a variety of financial risks and manages them through a combination of financial instruments.

An Asset and Liability Management Committee ('ALCO') was set up by the board in October 2008 to oversee and monitor the exposures of the Group and it meets on a monthly basis.

Management of raising finance and financial exposures is centralised at head office but specific responsibilities are delegated to business units as appropriate.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 31 December 2009, HK$24.9 billion (2008: HK$12 billion) of the Group's total borrowings were effectively paying fixed rate and the remaining were effectively paying a floating rate of interest. In addition, HK$1.9 billion of forward starting swaps were outstanding that had not become effective as of 31 December 2009.

At 31 December 2009, if interest rates had been 1% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	Group			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	**(260)**	**–**	**260**	**–**
Cash and bank deposits	**213**	**–**	**(213)**	**–**
Derivatives	**132**	**1,568**	**(148)**	**(1,765)**

	Company			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	**(124)**	**–**	**124**	**–**
Cash and bank deposits	**78**	**–**	**(78)**	**–**
Derivatives	**95**	**871**	**(107)**	**(976)**

At 31 December 2008, if interest rates had been 1% higher/lower, with all other variables held constant, the hypothetical impact would have been:

	Group			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(190)	–	190	–
Cash and bank deposits	157	–	(157)	–
Derivatives	82	2,113	(89)	(2,375)

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations *continued*

	Company			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(240)	–	240	–
Cash and bank deposits	73	–	(73)	–
Derivatives	82	1,185	(89)	(1,315)

As described in Note 4(i), the Group completed the restructuring of its leveraged AUD/USD contracts into plain vanilla forward contracts with an aggregate notional amount of AUD2 billion outstanding at 31 December 2009. Since restructuring, these derivatives qualify and are accounted for as hedges against movements in the AUD/USD spot exchange rate. Therefore changes in the fair value of the derivatives as a result of movements in the AUD/USD spot exchange rate are recognised in the hedging reserve whilst the residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates are recorded in the profit and loss. At 31 December 2009, a 1% increase/(decrease) in the differential between Australian and US interest rates could give rise to a hypothetical impact of approximately HK$212 million (decrease)/increase on profit.

b Exposure to Foreign Currency Fluctuations

CITIC Pacific is based in Hong Kong and has determined that its functional currency is the Hong Kong Dollar. CITIC Pacific conducts its business mainly in Hong Kong, mainland China and Australia. Therefore it is subject to the risk of changes in the foreign exchange rates of the US Dollar, Renminbi and Australian Dollar and to a lesser extent, Japanese Yen, Euro and Swedish Krona. To recognise currency exposure, non-HK Dollar assets are usually financed by borrowings in the same currency as the asset or cash flow from it. Achieving this objective is not always possible due to limitations in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a freely convertible currency. In addition, regulations in mainland China require 'registered capital', which usually accounts for no less than 25% of the total investment amount, for projects in mainland China to be paid in foreign currency. As the Group's investment in mainland China expands, CITIC Pacific has an increasing exposure to the Renminbi.

The future net cash flow of the Group's Australian iron ore mining project is denominated in USD and this is its functional currency for accounting purposes. A substantial portion of the project infrastructure/pre-completion operating expenditure is, and will be, denominated in Australian Dollars and other non-USD currencies, as will the operating expenditure once the mine is completed.

The Group entered into multiple leveraged AUD foreign exchange contracts mainly in the second half of 2008 to meet AUD requirements of the Australian mining operations. Leveraged foreign exchange contracts with maximum deliverable amount of AUD 5.3 billion were novated to the CITIC Group in December 2008, and AUD 2.9 billion remained for restructuring into plain vanilla forward contracts that qualify as accounting hedges, as their maturity matches the needs of the business. These contracts were all restructured into plain vanilla forward contracts from December 2008 to May 2009. No leveraged AUD foreign exchange contracts remain as at 31 December 2009.

As of 31 December 2009 these plain vanilla forward contracts had a notional amount of AUD 1,993 million (2008: AUD 911 million).

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

One Euro dual currency leveraged foreign exchange contract was terminated in January 2009. At 31 December 2009, there are no Euro leveraged foreign exchange contracts remaining in the Group's portfolio. As at 31 December 2009, three RMB target redemption contracts with maximum notional amount of RMB943 million were held by the Group to hedge its RMB exposures. These non deliverable forward contracts are not eligible for hedge accounting and gains and losses in the fair market value of these contracts are reflected in the profit and loss account. Two RMB target redemption contracts matured in January 2010 with the remaining contract due to mature in July 2010.

CITIC Pacific has funded the iron ore mining project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore mining project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. USD/HKD foreign exchange forward contracts, cross currency swaps and USD net investment hedges are employed to hedge 73% of the currency exposure arising from other USD loans and a JPY/HKD cross currency swap was employed to minimise currency exposure for a JPY Bond.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) and equity arising from financial assets and liabilities in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date, and that all other variables, in particular interest rates, remain constant.

	Group					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2009						
USD	**1%**	**(108)**	**(1)**	**1%**	**107**	**2**
RMB	**5%**	**218**	**–**	**5%**	**(213)**	**–**
AUD*	**5%**	**(55)**	**698**	**5%**	**55**	**(698)**
YEN	**10%**	**25**	**–**	**10%**	**(22)**	**–**
SEK	**2%**	**–**	**–**	**2%**	**–**	**–**
EURO	**5%**	**–**	**–**	**5%**	**–**	**–**

	Company					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2009						
USD	**1%**	**(78)**	**(1)**	**1%**	**77**	**2**
RMB	**5%**	**75**	**–**	**5%**	**(70)**	**–**
AUD*	**5%**	**–**	**–**	**5%**	**–**	**–**
YEN	**10%**	**–**	**–**	**10%**	**–**	**–**
SEK	**2%**	**–**	**–**	**2%**	**–**	**–**
EURO	**5%**	**–**	**–**	**5%**	**–**	**–**

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

	Group					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2008						
USD	1%	(83)	–	1%	83	–
RMB	2%	171	–	2%	(128)	–
AUD*	10%	1,264	473	10%	(1,264)	(473)
YEN	10%	(51)	2	10%	51	(2)
SEK	15%	–	33	15%	–	(33)
EURO	5%	2	–	5%	(3)	–

	Company					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2008						
USD	1%	(62)	–	1%	62	–
RMB	2%	171	–	2%	(127)	–
AUD*	10%	166	–	10%	(166)	–
YEN	10%	(55)	–	10%	55	–
SEK	15%	–	–	15%	–	–
EURO	5%	–	–	5%	–	–

* During the year ended 31 December 2009, the Group completed restructuring of all its leveraged AUD contracts to plain vanilla forward contracts which qualify as and are accounted for as hedges. Therefore, changes in such contracts due to movements in AUD/USD spot rates only impact equity in the 31 December 2009 sensitivity table above. However, there may be residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates that are recorded in the profit and loss account. As at 31 December 2008, leveraged AUD contracts with a substantial notional amount were outstanding and had yet to be restructured and the sensitivity table as at 31 December 2008 above reflected the fact that hypothetical changes in AUD/USD spot rates could impact profit and loss account for such contracts.

c Price Risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 31 December 2009, if there had been a 5% change in the market value of available-for–sale securities with all other variables held constant, the Group's equity would have increased/ (decreased) by HK$109 million (2008: HK$34 million).

The Group is subject to commodity price risks such as iron ore and coal, and price risks associated with input costs and costs of goods sold. The Group has not entered into derivatives to manage such exposures.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

d Credit Exposure

The Group's credit risk is primarily related to deposits placed with banks and the continued ability of the banks to deliver on foreign exchange and derivatives. Operating businesses have trade and accounts receivables.

The Group's cash and deposits with banks are placed with major financial institutions. Counterparty limits are closely monitored for all financial institutions with whom the Group is doing business. The Group only deals with international financial institutions with an investment grade credit rating except for leading PRC financial institutions that do not have an international credit rating. The amount of counterparties' lending exposure to the Group is an important consideration as a means to control credit risk.

Trade receivables are presented net of allowances for bad and doubtful debts. Credit risk in respect of trade and accounts receivables is dispersed since the customers are large in number and spread across different industries and geographical areas. Accordingly, the Group has no significant concentration of such credit risk. Each core operating business has a policy of credit control in place under which credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance. None of the financial assets that are fully performing has been renegotiated in the current period.

e Liquidity Risk

Liquidity risk is managed by maintaining substantial undrawn committed credit facilities, money market lines and cash deposits so as to avoid over reliance on any one source of funds. Refinancing is allocated such that there is a reasonable amount coming due in any one period. In addition, the Company has established co-operative agreements with major PRC banks.

The Group's liquidity management procedures involve regularly projecting cashflows in major currencies, and considering the level of liquid assets and new financings necessary to meet these cash flow requirements.

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At the end of 2009 CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other countries. The Group diversifies its funding mix through bank borrowings and accessing the capital markets and seeks to maintain a mix of short and long-term borrowings to stagger maturities and minimise financing risk.

The table below analyses the Group's financial assets/liabilities and net-settled derivative financial assets/liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their maturity date. Financial assets are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the balance sheet date.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

For derivative financial assets/liabilities the methodology has been changed in 2009 from using a benchmark rate to utilising the relevant forward curve to determine inflows and outflows.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Bank borrowings	**(6,154)**	**(16,319)**	**(27,942)**	**(35,198)**
Derivative financial assets/liabilities	**(953)**	**(583)**	**(450)**	**484**
Trade creditors and accounts payable	**(19,169)**	**(463)**	**(219)**	**(141)**
At 31 December 2008				
Bank borrowings	(10,720)	(6,772)	(27,473)	(20,683)
Derivative financial liabilities	(666)	(780)	(1,893)	(4,677)
Trade creditors and accounts payable	(12,985)	(507)	(8)	–

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Bank borrowings	**(1,369)**	**(6,568)**	**(14,156)**	**(8,412)**
Derivative financial assets/liabilities	**(645)**	**(351)**	**(239)**	**248**
Trade creditors and accounts payable	**(130)**	**–**	**(5)**	**(8)**
Financial guarantee (Note)	**–**	**(5,764)**	**(18,893)**	**(1,101)**
At 31 December 2008				
Bank borrowings	(5,353)	(3,648)	(17,219)	(10,278)
Derivative financial liabilities	(571)	(550)	(1,168)	(2,493)
Trade creditors and accounts payable	(300)	–	–	–

Note: These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised, however based on the operating results, the Company does not expect them to be crystalised.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on interest or exchange rates (where applicable) prevailing at the balance sheet date.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Forward foreign exchange contracts – cash flow hedges				
outflow	**(4,355)**	**(4,332)**	**(5,042)**	**–**
inflow	**4,042**	**4,015**	**4,681**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(5,335)**	**(1,122)**	**(53)**	**(837)**
inflow	**5,380**	**1,125**	**17**	**1,052**

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Forward foreign exchange contracts – cash flow hedges				
outflow	**–**	**–**	**–**	**–**
inflow	**–**	**–**	**–**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(4,210)**	**(1,113)**	**–**	**–**
inflow	**4,276**	**1,122**	**–**	**–**

The majority of foreign exchange forward contracts that are not qualified for hedge accounting as at 31 December 2009 consist of USD/HKD forward exchange contracts and gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2008				
Forward foreign exchange contracts – cash flow hedges				
outflow	(2,275)	(1,334)	(2,561)	–
inflow	2,012	1,136	2,105	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(11,207)	(9,788)	(334)	(601)
inflow	10,019	8,695	339	823

Financial Risk Factors *continued*

e Liquidity Risk *continued*

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2008				
Forward foreign exchange contracts – cash flow hedges				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(3,505)	(4,214)	(313)	–
inflow	3,540	4,250	321	–

f Fair Value Estimation

i) The fair values of outstanding derivative transactions are based on the price quotations obtained from Reval Inc., ('Reval') a derivative risk management and hedge accounting solutions firm and are cross checked against valuations obtained from major financial institutions. The fair value of loans receivable are estimated as the present value of future cash flows, discounted at the current market interest rates for similar financial instruments.

The fair values of borrowings are disclosed in Note 28(d). Their fair values are also estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ii) The carrying values less impairment provisions of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

iii) Certain financial instruments that fail to demonstrate, either at inception or throughout the life of the hedge, that the hedge is highly effective, do not meet hedging requirements and are evaluated at fair values at period ends with movements thereon dealt with in the profit and loss account.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

iv) Financial instruments are carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Group				Company			
in HK$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2009								
Assets								
Available-for-sale financial assets								
Listed	2,174	–	–	2,174	–	–	–	–
Unlisted	–	–	13	13	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	40	178	218	–	40	–	40
Forward exchange contracts	–	622	–	622	–	364	–	364
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	1,621	–	1,621	–	1,041	–	1,041
Forward exchange contracts	–	273	–	273	–	437	–	437

During the year there were no significant transfers between instruments in Level 1 and Level 2.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	Group	
in HK$ million	Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
At 1 January 2009	–	154
Payment for purchases	13	–
Net gains or losses recognised in profit and loss account during the period	–	24
At 31 December 2009	13	178
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	–	24

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

v) Fair values of financial instruments carried at other than fair value

The carrying amounts of the group's and the company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

in HK$ million	2009 Carrying amount	2009 Fair value	2008 Carrying amount	2008 Fair value
The Group				
Bank loans	**61,636**	**60,189**	53,195	49,472
Global bonds (USD Bond)	**3,510**	**3,687**	3,510	3,276
Private placement (JPY Bond)	**529**	**495**	529	285
The Company				
Bank loans	**26,534**	**25,230**	31,838	29,791

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

vi) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

vii) Derivatives

Forward exchange contracts are valued by Reval using a Discounted Cashflow model with independently sourced market data. Forward rates are used to convert future cashflows back to the functional currency. These cashflows are then discounted back to the valuation date to arrive at the fair market value.

Interest rate swap agreements are valued using a Discounted Cashflow model mainly based on independently sourced market data. Future cashflows for floating rate indices are implied from market curves. All future cashflows are then discounted back to the valuation date to arrive at the fair market value.

viii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ix) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2009 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

30 Capital Risk Management

The Group's primary objective when managing capital is to safeguard the Group's ability to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong shareholders' equity position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is the equity attributable to shareholders of the Company, as shown in the consolidated balance sheet, plus net debt.

The leverage ratios at 31 December 2009 and 2008 were as follows:

in HK$ million	**2009**	As restated 2008
Total borrowings	**65,675**	57,234
Less: cash and bank deposits	**21,553**	18,296
Net debt	**44,122**	38,938
Equity attributable to the shareholders of the Company	**60,259**	49,688
Total capital	**104,381**	88,626
Leverage ratio	**42%**	44%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 31 December 2009, are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these ratios on a regular basis and was in compliance with all loan covenants as at 31 December 2009.

31 Derivative Financial Instruments

	Group			
	2009		2008	
in HK$ million	Assets	Liabilities	Assets	Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	**–**	**1,470**	–	4,150
Forward foreign exchange instruments	**585**	**148**	21	990
	585	**1,618**	21	5,140
Not qualified for hedge accounting				
Interest-rate instruments	**218**	**151**	222	458
Forward foreign exchange instruments	**37**	**125**	1,008	4,127
	255	**276**	1,230	4,585
	840	**1,894**	1,251	9,725
Less: current portion				
Interest-rate instruments	**58**	**40**	50	63
Forward foreign exchange instruments	**34**	**127**	966	2,980
	92	**167**	1,016	3,043
	748	**1,727**	235	6,682

31 Derivative Financial Instruments *continued*

in HK$ million	Company 2009 Assets	Liabilities	2008 Assets	Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	**–**	**890**	–	2,380
Forward foreign exchange instruments	**329**	**329**	1,011	1,011
	329	**1,219**	1,011	3,391
Not qualified for hedge accounting				
Interest-rate instruments	**40**	**151**	68	393
Forward foreign exchange instruments	**35**	**108**	1,410	1,850
	75	**259**	1,478	2,243
	404	**1,478**	2,489	5,634
			(Note)	(Note)
Less: current portion				
Interest-rate instruments	**28**	**40**	28	63
Forward foreign exchange instruments	**34**	**110**	1,348	1,686
	62	**150**	1,376	1,749
	342	**1,328**	1,113	3,885

Note:
As at 31 December 2008, there was one leveraged foreign exchange contract which had been economically but not yet legally transferred to CITIC Group. As a result, the underlying derivative liability of this contract amounting to HK$944 million was recorded as a contractual obligation of the Company, and a related derivative asset of HK$944 million, reflecting the economic effect of the transfer of the contract to CITIC Group was also recorded. The derivative asset was first recorded at the time of economic transfer of the liability to CITIC Group. From the date of economic transfer, changes in fair value of the underlying derivative liability reflected in profit and loss account were fully off-set by equal but opposite changes in the fair value of the derivative asset. This contract was subsequently legally transferred to CITIC Group in March 2009.

i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments at 31 December 2009 was HK$19,527 million (2008: HK$34,513 million).

The effective portions of gains and losses on forward foreign exchange contracts associated with highly probable forecast underlying transactions denominated in foreign currency expected to occur at various dates within the next 40 months are recognised in the hedging reserve in equity as of 31 December 2009 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

ii) Interest rate instruments

The notional amount of outstanding interest rate swap contracts at 31 December 2009 was HK$28,426 million (2008: HK$29,626 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$1,195 million (2008: HK$1,195 million). At 31 December 2009, the fixed interest rates under interest rate swaps varied from 3% to 7.23% per annum (2008: 3% to 7.23% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 31 December 2009 are recognised in the hedging reserve in equity and are released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

32 Deferred Taxation

a Group

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2008: 16.5%). The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

in HK$ million	Depreciation allowances in excess of related depreciation 2009	2008	Losses 2009	2008	Revaluation of investment properties and valuation of other properties 2009	2008	Mining assets and others 2009	2008	Total 2009	2008
Deferred tax arising from At 1 January	**(526)**	(504)	**935**	239	**(1,153)**	(1,083)	**1,001**	(139)	**257**	(1,487)
Exchange adjustment	**–**	(5)	**6**	(4)	**(2)**	(61)	**(6)**	6	**(2)**	(64)
Charged to reserve	**–**	–	**–**	–	**–**	–	**(1,243)**	518	**(1,243)**	518
Effect of tax rate change	**–**	30	**–**	(9)	**–**	12	**(1)**	–	**(1)**	33
(Charged)/credited to consolidated profit and loss account	**13**	(15)	**1,035***	634	**(19)**	(51)	**(1,346)***	667	**(317)**	1,235
Others	**(6)**	(32)	**(1)**	75	**–**	30	**(24)**	(51)	**(31)**	22
At 31 December	**(519)**	(526)	**1,975**	935	**(1,174)**	(1,153)	**(1,619)**	1,001	**(1,337)**	257

* In 2009, the tax losses were mainly due to realisation of losses upon restructuring of certain leveraged foreign exchange contracts giving rise to a reclassification of a deferred tax asset from 'mining assets and others' to 'losses'.

in HK$ million	Group 2009	2008
Net deferred tax assets recognised on the consolidated balance sheet	**554**	1,967
Net deferred tax liabilities recognised on the consolidated balance sheet	**(1,891)**	(1,710)
	(1,337)	257

b Deferred Tax Assets Unrecognised

The Group has not recognised deferred tax assets in respect of the following items:

in HK$ million	Group 2009	2008
Deductible temporary differences	**35**	42
Tax losses	**3,125**	2,962
Taxable temporary differences	**(204)**	(92)
	2,956	2,912

in HK$ million	Company 2009	2008
Deductible temporary differences	**21**	20
Tax losses	**594**	543
	615	563

Note:
Deductible temporary differences and tax losses in certain tax jurisdictions of HK$254 million (2008: HK$167 million) will expire within the next five years. The remaining amounts do not expire under current tax legislation.

32 Deferred Taxation *continued*

c Deferred Tax Liabilities not Recognised

At 31 December 2009, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$767 million (2008: HK$808 million). Deferred tax liabilities of HK$153 million (2008: HK$162 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

33 Provisions

in HK$ million	Site restoration	Mining assets Mining rights	Total
Balance at 1 January 2009	**54**	**680**	**734**
Provisions made during the year	**47**	**26**	**73**
Balance at 31 December 2009	**101**	**706**	**807**
Balance at 1 January 2008	–	–	–
Provisions made during the year	54	680	734
Balance at 31 December 2008	54	680	734

Site restoration

A provision of HK$47 million (2008: HK$54 million) was made during the year ended 31 December 2009 in respect of a subsidiary's obligation to rectify environmental damage with a corresponding increase in intangible mining assets. Amortisation of this asset will occur from the production date, using a units of production method.

Mining rights

In accordance with the mining right/lease agreements entered into by two subsidiary companies of the Group, the Group is committed to pay a defined royalty if either of the two subsidiary companies' production is less than 6 million tonnes by March 2013. A provision has been made for this commitment with a corresponding increase in intangible mining assets. Amortisation of this asset will occur from the production date, using the units of production method.

34 Capital Commitments

	Group	
in HK$ million	**2009**	2008
Authorised but not contracted for (Note a)	**3,040**	277
Contracted but not provided for (Note b)	**20,064**	25,565

	Company	
in HK$ million	**2009**	2008
Contracted but not provided for	**–**	459

Note a

	Group	
in HK$ million	**2009**	2008
Authorised but not contracted for		
Analysis by operating segment		
Special Steel	**2,772**	–
Dah Chong Hong	**258**	263
CITIC 1616	**10**	14
	3,040	277

Note b

	Group	
in HK$ million	**2009**	2008
Contracted but not yet paid nor accrued		
Analysis by operating segment		
Special steel	**4,193**	7,954
Iron ore mining	**12,561**	14,765
Property		
Mainland China	**3,022**	2,698
Hong Kong	**8**	13
Dah Chong Hong	**190**	101
CITIC 1616	**29**	4
Other investments	**61**	30
	20,064	25,565

35 Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Properties commitments				
Within 1 year	**295**	261	**61**	61
After 1 year but within 5 years	**486**	404	**20**	81
After 5 years	**307**	220	**–**	–
	1,088	885	**81**	142
Other commitments				
Within 1 year	**69**	35	**–**	–
After 1 year but within 5 years	**216**	142	**–**	–
After 5 years	**365**	350	**–**	–
	650	527	**–**	–
	1,738	1,412	**81**	142

36 Business Combinations, Acquisitions and Disposals

a Purchase of Subsidiary Companies and Minority Interests

In 2009 the Group acquired a 100% equity interest in Loreto Maritime Pte. Ltd., a company which is currently constructing transshipment barges and will undertake the transshipment of iron ore to ocean going vessels on completion of the construction.

In 2009 a listed subsidiary group of the Company CITIC1616 acquired the remaining 51% equity interest in CM Tel (USA) LLC (renamed as ComNet (USA) LLC in July 2009) and a 100% equity interest in Macquarie Telecom Pte. Ltd (renamed as ComNet Communications (Singapore) Pte. Ltd.).

In 2008 the two listed subsidiary groups of the Company, Dah Chong Hong and CITIC 1616, acquired certain subsidiaries in their respective lines of businesses.

The aggregate fair value of the net assets acquired in 2009 as at the dates of acquisition was HK$175 million. Since acquisition these businesses contributed aggregate revenues of HK$403 million and aggregate net profit of HK$7 million. The aggregate revenue and net profit of the acquired companies computed as though the acquisitions had been at the beginning of the year are HK$615 million and HK$5 million respectively.

In 2009 the Group also acquired the then remaining approximately 20% minority interests in various subsidiary companies engaging in steel manufacturing in Jiangyin. Accordingly those companies became wholly owned subsidiaries of the Group.

36 Business Combinations, Acquisitions and Disposals *continued*

a Purchase of Subsidiary Companies and Minority Interests *continued*

in HK$ million	Acquiree's carrying amount before combination 2009	2008
Net assets acquired		
Property, plant and equipment	**231**	469
Leasehold land	**6**	39
Intangible assets	**38**	204
Interest in associated company	**–**	3
Inventories	**36**	504
Debtors, accounts receivable, deposits and prepayments	**82**	530
Cash and bank deposits	**19**	196
Deferred tax assets	**–**	28
Assets	**412**	1,973
Bank loans and other loans	**(108)**	(529)
Creditors, accounts payable, deposits and accruals	**(116)**	(1,140)
Provision for taxation	**–**	(2)
Deferred tax liabilities	**–**	(3)
Liabilities	**(224)**	(1,674)
	188	299
Fair value adjustments	**20**	223
Fair value of net assets acquired	**208**	522
Share of net assets immediately prior to purchase	**(37)**	–
Gain on acquisitions	**–**	(3)
Minority interests	**–**	(174)
Goodwill	**90**	318
	261	663
Satisfied by		
Cash	**257**	663
Consideration payable	**4**	–
	261	663

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary companies

in HK$ million	2009	2008
Cash consideration	**257**	663
Cash and bank deposits acquired	**(17)**	(196)
Repayment of debt	**–**	(75)
	240	392

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36 Business Combinations, Acquisitions and Disposals *continued*

b Proceeds on Disposal of Interests in Subsidiary Companies

in HK$ million	**2009**	2008
Net assets disposed of		
Property, plant and equipment	–	25
Leasehold land	–	330
	–	355
Profit on disposal	–	170
	–	525
Satisfied by		
Cash	–	525

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

in HK$ million	**2009**	2008
Cash consideration	–	525

During 2008, a subsidiary engaging in property business was disposed of.

37 Contingent Liabilities

	Company	
in HK$ million	**2009**	2008
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies (Note i)	**29,450**	29,041
Jointly controlled entity	**27**	27
Other performance guarantees and potential penalties		
Subsidiary companies (Note ii)	**4,831**	851
Jointly controlled entity	–	250
	34,308	30,169

Note:

i) The Company has provided guarantees to its subsidiary companies to support derivative transactions entered into by subsidiaries.

ii) The Company has provided guarantees to its subsidiary companies to support their performance or obligations under construction or procurement contracts.

iii) In the normal course of the Group's business, there are a number of claims now outstanding by or against the Group. While the outcome of such claims cannot be readily predicted, management believes that they will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the Group.

iv) The Group is subject to ever stricter environmental laws and regulations concerning its operations and products. These laws may require the Group to take remedial action and rehabilitation works to reduce the effects on the environment of previous actions by the Group. The ultimate requirement for remedial action and rehabilitation works and its cost are inherently difficult to predict but the estimated cost of undisputed environmental obligations has been provided for in these accounts. Whilst the amount of future costs could be significant and material to the Group's results in the period they are recognised, it is not possible to estimate the amounts involved, although management does not expect these costs to have a material adverse financial effect on the consolidated financial position or liquidity of the Group.

v) Following CITIC Pacific's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission ('SFC') announced that it had commenced a formal investigation into the affairs of CITIC Pacific. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of alleged offences related to the same matter.

On 18 November 2009, the Acting Secretary for the Financial Services and the Treasury said that the SFC's investigation has been completed while the Police's investigation is still underway.

In the absence of the findings of these investigations being made available to CITIC Pacific and due to the inherent difficulties involved in attempting to predict the outcome of such regulatory matters and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

38 Material Related Party Transactions

Where one party has the ability to control the other party or exercise significant influence in making financial and operating decisions of another party, they are considered to be related. Parties are also considered to be related if they are subject to common control.

a Transactions with State-Owned Enterprises (Other than Companies within the CITIC Group)

Since 24 December 2008, CITIC Pacific Limited has been controlled by CITIC Group which owns 57.6% of the Company's shares as at 31 December 2009. CITIC Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the People's Republic of China ('PRC') (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises have been regarded as related party transactions from 24 December 2008 onward.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. The Group has certain transactions with other state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities, acquisition of property interests, depositing and borrowing money and entering into derivative financial instruments. In the ordinary course of the Group's businesses, transactions occur with state-owned enterprises.

The more significant transactions with state-owned enterprises are as follows:

i) As at 31 December 2009, there were derivative liabilities of HK$913 million (2008: HK$5,815 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 31.

ii) Balances (other than derivatives) with state-owned banks

in HK$ million	**2009**	2008
Bank balances and deposits	**14,159**	7,903
Bank loans	**45,093**	32,222

38 Material Related Party Transactions *continued*

a Transactions with State-Owned Enterprises (Other than Companies within the CITIC Group) *continued*

iii) Transactions with China Metallurgical Group

On 24 January 2007, Sino Iron Pty Ltd., a wholly owned subsidiary of the Company, ('Sino Iron') entered into a general construction contract ('the Contract') with China Metallurgical Group Corp., a state-owned enterprise ('MCC'). Pursuant to the Contract, MCC is responsible for the procurement of mining equipment, design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities ('the Works to be conducted by MCC') at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works to be conducted by MCC is capped and no increase to the contract sum can be made unless otherwise agreed by both parties. On 20 August 2007, Sino Iron entered into supplemental agreements with MCC in relation to, amongst other things, the adjustment to the scope of the works to be conducted by MCC to extend to the second 1 billion tonnes of iron ore to be extracted and the revision of the contract sum to US$1,750 million (approximately HK$13,650 million).

Sino Iron and MCC also agreed that the remaining works (other than works to be conducted by MCC) shall be contracted out to third parties directly by Sino Iron and such works shall be managed by MCC. Sino Iron agreed to pay 1% of the relevant contract price (excluding any fee for training, interest, transportation, insurance and tax expenses) to MCC as management fees for the MCC managed works.

During the year, the Group has acquired 2.13% of MCC at HK$391 million via subscription for shares in MCC at its initial public offering.

On 20 August 2007, a wholly owned subsidiary of the Company, and MCC entered into an agreement for MCC to purchase 20% of Sino Iron for a consideration equivalent to 20% of all the funds provided to Sino Iron by CITIC Pacific for the development of the iron ore project up to the date of completion, plus interest. During 2009, the Group received a deposit of HK$2,130 million from MCC for the sale of 20% interest in Sino Iron which had not completed as at 31 December 2009.

in HK$ million	**2009**	2008
Asset/(liability)		
Trade, other receivables and prepayment	**2,574**	1,654
Trade payable and other payable to MCC	**(629)**	(821)
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(2,130)**	–
Incurred costs on General Construction Contract	**2,060**	–

iv) Sale of interest in Cathay Pacific Airways Limited to Air China

During the year, the Group disposed of 12.5% interest in Cathay Pacific Airways Limited (formerly an associated company of the Group) to Air China Limited, a state-owned enterprise, for a consideration of HK$6.3 billion which resulted in a gain of approximately HK$849 million.

38 Material Related Party Transactions *continued*

b Transactions with Other Related Parties

The Group also had the following significant transactions and balances with other related parties:

in HK$ million	**2009**	2008
Transactions with CITIC Group		
(i) Non-recurring transactions		
Consideration received from issue of shares	**–**	11,625
Consideration paid for transferring certain leveraged foreign exchange contracts	**–**	(9,155)
	–	2,470
Transactions with jointly controlled entities		
(i) Recurring transactions		
Interest income	**58**	56
Dividend income	**21**	314
Sales	**49**	38
Service income	**46**	–
	174	408
Purchases	**803**	–
Service charges	**98**	–
	901	–
Transactions with associated companies		
(i) Recurring transactions		
Interest income	**23**	68
Dividend income	**268**	775
Sales	**235**	199
Service income	**76**	61
	602	1,103
Purchases	**9**	62
Rental charge	**85**	69
Service charge	**23**	21
	117	152
(ii) Non-recurring transactions		
Consideration paid for acquisition of a subsidiary and a debt	**–**	142
Balances with fellow subsidiary companies within CITIC Group, ultimate holding company of the Company		
(i) Bank balances	**58**	1,754
(ii) Bank loans and other loans	**454**	734

39 Ultimate Holding Company

The Directors regard CITIC Group, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company.

40 Post Balance Sheet Events

On 11 February 2010 the Company entered into a Sale and Purchase Agreement with its 52.57% held Hong Kong listed subsidiary, CITIC 1616 Holdings Limited ('CITIC 1616'), in which the Company conditionally agreed to sell its entire 20% in Companhia de Telecommunicacoes de Macau ('CTM') to CITIC 1616 for a consideration of approximately HK$1.4 billion made up of HK$467 million in cash and the remainder by approximately 406 million new shares in CITIC 1616. The sale is subject to the reporting, announcement and approval requirements of CITIC 1616 under the Listing Rules and the relevant governmental authorities in Macau. The sale is expected to complete within 2010.

Upon Completion of the sale, the Group's effective interests in CITIC 1616 will be increased to 60.65% while its holding in CTM via the 60.65% held CITIC 1616 will continue to be accounted for as an associated company.

41 Comparative Figures

Certain comparative figures for 2008 have been adjusted to conform with the current accounting standards described in Note 1 to the Accounts.

42 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 10 March 2010.

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies

The following are the principal subsidiary companies, jointly controlled entities and associated companies which in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of all companies would in the opinion of the directors result in particulars of excessive length.

Name	Place of incorporation / principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Special Steel							
Subsidiary companies							
Daye Special Steel Co., Ltd.	People's Republic of China Sino-foreign joint stock limited company*	58.13	–	58.13	449,408,480	RMB1	Steel making
Hubei Xin Yegang Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangsu CP Xingcheng Special Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin CP Xingcheng By-products Recycling Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Processing and recycling of metal slag and sale of its related recycled products
Jiangyin CP Xingcheng Industry Gas Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of oxygen, liquefied oxygen, nitrogen and argon
Jiangyin Xingcheng Metalwork Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Developing and production of alloy and metal hardware
Jiangyin Xingcheng Special Steel Works Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Loading and unloading business

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation / principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Tongling Xin Yaxing Coking & Chemical Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	92.485	–	92.485	N/A	N/A	Production and sale of coal gas, coke and chemical related products
Wuxi Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of ferrous metal materials
中信泰富特鋼經貿有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Wholesale, retail and import/export of steel products, relevant materials and technology
江陰泰富興澄特種材料有限公司	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of hot iron and the related products
江陰澄東爐料有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	General sales of scrip steel, alloys and coke
湖北中特新化能科技有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
湖北新冶鋼特種鋼管有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production of seamless steel tube
銅陵新亞星港務有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Port construction, operation and related service
Jointly controlled entities#							
Shijiazhuang Iron & Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	65	–	65	–	–	Production and sale of special steel and related products
中信泰富工程技術(上海)有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Engineering service for metallurgy and mining

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Iron Ore Mining							
Subsidiary companies							
Korean Steel Pty Ltd	Australia	100	–	100	10,000	N/A	Mining extraction and processing of magnetite
Loreto Maritime Pte. Ltd.	Singapore	100	–	100	3	N/A	Build and own transshipment vessels and related facilities and equipment for iron ore product
MetaGas Pty Ltd	Australia	100	–	100	5,000,010	N/A	Gas procurement and trading
Pacific Resources Trading Pte. Ltd.	Singapore	100	–	100	1	N/A	General trading and related business
Pastoral Management Pty Ltd	Australia	100	–	100	5,000,010	N/A	Pastoral lease management
Sino Iron Pty Ltd	Australia	100	–	100	11,526	N/A	Mining extraction and processing of magnetite
Property							
People's Republic of China							
Subsidiary companies							
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Shanghai Super Property Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海中信泰富廣場有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China Sino-foreign co-operative joint venture*	100	–	100	N/A	N/A	Property development
上海珠街閣房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	84.52	15.48	N/A	N/A	Property development

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
上海利通置業有限公司	People's Republic of China Sino-foreign equity joint venture*	100	96.2	3.8	N/A	N/A	Property development
中信泰富(上海)物業管理有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property management
江陰興澄置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property development
無錫太湖景發展有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Sports related services
無錫太湖苑置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property investment and development
中信泰富萬寧發展有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China Limited liability company*	80	–	80	N/A	N/A	Property development
萬寧中意發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧中榮發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧中宏發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧仁和發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧百納發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧金信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
萬寧金誠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧創遠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
中信泰富萬寧天富發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉頤房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉逸房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉諧房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海旭升置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
紀亮(上海)房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
尊創(上海)賓館有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Jointly controlled entities#							
上海瑞明置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development
上海瑞博置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development
中船置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares[†] No. of shares	Particulars of issued shares[†] Par value	Principal activities
Hong Kong							
Subsidiary companies							
Borgia Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Broadway Centre Property Management Company Limited	Hong Kong	100	–	100	2	HK$1	Property management
Famous Land Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Glenridge Company Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Hang Luen Chong Investment Company, Limited	Hong Kong	100	–	100	80,000	HK$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	–	100	2	HK$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	–	100	50,000	HK$100	Property investment
Lindenford Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Neostar Investment Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Pacific Grace Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Tendo Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Associated companies							
CITIC Tower Property Management Company Limited	Hong Kong	40	–	40	–	–	Property management
Goldon Investment Limited	Hong Kong	40	–	40	–	–	Property investment
Hong Kong Resort Company Limited[‡]	Hong Kong	50	–	50	–	–	Property development
Konorus Investment Limited	Hong Kong	15	–	15	–	–	Property development
Shinta Limited[‡]	Hong Kong	20	–	20	–	–	Property investment

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares[†] No. of shares	Particulars of issued shares[†] Par value	Principal activities
Energy Generation							
Jointly controlled entities[#]							
Huaibei Go-On Power Company Ltd. (Formerly known as Huaibei Guoan Power Company Ltd.)	People's Republic of China Sino-foreign equity joint venture*	12.5	–	12.5	–	–	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Electric Power (Holdings) Company Limited	People's Republic of China Sino-foreign equity joint venture*	35	–	35	–	–	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China Sino-foreign equity joint venture*	56.31	–	56.31	–	–	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited	People's Republic of China Foreign investment stock company*	54.31	–	54.31	1,170,000,000	RMB1	Electric power plant construction and operation
Sunburst Energy Development Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	65	–	65	–	–	Investment holding
Widewin Investments Limited[‡]	British Virgin Islands	37.5	–	37.5	–	–	Investment holding
Wuxi Taihu Lake Pumped Storage Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	70	–	70	–	–	Pumped storage hydraulic power plant construction
Zhengzhou Xinli Electric Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Electric power plant construction and operation
Aviation							
Associated company							
Swire Aviation Limited	Hong Kong	33.3	–	33.3	–	–	Investment in Hong Kong Air Cargo Terminals Limited and HACTL Investment Holdings Limited with 10% effective interest respectively
Civil Infrastructure							
Tunnels							
Subsidiary companies							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK$10	Tunnel operation

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Subsidiary %	Particulars of issued shares[†] No. of shares	Par value	Principal activities
Jointly controlled entities[#]							
Hong Kong Transport, Logistics and Management Company Limited	Hong Kong	35	–	35	–	–	Management, operation and maintenance of the Cross-Harbour Tunnel
Western Harbour Tunnel Company Limited[‡]	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
Environmental							
Jointly controlled entities[#]							
Changzhou CGE Water Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	24.01	–	24.01	–	–	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	–	50	–	–	Design, construction and operation of refuse transfer station
Bloom Country Limited	Hong Kong	50	–	50	–	–	Investment holding
Veolia Water (Kunming) Investment Limited	Hong Kong	25	–	25	–	–	Investment holding
Associated companies							
Enviropace Limited	Hong Kong	20	–	20	–	–	Design, construction, operation and management of chemical waste treatment plant
Green Valley Landfill, Limited	Hong Kong	30	–	30	–	–	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	–	30	–	–	Design, construction and operation of transfer station
上海老港生活垃圾處置有限公司	People's Republic of China Sino-foreign equity joint venture*	30	–	30	–	–	Design, construction and operation of landfill
CITIC 1616 Holdings Limited (Listed in Hong Kong)[§]	Hong Kong	52.57	–	52.57	1,977,731,283	HK$0.10	Investment holding
Dah Chong Hong Holdings Limited (Listed in Hong Kong)[§]	Hong Kong	56.67	–	56.67	1,797,833,000	HK$0.15	Investment holding

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Other Investments							
Subsidiary companies							
CITIC Pacific China Holdings Limited	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Investment holding
CITIC Pacific Communications Limited	Bermuda	100	–	100	100,000	HK$1	Investment holding
CITIC Pacific Finance (2001) Limited	British Virgin Islands	100	100	–	1,000	US$1	Financing
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	–	1	US$1	Financing
Dah Chong Hong (Engineering) Limited	Hong Kong	100	–	100	1,301,000	HK$100	Engineering services
Jointly controlled entities#							
CITIC Capital Holdings Limited	Hong Kong	27.5	–	27.5	–	–	Investment holding
CITIC Guoan Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Investment holding
上海國睿生命科技有限公司	People's Republic of China Sino-foreign equity joint venture*	24.94	24.94	–	–	–	Research and development of tissue engineering products
山東新巨龍能源有限責任公司	People's Republic of China Sino-foreign equity joint venture*	30	–	30	N/A	N/A	Coal ores construction and sales
Associated companies							
Cheer First Limited‡	Hong Kong	40	–	40	–	–	Financing
Companhia de Telecomunicacoes de Macau, S.A.R.L.	Macau	20	20	–	–	–	Telecommunications services
Treasure Trove Limited	Hong Kong	50	–	50	–	–	Financing

Note:
† Represented ordinary shares, unless otherwise stated.
‡ Affiliates which have been given financial assistance by the company or its subsidiaries at 31 December 2009.
§ Subsidiaries separately listed on the main board of the Hong Kong Stock Exchange and including their respective group companies.
# In accordance with the Joint Venture agreement, none of the participating parties has unilateral control over the economic activity.

Independent Auditor's Report

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

We have audited the consolidated financial statements of CITIC Pacific Limited (the 'Company') and its subsidiaries (together the 'Group') set out on pages 110 to 198, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance 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 audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2010

Major Properties Held by the Group

as at 31 December 2009

Address/Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area (sq. m.)	Existing use
Major Properties Held for Investment				
* 1. Skyway House, 3 Sham Mong Road, Kowloon, H.K. 2604/2700th shares of KIL No. 9706 & the extension thereto	2041	100	29,000	Office and Shop
2. Block C of Yee Lim Industrial Centre, 2-28 Kwai Lok Street, and 2-6 Kwai Hei Street, Kwai Chung, H.K. 4000/9000th shares of KCTL No. 333	2047	100	30,000	Cold Storage and Godown
3. Honest Motors Building, 9-11, Leighton Road, Causeway Bay, H.K. HKIL No. 5431 and 5432	2880	100	4,000	Office and Shop
4. Wyler Centre 1, Basement 1 & 2 and Parking Spaces Nos P50 and P51 on 2nd Floor of Wyler Centre 2, 192-210 Tai Lin Pai Road, Kwai Chung, H.K. 5779/11152th shares of and in the Remaining Portion of KCTL No. 130 & the extension thereto	2047	100	37,000	Industrial
5. Portion of Broadway Centre, No. 93 Kwai Fuk Road, Kwai Chung, H.K. 83089/125743th shares of KCTL No. 435	2047	100	21,000	Godown and Ancillary Office
6. 111 Lee Nam Road, Ap Lei Chau, H.K. ALCIL No. 124	2047	100	60,000	Motor Services and Godown
7. DCH Commercial Centre, No. 25, Westlands Road, Quarry Bay, H.K. HKIL No. 8854	2047	100	36,000	Office and Restaurants
8. CITIC Tower, No. 1 Tim Mei Avenue, Central, H.K. HKIL No. 8822	2047	40	52,000	Office and Shop
9. CITIC Square, 1168 Nanjing Xi Lu, Jingan District, Shanghai, the PRC	2044	100	114,000	Office and Shop
10. Royal Pavilion, 688 Hua Shan Lu, Jingan District, Shanghai, the PRC	2063	100	35,000	Residential
11. New Westgate Garden, Retail portion (Phase 1), Xi Zang Nan Lu/ Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	2072	100	23,000	Shop

* excluding a petrol filling station on the ground floor with an ancillary storage tank in part of the basement and a storeroom on the first floor

Address/Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area (sq. m.)	Existing use
Major Properties Held for Sale				
1. Grand Court, 109-135 Kadoorie Avenue, Kowloon, H.K. Subsections 1 and 2 and the Remaining Portion of Section D of KIL No. 2657	2081	100	13,000	Residential
2. New Westgate Garden, Phase 1, Xi Zang Nan Lu/Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	2072	100	2,000	Residential
3. Pacific Plaza, Tower 2 and a shop in Tower 1, Jiang Dong District, Ningbo, the PRC	2046	100	19,000	Office and Shop
4. Noble Manor, Phase 1, Yangzhou, the PRC	2046 – 2076	100	13,000	Residential and Shop

Location/Lot no.	Stage of completion	Estimated completion date	Classification	Leasehold expiry	Group's interest %	Approximate site area (sq. m.)	Approximate gross floor area (sq. m.)
Major Properties Under Development							
1. New Westgate Garden, Phase 2, Xi Zang Nan Lu/ Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	Resettlement in progress	2015	Residential & Shop	2072	100	35,300	137,000
2. Shanghai Lu Jia Zui, New Financial District Project, the PRC	Phase 1 Construction in progress	2010 – 2018	Office, Hotel, Residential & Shop	2044 – 2074	50	249,400	847,000
3. Zhujiajiao New Town, Qing Pu District, Shanghai, the PRC	Construction in progress	in phases from 2009 onwards	Residential, Shop & Hotel	2046 – 2078	100	796,800	545,000
4. Commercial Development, Sichuan Bei Lu Metro Station, Hong Kou District, Shanghai, the PRC	Construction in progress	2012	Office and Shop	2047 – 2057	100	13,300	53,000
5. Commercial Development, No 10, Hainan Road, Hong Kou District, Shanghai, the PRC	Design in progress	after 2012	Office and Shop	2047 – 2057	100	16,400	66,000
6. Residential and Commercial Development, Jiading New City Metro Station, Jiading District, Shanghai, the PRC	Phase 1 Construction in progress	in phases from 2011 onwards	Office, Hotel, Residential & Shop	2046 – 2076	100	156,000	538,000
7. Pacific Plaza, Tower 1, Jiang Dong Dirstrict, Ningbo, the PRC	Construction completed Fitting-out in progress	2010	Office and Shop	2046	100	39,500	49,000
8. Noble Manor, Yangzhou, the PRC	Phase 2 Construction in progress	in phases from 2009 onwards	Residential & Shop	2045 – 2076	100	328,600	347,000
9. Residential Development, Jiangyin, the PRC	Construction in progress	2010 – 2011	Residential & Shop	2046 – 2076	70	91,300	178,000
10. Residential Development, Binhu District, Wuxi, the PRC	Construction in progress	in phases from 2010 onwards	Residential & Shop	2043 – 2073	70	1,479,000	249,000
11. Resort Development, Shenzhou Peninsula, Wanning, Hainan, the PRC	Phase 1 Construction in progress	in phases from 2010 onwards	Residential, Shop & Hotel	2057 – 2079	80 – 99.9	7,700,500	2,391,000

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	Shareholders' funds 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 as described in Note 5 to the accounts on page 136

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

Headquarters and Registered Office

32nd Floor, CITIC Tower, 1 Tim Mei Avenue,
Central, Hong Kong
Telephone +852 2820 2111
Fax +852 2877 2771

Website

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

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrars

Shareholders should contact our Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at +852 2980 1333, or by fax: +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 the Investor Relations Department by telephone at +852 2820 2004, by fax: +852 2522 5259 or at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register:	10 May 2010 to 14 May 2010
Annual General Meeting:	14 May 2010, 10:30 a.m. Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong
Dividend payment:	24 May 2010

Annual Report 2009

Our Annual Report is also available as a Summary Financial Report. Both documents are printed in English and Chinese and are available on our website at www.citicpacific.com under the 'Investor Information' section.

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. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrars.

Shareholders having difficulty in gaining access to these documents will promptly be sent printed copies free of charge upon request to CITIC Pacific's Share Registrars.

Non-shareholders are requested to write to the Company Secretary, CITIC Pacific Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax: +852 2877 2771 or by email: contact@citicpacific.com.

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Stock Code: 00267