CITIC PACIFIC

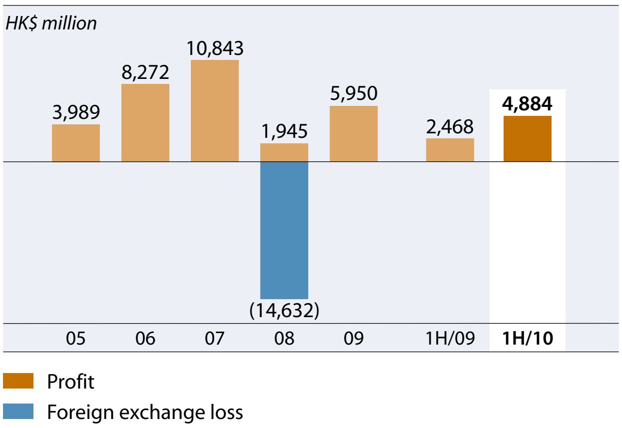
Half-Year Report **2010**

Financial Highlights

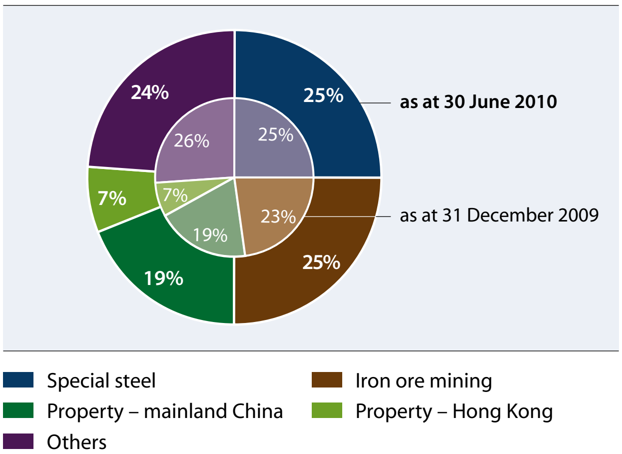
In HK$ million unless otherwise indicated	**1H 2010**	1H 2009	Increase/ (Decrease) %
Profit attributable to shareholders	**4,884**	2,468	98
Contribution by:			
Special steel	**1,154**	524	120
Iron ore mining	**(114)**	284	N/A
Property			
– Mainland China	**298**	285	5
– Hong Kong	**181**	198	(9)
Energy	**519**	352	47
Tunnels	**241**	210	15
Dah Chong Hong	**253**	153	65
CITIC 1616	**104**	93	12
Others	**37**	431	(91)
Disposal of assets	**1,774**	43	N/A
Fair value change of investment properties	**777**	9	N/A
Cash inflows from business operations	**3,718**	2,347	58
Cash inflows from sales of businesses	**3,543**	1,716	106
Other cash inflows	**693**	861	(20)
EBITDA	**7,781**	4,530	72
Earnings per share *(HK$)*	**1.34**	0.68	98
Dividends per share *(HK$)*	**0.15**	0.15	–

In HK$ million	**As at 30 June 2010**	As at 31 December 2009	Increase/ (Decrease) %
Total assets	**171,987**	155,741	10
Net debt	**50,060**	44,122	13
Cash and bank deposits	**24,711**	21,553	15
Available committed banking facilities	**21,355**	14,570	47
Shareholders' funds	**61,835**	60,259	3
Net debt to total capital	**45%**	42%	

Profit attributable to shareholders



Assets



Who we are and What we do

Based in Hong Kong, CITIC Pacific is 58% owned by 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 69% of total assets at the end of first half of 2010.

Special Steel

- **25%** of assets
- **22%** of total contribution
- **2** key production plants in China
- Over **8 million** tonnes of annual production capacity

CITIC Pacific Special Steel is the largest manufacturer dedicated to the production of special steel 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.

Iron Ore Mining

- **25%** of assets
- **2 billion** tonnes of magnetite ore

CITIC Pacific's iron ore mine will be the largest magnetite mine in Australia. It will ensure a stable, quality supply of iron ore to CITIC Pacific's special steel plants, as well as other steel producers in China.

Property
mainland China

- **19%** of assets
- **6%** of total contribution
- Developing **5 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.

Chairman's Letter to Shareholders

Dear Shareholders,

I am happy to report that for the first six months of 2010 CITIC Pacific achieved a profit attributable to shareholders of HK$4,884 million as compared with HK$2,468 million for the same period in 2009. Included in the result is HK$1,774 million of one-time gains, mostly from the completion of sales of North United Power, CTM and HACTL.

Our company's balance sheet remains strong with cash and available committed facilities of HK$46 billion at the end of June. The board has recommended paying an interim dividend of HK$0.15 per share.

Our main businesses of special steel, iron ore mining and property in mainland China continued their development, as described in my earlier letters. The special steel business had a very good first half, during which its profit contribution increased 120% compared with the first six months of 2009. We sold more steel at higher prices and continued to expand our production capacity in order to broaden our product portfolio. Recently, however, we have been seeing some softness in demand in the steel sector, which could affect our special steel business if this trend persists. In response, we will leverage our market leading position, customer relationships and excellent product quality. Our experience and track record of operating in weak markets gives us the confidence that we will continue to excel.

There has been a lot of talk about the property market in mainland China. In the first half of this year, the government put in place measures to moderate the rapid rise of property prices in order to ensure the sustainable growth of a healthy property market. Because of this, we expect near-term property sales will be affected. However, we remain positive about the long-term prospects of the Chinese real estate market and believe these actions will benefit developers with staying power. As CITIC Pacific is not a pure property company, we do not have to rely solely on the cash flow generated by property sales. We also have sufficient resources to withstand short-term market volatility and will await a market recovery.

Looking at the second half of 2010, we remain cautiously optimistic. Although a worldwide economic recovery will likely take longer than previously expected, our principal advantage is that our major market is China, which is performing well against its global peers. We will continue to be smart, diligent and nimble in order to maximise our opportunities and remain competitive and successful.

Completing our iron ore mine in Australia remains a top priority for us. I have spent a lot of time on this project, which has now entered the critical stage. Besides visiting the site, I have held a number of meetings with the management team of our main contractor, MCC, to identify and discuss issues. The project's steering committee, led by CITIC Pacific's managing director Mr Zhang Jijing, holds its meeting in Perth every month, during which various aspects of the projects are reviewed and solutions to problems proposed and implemented. Targets are also set during these meetings. In May, we agreed to increase the amount to be paid to MCC, due to changes in the cost structure of the industry. Although we are unhappy about this, we believe it was a prudent decision as it is in our interest to get the mine in operation as soon as possible.

Periodically, we carry out thorough reviews of all aspects of the project. Having done so recently, we are comfortable that major individual components of the first production line should be ready for operational testing by the end of the year. Shipment of concentrate is expected in the first half of next year. We continue to work closely with all contractors to move the project forward. Tremendous progress has been made in the past few months. Two massive grinding mills, which are the core of the first production line, have been set on their foundations, and modules for the desalination plant have arrived on site and are being installed. These are just two examples of the numerous activities taking place at the mine site.

The journey to build this ambitious project has been both exciting and very challenging. For a project of this magnitude, there will inevitably be bumps along the road but the important thing is clearing them. In building the largest magnetite project in Australia, we have no past examples to follow or experiences to draw on. However, this is a project we must build. I have never had any doubt that we will successfully complete this mine, which is very important to CITIC Pacific and its future. I look forward to sharing with you our sense of fulfilment once we reach our goal and start receiving cash flow from production.

As many of you are aware, the Australian government has proposed the Minerals Resource Rent Tax ('MRRT'). Although details are lacking at the moment, in its current form our project will be subject to the MRRT. We strongly believe that magnetite projects such as ours should be excluded from the MRRT as the intent of the proposal is to tax the value of the resource rather than the value added by the miner. Magnetite ore, which has low iron content, when extracted is not a saleable product. Significant value added and capital intensive downstream processing is required to yield a product that can be used for steel making. Together with other magnetite producers, we are working hard to get our voice heard. I have also personally written to senior Australian government personnel to argue our case.

Of all my years of working, I have found being the chairman of CITIC Pacific the most stimulating as well as the most demanding. It is hard to believe that it has already been six months since my last letter to you. I am increasingly confident of our strength and direction, and I have a clear vision on how to position the company strategically: to be leaders in the businesses in which we operate; to be a leader in corporate governance; and to make CITIC Pacific a place where employees are proud to work. To achieve these objectives, we need to work hard and adapt rapidly to market conditions.

I have had a passion for the game of Go since I was a student, and running a company reminds me of this game. With Go, you must always be ready to anticipate changes and to think and plan ahead clearly. These are also prerequisites to guiding a company, as we can only be successful if we know our businesses and their operating environment. Positioning each one of the pieces strategically on the game board is essential to winning. However, success at Go requires intuition and sensitivity as well as analytical and strategic skills. The Go player has to understand the character and playing style of the person sitting across from him in order to anticipate his moves. Similarly, in business we need to understand our competitors and the external environment in which they operate in order to optimise our performance.

We also need to understand our own internal operating environment and respect the cultures and characteristics of our colleagues. We are a company based in Hong Kong with businesses serving the fast-growing China market and employees originating from mainland China, Hong Kong and Western Australia. Their cultural diversity is fascinating as well as challenging. We respect and value this cultural diversity and work hard to communicate effectively with one another. Our Hong Kong staff speak better Mandarin now, and I can certainly carry on a simple conversation in my not-so-standard Cantonese. In Australia, our Chinese managers are also improving their communication with their Australian counterparts.

I have now chaired two annual general meetings – one immediately after I became chairman and one just three months ago. I strongly believe that the annual general meeting is a valuable opportunity for us as managers to hear what our shareholders have to say and to remind us of our responsibilities to them. We are fortunate that CITIC Pacific has many loyal shareholders who have supported us during both the good times and hard times. Shareholders speak their minds, and I welcome that. I have to admit that it has not always been easy to sit and listen to sometimes very critical comments but, as the Chinese say, good medicine always tastes bitter. I have a great sense of responsibility to deliver on our goal of creating value and generating superior returns for our shareholders. I believe that with the support of our board and management team, we will continue to make progress and make the right decisions.

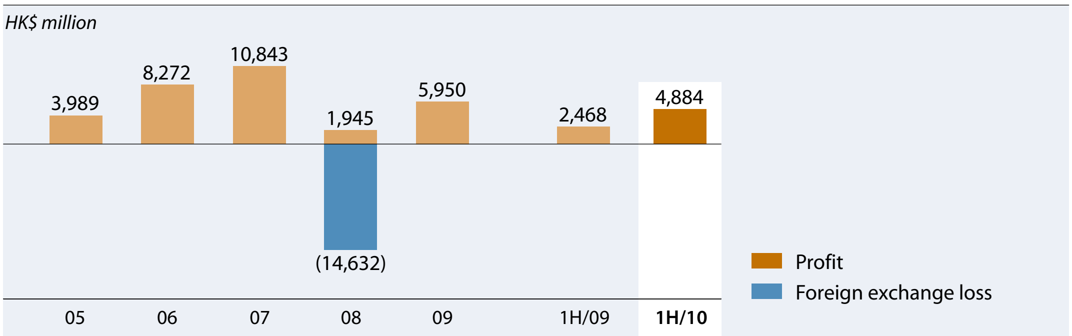
At this point, I would like to say thank you to all our hard working employees, loyal shareholders and lenders, as it would not have been possible to achieve what we have without you.

Chang Zhenming
Chairman
Hong Kong, 18 August 2010

Financial Review

A net profit of HK$4,884 million was attributable to shareholders for the first half of 2010, compared with a net profit of HK$2,468 million in the first half of 2009, an increase of 98%. Our results benefited from gains totalling HK$1,774 million from the disposal of assets, mainly the sale of interests in North United Power, Hong Kong Air Cargo Terminals Limited ('HACTL') and Companhia de Telecomunicacoes de Macau ('CTM'). Our special steel business performed strongly as we were able to leverage our leading market position to benefit from the strong demand for our special steel products. Our results also reflect an upward revaluation of our investment properties.

Profit attributable to shareholders



Performance by Business

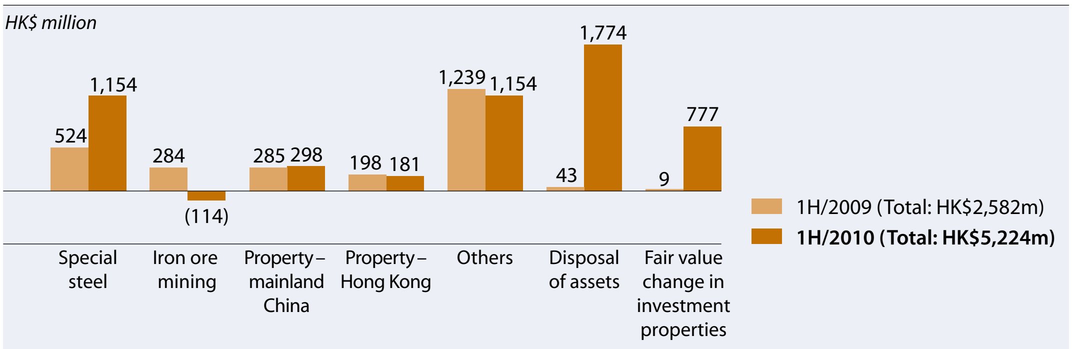
Contribution by business

In HK$ million	Contribution 1H 2010	Contribution 1H 2009	Assets as at 30 June 2010	Assets as at 31 December 2009
Special steel*	1,154	524	42,882	38,710
Iron ore mining†	(114)	284	43,325	36,026
Property				
Mainland China	298	285	31,962	29,728
Hong Kong	181	198	11,553	11,093
Sub-total	**1,519**	**1,291**	**129,722**	**115,557**
Energy	519	352	7,332	6,868
Tunnels	241	210	2,026	1,928
Dah Chong Hong	253	153	12,596	11,460
CITIC 1616	104	93	2,479	2,532
Others	37	431	6,972	9,237
Disposal of assets‡	1,774	43	–	–
Fair value change in investment properties	777	9	–	–
Total	**5,224**	**2,582**	**161,127**	**147,582**

* The assets attributable to special steel in 1H 2010 include assets for the expansion of the steel plants that were not income producing of HK$9.0 billion (2009: HK$6.8 billion). In 1H 2010, CITIC Pacific's stake in Shijiazhuang was sold reducing assets by HK$1.8 billion.

† The iron ore mine had not commenced production in 1H 2010. The contribution from the iron ore mining business was attributable to exchange gains/(losses) from foreign currency fluctuations.

‡ The gain on disposal of assets is mainly attributable to the sale of interests in HACTL, CTM and North United Power.



Special Steel The contribution for the first half of 2010 was HK$1,154 million compared with HK$524 million for the first half of 2009. This represented an increase of 120%. The Shijiazhuang steel mill was disposed of in the period, and its results accounted for up to mid-March 2010, with a credit of HK$49 million gained upon the disposal. Sales of special steel products grew 20% to reach 3.5 million tonnes during the period on the back of strong domestic demand from sectors such as auto and industrial manufacturing as well as revived overseas markets. The price of special steel products rose during the period as did the price of raw materials.

Iron Ore Mining Construction of the iron ore mine in Australia continued. A loss of HK$114 million was recorded due to currency fluctuations, mainly from AUD, which declined in the first half of the year.

China Property Net contribution increased to HK$298 million in the first half of 2010 compared with HK$285 million in the first half of 2009. Excluding the new commercial property in Ningbo, which is still in its initial stage of leasing, other investment properties including CITIC Square and Royal Pavilion remained well let with an average occupancy rate of 94% at the end of 30 June 2010. Contribution from property sales rose due to profits from the sale of residential units in New Westgate Garden, Qingpu in Shanghai and those in Wuxi and Yangzhou and one of two office buildings in Ningbo.

Hong Kong Property Profits from leasing decreased slightly to HK$178 million in the first half of 2010 compared with HK$188 million in 2009. The decrease in leasing profits is mainly attributable to the sale of part of Broadway Centre and the lower occupancy rate of some investment properties. Property sales contribution was mainly derived from the sale of properties in Discovery Bay by our associated company, Hong Kong Resorts.

In HK$ million	**1H 2010**	1H 2009
Mainland China		
Sales	**173**	122
Leasing	**165**	163
Property under development	**(40)**	–
Hong Kong		
Sales	**3**	10
Leasing	**178**	188

Energy The energy division showed a HK$519 million profit contribution, compared with HK$352 million in the first half of 2009. This was driven by the strong performance of the coal mine. The increase in coal price negatively affected the power generating business.

Tunnels A profit contribution of HK$241 million for the first half of 2010 was achieved, compared with HK$210 million in the first half of 2009. This was due to improving economic conditions in Hong Kong.

Dah Chong Hong CITIC Pacific's share of DCH's profit was HK$253 million for the first half of 2010 compared with HK$153 million for the first half of 2009. The 65% increase in contribution was mainly driven by the motor vehicle business in mainland China. The performance of the logistics business improved with additional facilities in Hong Kong and mainland China and the provision of more value-added services to customers.

CITIC 1616 CITIC Pacific's share of CITIC 1616's profit was HK$104 million for the first half of 2010 compared with HK$93 million for the first half of 2009. This was primarily due to an increase in our shareholding of CITIC 1616, as a result of the sale of our interest in CTM to CITIC 1616.

Disposal of Assets A gain of HK$1,774 million was recorded principally from the disposal of interests in North United Power, HACTL and CTM, which resulted in gains of HK$914 million, HK$416 million and HK$433 million respectively.

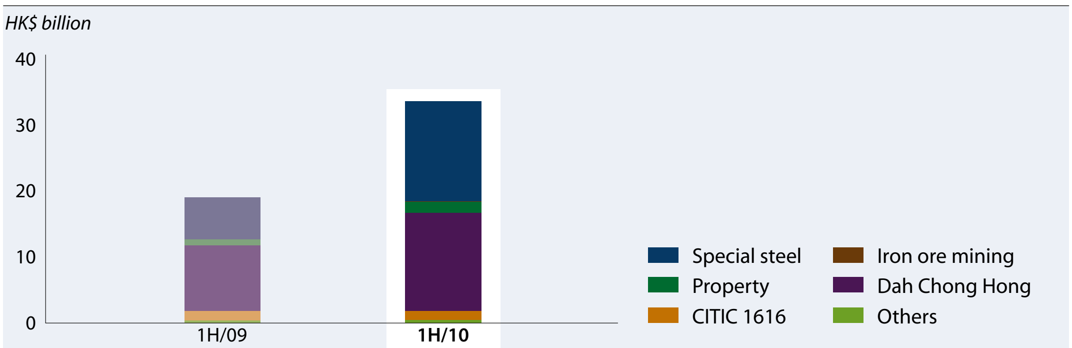
Fair Value Change in Investment Properties A HK$777 million gain in the value of investment properties was recorded in the first half of 2010 compared with HK$9 million in the first half of 2009. HK$489 million was from a revaluation of properties in Hong Kong, and the balance was from those in mainland China.

Turnover

Special steel and Dah Chong Hong accounted for the majority of the consolidated turnover of CITIC Pacific in the first half of 2010.

Turnover at Special steel increased 138%, while turnover at Dah Chong Hong increased 49% in the first half of 2010.

By business



In HK$ million	**1H 2010**	1H 2009
Special steel	**14,372**	6,027
Iron ore mining	**13**	9
Property		
Mainland China	**1,527**	752
Hong Kong	**127**	128
Sub-total	**16,039**	6,916
Tunnels	**376**	348
Dah Chong Hong	**14,117**	9,470
CITIC 1616	**1,291**	1,333
Others	**50**	31
Total	**31,873**	18,098

Derivatives Contracts

As at 30 June 2010, CITIC Pacific had gross outstanding derivative instruments of HK$45,294 million, compared with HK$49,148 million as at 31 December 2009.

	Notional Amount		Fair Value as at	
In HK$ million	**30 Jun 2010**	31 Dec 2009	**30 Jun 2010**	31 Dec 2009
Forward foreign exchange contracts	**13,823**	18,341	**(199)**	457
Leveraged foreign exchange contracts*	**125**	1,186	**(13)**	(108)
Interest rate swaps	**30,151**	28,426	**(3,382)**	(1,581)
Cross currency swaps	**1,195**	1,195	**179**	178
	45,294	49,148	**(3,415)**	(1,054)

* Maximum deliverable amount for leveraged foreign exchange contracts.

The majority of these contracts are qualified for hedge accounting purposes, which allows most of the movement in the fair market value of these derivatives to be recorded in reserves. A small residual amount reflects the difference in AUD/USD interest rates and is recorded in the profit and loss account.

As at 30 June 2010, CITIC Pacific held one RMB target redemption forward contract with a maximum notional amount of RMB 98 million to hedge its RMB exposures. This was the sole remaining leveraged foreign exchange contract. The contract matured in July 2010 and was not eligible for hedge accounting. Gains and losses in its fair market value were reflected in the profit and loss account.

Interest Expense

CITIC Pacific's interest expense charged to the profit and loss account increased from HK$346 million to HK$360 million in the first half of 2010. Capitalised interest of HK$1,026 million was mainly attributable to our mining operation in Australia.

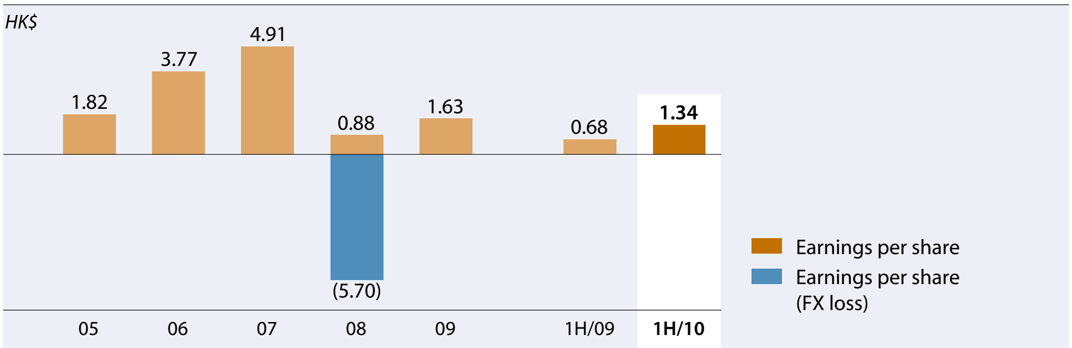
The weighted average cost of debt (including both interest capitalised and expensed) increased from 3.7% for the first half of 2009 to 3.8% for the first half of 2010. This reflected the continuing low interest rate environment in Hong Kong and the United States.

Taxation

The increase in taxation by 79% from HK$522 million to HK$934 million was mainly due to the increased profits from special steel and the deferred taxation provision for the revaluation surplus of investment properties.

Earnings per Share

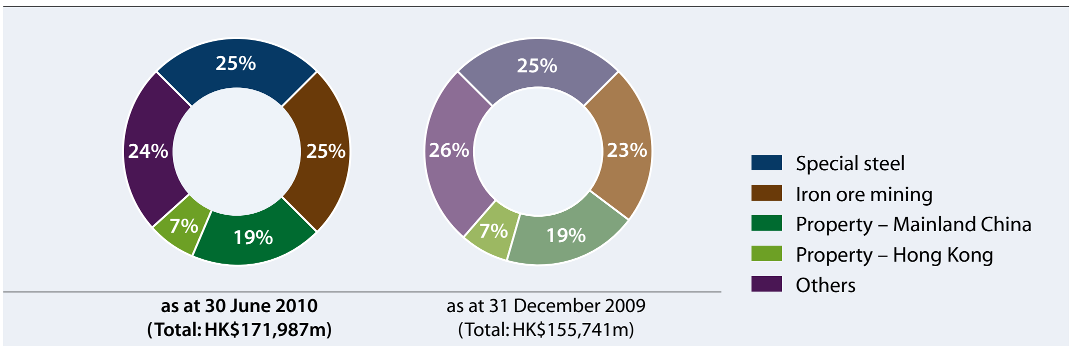
Earnings per share were HK$1.34 in the first half of 2010 compared with HK$0.68 in the first half of 2009, an increase of 98%.



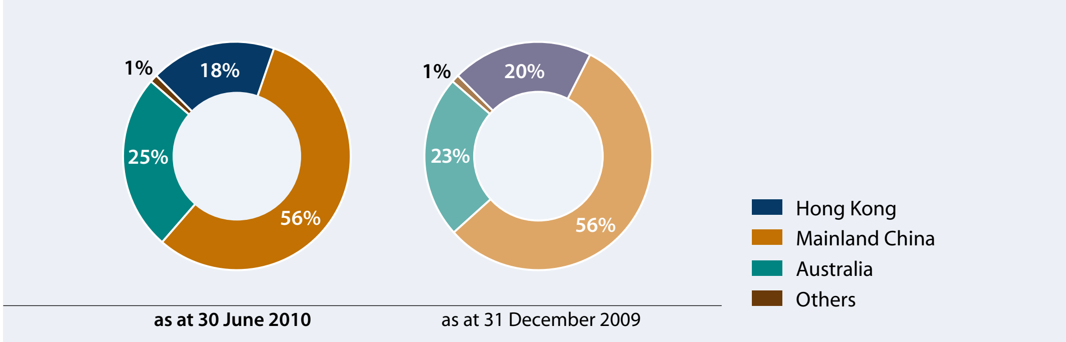
Assets

Total assets increased from HK$155,741 million to HK$171,987 million in the first half of 2010. Asset growth was mainly driven by the build-out of the iron ore mine in Australia, capital investment in the steel plants and our properties in mainland China. Other assets continued to decline with the divestment of CTM and remaining interests in HACTL and North United Power. Our main businesses increased their share of total assets from 67% in 2009 to 69% at 30 June 2010.

By business

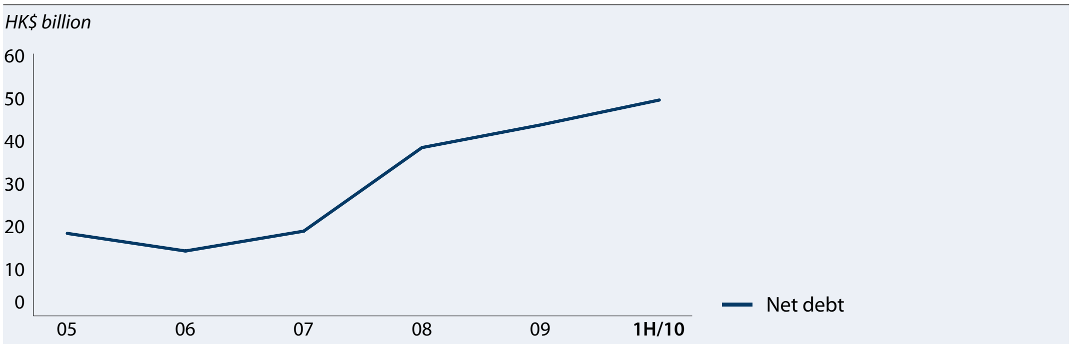


By geographic area



Net Debt

Net debt continued to grow in line with the planned expansion of the businesses. CITIC Pacific expects net debt to increase until major fixed asset investments in the special steel and iron ore mining businesses come into production and property projects are completed.



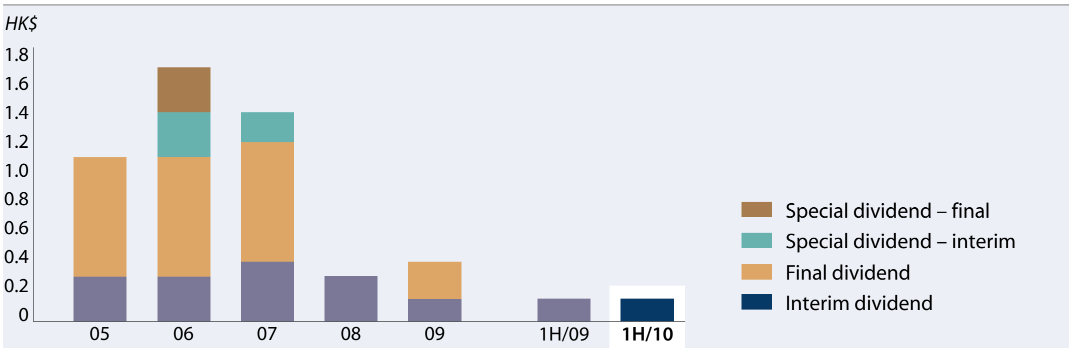
Shareholders' Funds

Shareholders' funds increased from HK$60,259 million at 31 December 2009 to HK$61,835 million at 30 June 2010 as profit for the first half of 2010 was partially offset by mark-to-market losses from revaluation of accounting hedges. These losses were mainly due to a fall in the exchange rate of the AUD against the USD as well as a fall in USD and HKD interest rates.

Dividends

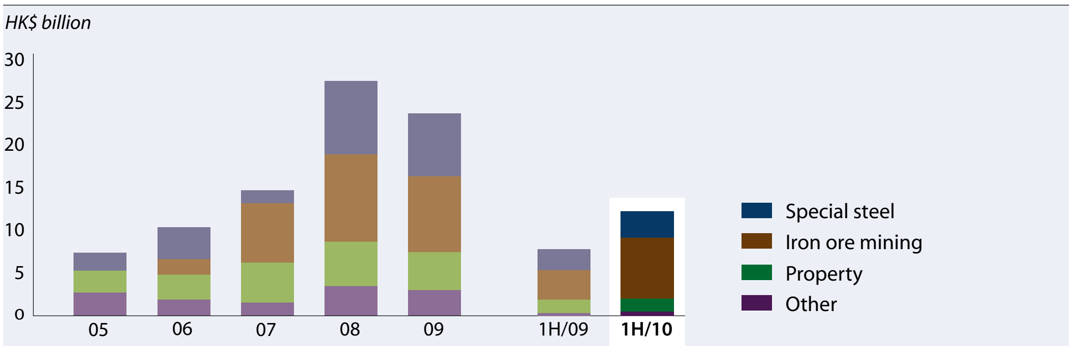
An interim dividend of HK$0.15 per share has been declared for the first half of 2010, which was the same as for 2009. This equates to an aggregate cash distribution of HK$547 million, which will be paid on 22 September 2010.

Dividend per share



Capital Expenditure

Investment in iron ore mining accounted for the largest share of capital expenditure in the last three years and continued to account for the bulk of expenditures for the first half of 2010. There was also further capital investment in special steel.



In HK$ million	**1H 2010**	1H 2009
Special steel	**3,141**	2,432
Iron ore mining	**7,154**	3,473
Property		
Mainland China	**1,532**	1,571
Hong Kong	**–**	5
Sub-total	**11,827**	7,481
Others	**472**	310
Total	**12,299**	7,791

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

CITIC Pacific has maintained its focus on its major businesses. Our investments in special steel, the Australian iron ore mining project and property projects in China represent 26%, 58% and 13% respectively of the total capital expenditure of CITIC Pacific for the first half of 2010.

As at 30 June 2010, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK$24 billion.

The future capital expenditure will be funded by the Group's cash and deposits and available credit facilities. Page 20 describes the HK$25 billion of cash and deposits held by the Group and HK$21 billion of available committed facilities at 30 June 2010.

Cash Inflows

Consolidated cash inflows totalled HK$7,954 million in the first half of 2010 compared with HK$4,924 million for the comparable period in first half of 2009. Cash inflows principally represent cash generated from operating activities after income taxes, dividends from associated companies and jointly controlled entities, proceeds from sales of businesses, sales of listed investments and sales of fixed assets and investment properties.

In HK$ million	**1H 2010**	1H 2009
Cash inflows/(outflows) from business operations		
Special steel	**1,183**	701
Iron ore mining	**197**	(383)
Property		
Mainland China	**2,162**	677
Hong Kong	**159**	162
Energy	**–**	–
Tunnels	**294**	269
Dah Chong Hong	**17**	797
CITIC 1616	**222**	239
Others	**(516)**	(115)
	3,718	2,347
Other cash inflows		
Dividends from associated companies & jointly controlled entities	**299**	133
Sales of businesses	**3,543**	1,716
Sales of other listed investments & other financial assets	**–**	526
Sales of fixed assets & investment properties	**42**	143
Others	**352**	59
	4,236	2,577
Total	**7,954**	4,924

Proceeds from the sale of businesses in the first half of 2010 are mainly from the sale of interests in North United Power, HACTL and collection of part of the proceeds from the disposal of our interest in Shijiazhuang Steel, the balance of which will be received on completion of required registrations.

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 the characteristics and cash flows of each business to the extent 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 and to ensure that all our businesses have adequate capital to meet their operating needs.

The asset and liability management committee ('ALCO'), established 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. With the growth of the businesses, especially overseas, our risk management programme is moving towards a multi-disciplinary approach, involving management of a wider set of risks, such as tax, regulatory and market risks, and instilling a culture of risk awareness at CITIC Pacific and the business unit level.

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 economical 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 own financial and treasury affairs themselves, in line with ALCO policies.

These entities are also responsible for identifying key areas of risk within their organisations and reporting them to ALCO on a periodic basis.

Derivatives Policy

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

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

In June 2010, CITIC Pacific, in partnership with Reval, won one of the Treasury Today Adam Smith Awards for best practices and innovation in treasury outsourcing. This is a recognition of the steps we have taken to improve our internal workflows for managing derivative risk and a testament to our commitment to global best practices for risk management.

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 and Euro ('EUR') 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 the following:

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$42 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 30 June 2010, CITIC Pacific had HK$46 billion equivalent of US dollar debt, of which HK$3 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$95 billion as at 30 June 2010, offset by debts and other liabilities of HK$33 billion. This gave the company an RMB net asset exposure of HK$62 billion (31 December 2009: RMB gross asset exposure of approximately HK$87 billion, offset by debt and other liabilities of HK$29 billion, with RMB net asset exposure of HK$58 billion). The Renminbi is currently not a freely convertible currency and 'registered capital', which usually accounts for at least one third of the total investment amount for projects in mainland China, 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, the last of which expired in July 2010. As at 30 June 2010, the maximum notional amount of this contract was RMB98 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 the end of 2012 at an average rate of 0.82.

As at 30 June 2010, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$1.7 billion that qualify as accounting hedges, because their maturity matches the needs of the business over the next two years as well as fulfilling other relevant criteria to be considered accounting hedges.

Japanese Yen (JPY) CITIC Pacific issued a JPY8 billion bond in 2005. From an economic perspective, this bond is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge, therefore changes in its value are reflected in the profit and loss account. In addition to the JPY bond, as at 30 June 2010 there were no other JPY exposures at the corporate level.

For the Australian mining operations, as at 30 June 2010 there was a JPY60 million denominated exposure for capital expenditures to purchase machinery.

Euro (EUR) EUR exposure amounted to EUR102 million as at 30 June 2010. 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.

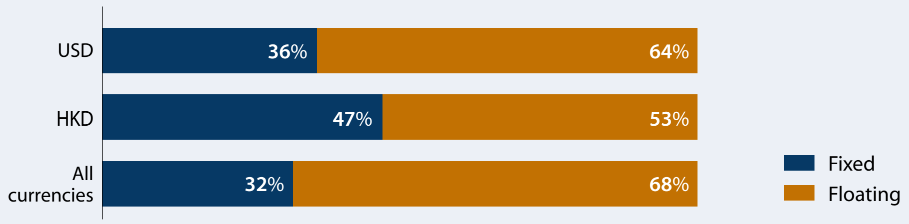
This risk is managed by considering the portfolio of interest bearing assets and liabilities. The net desired position is then managed by borrowing fixed rate or through the use of interest rate swaps, which have the economic effect of converting floating rate borrowings into fixed rate borrowings.

The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's businesses and investments. In the first half of 2010, CITIC Pacific entered into HK$1.7 billion of swaps to lock in fixed rates for periods up to five years. The current extremely low interest rate environment is unlikely to persist if there are inflationary concerns, and CITIC Pacific is considering further opportunities to lock in fixed rate borrowings and reduce the impact of interest rate fluctuations. The current ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 32% at 30 June 2010.

As at 30 June 2010, CITIC Pacific's portfolio of floating to fixed interest rate derivative contracts had a notional amount of HK$25 billion. After hedging, 68% of the borrowings of CITIC Pacific were linked to floating interest rates.

Fixed and floating interest rates

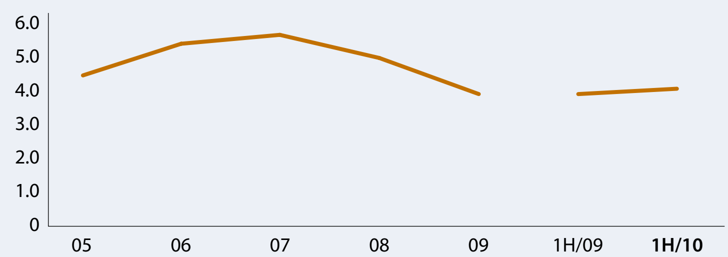
As at 30 June 2010



CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for the first half of 2010 was approximately 3.8% compared with 3.7% for the same period last year.

Average borrowing costs

percentage



Counterparty Risk

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

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

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 each bank's 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.

As at the end of June 2010, 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 for the iron ore mining operation, which has not begun to generate cash flow. They include CITIC Pacific's guarantees for the US$1.3 billion syndicated loan to fund Phase I of its mining operation, guarantees for 20-year US$2.5 billion loans and for associated interest rate and foreign exchange hedging transactions for Sino Iron Pty Ltd. US$768 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 30 June 2010 as compared with 31 December 2009 and 30 June 2009 is as follows:

In HK$ million	**30 June 2010**	31 December 2009	30 June 2009
Total debt	**74,771**	65,675	64,400
Cash and bank deposits	**24,711**	21,553	20,946
Net debt	**50,060**	44,122	43,454

Total debt increased from HK$66 billion at the end of 2009 to HK$75 billion at 30 June 2010 due to the continuing outlays for the Australian mining business as well as additional debt at CITIC Pacific's steel and property businesses in mainland China for additional capital expenditure.

In 2010, CITIC Pacific continued its selective divestment of other assets and has received HK$450 million from the sale of its interests in Hong Kong Air Cargo Terminals. Consideration of HK$2.3 billion for the 2009 sale of CITIC Pacific's 20% interest in North United Power was also received in the first half of this year. Cash received from other divestments amounted to HK$400 million.

In 2009, the company received a HK$2 billion deposit from the sale of a 20% interest in its Australian mining operations to China Metallurgical Group. This sale is still awaiting regulatory approval and has not been completed.

Changes in Financing

During the first half of 2010, facilities totalling HK$18 billion were established or renewed (HK$4 billion by the company and HK$14 billion by subsidiaries). The new facilities included a US$1.4 billion loan to fund the Australian mining operations. Subsequent to 30 June 2010, an additional HK$3 billion of facilities have been provided to CITIC Pacific.

Currency Profile

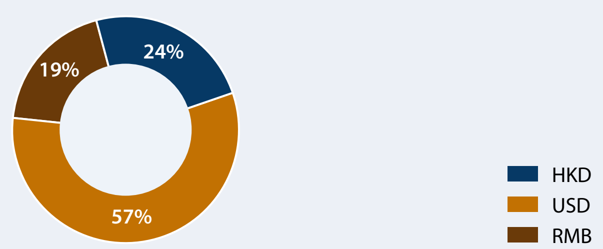
The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 30 June 2010 is summarised as follows:

	Denomination					
In HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
Total debt in original currency	14,024	46,067	14,055	584	41	**74,771**
Total debt after hedging	17,605	43,041	14,055	29	41	**74,771**
Cash and bank deposits	5,546	8,276	10,435	146	308	**24,711**
Net debt/(cash) after hedging	12,059	34,765	3,620	(117)	(267)	**50,060**

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 USD and JPY cash flows into HKD.

Total debt after hedging (HK$75 billion)

As at 30 June 2010

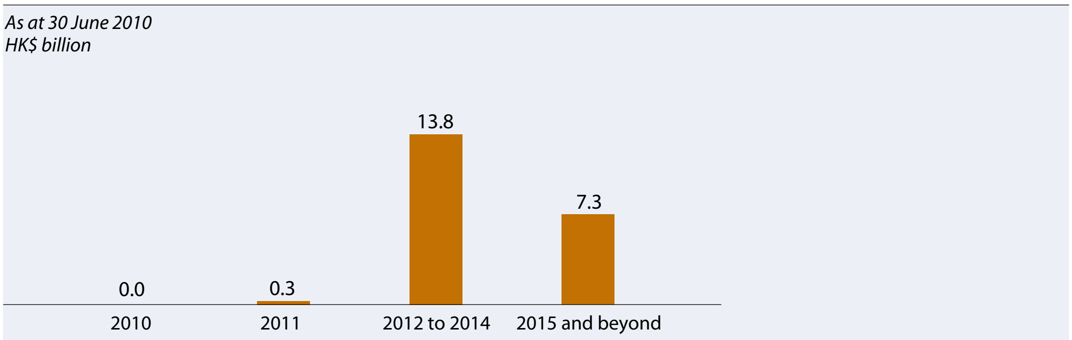


Available Sources of Financing

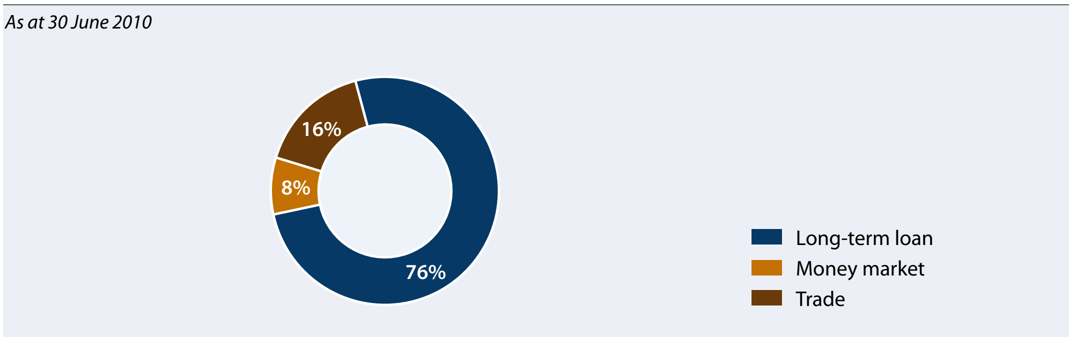
In addition to the cash and deposits balance of HK$25 billion, as at 30 June 2010 CITIC Pacific had available loan and trade facilities totalling HK$24 billion and HK$4 billion respectively. Borrowings by source of financing as at 30 June 2010 are summarised as follows:

In HK$ million	Total facilities	Amount utilised	Available unutilised facilities
Committed facilities			
Term loans	88,298	66,943	21,355
Commercial Paper (RMB paper)	920	920	–
Global bonds (USD bond)	3,510	3,510	–
Private placement (JPY bond)	555	555	–
Total committed facilities	93,283	71,928	21,355
Uncommitted facilities			
Money market lines and short-term facilities	5,139	2,824	2,315
Trade facilities	6,184	1,780	4,404
Total uncommitted facilities	11,323	4,604	6,719

Available committed banking facilities by maturity (total HK$21.4 billion)



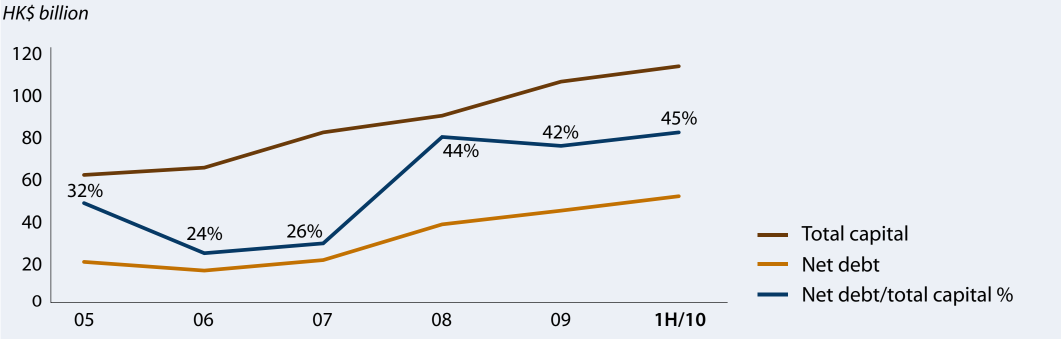
Available total banking facilities by type (HK$28 billion)



As at 30 June 2010, total committed facilities were HK$93 billion, of which HK$21 billion (23%) 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 each bank's approval on a project-by-project basis in accordance with banking regulations in mainland China.

Leverage

Net debt divided by total capital was 45% as at 30 June 2010 compared with 42% as at the end of 2009.



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 30 June 2010, outstanding loans that will mature by the end of 2010 amounted to HK$4 billion, against cash and deposits totalling HK$25 billion.

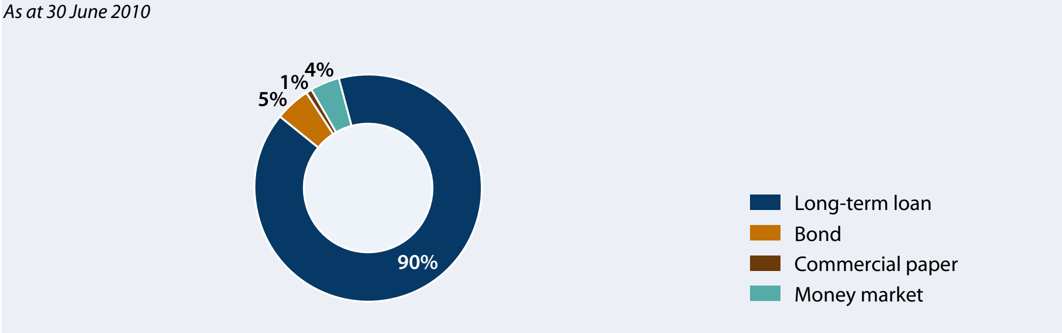
The weighted average life of CITIC Pacific's debt was 6.1 years (31 December 2009: 6.4 years).

In HK$ million	2010	2011	2012	2013	2014	2015 and beyond	Total	Percentage
Parent company*	–	9,494*	7,550	5,400	3,493	7,175*	33,112	44%
Subsidiaries	3,965	6,438	3,701	2,646	2,015	22,894	41,659	56%
Total maturing debt	3,965	15,932	11,251	8,046	5,508	30,069	74,771	100%

* Including through wholly-owned special purpose vehicles.

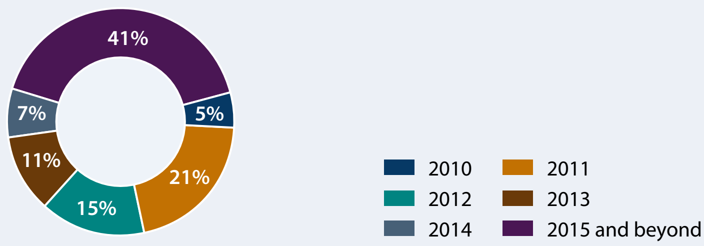
Total outstanding debt by type (HK$75 billion)

As at 30 June 2010



Total outstanding debt by maturity (HK$75 billion)

As at 30 June 2010



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 30 June 2010, which under Hong Kong generally accepted accounting standards are not consolidated into CITIC Pacific's accounts.

Business sector *In HK$ million*	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	(97)	(54)
Property		
Mainland China	(5,076)	(2,538)
Hong Kong and others	(184)	(88)
Energy	15,580	6,148
Tunnels	1,492	522
Dah Chong Hong	(106)	(60)
CITIC 1616	(307)	(186)
Other investments	1,758	704
Total	13,060	4,448

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 30 June 2010, assets of HK$1,004 million (31 December 2009: HK$903 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$29 billion were pledged under its financing documents. 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

As at 30 June 2010, CITIC Pacific's contingent liabilities had not significantly changed from the position as at 31 December 2009.

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 as follows:

	Covenant limits	As at 30 June 2010
Minimum consolidated net worth		
Consolidated net worth	≥HK$25 billion	HK$64 billion
Gearing		
Consolidated borrowing/consolidated net worth	≤1.5	1.2
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
30 June 2010	BBB- (Negative)	Ba1 (Stable)
May 2010	BBB- (Negative)	
February 2010		Ba1 (Stable)
1 January 2010	BBB- (Stable)	Ba1 (Negative)

In May 2010, CITIC Pacific announced an upward revision of the general construction contract for its iron ore project in Western Australia due to higher labour, equipment and construction material costs. Standard and Poor's subsequently revised the rating outlook from stable to negative, but reaffirmed CITIC Pacific's BBB- credit rating. Moody's reaffirmed the stable outlook on its Ba1 rating. The ratings from agencies reflect the expectation that the company will continue to enjoy strong support from the CITIC Group as a strategically important subsidiary. This upward revision does not materially affect CITIC Pacific's debt coverage metrics.

One of CITIC Pacific's risk management objectives is to continue to upgrade its credit profile, which involves a strong focus on improving our credit metrics. The company expects its overall financial and operating profile will improve substantially after the iron ore mine starts generating cash flow contributions in 2011-2012.

Forward Looking Statements

The Half-Year 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.

Human Resources

CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 27,116 people as at 30 June 2010 (30 June 2009: 28,471). Of these, 80% were based in mainland China; 17% in Hong Kong; 2% in Australia; and 1% in Japan, Taiwan and Canada.

CITIC Pacific believes that people are the most valuable asset for supporting its business growth. To this end, competitive remuneration packages and comprehensive learning and development opportunities are provided to attract, motivate and retain talented employees.

CITIC Pacific supports the nurturing and education of the younger generation, which in return enables the company to build its bench strength for meeting the future needs of the business. Following the successful implementation of the Management Trainee Programme in 2006, CITIC Pacific once again held this program during the year. The programme is designed to groom a pool of highly trained graduates in support of business growth as well as to prepare for future management succession. CITIC Pacific's Management Trainee Programme provides comprehensive training and development to equip graduates with required skills and competencies.

Corporate Social Responsibility

CITIC Pacific and its employees continued to contribute to local communities through active participation in charitable events and donations such as the Community Chest and the Outward Bound School of Hong Kong. In April, CITIC Pacific sent a team to take part in the 6th annual MTR HONG KONG Race Walking Competition to raise money for the Hospital Authority Health InfoWorld, supporting disease prevention and health education.

Consolidated Profit and Loss Account

for the six months ended 30 June 2010 – unaudited

In HK$ million	Note	**2010**	2009
Turnover	2	**31,873**	18,098
Cost of sales		**(26,676)**	(14,616)
Gross profit		**5,197**	3,482
Other income and net gains	3	**2,030**	1,118
Distribution and selling expenses		**(911)**	(671)
Other operating expenses		**(1,718)**	(1,186)
Change in fair value of investment properties		**755**	(54)
Profit from consolidated activities	2	**5,353**	2,689
Share of results of			
Jointly controlled entities	2	**851**	753
Associated companies	2	**328**	353
Profit before net finance charges and taxation		**6,532**	3,795
Finance charges		**(356)**	(540)
Finance income		**142**	114
Net finance charges	5	**(214)**	(426)
Profit before taxation		**6,318**	3,369
Taxation	6	**(934)**	(522)
Profit for the period		**5,384**	2,847
Profit attributable to:			
Shareholders of the Company	2	**4,884**	2,468
Non-controlling interests		**500**	379
		5,384	2,847
Dividends			
Proposed dividends	7	**(547)**	(547)
Earnings per share for profit attributable to shareholders of the Company during the period (HK$)			
Basic	8	**1.34**	0.68
Diluted	8	**1.34**	0.68

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010 – unaudited

In HK$ million	**2010**	2009
Profit for the period	**5,384**	2,847
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**(2,277)**	3,173
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	–	(66)
Fair value changes of other financial assets	**75**	84
Share of other comprehensive income of associated companies and jointly controlled entities	**61**	49
Exchange translation differences	**629**	37
Revaluation gain recognised upon transfer from property held for own use to investment properties	**120**	22
Partial disposal of an associated company	**(433)**	–
Reserve released on disposal of an associated company	**(421)**	–
Reserve released on disposal of a jointly controlled entity	**(298)**	–
Reserve released upon liquidation of subsidiary companies	**5**	–
Total comprehensive income for the period	**2,845**	6,146
Total comprehensive income for the period attributable to		
Shareholders of the Company	**2,731**	5,755
Non-controlling interests	**114**	391
	2,845	6,146

Consolidated Balance Sheet

as at 30 June 2010 – unaudited

In HK$ million	Note	**30 June 2010**	As restated 31 December 2009
Non-current assets			
Property, plant and equipment		**48,991**	40,032
Investment properties		**12,310**	11,164
Properties under development		**9,921**	9,065
Leasehold land		**1,618**	1,581
		72,840	61,842
Jointly controlled entities		**20,278**	22,097
Associated companies		**5,539**	5,611
Other financial assets		**2,207**	2,198
Intangible assets		**12,018**	10,913
Deferred tax assets		**1,071**	554
Derivative financial instruments	16	**287**	748
Non-current deposits	9	**5,873**	6,480
		120,113	110,443
Current assets			
Properties under development		**2,138**	2,172
Properties held for sale		**1,280**	1,651
Other assets held for sale	10	**276**	1,765
Inventories		**9,983**	6,983
Derivative financial instruments	16	**94**	92
Debtors, accounts receivable, deposits and prepayments	11	**13,392**	11,082
Cash and bank deposits		**24,711**	21,553
		51,874	45,298
Current liabilities			
Bank loans, other loans and overdrafts			
secured	13	**306**	105
unsecured	13	**16,834**	4,252
Creditors, accounts payable, deposits and accruals	12	**22,790**	19,992
Derivative financial instruments	16	**84**	167
Provision for taxation		**339**	243
		40,353	24,759
Net current assets		**11,521**	20,539
Total assets less current liabilities		**131,634**	130,982
Non-current liabilities			
Long term borrowings	13	**57,631**	61,318
Deferred tax liabilities		**2,130**	1,891
Derivative financial instruments	16	**3,712**	1,727
Provisions		**1,290**	807
		64,763	65,743
Net assets		**66,871**	65,239
Equity			
Share capital		**1,459**	1,459
Reserves		**59,829**	57,888
Proposed dividend	7	**547**	912
Equity attributable to shareholders of the Company		**61,835**	60,259
Non-controlling interests in equity		**5,036**	4,980
Total equity		**66,871**	65,239

Consolidated Cash Flow Statement

for the six months ended 30 June 2010 – unaudited

In HK$ million	**2010**	2009
Cash flows from operating activities		
Profit before taxation	**6,318**	3,369
Share of results of jointly controlled entities and associated companies	**(1,179)**	(1,106)
Net finance charges	**214**	426
Gain on leveraged foreign exchange contracts	**–**	(285)
Realised and unrealised exchange loss/(gain)	**62**	(563)
Income from other financial assets	**(23)**	(3)
Depreciation and amortisation	**764**	596
Impairment losses	**114**	37
Net gain from sale of other financial assets	**–**	(46)
Share-based payment	**9**	–
Profit on disposal of property, plant and equipment	**(8)**	(24)
Change in fair value of investment properties	**(755)**	54
(Profit)/loss on disposal of interests in jointly controlled entities and associated companies	**(1,835)**	1
Operating profit before working capital changes	**3,681**	2,456
(Increase)/decrease in inventories	**(2,993)**	161
Decrease in properties held for sale	**950**	609
Increase in debtors, accounts receivable, deposits and prepayments	**(268)**	(1,386)
Increase in creditors, accounts payable, deposits and accruals	**2,903**	849
Effect of foreign exchange rate changes	**(24)**	(11)
Cash generated from operating activities	**4,249**	2,678
Income taxes paid	**(531)**	(331)
Cash generated from operating activities after income taxes paid	**3,718**	2,347
Payment for leveraged foreign exchange contracts	**(95)**	(861)
Net payment for termination of interest rate swaption	**–**	(333)
Interest received	**142**	126
Interest paid	**(1,358)**	(1,186)
Realised exchange (loss)/gain	**(50)**	278
Other finance charges and financial instruments	**(55)**	(137)
Net cash from consolidated activities before increase of properties under development	**2,302**	234
Increase in properties under development	**(728)**	(445)
Net cash from/(used in) consolidated activities	**1,574**	(211)

In HK$ million	**2010**	2009
Cash flows from investing activities		
Purchase of		
Subsidiary companies (net of cash and cash equivalents acquired)	**(21)**	(137)
Property under development for own use	**(641)**	(790)
Property, plant and equipment	**(8,528)**	(4,535)
Leasehold land	**(16)**	(65)
Intangible assets	**(805)**	(580)
Other financial assets	**(8)**	(13)
Proceeds of		
Disposal of property, plant and equipment and investment properties	**42**	143
Sale of other financial assets	**–**	526
Disposal of interests in jointly controlled entity	**448**	–
Disposal of interests in associate companies	**2,797**	–
Return of/(payment for) pledged deposit with banks	**92**	(18)
Net payments for non-current deposits	**(360)**	(457)
Deposit received for disposal of interest in a subsidiary company	**298**	1,716
Investment in jointly controlled entities and associated companies	**(166)**	(24)
Decrease/(increase) in loans to jointly controlled entities and associated companies	**296**	(156)
Dividend received from jointly controlled entities and associated companies	**299**	133
Income received from other financial assets	**12**	3
Net cash used in investing activities	**(6,261)**	(4,254)
Cash flows from financing activities		
New borrowings	**14,972**	23,137
Repayment of loans	**(5,876)**	(15,943)
Decrease in non-controlling interests	**(294)**	(139)
Dividends paid	**(912)**	–
Net cash from financing activities	**7,890**	7,055
Net increase in cash and cash equivalents	**3,203**	2,590
Cash and cash equivalents at 1 January	**21,303**	18,117
Effect of foreign exchange rate changes	**45**	46
Cash and cash equivalents at 30 June	**24,551**	20,753
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	**24,711**	20,946
Bank overdrafts and pledged deposits	**(160)**	(193)
	24,551	20,753

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010 – unaudited

In HK$ million	Attributable to shareholders of the Company: Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	**1,459**	**43,576**	**15,224**	**60,259**	**4,980**	**65,239**
Profit for the period	**–**	**–**	**4,884**	**4,884**	**500**	**5,384**
Other comprehensive income, net of tax, for the period						
Share of other comprehensive income of associated companies and jointly controlled entities	**–**	**99**	**(38)**	**61**	**–**	**61**
Fair value changes of other financial assets	**–**	**75**	**–**	**75**	**–**	**75**
Exchange translation differences	**–**	**582**	**–**	**582**	**47**	**629**
Revaluation gain recognised upon transfer from property held for own use to investment properties	**–**	**120**	**–**	**120**	**–**	**120**
Cash flow hedging reserves movement from interest rate swap and foreign currency contracts	**–**	**(2,277)**	**–**	**(2,277)**	**–**	**(2,277)**
Partial disposal of an associated company	**–**	**–**	**–**	**–**	**(433)**	**(433)**
Reserve released on disposal of an associated company	**–**	**(338)**	**(83)**	**(421)**	**–**	**(421)**
Reserve released on disposal of a jointly controlled entity	**–**	**(298)**	**–**	**(298)**	**–**	**(298)**
Reserve released upon liquidation of subsidiary companies	**–**	**5**	**–**	**5**	**–**	**5**
Total comprehensive income for the period	**–**	**(2,032)**	**4,763**	**2,731**	**114**	**2,845**
Transaction with non-controlling interests	**–**	**(253)**	**–**	**(253)**	**253**	**–**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(268)**	**(268)**
Acquisition of interests from non-controlling interests	**–**	**1**	**–**	**1**	**(21)**	**(20)**
Capital refunds to non-controlling interests	**–**	**–**	**–**	**–**	**(26)**	**(26)**
Dividends paid to shareholders of the Company	**–**	**–**	**(912)**	**(912)**	**–**	**(912)**
Share-based payment	**–**	**9**	**–**	**9**	**4**	**13**
Transfer to general reserve	**–**	**70**	**(70)**	**–**	**–**	**–**
	–	**(173)**	**(982)**	**(1,155)**	**(58)**	**(1,213)**
Balance at 30 June 2010	**1,459**	**41,371**	**19,005**	**61,835**	**5,036**	**66,871**

In HK$ million	Attributable to shareholders of the Company Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2009	1,458	38,243	9,987	49,688	6,036	55,724
Profit for the period	–	–	2,468	2,468	379	2,847
Other comprehensive income, net of tax, for the period						
Exchange translation differences	–	46	–	46	(9)	37
Share of other comprehensive income of associated companies and jointly controlled entities	–	66	(17)	49	–	49
Fair value changes of other financial assets	–	84	–	84	–	84
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	–	(66)	–	(66)	–	(66)
Revaluation gain recognised upon transfer from property held for own use to investment properties	–	1	–	1	21	22
Cash flow hedging reserve movement from interest rate swap and foreign exchange contracts	–	3,173	–	3,173	–	3,173
Total comprehensive income for the period	–	3,304	2,451	5,755	391	6,146
Dividends paid to non-controlling interests	–	–	–	–	(258)	(258)
Acquisition of interests from non-controlling interests	–	–	–	–	(3)	(3)
Capital injection by non-controlling interests	–	–	–	–	78	78
Capital refund to non-controlling interests	–	–	–	–	(2)	(2)
	–	–	–	–	(185)	(185)
Balance at 30 June 2009	1,458	41,547	12,438	55,443	6,242	61,685

Notes to the Financial Statements

1 Significant Accounting Policies

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

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2009 other than the adoption of certain new or revised Hong Kong Financial Reporting Standards ('HKFRS') in 2010, of which the most significant and relevant to the Group are as set out below.

- HKFRS 3 (revised) Business combinations
- HKAS 27 (revised) Consolidated and separate financial statements
- The improvements to HKFRS (2009)

Adoption of the above revised standards and amendments do not result in a significant change of the Company's accounting policy except for HKFRS 3 and HKAS 27 as stated below which are applied prospectively.

HKFRS 3 (revised) continues to apply the acquisition method for business combinations. The major changes from the existing standard include: the immediate expensing of all acquisition related costs, the inclusion in the cost of acquisition the fair value at acquisition date of any contingent purchase consideration, the re-measurement of previously held equity interest in the acquiree at fair value with any difference from the carrying value recognised in the profit and loss accounts in a business combination achieved at stages. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

HKAS 27 (revised) provides that changes in a parent's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions and these transactions shall no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the subsidiary company is re-measured to fair value and the difference between the fair value and the carrying value is recognised in the profit and loss accounts.

HKAS 17 (amendments) is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of the title at the end of the lease term. The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of certain leasehold land to property, plant and equipment in the consolidated balance sheet for the amount of HK$696 million as at 30 June 2010 and HK$796 million as at 31 December 2009 respectively.

2 Segment Information

Turnover and profit attributable to shareholders of the Company:

	Six months ended 30 June 2010										
In HK$ million	Turnover	Profit/ (loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Net finance income/ (charges)	Group total	Segment allocations	Segment profit/ (loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to shareholders of the Company
Special steel	**14,372**	**1,485**	**164**	**–**	**(82)**	**1,567**	**–**	**1,567**	**(274)**	**(139)**	**1,154**
Iron ore mining	**13**	**(78)**	**–**	**–**	**–**	**(78)**	**–**	**(78)**	**(36)**	**–**	**(114)**
Property											
Mainland China	**1,527**	**404**	**–**	**–**	**2**	**406**	**1**	**407**	**(122)**	**13**	**298**
Hong Kong	**127**	**103**	**–**	**50**	**–**	**153**	**43**	**196**	**(15)**	**–**	**181**
Energy	**–**	**920**	**537**	**–**	**5**	**1,462**	**–**	**1,462**	**(29)**	**–**	**1,433**
Tunnels	**376**	**262**	**86**	**–**	**–**	**348**	**–**	**348**	**(43)**	**(64)**	**241**
Dah Chong Hong	**14,117**	**702**	**43**	**9**	**(51)**	**703**	**(44)**	**659**	**(190)**	**(216)**	**253**
CITIC 1616	**1,291**	**186**	**–**	**26**	**1**	**213**	**–**	**213**	**(29)**	**(80)**	**104**
Other investments*	**50**	**818**	**21**	**62**	**–**	**901**	**–**	**901**	**(4)**	**–**	**897**
Change in fair value of investment properties	**–**	**755**	**–**	**181**	**–**	**936**	**–**	**936**	**(145)**	**(14)**	**777**
Corporate											
General and administration expenses	**–**	**(244)**	**–**	**–**	**–**	**(244)**	**–**	**(244)**	**(8)**	**–**	**(252)**
Exchange gain	**–**	**40**	**–**	**–**	**–**	**40**	**–**	**40**	**–**	**–**	**40**
Net finance charges	**–**	**–**	**–**	**–**	**(89)**	**(89)**	**–**	**(89)**	**(39)**	**–**	**(128)**
Totals	**31,873**	**5,353**	**851**	**328**	**(214)**	**6,318**	**–**	**6,318**	**(934)**	**(500)**	**4,884**

Segment allocations arising from property leases between segments are based on arms' length rentals.

* Other investments segment includes Aviation segment following the disposal of the Group's interest in Cathay Pacific Airways Ltd. in 2009.

2 Segment Information *continued*

Turnover and profit attributable to shareholders of the Company:

	Six months ended 30 June 2009 (as restated)										
In HK$ million	Turnover	Profit/ (loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Net finance income/ (charges)	Group total	Segment allocations	Segment profit/ (loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to shareholders of the Company
Special steel	6,027	663	114	13	(51)	739	–	739	(104)	(111)	524
Iron ore mining	9	360	–	–	–	360	–	360	(76)	–	284
Property Mainland China	752	362	–	–	14	376	–	376	(96)	5	285
Hong Kong	128	93	–	66	5	164	45	209	(11)	–	198
Energy	–	13	372	(16)	–	369	–	369	(17)	–	352
Tunnels	348	238	70	–	–	308	–	308	(39)	(59)	210
Aviation	–	–	–	168	3	171	–	171	–	–	171
Dah Chong Hong	9,470	496	32	15	(60)	483	(45)	438	(156)	(129)	153
CITIC 1616	1,333	212	–	(1)	3	214	–	214	(36)	(85)	93
Other investments	31	63	165	70	–	298	–	298	5	–	303
Change in fair value of investment properties	–	(54)	–	38	–	(16)	–	(16)	25	–	9
Corporate General and administration expenses	–	(204)	–	–	–	(204)	–	(204)	19	–	(185)
Gain from leveraged foreign exchange contracts	–	285	–	–	–	285	–	285	(88)	–	197
Exchange gain	–	162	–	–	–	162	–	162	–	–	162
Net finance charges	–	–	–	–	(340)	(340)	–	(340)	52	–	(288)
Totals	18,098	2,689	753	353	(426)	3,369	–	3,369	(522)	(379)	2,468

Segment allocations arising from property leases between segments are based on arms' length rentals.

2 Segment Information *continued*

a Segment Turnover and Profit Attributable to Shareholders of the Company

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

In HK$ million	Six months ended 30 June **2010**	2009
By geographical area		
Mainland China	**24,306**	12,572
Hong Kong	**5,401**	4,628
Overseas	**2,166**	898
	31,873	18,098

b Assets and Liabilities

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

	Segment assets		Investments in jointly controlled entities		Investments in associated companies		Total assets		Segment liabilities		Total net assets		Additions of non-current assets (other than financial instruments and deferred tax assets)	
In HK$ million	**30 June 2010**	31 Dec 2009	**30 June 2010**	31 Dec 2009	**30 June 2010**	31 Dec 2009	**30 June 2010**	31 Dec 2009	**30 June 2010**	31 Dec 2009	**30 June 2010**	31 Dec 2009	**30 June 2010**	31 Dec 2009
By principal activities														
Special steel	**39,968**	34,271	**2,764**	4,291	**150**	148	**42,882**	38,710	**(20,897)**	(18,146)	**21,985**	20,564	**3,048**	6,296
Iron ore mining	**43,325**	36,026	**–**	–	**–**	–	**43,325**	36,026	**(32,486)**	(25,977)	**10,839**	10,049	**7,180**	10,310
Property														
Mainland China	**26,427**	24,263	**5,535**	5,465	**–**	–	**31,962**	29,728	**(8,132)**	(7,158)	**23,830**	22,570	**1,506**	3,325
Hong Kong	**6,674**	6,389	**–**	–	**4,879**	4,704	**11,553**	11,093	**(519)**	(473)	**11,034**	10,620	**–**	20
Energy	**1,308**	301	**6,024**	6,567	**–**	–	**7,332**	6,868	**(83)**	(52)	**7,249**	6,816	**–**	–
Tunnels	**992**	980	**1,034**	948	**–**	–	**2,026**	1,928	**(213)**	(194)	**1,813**	1,734	**–**	–
Dah Chong Hong	**12,157**	11,072	**277**	258	**163**	130	**12,597**	11,460	**(6,511)**	(5,704)	**6,086**	5,756	**227**	524
CITIC 1616	**2,153**	2,532	**–**	–	**326**	–	**2,479**	2,532	**(754)**	(749)	**1,725**	1,783	**46**	376
Other investments	**2,307**	4,040	**4,644**	4,568	**21**	629	**6,972**	9,237	**(115)**	(113)	**6,857**	9,124	**8**	15
Corporate	**10,859**	8,159	**–**	–	**–**	–	**10,859**	8,159	**(35,406)**	(31,936)	**(24,547)**	(23,777)	**–**	–
Segment assets/ (liabilities)	**146,170**	128,033	**20,278**	22,097	**5,539**	5,611	**171,987**	155,741	**(105,116)**	(90,502)	**66,871**	65,239	**12,015**	20,866

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.

3 Other Income and Net Gains

In HK$ million	Six months ended 30 June **2010**	 2009
Other income		
Commission income, subsidy income, rebates and others	**239**	222
Dividend income from other financial assets		
Listed shares	**15**	3
	254	225
Net gains		
Gain from leveraged foreign exchange contracts (note (i))	**–**	285
Realised and unrealised exchange (loss)/gain (note (ii))	**(62)**	563
Net gain from disposal of jointly controlled entities and associated companies	**1,835**	–
Net gain from disposal of other financial assets	**–**	43
Others	**3**	2
	1,776	893
	2,030	1,118

note:

i) In 2008, the Group entered into multiple Australian dollar (AUD), Euro and Renminbi (RMB) leveraged foreign exchange contracts with the intention of minimising currency exposure of the Group's iron ore project. These contracts were not eligible for hedge accounting and gains and losses arising from changes in fair market value of these contracts were reflected in the profit and loss account.

All of the leveraged foreign exchange contracts were novated to the 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. Two of the RMB contracts matured in January 2010 and the final contract matured in July 2010. A net gain of HK$285 million was recognised for the six months ended 30 June 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 loss of HK$62 million (2009: gain of HK$563 million which mainly represents the net exchange gain on Australian dollar bank balances arising from deliveries under leveraged and plain vanilla contracts subsequent to their delivery date) above mainly represents the net exchange loss on revaluation of monetary items in foreign currencies.

4 Profit from Consolidated Activities

In HK$ million	Six months ended 30 June **2010**	2009
The profit from consolidated activities is arrived at after charging		
Cost of inventories sold	**24,682**	13,056
Depreciation and amortisation	**764**	596
Impairment losses on other financial assets	**74**	3
Impairment losses on trade and other receivables	**6**	32
Impairment losses on goodwill and intangible assets	**32**	–
Impairment losses on fixed assets	**2**	2

5 Net Finance Charges

In HK$ million	Six months ended 30 June **2010**	2009
Finance charges		
Interest expense	**1,386**	1,091
Amount capitalised	**(1,026)**	(745)
	360	346
Other finance charges	**55**	19
Other financial instruments		
Net realised loss	**–**	155
Fair value (gain)/loss	**(59)**	20
	356	540
Finance income		
Interest income	**(142)**	(114)
	214	426

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (Six months ended 30 June 2009: 16.5%) on the estimated assessable profit for the period. Overseas taxation is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

	Six months ended 30 June	
In HK$ million	**2010**	2009
Current taxation		
Hong Kong profits tax	**129**	102
Overseas taxation	**501**	231
Deferred taxation		
Changes in fair value of investment properties	**145**	(26)
Origination and reversal of other temporary differences	**159**	215
	934	522

7 Dividends

	Six months ended 30 June	
In HK$ million	**2010**	2009
2009 Final dividend paid: HK$0.25 (2008: Nil) per share	**912**	–
2010 Interim dividend proposed: HK$0.15 (2009: HK$0.15) per share	**547**	547

8 Earnings per Share

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK$4,884 million (six months ended 30 June 2009: profit of HK$2,468 million).

The basic earnings per share is based on the number of 3,648,688,160 shares in issue during the period (six months ended 30 June 2009: 3,646,274,160 shares in issue). Diluted earnings per share for 2010 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 period ended 30 June 2010.

9 Non-Current Deposits

Non-current deposits represent deposits made for land acquisitions and construction of other property, plant and equipment mainly in relation to the new phases of the Group's steel plants and the Australian iron ore mining project, and cargo ships.

10 Other Assets Held for Sale

As at 30 June 2010, the interest in a jointly controlled entity and certain leasehold or self-owned properties located in PRC, Singapore and Hong Kong were classified as 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 was entered into with a state-owned enterprise in PRC. The transaction was completed in June 2010.

11 Debtors, Accounts Receivable, Deposits and Prepayments

In HK$ million	**30 June 2010**	31 December 2009
Trade debtors and bills receivable aged		
Within 1 year	**5,479**	5,322
Over 1 year	**85**	134
	5,564	5,456
Accounts receivable, deposits and prepayments	**7,828**	5,626
	13,392	11,082

Note:

i) Trade debtors are net of provisions 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 approximates their fair value.

iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$170 million (31 December 2009: HK$183 million), which are unsecured, interest free and recoverable on demand and amounts due from associated companies of HK$28 million (31 December 2009: HK$27 million) which are unsecured, interest free and recoverable on demand.

As of 30 June 2010, trade receivables of HK$140 million (31 December 2009: HK$104 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 is as follows:

In HK$ million	**30 June 2010**	31 December 2009
Less than 3 months	**115**	84
3 to 6 months	**14**	17
Over 6 months	**11**	3
	140	104

11 Debtors, Accounts Receivable, Deposits and Prepayments *continued*

Movements in the provision for impairment of trade receivables are as follows:

In HK$ million	**30 June 2010**	31 December 2009
At beginning of period/year	**127**	141
Exchange adjustments	**2**	–
Provision for impairment loss	**7**	19
Receivables written off during the period/year	**–**	(14)
Unused amounts reversed	**–**	(20)
Impairment loss written back	**(2)**	(9)
Through acquisition of subsidiary	**–**	10
At end of period/year	**134**	127

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 30 June 2010, trade receivables of HK$81 million (31 December 2009: HK$85 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$44 million (31 December 2009: HK$38 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.

12 Creditors, Accounts Payable, Deposits and Accruals

In HK$ million	**30 June 2010**	31 December 2009
Trade creditors and bills payable aged		
Within 1 year	**8,347**	6,983
Over 1 year	**588**	482
	8,935	7,465
Accounts payable, deposits and accruals	**13,855**	12,527
	22,790	19,992

Note: The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair value.

13 Borrowings

a

In HK$ million	**30 June 2010**	31 December 2009
Short term borrowings		
Bank loans		
unsecured	**3,486**	2,652
secured	**108**	49
	3,594	2,701
Other loans		
unsecured	**–**	–
secured	**169**	56
	169	56
Current portion of long term borrowings	**13,377**	1,600
Total short term borrowing	**17,140**	4,357
Long term borrowings		
Bank loans		
unsecured	**53,977**	46,819
secured	**12,965**	12,059
	66,942	58,878
Other loans		
unsecured	**4,066**	4,040
Less: current portion of long term borrowings	**(13,377)**	(1,600)
Total long term borrowings	**57,631**	61,318
Total borrowings	**74,771**	65,675
Analysed into		
unsecured	**61,529**	53,511
secured	**13,242**	12,164
	74,771	65,675

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 30 June 2010.

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 note 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 30 June 2010.

iii) Bank loans and other loans, other than the JPY Notes, are fully repayable on or before 2032 and bear interest at the prevailing market rates.

iv) As at 30 June 2010, certain of the Group's inventories, deposits, accounts receivable, properties under development and self-used properties with an aggregate carrying value of HK$1 billion (31 December 2009: HK$0.9 billion) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$29.3 billion (31 December 2009: HK$23.5 billion) of the iron ore mining project were pledged under project finance arrangement. Shipbuilding contracts of HK$5.1 billion (31 December 2009: 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$35.4 billion (31 December 2009: HK$29.5 billion).

13 Borrowings *continued*

b The maturity of the long term borrowings is as follows:

In HK$ million	**30 June 2010**	31 December 2009
Bank loans are repayable		
in the first year	**9,866**	1,599
in the second year	**10,738**	11,114
in the third to fifth years inclusive	**17,656**	20,862
after the fifth year	**28,682**	25,303
	66,942	58,878
Other loans are repayable		
in the first year	**3,511**	1
in the second year	**–**	3,510
in the third to fifth years inclusive	**–**	–
after the fifth year	**555**	529
	4,066	4,040
	71,008	62,918

c The exposure of the Group's total borrowings to interest-rate changes are as follows:

In HK$ million	**30 June 2010**	31 December 2009
Total borrowings	**74,771**	65,675
Borrowing at fixed rates for more than one year (from balance sheet date)	**(222)**	(3,815)
Interest rate swaps converting floating to fixed	**(24,616)**	(21,096)
Borrowings subject to interest-rate changes	**49,933**	40,764

The effective interest rate per annum on the Group's borrowings after considering the impact of interest rate swaps (converting floating to fixed rates of interest) was as follows:

	30 June 2010	31 December 2009
Total borrowings	**3.8%**	3.7%

d The fair value of borrowings is HK$73,720 million (31 December 2009: HK$64,371 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 unrealised gain of HK$1,051 million (31 December 2009: HK$1,304 million). This unrealised 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.

13 Borrowings *continued*

e The carrying amounts of the total borrowings are denominated in the following currencies:

In HK$ million	**30 June 2010**	31 December 2009
Hong Kong dollar	**14,024**	11,405
US dollar	**46,067**	40,834
Renminbi	**14,055**	12,805
Other currencies	**625**	631
	74,771	65,675

The Group has the following undrawn borrowing facilities:

In HK$ million	**30 June 2010**	31 December 2009
Floating rate		
expiring within one year	**2,565**	2,058
expiring beyond one year	**21,105**	14,570
	23,670	16,628

14 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.

Financial risk management is centralised at head office level but execution and monitoring of specific risks and raising finance may be delegated to business units.

14 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 30 June 2010, HK$24.8 billion (31 December 2009: HK$24.9 billion) of the Group's total borrowings were effectively paying fixed rates and the remaining were effectively paying a floating rate of interest. In addition, HK$75 million of forward starting swaps were outstanding that had not become effective as of 30 June 2010 (31 December 2009: HK$1.9 billion).

At 30 June 2010, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	0.5% higher		0.5% 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	**(162)**	**–**	**162**	**–**
Cash & deposits	**123**	**–**	**(123)**	**–**
Derivatives	**39**	**898**	**(41)**	**(951)**

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:

	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 & deposits	213	–	(213)	–
Derivatives	132	1,568	(148)	(1,765)

As described in Note 14(b), the Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD1.7 billion outstanding at 30 June 2010. 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 30 June 2010, a 1% increase/(decrease) in the differential between Australian and US interest rates could give rise to a hypothetical impact of approximately HK$146 million (decrease)/increase on profit.

14 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

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 and Euro. To minimise 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 at least one third of the total investment amount, for projects in mainland China and 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 revenues from 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 its development and operating expenditure are denominated in Australian Dollars.

To meet AUD requirements of the Australian mining operations the Group holds plain vanilla forward contracts that qualify as accounting hedges. As of 30 June 2010 these plain vanilla forward contracts had a notional amount of AUD1,678 million (31 December 2009: AUD1,993 million).

As at 30 June 2010, one RMB target redemption contract with maximum notional amount of RMB98 million was held by the Group to hedge its RMB exposures. This non deliverable forward contract is not eligible for hedge accounting and gains and losses in the fair market value of this contract is reflected in the profit and loss account.

CITIC Pacific 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. USD/HKD foreign exchange forward contracts and cross currency swaps are employed to hedge 64% 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.

14 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) and equity 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			**30 June 2010**			
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)
USD	**1%**	**(138)**	**–**	**1%**	**138**	**–**
RMB	**2%**	**108**	**–**	**2%**	**(109)**	**–**
AUD (note)	**5%**	**(35)**	**553**	**5%**	**35**	**(553)**
YEN	**15%**	**93**	**–**	**15%**	**(68)**	**–**
Pound Sterling	**5%**	**(32)**	**–**	**5%**	**32**	**–**
SEK	**10%**	**–**	**–**	**10%**	**–**	**–**
EURO	**10%**	**(1)**	**–**	**10%**	**1**	**–**

Group			31 December 2009			
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)
USD	1%	(108)	(1)	1%	107	2
RMB	5%	218	–	5%	(213)	–
AUD (note)	5%	(55)	698	5%	55	(698)
YEN	10%	25	–	10%	(22)	–
SEK	2%	–	–	2%	–	–
EURO	5%	–	–	5%	–	–

Note:
To meet AUD requirements of the Australian mining operations the Group holds plain vanilla forward contracts that qualify for and accounted for as accounting hedges. Therefore, changes in such contracts due to movements in AUD/USD spot rates only impact equity in the sensitivity tables above. However, there may be residual changes in the 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.

14 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

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 30 June 2010, 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$108 million (31 December 2009: HK$109 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.

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.

14 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their maturity date. 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.

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2010				
Bank borrowings	**(19,047)**	**(12,388)**	**(22,105)**	**(40,648)**
Derivative financial instruments	**(889)**	**(773)**	**(1,143)**	**(808)**
Trade creditors and accounts payable	**(22,773)**	**(2)**	**(7)**	**(8)**
At 31 December 2009				
Bank borrowings	(6,154)	(16,319)	(27,942)	(35,198)
Derivative financial instruments	(953)	(583)	(450)	484
Trade creditors and accounts payable	(19,744)	(235)	(5)	(8)

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.

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2010				
Forward foreign exchange contracts – cash flow hedges				
outflow	**(4,015)**	**(4,015)**	**(2,673)**	**–**
inflow	**4,179**	**4,179**	**2,775**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(3,131)**	**(803)**	**(39)**	**(749)**
inflow	**3,149**	**800**	**15**	**1,055**

14 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

The majority of foreign exchange forward contracts that are not qualified for hedge accounting as at 30 June 2010 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.

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

f Fair Value Estimation

i) The fair value of outstanding derivative transactions is calculated based on the price quotations obtained from Reval Inc., a derivative risk management and hedge accounting solutions firm and are cross checked against price quotations obtained from major financial institutions. Fair value of loans receivable is estimated as the present value of future cash flows, discounted at the current market interest rates for similar financial instruments.

The fair value of borrowings is disclosed in Note 13(d). The fair values are 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.

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

14 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

iv) Financial instruments are carried at fair value *continued*

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

In HK$ million	**30 June 2010** Level 1	Level 2	Level 3	Total	31 December 2009 Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	**2,166**	**–**	**–**	**2,166**	2,174	–	–	2,174
Unlisted	**–**	**–**	**29**	**29**	–	–	13	13
Derivative financial instruments								
Interest rate swaps	**–**	**206**	**–**	**206**	–	40	178	218
Forward exchange contracts	**–**	**175**	**–**	**175**	–	622	–	622
Liabilities								
Derivative financial instruments								
Interest rate swaps	**–**	**3,409**	**–**	**3,409**	–	1,621	–	1,621
Forward exchange contracts	**–**	**387**	**–**	**387**	–	273	–	273

During the period there were no significant transfers between instruments in Level 1 and Level 2.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

In HK$ million	Group Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
At 1 January 2010	13	178
Payment for purchases	7	–
Net gains or losses recognised in profit and loss account during the period	–	1
Net unrealised gains or losses in other comprehensive income during the period	9	–
Transfer out of Level 3 (note)	–	(179)
At 30 June 2010	29	–
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	–	1
Total gains or losses recognised in other comprehensive income during the period	9	–

Note:
A Japanese Yen cross currency swap was transferred out of level 3 to level 2, this was due to the change in valuation methodology, which incorporated new market data on the correlation of Japanese Yen to USD, that had recently become available.

14 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 financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2010 and 31 December 2009 except as follows:

	30 June 2010		31 December 2009	
In HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Bank loans	**70,706**	**69,541**	61,636	60,189
Global bonds (USD Bond)	**3,510**	**3,611**	3,510	3,687
Private placement (JPY Bond)	**555**	**568**	529	495

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 30 June 2010 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

15 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 ratio at 30 June 2010 and at 31 December 2009 were as follows:

In HK$ million	**30 June 2010**	31 December 2009
Total borrowings	**74,771**	65,675
Less: cash and bank deposits	**24,711**	21,553
Net debt	**50,060**	44,122
Equity attributable to the equity holders of the Company	**61,835**	60,259
Total capital	**111,895**	104,381
Leverage ratio	**45%**	42%

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 30 June 2010 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 these loan covenants as at 30 June 2010.

16 Derivative Financial Instruments

In HK$ million	**30 June 2010** Assets	**30 June 2010** Liabilities	31 December 2009 Assets	31 December 2009 Liabilities
Qualified for hedge accounting – cash flow hedge				
Interest-rate instruments	**–**	**3,174**	–	1,470
Forward foreign exchange instruments	**142**	**357**	585	148
	142	**3,531**	585	1,618
Not qualified for hedge accounting				
Interest-rate instruments	**206**	**235**	218	151
Forward foreign exchange instruments	**33**	**30**	37	125
	239	**265**	255	276
	381	**3,796**	840	1,894
Less: current portion				
Interest-rate instruments	**61**	**54**	58	40
Forward foreign exchange instruments	**33**	**30**	34	127
	94	**84**	92	167
	287	**3,712**	748	1,727

i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments at 30 June 2010 was HK$13,948 million (31 December 2009: HK$19,527 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 34 months are recognised in the hedging reserve in equity as of 30 June 2010 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 30 June 2010 was HK$30,151 million (31 December 2009: HK$28,426 million). In addition, the Group had cross currency interest rate swap contracts with aggregate notional amount of HK$1,195 million (31 December 2009: HK$1,195 million). At 30 June 2010, the fixed interest rates under interest rate swaps varied from 1.16% to 7.23% per annum (31 December 2009: 3% to 7.23% per annum). Gains and losses on interest rate swap contracts qualifying for hedge accounting as of 30 June 2010 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).

17 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 30 June 2010. 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 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 30 June 2010, there were derivative liabilities of HK$2,728 million (31 December 2009: HK$913 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 16.

ii) Balances (other than derivatives) with state-owned banks

In HK$ million	**30 June 2010**	31 December 2009
Bank balances and deposits	**17,928**	14,159
Bank loans	**51,926**	45,093

iii) During the period, the Group disposed its 65% interest in Shijiazhuang Iron & Steel Co., Ltd., a jointly controlled entity to a state-owned enterprise, for a consideration of approximately HK$1.8 billion. The required consents and approvals for the share transfer were obtained and the outstanding consideration of HK$1.4 billion will be settled on registration with the Administration for Industry & Commerce in the PRC.

17 Material Related Party Transactions *continued*

a Transactions with State-Owned Enterprises (other than Companies within the CITIC Group) *continued*

iv) 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 with China Metallurgical Group Corp., a state-owned enterprise ('MCC'). Under 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 at an amount not exceeding US$1,106 million (approximately HK$8,630 million) in relation to the first 1 billion tonnes of ore to be extracted. The price for these 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 include the second 1 billion tonnes of iron ore to be extracted and the contract sum was revised to US$1,750 million (approximately HK$13,650 million). On 11 May 2010, Sino Iron and MCC mining entered a supplemental contract to increase the contract sum by US$835 million to US$2,585 million due to the changes in the cost structure of the industry.

Sino Iron and MCC also agreed that the other remaining works would 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 price (excluding any fee for training, interest, transportation, insurance and tax expenses) to MCC as management fees for the MCC managed works.

In HK$ million	**As at 30 June 2010**	As at 31 December 2009
Balances with MCC Trade, other receivables and prepayment	**3,284**	2,574
Trade payable and other payable	**(412)**	(629)
Incurred costs on General Construction Contract	**2,168**	2,060

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. As at 30 June 2010, the Group received a deposit of HK$2,130 million (31 December 2009: HK$2,130 million) from MCC for the sale of 20% interest in Sino Iron which had not completed as at 30 June 2010.

The Group holds 2.13% of MCC shares acquired at MCC's initial public offering.

b Transactions with Other Related Parties

The Group also had the following significant balances with CITIC Group:

In HK$ million	**As at 30 June 2010**	As at 31 December 2009
(i) Bank balances	**840**	58
(ii) Bank loans	**460**	454
(iii) Trade and other payable	**91**	59

18 Comparative Figures

Certain comparative figures for 2009 have been adjusted to conform with the current accounting standards described in Note 1 to the Accounts.

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 26 to 56, which comprises the consolidated balance sheet of CITIC Pacific Limited (the 'Company') and its subsidiaries (together, the 'Group') as at 30 June 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2010

Statutory Disclosure

Dividend and Closure of Register

The directors have declared an interim dividend of HK$0.15 per share (2009: HK$0.15 per share) for the year ending 31 December 2010 payable on Wednesday, 22 September 2010 to shareholders whose names appear on CITIC Pacific's register of members on Wednesday, 15 September 2010. CITIC Pacific's register of members will be closed from Thursday, 9 September 2010 to Wednesday, 15 September 2010, both days inclusive, during which period no share transfer will be effected. To qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with CITIC Pacific's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 September 2010.

Share Option Plan

Share Option Plan Adopted by CITIC Pacific

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 CITIC Pacific or any of its subsidiaries to subscribe for options over CITIC Pacific's shares on payment of HK$1 per acceptance. The Plan ended on 30 May 2010. 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. 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.

Since the adoption of the Plan, CITIC Pacific has granted six lots of share options:

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

All options granted and accepted under the Plan 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 14 January 2010 was HK$19.98.

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.

During the six months ended 30 June 2010, none of such options were exercised and cancelled, but options for 1,520,000 shares have lapsed. A summary of the movements of the share options during the six months ended 30 June 2010 is as follows:

A. CITIC Pacific directors

Name of director	Date of grant	Exercise price HK$	Number of share options: Balance as at 01.01.10	Number of share options: Exercised / lapsed / cancelled during the six months ended 30.06.10	Number of share options: Balance as at 30.06.10	Percentage to issued share capital
Chang Zhenming	16.10.07	47.32	500,000	–	500,000	
	19.11.09	22.00	600,000	–	600,000	
					1,100,000	0.030
Zhang Jijing	19.11.09	22.00	500,000	–	500,000	0.014
Carl Yung Ming Jie	20.06.06	22.10	600,000	–	600,000	
	16.10.07	47.32	800,000	–	800,000	
	19.11.09	22.00	500,000	–	500,000	
					1,900,000	0.052
Vernon Francis Moore	20.06.06	22.10	700,000	–	700,000	
	16.10.07	47.32	600,000	–	600,000	
	19.11.09	22.00	500,000	–	500,000	
					1,800,000	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	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
Peter Lee Chung Hing	20.06.06	22.10	1,200,000	–	N/A	N/A
	16.10.07	47.32	1,200,000	–	*(Note 1)*	*(Note 1)*
	19.11.09	22.00	500,000	–		

Note:
1. Mr Peter Lee Chung Hing resigned with effect from 1 April 2010 as he retired from CITIC Pacific Group.

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 01.01.10	Granted during the six months ended 30.06.10	Exercised / lapsed / cancelled during the six months ended 30.06.10	Balance as at 30.06.10
20.06.06	22.10	1,446,000	–	–	1,446,000
16.10.07	47.32	4,600,000	–	–	4,600,000
19.11.09	22.00	7,920,000	–	–	7,920,000
14.01.10	20.59	–	880,000	–	880,000

C. Others

		Number of share options			
Date of grant	Exercise price HK$	Balance as at 01.01.10	Granted during the six months ended 30.06.10	Exercised / lapsed / cancelled during the six months ended 30.06.10	Balance as at 30.06.10
20.06.06	22.10	1,750,000 *(Note 2)*	–	500,000	1,250,000
16.10.07	47.32	3,350,000 *(Note 2)*	–	600,000	2,750,000
19.11.09	22.00	1,870,000 *(Note 2)*	–	420,000	1,450,000

Note:
2. These are in respect of options granted to a former director or employees under continuous contracts, who have subsequently retired or resigned.

The fair value of an option on one CITIC Pacific share granted in the six months ended 30 June 2010 measured as at the date of grant of 14 January 2010 was HK$4.96 based on the following data and assumptions using Binomial Lattice Model:

- The share price at the grant date is HK$20.10
- The exercise price is HK$20.59
- 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 2.74 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 0.87% 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 six months ended 30 June 2010 in respect of the grant of the aforesaid 880,000 options is HK$4,364,800.

Share Option Plans Adopted by Subsidiaries of CITIC Pacific

CITIC 1616 Holdings Limited ('CITIC 1616')

CITIC 1616 adopted a share option plan ('CITIC 1616 Share Option Plan') on 17 May 2007.

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

Date of grant	Exercise price HK$	Exercise period	Number of share options
23.05.07	3.26	23.05.07 – 22.05.12	18,720,000
17.09.09	2.10	17.09.10 – 16.09.15	17,912,500
17.09.09	2.10	17.09.11 – 16.09.16	17,912,500

All options granted were accepted except for options for 115,000 shares of CITIC 1616 ('CITIC 1616 Shares') granted on 17 September 2009. None of the share options granted under the CITIC 1616 Share Option Plan were exercised or cancelled but options for 1,155,000 CITIC 1616 Shares have lapsed during the six months ended 30 June 2010. No further options were granted during the six months ended 30 June 2010. The grantees were certain 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. Such options were not exercised, cancelled or lapsed during the six months ended 30 June 2010. Apart from the above, none were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

Dah Chong Hong Holdings Limited ('DCH Holdings')

Pre-IPO Share Option Scheme

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

DCH Holdings has granted 18,000,000 options under the Pre-IPO Scheme before the listing of DCH Holdings at the exercise price of HK$5.88 per share. No further options can be, or have been offered or granted under the Pre-IPO Scheme after DCH Holdings' listing on 17 October 2007. All options granted and accepted were fully vested on the date of grant but have a lock-up period of 6 months from the listing of DCH Holdings and are then exercisable in whole or in part within 5 years from the date of grant. The grantees were certain directors or employees of the DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

As at 1 January 2010, 16,900,000 options were outstanding under the Pre-IPO Scheme. None of these options were exercised, cancelled or lapsed during the six months ended 30 June 2010.

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ('Post-IPO Scheme') on 28 September 2007. DCH Holdings has not granted any options under the Post-IPO Scheme since its adoption up to the six months ended 30 June 2010.

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 30 June 2010 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		
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)*	0.008
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 Resources Holdings Limited

				Number of share options				
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.10	Granted during the six months ended 30.06.10	Exercised / lapsed / cancelled during the six months ended 30.06.10	Balance as at 30.06.10	Percentage to issued share capital
Zhang Jijing	02.06.05	1.077	02.06.06 – 01.06.13	10,000,000	–	–	10,000,000	0.165

Save as disclosed above, as at 30 June 2010, 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('Listing Rules').

Substantial Shareholders

As at 30 June 2010, 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 Hong Kong (Holdings) Limited ('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
Honpville Corporation	310,988,221	8.523
Larry Yung Chi Kin	301,844,000	8.273
Earnplex Corporation	238,363,000	6.533

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.

Share Capital

CITIC Pacific has not redeemed any of its shares during the six months ended 30 June 2010. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the six months ended 30 June 2010.

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 30 June 2010
Fixed Assets	13,527
Jointly Controlled Entities	253
Other Financial Assets	57
Deferred Tax Assets	10
Intangible Assets	1,650
Other Non Current Assets	2,046
Net Current Assets	466
Total Assets Less Current Liabilities	18,009
Long Term Borrowings	(8,005)
Deferred Tax Liabilities	(327)
Derivative Financial Instruments	(12)
Other non current liabilities	(109)
Loan from Shareholders	(2,242)
	7,314

Corporate Governance

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. Details of our corporate governance practices can be found on page 76 of the 2009 annual report and CITIC Pacific's website www.citicpacific.com. In order to promote a high standard of corporate governance, the board has undertaken the following:

- Established 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 is chaired by the managing director, and its membership includes the chairman, deputy managing director, group finance director, other executive directors and the leaders of the major businesses in the group.
- Established the investment committee to consider the strategy and planning of CITIC Pacific, and to review investment proposals. The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors.
- Established the asset and liability management committee ('ALCO'). ALCO meets monthly to review the asset and liability balance of CITIC Pacific. It monitors and sets limits on exposure in relation to asset and liability mismatches, counterparties, currencies, interest rates, commitments and contingent liabilities. It also establishes hedging policies, reviews and approves financing plans, and approves the use of new financial products. Chaired by the group finance director, the committee comprises 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 in CITIC Pacific.
- Updated the terms of reference of the audit committee since 2009. The audit committee's oversight function in its annual review of the system of internal control includes consideration of the adequacy of resources, qualifications and experience of staff of CITIC Pacific's accounting and financial reporting functions, including their training programmes and training budget.

CITIC Pacific complied throughout the six months ended 30 June 2010 with all of the provisions in the code on corporate governance practices contained in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The audit committee of the board reviewed the Half-Year Report with management and CITIC Pacific's internal and external auditors and recommended its adoption by the board. The committee consists of three non-executive directors, two of whom are independent.

The interim financial information is prepared in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'. It has been reviewed by CITIC Pacific's independent auditor PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ('model code') contained in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong Limited. All directors complied with the required standard set out in the model code throughout the six months ended 30 June 2010.

Update on Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Executive Director

Mr Zhang Jijing, a director of CITIC Group since 1998 and an assistant president and the head of the strategy and planning department of CITIC Group since 2005, has been appointed as an executive director and a vice president of CITIC Group with effect from 24 April 2010.

Mr Li Shilin has ceased to be an executive director and a vice president of CITIC Group with effect from 24 April 2010.

Non-executive Director

Mr Ju Weimin, a director of CITIC Group since 2000 and the chief financial officer of CITIC Group since 2002, has been appointed as an executive director and a vice president of CITIC Group with effect from 24 April 2010.

Mr Yin Ke has resigned as a non-executive director of Zhongxing Shenyang Commercial Building Group Company Limited (a company listed on the Shenzhen Stock Exchange) with effect from 15 March 2010.

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 2 to the accounts on page 34

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

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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 at +852 2522 5259 or by email at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register:	9 September 2010 to 15 September 2010
Interim Dividend payment:	22 September 2010

The Half-Year Report is printed in English and Chinese and is available on our website at www.citicpacific.com under the 'Investor Information' section.

Shareholders may choose to receive the Half-Year 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 the Half-Year Report 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 267