CITIC PACIFIC

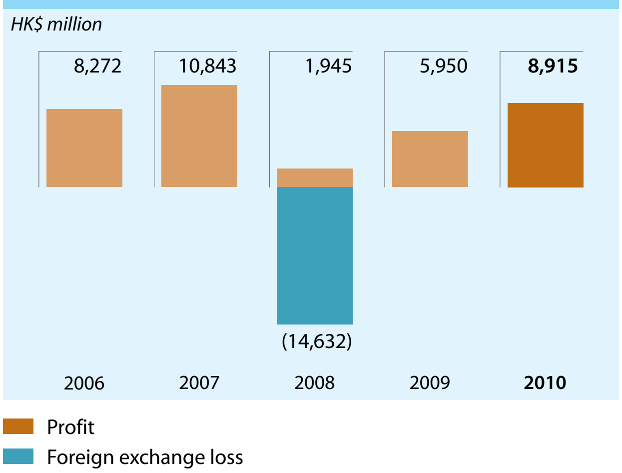
Annual Report 2010

Financial Highlights

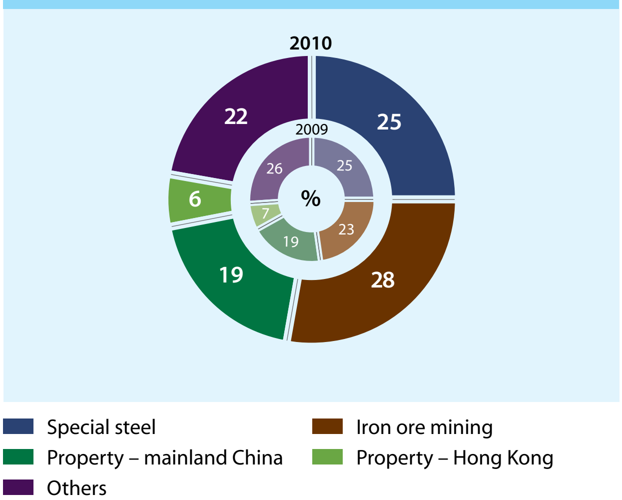
In HK$ million	2010	2009	Increase/ (Decrease) %
Profit attributable to shareholders	**8,915**	5,950	50
Contribution by business:			
Special steel	**2,102**	1,415	49
Iron ore mining	**(346)**	376	N/A
Property			
– Mainland China	**583**	524	11
– Hong Kong	**377**	397	(5)
Energy	**1,045**	886	18
Tunnels	**502**	437	15
Dah Chong Hong	**775**	402	93
CITIC Telecom	**248**	196	27
Gain on disposal of assets	**3,008**	1,146	162
Fair value change of investment properties	**1,320**	120	1,000
Cash inflows from business operations	**8,016**	7,227	11
Cash inflows from sales of businesses	**4,043**	9,700	(58)
Other cash inflows	**4,370**	2,045	114
Capital expenditure	**28,876**	22,104	31
EBITDA	**15,744**	10,765	46
Earnings per share *(HK$)*	**2.44**	1.63	50
Dividends per share *(HK$)*	**0.45**	0.40	13

In HK$ million	As at 31 December 2010	As at 31 December 2009	Increase/ (Decrease) %
Total assets	**192,936**	155,741	24
Net debt	**59,125**	44,122	34
Cash and bank deposits	**24,558**	21,553	14
Available committed banking facilities	**18,594**	14,570	28
Shareholders' funds	**68,282**	60,259	13
Net debt to total capital	**46%**	42%	

Profit attributable to shareholders



Assets



Special Steel

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, Australia and Hong Kong.

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 72% of total assets at the end of 2010.

- **25%** of assets
- **22%** of total contribution
- **2** steel 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.

Find out more on page 8

Iron Ore Mining

- **28%** of assets
- **2 billion** tonnes of magnetite resource

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.

Find out more on page 20

Property
mainland China

- **19%** of assets
- **6%** of total contribution
- Developing **4.4 million** square metres of gross floor area

CITIC Pacific focuses on developing medium and large-scale projects in mainland China. Properties are located in prime areas of Shanghai and major cities in the Yangtze Delta area, as well as Hainan Island.

Find out more on page 32

Chairman's Letter to Shareholders

Dear Shareholders,

CITIC Pacific achieved a profit attributable to shareholders of HK$8,915 million for the year 2010, the second highest in the history of the company. This was due both to the strong performance of our business, particularly special steel, and the sale of non-core assets, which added HK$3,008 million to our bottom line.

Return on equity improved to 14% for the year compared with 11% in 2009, and our financial position remains strong. As at the end of 2010, bank deposits and available committed facilities totalled HK$43,152 million, sufficient to meet our investment needs. As we are investing to complete our iron ore mine in Australia, finish the expansion of our special steel business and develop our property projects in mainland China, our net debt has inevitably increased, and as a result leverage was 46% at the end of 2010. This is higher than ideal but not something I am overly concerned about as CITIC Pacific is coming to the end of a major investment period. When our iron ore mine begins operation and more property projects are sold, substantial cash will be generated which will naturally reduce our leverage.

Your board recommends paying a final dividend of HK$0.30 per share, giving you a full year dividend of HK$0.45 per share. This is an increase of HK$0.05 per share compared with that of 2009. We considered a number of factors when deciding how much to pay our shareholders, including our future investment needs and our obligation to repay borrowings.

Our Businesses

For CITIC Pacific, 2010 can be characterised as a year during which we made significant progress in all our businesses, particularly our three major businesses. In this letter, I will update you on their activities so you can understand clearly why we chose to invest in these businesses, what our expectations are for them in 2011, and why we think they will transform our company. I believe CITIC Pacific has emerged from the difficulties faced two years ago and has become stronger and better positioned for the future.

Iron Ore Mining

The number one priority for our management continues to be bringing our magnetite iron ore mine in Australia into production as early as possible. During the year, we made tremendous progress towards achieving this objective, as our management team and employees in Australia have all been dedicated to ensuring the completion of the mine, which is unprecedented in scale.

In mid January, we provided a project progress update. As I write, the structures for major facilities such as the power station, four grinding mills, dewatering plant, desalination plant and port are being completed. Commissioning of the power station has begun, and the desalination plant will begin soon so the necessary power and water can be supplied to other components of the production line. Our target is to begin commissioning the first production line as an integrated system by the end of July. Export of iron ore is expected to be in the latter part of this year. By then, the second production line should also be ready for system commissioning. When the senior management of our major contractors, equipment manufacturers and suppliers met in Beijing in January, everyone expressed their strong commitment to the success of this project and the start of production according to plan.

In the business review section, you will find a detailed project report. I would like to explain here the key reasons for the schedule change. For each component, there is one – and in some cases, more than one – power supply and control system, which our engineers call 'e-houses'. These are effectively the heart of their respective components or plants. Without them, nothing can operate. There are altogether 17 of these e-houses needed for commissioning the first production line. Of these, 8 have been delivered to site and are in various stages of being installed and tested. The remaining e-houses are scheduled to arrive in mid May. Delivery of these e-houses was delayed primarily due to design changes on some units, which affected their manufacturing schedule. We also experienced some contractual disputes, which are not uncommon in such massive projects. One example was our termination in October of the company responsible for building our power station due to their breaching of the contract. This was certainly not a happy situation. However, we were able to quickly engage most of the subcontractors directly to continue their work, which minimised interruption to the construction.

Since we began this journey of building the biggest magnetite iron ore mine in Australia, we have learned a great deal despite the steep learning curve. We are now more familiar with operating conditions in Australia, better equipped to deal with issues arising, and more confident that once the mine is completed we will be able to operate it as well as any other organisation. It is no secret that the cost of building and operating a magnetite mine is higher than that of a haematite mine. Although the money we are investing is by no means a small amount, let's not forget that the price of iron ore has increased considerably since we initially committed to the investment. Personally, I believe that there will be a continuing strong demand for the type of high quality ore we will be producing, and this mine will add substantial value to your investment in CITIC Pacific.

Looking back, I have to admit that we have come through some challenging times, and the process has not been without stress. But, I am happy to see that we are making solid progress. Our goal is to complete construction of the mine as soon as possible so that it can contribute to our bottom line over its 25-year life.

Special Steel

Our special steel business recorded an impressive HK$2,102 million in profit contribution, a growth of 49% from that of 2009. It is worth noting that this was achieved by our two plants – Xingcheng Special Steel and Xin Yegang – unlike in 2009 when we also had contribution from Shijiazhuang Steel, which was subsequently sold. Over the last three years, we have expanded our production capacity. More importantly, we further broadened our portfolio of products, optimised their mix, and increased their technology content. In certain categories of special steel, we are the only producer in China. We are on track to reach our target annual steel production capacity of nine million tonnes this year. Our goal is to supply our customers not only with high quality bar steel but also new special steel plates and increased volumes of seamless steel tubes.

The market for special steel has significant potential as China continues to develop and the demand for special steel inevitably grows to become more in line with that of the industrialised countries. As the largest manufacturer dedicated to the production of special steel in China, we have the advantage and leading market position to excel. However, we cannot ignore the fact that this market has grown increasingly competitive and customers expect better quality products and more services. For this reason, the management at our steel mills have been focusing their efforts on raising product quality and expanding their customer base. The result is that we are producing an increasing percentage of very high quality products every year. These efforts are particularly important for our special steel plates, which are new to us. With one of the two plate lines entering production, our efforts are already paying off as we see improving margins in this area. Of course, there is much more to be done for our new plate products to occupy the same leading position as our well established bar products.

The first two months of this year saw good production volume at our steel mills. Product prices were firm, supported in part by the increased price of raw materials. For 2011, we should bear in mind that we are facing increased capacity in the steel industry in China, which will put pressure on all producers. However, we are comforted by the fact that supply and demand in the special steel sector is mostly balanced and the industries we sell our products to all have strong future growth potential. My colleagues in our steel business have set themselves a challenging target for this year and, as always, they will work very hard to achieve their objectives.

Property in Mainland China

Construction and sales of our property projects in mainland China are progressing apace. The twin office towers in Shanghai Pudong's Lu Jia Zui financial district are being fitted out before they are handed over to Agricultural Bank of China and China Construction Bank, which have purchased them for their Shanghai headquarters. Our residential developments in Shanghai, Wuxi, Yangzhou, Jiangyin and Hainan Island are being completed in phases.

In the past year, a number of measures were put in place by the Chinese government with the aim of moderating the rapid increases in property prices. These have clearly had an impact on our property sales. I have often been asked by investors if I was worried about this and whether we should change our property development strategy. I am a firm believer in the long-term potential of the Chinese property market. Of course, short-term fluctuations are inevitable, but CITIC Pacific is a long-term developer in this market. We have sufficient financial resources and staying power. What's more, our land banks were acquired some time ago and at relatively low prices. So we are better equipped to withstand market volatility, and temporary adjustments in the market do not worry us unduly.

The projects we are developing are large in scale and very well situated. According to our development schedule, we will be busy for the next seven to eight years. In the meantime, we will be on the lookout for attractive new sites. I would like to point out here that CITIC Pacific is not a pure property company, and therefore we are not pressured to buy land or sell completed units. We are also fortunate to have a team of highly experienced property professionals who are very good at designing and building to suit the needs of individual markets in China. This is evident in our products being well received by the market when they go on sale.

Our People and Our Organisation

As in any organisation, no matter what our strategy is and how good our assets are, the key to success is always people. In my letter of March last year, I mentioned we were looking at ways to enhance our training programmes so that our employees would be equipped with up-to-date knowledge and skills they can apply in their jobs. In 2010, we further strengthened our training efforts by adding an experienced professional to focus on senior management training. We also renewed our focus on hiring young talent through our graduate training programme and took on 12 new trainees who will be the future of our business.

With improved communication among our operations, we are a much stronger organisation. I often remind people that effective communication is essential to our success and that this is a continuous process which needs to be improved at every level. To that end, we held our second group-wide finance conference last year which was attended by senior finance personnel from all parts of our business. This conference was invaluable for ensuring that our finance policies and priorities are aligned with our overall business strategy. Similar activities are now taking place regularly in other businesses and functions.

I am proud to say that as a direct result of our improved communication and management we are able to provide our 2010 financial results to shareholders even earlier than last year, which was already a big improvement from the previous years. We are now in the forefront of leading Hong Kong listed companies disseminating timely information to shareholders and the public.

I would like to mention that five long serving directors will retire in May. I want to thank them for their many and varied contributions to CITIC Pacific's development over so many years. I am also pleased to report that two highly experienced businessmen have agreed to join our board in the middle of the year as independent directors. They will be able to provide a variety of perspectives to the board, which will benefit our company.

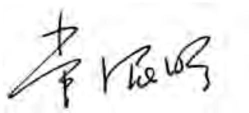
Our Future

In the nearly two years since I have been Chairman of CITIC Pacific, we have expanded and built our three main businesses of special steel, iron ore mining and property in mainland China. We also sold a number of assets over which we had little management control or were not a strategic part of our future. We are now much more focused, and this is clearly demonstrated by the fact that our main businesses accounted for 72% of our assets at the end of 2010. Our future emphasis will be on further developing the businesses we have so that we can become a leader in each of them. This is what I believe our shareholders and investors should focus upon. I spelled out quite clearly in my last annual letter that CITIC Pacific is, and will continue to be, a company with multiple businesses in a few industries.

In December, I was appointed Chairman of CITIC Group, the 58% shareholder of CITIC Pacific. I have spent almost my entire career with CITIC Group. Since its establishment in the late 1970s by Mr Rong Yiren, CITIC Group has grown into the largest conglomerate in China with assets of over RMB2.5 trillion and businesses ranging from banking and insurance to resources and property. I am very honoured to be given the opportunity to lead the Group, and I welcome the challenge my new position brings.

In June last year, during an interview with Caixin Media my predecessor Mr Kong Dan and I talked about the development history of CITIC Group and why we believe this is the right time for the Group to be transformed into a shareholding company. We are now at the stage of consolidating information at the CITIC Group level. Clearly, one of the benefits of the process is that it is an opportunity to take stock and develop plans to achieve greater synergies among the businesses of the whole Group. One example is the real estate business. CITIC Real Estate has a substantial property business with a focus on residential development. Moreover, it has a vast sales network. CITIC Pacific is also an experienced property developer, particularly in the development of commercial properties. The two companies are working together with the objective of leveraging off their individual strengths and utilising their resources effectively. Although they already have an agreement to work more closely together, including sharing market intelligence and sales networks, we are considering the possibility of further integration. There are likely to be other areas we identify that could serve CITIC Pacific well and benefit CITIC Group as a whole. Any significant opportunities would be reviewed carefully by the CITIC Pacific board and presented to shareholders for approval as appropriate. It is clear that CITIC Pacific is, and will continue to be, a very important part of CITIC Group.

Our employees are fundamental to our success as a company, and I thank them from the bottom of my heart for their dedication and hard work. I would also like to say thank you to our board, our investors and banks for their trust and support.

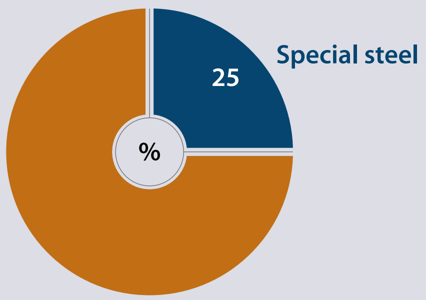


Chang Zhenming
Chairman
Hong Kong, 3 March 2011

Special Steel

HK$ million	**2010**	2009	Change
Turnover	**30,478**	19,079	60%
Profit contribution	**2,102**	1,415	49%
Assets	**48,351**	38,710	25%
Liabilities	**23,409**	18,146	29%
Cash inflow from operations	**2,083**	1,370	52%
Capital expenditure	**6,271**	7,611	(18)%

Assets



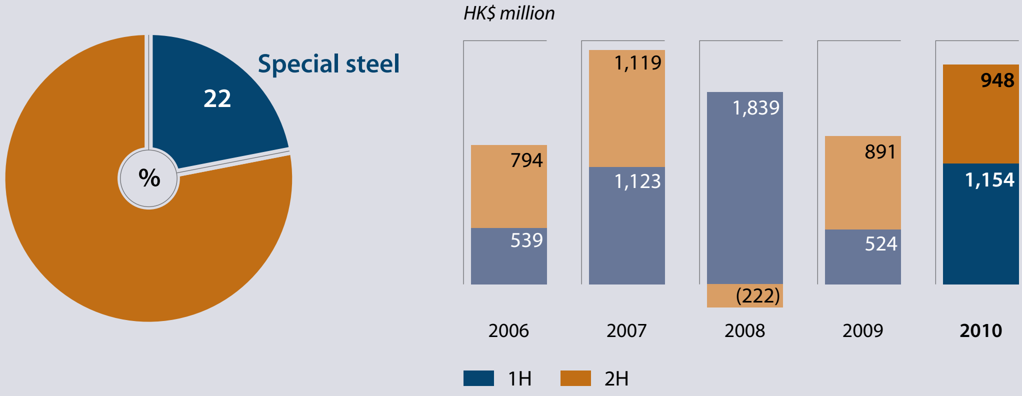
Review of 2010

Profit contribution from CITIC Pacific Special Steel increased 49% from 2009. This was due to an improved market for special steel, increased production volumes made possible by the completion of new production lines, as well as increased product prices driven partially by the higher price of raw materials. We sold our 65% interest in Shijiazhuang Steel in 2010 so its profit contribution only accounted for the first three months of the year which amounted to HK$3 million.

In 2010, we focused on expanding production capacity and improving product quality at Xingcheng Special Steel and Xin Yegang, which resulted in increased contributions from these two steel plants of 50% and 24%.

Compared with 2009, the year under review was relatively steady for our special steel business. Strong demand for steel products carried over from the second half of 2009 till the end of April 2010. Starting in May, the government policies aimed at moderating the rapid increase in property prices and the cancellation of the export tax credit on certain steel products caused the price of steel products to decline. In July 2010, the government began to limit the consumption of electricity by heavy industries, which resulted in some steel plants in China ceasing or reducing production. This led to a reduced supply of special steel and a return

Profit contribution



to higher prices. On average, for the year 2010 prices for our special steel products saw an increase of 18% from 2009.

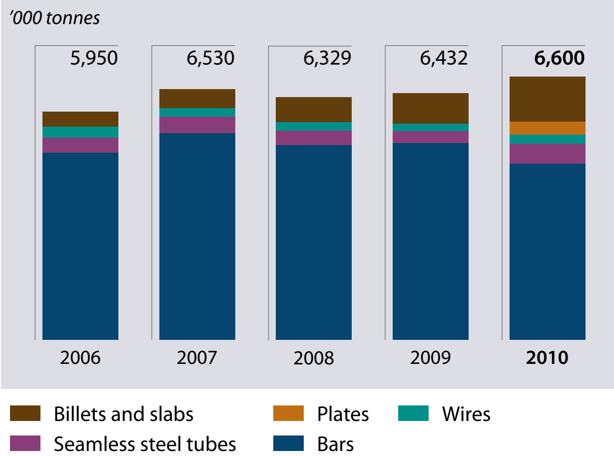
Production and Sales

In 2010, total production of special steel by CITIC Pacific Special Steel was 6.6 million tonnes, 4% more than that of 2009. This included 480,000 tonnes produced in the first three months by Shijiazhuang Steel. Sales volume was about the same, as our production was based on orders. During the year, the utilisation rate at our two steel plants averaged around 95%.

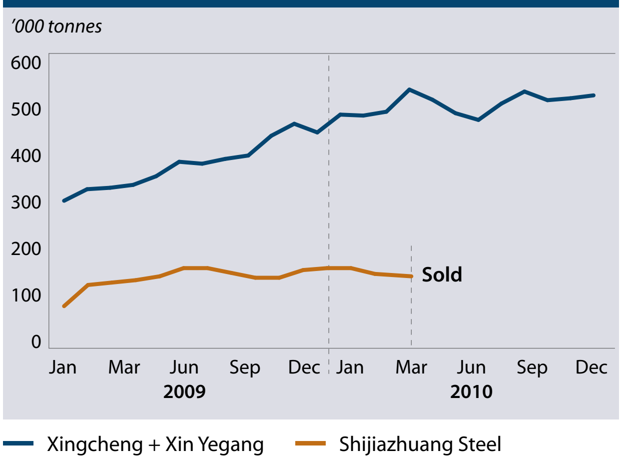
CITIC Pacific Special Steel embarked on an expansion programme about three years ago, with the construction of a 3,200 cubic metre blast furnace, two 150-tonne converters and two special steel plate lines at Xingcheng Special Steel. This expansion will provide another three million tonnes per annum of special steel products to the plant. The new plate lines will further broaden Xingcheng's existing product portfolio. Construction of the 3500mm line was completed in the first half of 2010, and the 4300mm line is expected to be completed in the first half of 2011.

At Xin Yegang, a 1,780 cubic metre blast furnace and one 120-tonne converter are being constructed with completion expected in the middle of 2011. This will add one million tonnes of steel producing capacity to Xin Yegang, bringing its total annual special steel production capacity to three million tonnes.

Annual sales volume by product



Monthly sales volume



Products

Key products of CITIC Pacific Special Steel

Product	Sales ('000 tonnes)*	Market share 2010*	Market share 2009
Gear steel	860	32%	45%
Bearing steel	850	29%	42%
Alloy spring steel	390	23%	36%
Alloy structural steel	1,489	19%	23%
Seamless steel tubes	523	9%	6%

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

** Does not include Shijiazhuang Steel*

High value-added products with greater technology content command better prices and accounted for 37% of total production in 2010, as compared with 26% in 2009.

As plates are new to CITIC Pacific Steel, we are in the process of developing a customer base for these products and having them certified. Margins on plates are currently lower than those of more established bar products.

Customers

CITIC Pacific Special Steel's primary market is mainland China, where we had approximately 2,800 customers in 2010 compared with 3,500 customers in 2009. The change in the number of customers was primarily due to the sale of our interest in Shijiazhuang Steel. Our top ten customers accounted for approximately 16% of sales revenue in 2010, which reduces our reliance on

any one single customer, thereby minimising the potential impact on sales and profit.

In 2010, 71% of our products were sold directly to customers, a major characteristic of CITIC Pacific's special steel business. This provides more stability in terms of both volume and the price of products. It also enables us to understand the needs of our customers and the market better. For 2010, about 77% of sales of our bar products were to customers with whom we have long-term relationships.

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

Our products are sold to these industries

Industry	2010 sales ('000 tonnes)*	Percentage of total sales 2010*	2009
Auto components	2,115	34%	44%
Machinery manufacturing	1,025	17%	22%
Shipbuilding	677	11%	2%
Power generation	619	10%	7%
Oil and petrochemical	604	10%	5%
Metal works	570	9%	11%
Railway	156	3%	3%
Others	356	6%	6%
Total	**6,122**	**100%**	**100%**

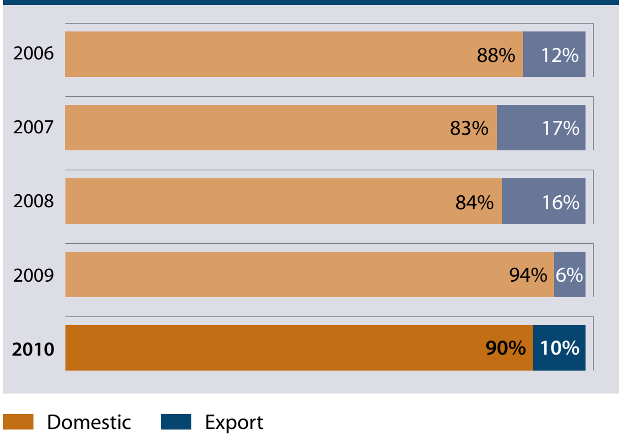
** Does not include Shijiazhuang Steel*

Auto components remain an important segment of our special steel business. Benefiting from the Chinese government's stimulus plan, auto sales increased significantly in 2009, which in turn pushed up demand for special steel. This trend continued into 2010.

In 2010, 34% of CITIC Pacific Special Steel's products were sold to auto component manufacturers. This compares with 44% in 2009. The change was due to the sale of Shijiazhuang Steel. In addition, our existing bar steel production lines were operating near full capacity, therefore, further production increase from these lines will be difficult. Many buyers of our products are producers affiliated with or contracted to manufacturers in the auto, machinery manufacturing, oil and petrochemical industries. Our end users include Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and SKF.

With the addition of our new special steel plate production lines, our customer mix will therefore change, and this is already taking place. In 2010, sales to the shipbuilding industry were 11% compared with 2% a year ago. For 2011, with the 3500mm special steel plate line entering regular production and the completion of the 4300mm line we will be able to develop new markets and expand into supplying the shipbuilding, machinery manufacturing, petrochemical and other specialised industries.

Domestic vs. export sales



Monthly export volume

Our products are exported to these regions and countries

Region/ country	Amount ('000 tonnes)	Percentage of total exports	Percentage change from 2009
Asia	410	68%	41%
Korea	*229*	*38%*	*97%*
India	*44*	*7%*	*44%*
Thailand	*28*	*5%*	*(38)%*
Indonesia	*28*	*5%*	*(26)%*
Others	*81*	*13%*	*33%*
Middle East & others	35	6%	46%
Americas	83	13%	190%
Europe	79	13%	67%
Total	**607**	**100%**	**51%**

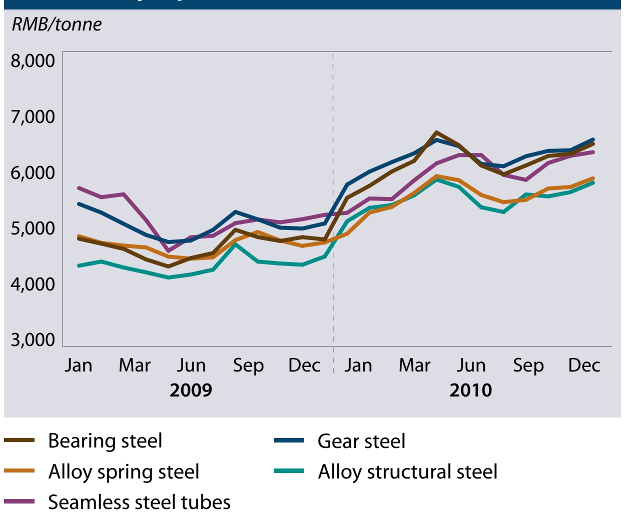
In 2010, demand for special steel in the overseas market improved, particularly in sectors such as the auto, heavy machinery and mining industries. At the same time, the increase in the price of raw materials drove up the price of our special steel products.

Product Pricing

Pricing of special steel products is mainly driven by two factors: demand and the cost of raw materials. As approximately 81% of our steel plants' production cost is raw materials, changes in the price of raw materials are a very important factor in determining the selling price of our products. Typically, at the end of each year agreements are reached with long-term customers on their annual volume requirements, and this makes up approximately 50% of our annual sales volume. Pricing is not fixed until firm orders are placed or before products are delivered, thus reflecting changes in the market and our production costs.

Historically, in a market where demand and supply are in balance increases in the price of raw materials can usually be absorbed by increasing the price of the products. But when market supply exceeds demand, it is difficult to raise the price of products even though the cost of raw materials has increased. Our steel plants, however, operate on the principle of production based on orders. The short product delivery time to a certain degree reduces the impact brought about by increases in the cost of raw materials and changes in the market.

Price of major products

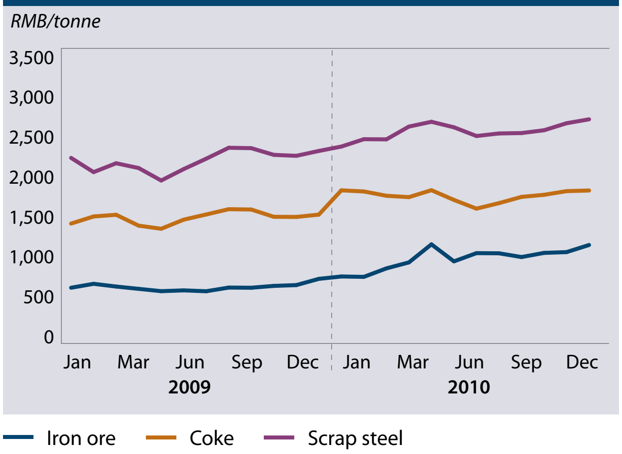


Raw Materials

Major raw materials used

Type	2010 ('000 tonnes)	Percentage of total raw material cost	Percentage of production cost
Iron ore	8,790	33%	29%
Coal	4,160	19%	17%
Scrap steel	1,660	17%	15%
Coke	1,170	9%	8%
Alloy	240	13%	12%
Total	**16,070**	**91%**	**81%**

Price of major raw materials



Iron Ore

Country	Percentage of total	Main suppliers
Australia	43%	Hamersley
China	21%	Mines in Northeast China and Hebei Province
Brazil	16%	Vale
India	3%	Noble
Others	17%	Asia Energy, Minmetals, Mineral Enterprises

Of the total 8.8 million tonnes of iron ore purchased in 2010, approximately 45% was sourced through supply contracts. The rest was purchased on the spot market. The change in the conventional annual iron ore pricing system to quarterly pricing in 2010 meant that contract iron ore pricing is edging closer to spot market pricing, which makes it more difficult for steel plants to manage their input costs.

When CITIC Pacific's iron ore mine in Australia is in full production, it will be able to meet our need for high quality concentrates.

Coking Coal

In 2010, approximately half of CITIC Pacific Special Steel's requirement was met by our own coking coal plants and the rest from other domestic Chinese producers.

Scrap Steel

In 2010, 98% of the scrap steel used was sourced domestically, with only 2% from overseas.

Alloy

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

The Environment

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

- Our energy controlling centre is responsible for managing energy usage by both steel plants, and planning for and dealing with contingencies. The centre helps reduce energy consumption by lowering the gas and oxygen releasing rate, while increasing the water recycling rate.
- Our research centre for energy conservation and emission reduction works closely with universities and research institutes in China to jointly develop new methods and new technology to improve existing production techniques.
- We treat pollutants discharged from the production process, such as fumes and dust, and recycle and treat waste water, gas and other waste residuals. The methods used are shown in the table below:

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

Health and Safety

Creating a safe and healthy working environment for employees is one of the top priorities for the management of our steel plants. It is also important for employees to comply fully with the comprehensive management and operation regulations at the plants.

At CITIC Pacific, each steel plant has secured official certification from the central government for its occupational health and safety management system and has implemented various management systems to specify the responsibilities of management and production lines at every level. Employees have received guidance and manuals on safety and health and are required to comply with relevant regulations and procedures. Every year, Safety Production Month Activities provide specific learning content for employees. In 2010, we organised seminars on gas safety and protection, a conference for the distribution of the corporate safety manual, a case analysis on specific accidents and a touring photo exhibition on production safety. All these activities were conducted to make sure employees have a clear understanding of the safety and health regulations at the plants. Management also promotes a culture in which employees are actively involved in safety awareness, and the company frequently reviews its comprehensive emergency response system.

In addition to creating a safe and healthy working environment, every steel plant regularly holds various kinds of recreational activities and cultural events with the aim of creating a collegial atmosphere at the plant, improving physical fitness and providing culture enrichment for our staff.

The effectiveness of senior managers in promoting health and safety is one of the most important measures of their performance.

Facts and Statistics

CITIC Pacific Special Steel

CITIC Pacific Special Steel is the largest manufacturer dedicated to the production of special steel in China with two operating steel plants – Xingcheng Special Steel and Xin Yegang. Through expansion, the company's annual steel producing capacity increased to eight million tonnes at the end of 2010. This will grow to nine million tonnes by the end of 2011.

The two steel plants are ideally located to cover the main markets for special steel in eastern and central China. Major products include the following categories: bar steel, wire steel, mid to thick wall seamless steel tubes, special steel plates and special forging steel. These are widely used in various industries, including auto components, machinery manufacturing, oil and petrochemicals, transportation, energy, railways and shipbuilding.

What Is Special Steel?

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

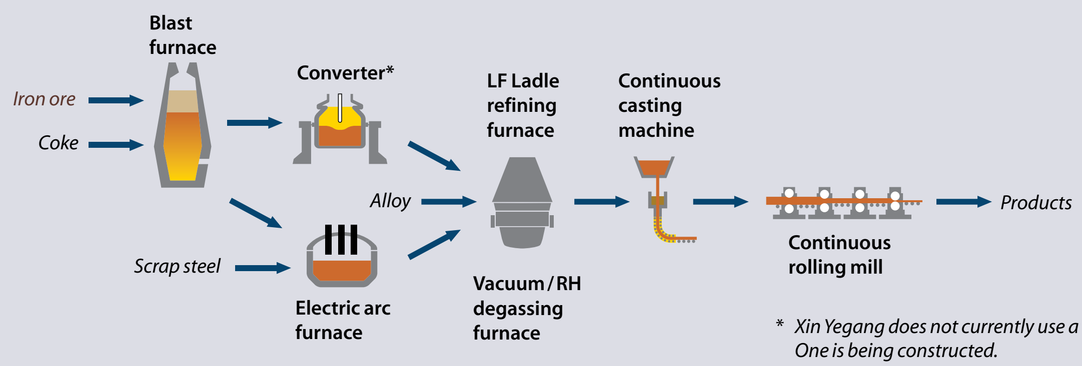
Industries and major products used

	Applied industries	Products	Practical example
Special Steel	Auto components	Gear steel, bearing steel, spring steel, alloy structural steel	Transmission gears, bearings, crankshafts, connection rods, transmitting shafts
	Machinery manufacturing	Alloy structural steel, carbon structural steel	Oil cylinder pipes for engineering machinery, hydraulic props support for coal mining machinery
	Metalwork	Tyre cord steel, steel for standard parts	Radial tyres, standard bolt parts
	Power generation	High pressure tube billet, casting round tube billet	High pressure boiler tubes, wind power ring parts
	Oil & petrochemicals	Seamless steel tubes for pressure vessels, medium-heavy plate pipeline steel	Drill collars, casing couplings, oil and gas transport pipelines, off-shore drilling platforms
	Railways	Spring steel, carbonisation bearing steel	Locomotive springs, bogies, wheels, fasteners, bearings
	Shipbuilding	Anchor chain steel, high strength plates	Anchor chains, decks

Special Steel Production Process

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

Special steel manufacturing process



* *Xin Yegang does not currently use a converter. One is being constructed.*

Xingcheng Special Steel

www.jyxc.com

Owned by CITIC Pacific since November 1993, Xingcheng Special Steel is located in Jiangsu Province in the eastern part of China and is a leading manufacturer of special steel in the country. Total annual steel producing capacity reached six million tonnes by the end of 2010. Its main products include bearing steel, gear steel, spring steel and special steel plates. These products are used in industries such as auto components, machinery manufacturing, energy and shipbuilding. Customers include Toyota, Honda, General Motors, Volkswagen and Citroën. Xingcheng Special Steel is also the first and only plant in China capable of producing casting round tube billet with a diameter of 900mm for use in machinery manufacturing.

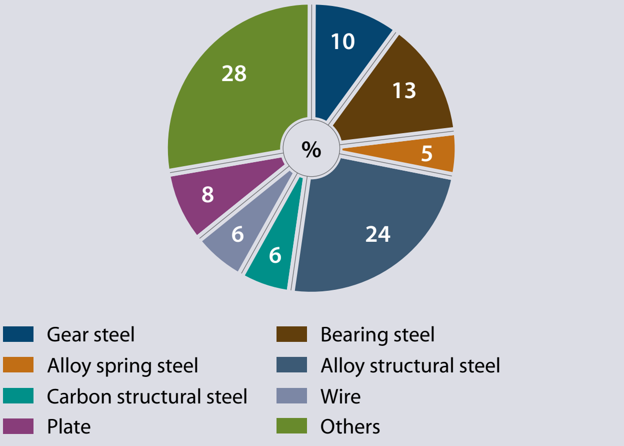
The plant embarked on an expansion programme three years ago with the construction of a 3,200 cubic metre blast furnace and two converters of 150 tonnes each, which provide another 3 million tonnes of steel to the plant. The 3500mm line was completed in the first half of 2010, and the 4300mm line is expected to be completed in the first half of 2011. Main products from these two lines include shipbuilding steel plate, engineering mechanism steel, petroleum pipeline steel and pressure vessel steel.

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

Production line	Design capacity ('000 tonne)	Product type
Phase I	1,650	Bar steel Wire steel Bright bar
Phase II (JV with Sumitomo Metals)	1,750	Bar (higher-end) Casting round tube billet
Phase III *3500mm plate line* *4300mm plate line**	2,600 *1,300* *1,300*	Special steel plates
Total	**6,000**	

** Under construction, with completion expected in the middle of 2011*

Xingcheng's products



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

Xin Yegang Steel

www.xinyegang.com

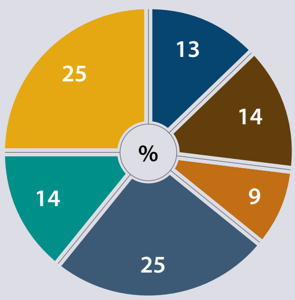
At the end of 2010, Xin Yegang had an annual special steel production capacity of two million tonnes, including the capacity of Daye Special Steel, an A-share listed company in which CITIC Pacific indirectly holds a 58% interest. Xin Yegang's products include bearing steel, gear steel, carbon structural steel, tool and die steel, anchor and mooring chain steel, high pressure boiler tube and seamless steel tubes. These products are used in the aviation, aerospace, petrochemical, engineering machinery, auto, military and new energy sectors.

A new 1,780 cubic metre blast furnace and a 120-tonne converter are being constructed, with completion expected in the middle of 2011, which will supply additional steel to the production lines. By the end of 2011, total annual special steel production capacity will reach three million tonnes.

Production line	Design capacity ('000 tonne)	Product type
Plant I, II and III	1,770	Bar and flat bar Bright bar
Seamless steel tubes	1,100	Seamless tube
Forging steel*	130	Tools and die steel, large modules
Total	**3,000**	

** Under construction, with completion expected in the middle of 2011*

Xin Yegang's products



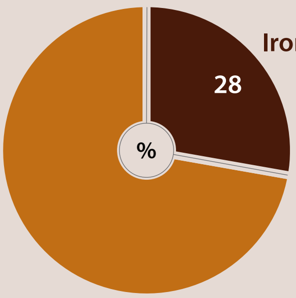
Xin Yegang is located in the city of Huangshi next to the Yangtze River, with two 5,000 tonne and one 10,000 tonne wharfs that provide annual transportation capacity of five million tonnes. In the future, CITIC Pacific's mini-cape sized ships will transport the iron ore from various sources to ports on the Yangtze River, where it will be transshipped to Xin Yegang and unloaded at its wharfs. As a result, transshipment costs should be reduced.

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

Iron Ore Mining

HK$ million	**2010**	2009	Change
Assets	**53,397**	36,026	48%
Iron ore mining	**48,922**	31,830	54%
Ships	**4,475**	4,196	7%
Liabilities	**38,678**	25,977	49%
Iron ore mining	**36,581**	23,885	53%
Ships	**2,097**	2,092	0%
Capital expenditure			
Iron ore mining	**17,635**	9,742	81%
Ships	**274**	291	(6)%

Assets



There has been steady progress on the Sino Iron project throughout the year, and all efforts remained focused on commissioning the first integrated production line. Construction activity continued at a solid pace with our employees, senior management and all construction contractors working diligently to reach the first production milestone.

While the main focus is on achieving production for the first mill line, planning continues in earnest to complete all six mill lines by the end of 2012. Throughout the year, equipment was manufactured in China and other parts of the world then shipped to site to allow remaining infrastructure to be completed. The power station is undergoing commissioning and the desalination plant is undergoing final site installation. Other infrastructure such as the first mill line and transshipment fleet is nearing the commissioning phase. In a competitive labour environment, the company's workforce and that of contractor companies continued to increase.

Progress

At a glance

Project area	Status
Mine development	More than 87 million tonnes of waste removed from mine pit About 830,000 tonnes of magnetite stockpiled
Concentrator	About 80% of concentrator civil works completed 4 of 12 grinding mills placed on foundations Thickeners installed as well as the magnetic separators for the first production line Tailing Storage Facility civil works finished 220KV power transmission line nearing completion
Power station	Gas pipeline and ancillary facilities commissioned GT1 undergoing commissioning
Port Area	Major earthworks completed Breakwater finished with Core-Loc units installed Stacker and reclaimer installation nearly completed Conveyor system undergoing installation Barge loader delivered
Desalination plant	All modules delivered to site from China and final onsite connections in process of being completed Seawater supply pipeline and return water pipeline nearing completion
Accommodation	Permanent village for 1,750 people built Total current accommodation for 3,750 people
Transportation/service corridors	All major roads and corridors finished

Mine Development

- *Mining infrastructure design, procurement and construction*
- *Crusher slots*
- *In-pit crushers*
- *Conveyor system*

More than 87 million tonnes of waste material has now been removed from the mine pit in order to access the magnetite ore body. This work was undertaken by a fleet of some of the biggest and most powerful heavy mining machinery available, maximising efficiency and lowering operating costs per tonne of ore mined. In addition to the waste material mined, about 830,000 tonnes of magnetite ore was mined and stockpiled for testing on the first grinding mill line. The first two of four crusher pocket slots are now in place, and the first in-pit crusher is being installed. These units are where the first or primary crushing of the ore will take place. Work on the conveyor system that will transport ore from the mine pit is well underway.

An updated five-year mining plan has been prepared and is continually updated. Geotechnical design issues such as dewatering and the mine pit boundary should be completed by June. The mine pit is being developed to make additional mining area for in-pit blending of the iron ore available. However, current capacity is sufficient to meet our required stripping and mining needs for 2011.

Concentrator

- *Grinding mills*
- *Concentrate thickener*
- *Slurry pipeline*
- *Dewatering plant*
- *Tailings storage facility*

The magnetite concentrator area is the project's centrepiece. It is now home to 4 of the 12 giant grinding mills that will transform millions of tonnes of crushed magnetite ore into a fine concentrate. The second set of mills – a ball mill and Autogenous Grinding (AG) mill – arrived from China in November. Developed by Chinese and Australian engineering and design teams, and built by CITIC Heavy Industries in Luoyang China, these enormous mills are the most powerful in the world. In a careful operation, the mills made the 30-kilometre journey from the port to the concentrator area before being placed on their foundations.

Other equipment that will work with the mills to separate the magnetite product, such as the cyclone and magnetic separator systems, were also completed. The Chinese-fabricated concentrate thickeners – the 45-metre diameter steel tank-like objects used to remove water and thicken the concentrate – were assembled on site. Once these are operational, thickened concentrate will be pumped through the 29-kilometre slurry pipeline, which is undergoing welding before being buried. The waste material or 'tailings' from processing will then be pumped via a pipeline to the Tailings Storage Facility. The civil works for this first stage of the tailings disposal infrastructure have been completed. At the Cape area, the dewatering plant's mechanical equipment is being installed. Its job is to reduce the concentrate's water content before the concentrated final product is stockpiled and shipped.

Power Station

- *Power station*
- *High voltage transmission lines*

The 450 megawatt gas fired power plant that will provide power to the project, especially the massive grinding mills, is in the process of being commissioned. The power station's energy efficiency is maximised as it is a combined cycle plant. This means the waste energy from the gas turbines is not lost through the generation process but instead converted into steam to power the steam turbines. Gas Turbine 1 is undergoing commissioning. Once the concentrator is finished, the power station's energy load can be utilised.

All but 2 of the 89 high voltage transmission towers have been erected to supply electricity to the port area, including the desalination plant, dewatering plant and other equipment.

In October, CITIC Pacific Mining (CPM) terminated its contract with the Australian subsidiary of Austrian Energy and Environment (AE&E), the company managing the engineering, procurement and construction of the power station. This decision was taken because AE&E failed to meet its material obligations under its contract. Since that time, AE&E Australia has gone into administration. Following the contract termination, all of the sub-contractors employed under AE&E returned to work on the plant under new employment arrangements with CPM. In January, diversified services company UGL Limited was engaged to manage the remaining construction and commissioning of the power station together with any residual engineering.

Port

- *Bulk earthworks for Cape area*
- *Breakwater*
- *Port stockyard and conveyor system*
- *Transshipment fleet*

The coastal element of the Sino Iron project was completed during the year with the finalisation of the major earthworks and the construction of several major pieces of infrastructure. Construction of the 2.6-kilometre port breakwater was finished with the placement of 3.6 million cubic metres of rock and 10,500 individual Core-Loc armour units. These units are designed to form an armour barrier to protect the breakwater from the impact of the ocean, especially in the event of a cyclone. The completion of the breakwater and the associated off-loading facilities also allows the delivery of key infrastructure modules directly to site. Construction was almost completed on the project's concentrate stacker, the giant apparatus for stockpiling the concentrate once it reaches the port, as well as the reclaimer, a machine with 10 big buckets attached to a wheel that scoops ore from the product stockpile.

From the stockpiles, concentrate will be moved along the breakwater by conveyor, the foundations of which are now being laid. The conveyor will deliver material to barges moored within the breakwater. Once loaded, the barges will be towed by tugs about 20 kilometres offshore where two massive transshippers will transfer concentrate from barges to CITIC Pacific's own purpose-built vessels. In January, CITIC Pacific took delivery of the first of its twelve 115,000 tonne vessels, which will be used to transport the concentrate from Cape Preston to the company's steel mills in China.

Desalination Plant

- *Desalination plant*
- *Water and return water pipeline*

Final installation work is occurring on the 51-gigalitre desalination plant, which arrived at the port from China in massive pre-assembled modules. The desalination plant will supply water for a variety of uses, including the production and subsequent transportation of concentrate product along the 29-kilometre slurry pipeline. Because of the scarcity of water in the Pilbara region, most of the water will be re-used, which is both efficient and environmentally beneficial. Water recovered from the dewatering process at the port will be diverted back to the concentrator area via a return water pipeline that is under installation.

Accommodation

- *Eramurra Village*
- *123 Village*
- *Fortescue River Village*

A total of 3,750 beds is now available on site spread across three villages, including Eramurra Village which is a 1,750-person permanent village for CPM personnel who will reside on site once the project is in operation. The other two villages in use are Village 123 and the Fortescue River Village, which make up the remaining 2,000 beds. Village 124 – the project's original accommodation camp – has been decommissioned as it was within the area of development for the mine pit.

Transportation and Service Corridors

- *East-West Road*

The East-West road was officially opened during the year, providing an essential road link between the North West Coastal Highway and the mine site.

People

The number of construction employees on site has continued to grow over the past 12 months. There are now more than 3,500 contractor employees involved in building the project, most of whom reside on site on a fly-in fly-out basis. CITIC Pacific Mining directly employs about 650 people. The Western Australian job market is expected to be extremely competitive throughout 2011, and a national advertising recruitment campaign is continuing to ensure the highest calibre employees are attracted to the project. Employees are the greatest asset of the company, and retaining them is of critical importance to management.

Safety

The project has continued to improve in the area of safety. In the last two quarters of 2010, there was a significant reduction in our Recordable Case Frequency Rate (RCFR), which is broadly accepted as the best measure of safety performance in the Australian resources industry. Much of this aligns with a new push on safety management and better integration between CPM and its business partners. CPM continues to strengthen its team responsible for safety across the projects and operations sections.

With the introduction of a Safety Trainer and the implementation of a formalised practical permit-to-work system, there have been improvements in the way tasks are managed. Training will be a key focus as we continue working to improve our safety performance.

Environment

During the year, we continued to monitor the environment in accordance with our project's environmental approvals. Monitoring of groundwater, corals, turtles, shore birds, dust, noise, coastal stability and mangroves has shown results in accordance with our approvals. We have also undergone regulatory site audits by key state government agencies with no significant project risks identified. Our Environmental Management Systems and rehabilitation plans continued to evolve and improve in preparedness for first production.

To help preserve the local environment surrounding the project and inform employees and contractors of their responsibilities, CPM is working with non-profit organisation Leave No Trace to develop a Workforce Recreation Management Plan. Once implemented, this plan will require all employees and contractors to undertake education on protecting the environment.

Heritage

Throughout 2010, the heritage team undertook a number of archaeological and ethnographic surveys across the project site and gained all relevant Ministerial approvals to clear and develop the land. This, along with the salvage and relocation of heritage material, enabled us to gain access to remaining areas so that construction could progress unimpeded. The current focus is on annual compliance with the Aboriginal Heritage Act and Ministerial conditions. The team also fulfilled obligations under our Indigenous Land Access Agreements to ensure relationships remain strong with the indigenous people where our project operates.

Minerals Resource Rent Tax (MRRT)

In 2010, the Australian Government announced it would seek to introduce a Resource Super Profits Tax (RSPT) aimed at returning to Australian taxpayers a greater share of Australia's extracted mineral wealth. In July, under new Prime Minister Julia Gillard, the RSPT was abandoned in favour of a Minerals Resource Rent Tax (MRRT) to come into effect on 1 July 2012. It is planned to apply to iron ore and coal.

The Government established a Policy Transition Group (PTG) to consult with industry on the detailed design of the tax. CPM attended consultation sessions with the PTG on its own and in conjunction with the Magnetite Network (MagNet) industry group. CPM also provided a detailed written submission outlining our deep concerns and calling for magnetite to be excluded from the proposed tax.

In December 2010, the PTG released its report to government, recommending that magnetite be included in the MRRT. CPM will continue to advocate exclusion of magnetite from the draft MRRT legislation, expected in 2011. However if magnetite is included, CPM will seek to ensure that the very low value of unprocessed magnetite is recognised in the MRRT valuation method.

Carbon Emissions

On 24 February 2011, the Federal Government announced plans to introduce a fixed price on carbon from 1 July 2012, before transitioning to an emissions trading scheme in three to five years. The government is yet to announce the starting carbon price or industry assistance measures. This has the potential to negatively affect the project if the government's ultimate policy does not recognise the significant

greenhouse benefits of magnetite production compared to other forms of iron ore. We will continue to lobby the government strongly to explain the environmental benefits of magnetite in the global iron and steelmaking process. In addition to explaining our lower greenhouse emission benefits, we will also demonstrate our continuous efforts to minimise our broader environmental footprint.

Community and Partnerships

CPM is committed to being a good corporate citizen and providing long lasting benefits to the communities in which it operates. In 2010, it continued to partner with not-for-profit organisations to deliver quality community programmes in the arts, indigenous capacity building, education, environment and health.

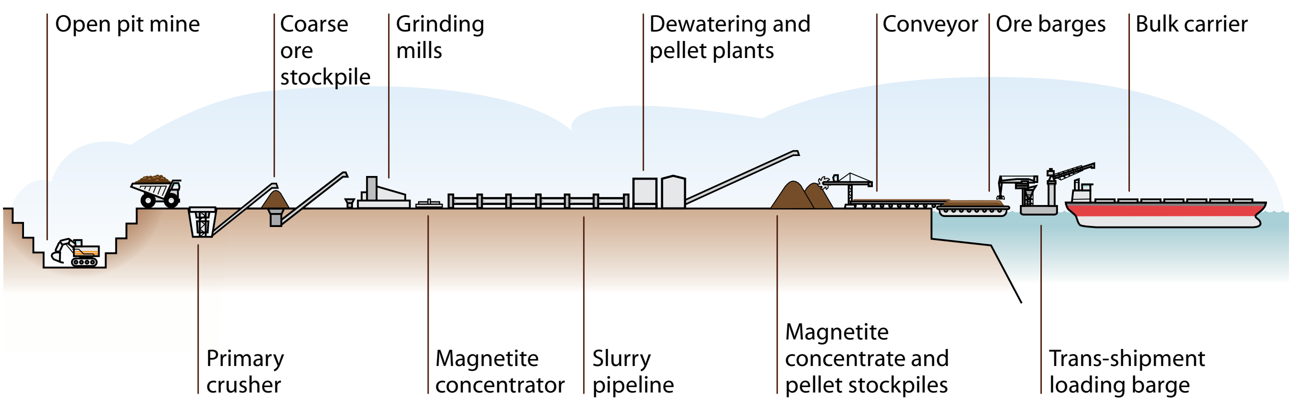
Most recently, CPM has joined with KULCHA Multicultural Arts of Western Australia in a three-year corporate partnership to promote cultural diversity through the arts. KULCHA works with musicians, dancers, visual artists and performers from many different cultures to enhance the vibrancy of Western Australia and offers multicultural arts events and activities that enrich the lives of many people. KULCHA's celebration of a wide range of cultures is important to CPM, which actively embraces cultural diversity. The partnership will promote the growing diversity in our society and encourage greater social inclusion, cultural appreciation, respect and harmony in the community. Under the arrangement, a number of events will be held to recognise important Chinese cultural events such as Chinese New Year.

CPM's commitment to the local Aboriginal Traditional Owner groups in the Cape Preston area has seen continuing work in implementing training, employment, business and community development programmes. CPM's work with these three groups includes the implementation of Work Ready programmes, training and employment programmes. In addition, the company has developed a partnership with the Many Rivers Opportunities organisation to provide small business development support to local indigenous people. CPM continues its successful involvement with the Clontarf Foundation, which uses Australian Rules Football as an incentive to help young Aboriginal men in areas of personal development, education and employment.

Looking Ahead to First Production

The size and complexity of the project, together with the large number of diverse contractors, will always present challenges. However, the combined experience of our committed employees, contractors and

Magnetite process flowchart

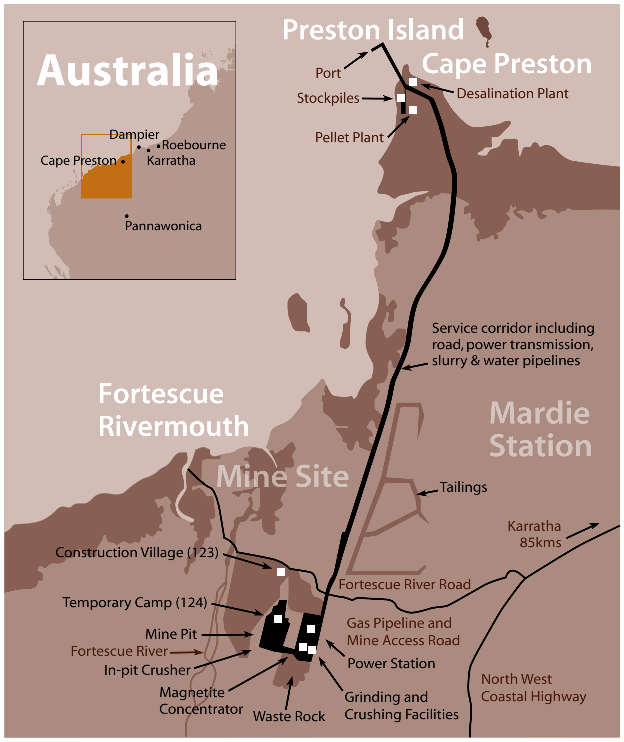


internationally-experienced management team is placing us in an optimal position to ensure the successful start of operations. The target for the completion of the first production line will be followed by the on-going production ramp-up of subsequent mill lines.

The past year has witnessed some issues on the manufacture of component parts in China, specifically e-houses, which provide power to the different parts of the project. Delivery of these vitally important components was delayed due primarily to design changes on some units, which affected their manufacturing schedule. Importantly, all e-houses relating to Mill Line One are expected to be installed by the end of July 2011.

To achieve commissioning on schedule, the project will need to ensure that the highest quality employees remain employed on the project. This is a challenge given the project's significant personnel requirements and the fiercely competitive labour environment facing Western Australian resources projects. A continuing increase in the number of resources projects coming on line has led to dire predictions about shortfalls of available labour to service the demand. To ensure we have the best chance of meeting our large workforce needs, our national recruitment campaign will aim to attract and retain employees of the highest calibre.

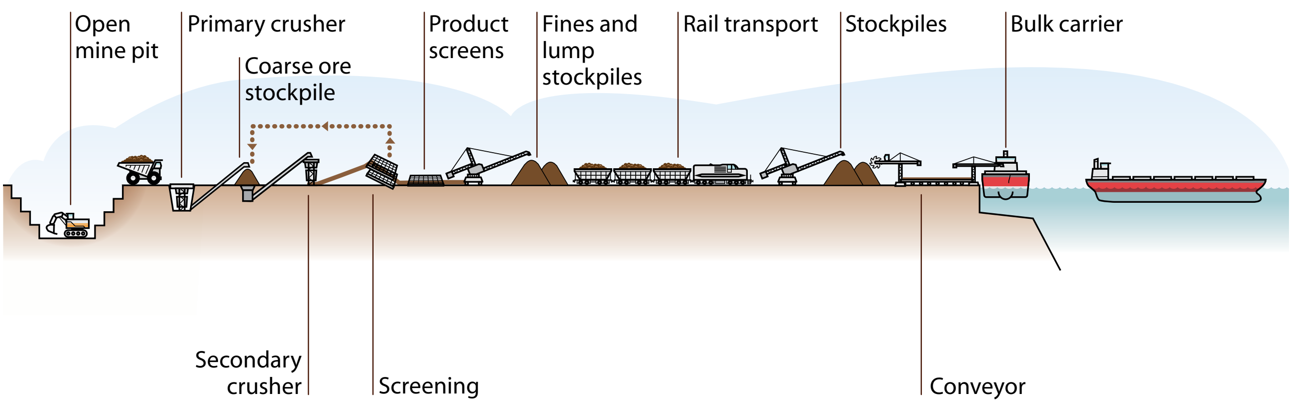
Facts



Project Overview

The Sino Iron project is being developed by CITIC Pacific Mining, a wholly-owned subsidiary of CITIC Pacific. It is located at Cape Preston, 100 kilometres southwest of Karratha on the coast of Western Australia's North Western region of the Pilbara.

Haematite process flowchart



The Sino Iron project will mine magnetite iron ore rather than the haematite iron ore that is traditionally mined in Western Australia. Magnetite requires significant processing before it can be exported for use in the steelmaking process, where it is a desirable quality product for steel mills, including those of CITIC Pacific in China.

CITIC Pacific has rights to extract two billion tonnes of magnetite resources from its mine at Cape Preston, which has a mine life of 25 years. There will be six production lines with a total designed production capacity of 24 million tonnes a year. Actual production volume will depend on the characteristics of the rocks being mined. Contractually, no more than 27.6 million tonnes can be exported annually. The company also has rights to acquire an additional four billion tonnes of magnetite resource.

Because of the onshore downstream processing required prior to export of magnetite, the project features significant investment in dedicated infrastructure, including concentrate processing, pelletising, a 51 gigalitre desalination plant and new port facility, as well as a 450 MW combined cycle gas fired power station.

CPM is headquartered in Perth and has a representative office in Beijing. At peak construction, about 4,000 people will be employed on the project, most of them living on site. When the mine is in operation, we will employ more than 800 people.

Key Contractors

Mobile equipment	Bacyrus
Desalination plant	IDE Technologies; PJOE; UGL Limited
Grinding mills	CITIC Heavy Industries
Stackers, reclaimers	Dalian Heavy Industries; ThyssenKrupp
Power station	New contractor to be appointed
Crushers	ThyssenKrupp
Dewatering Plant	Metso

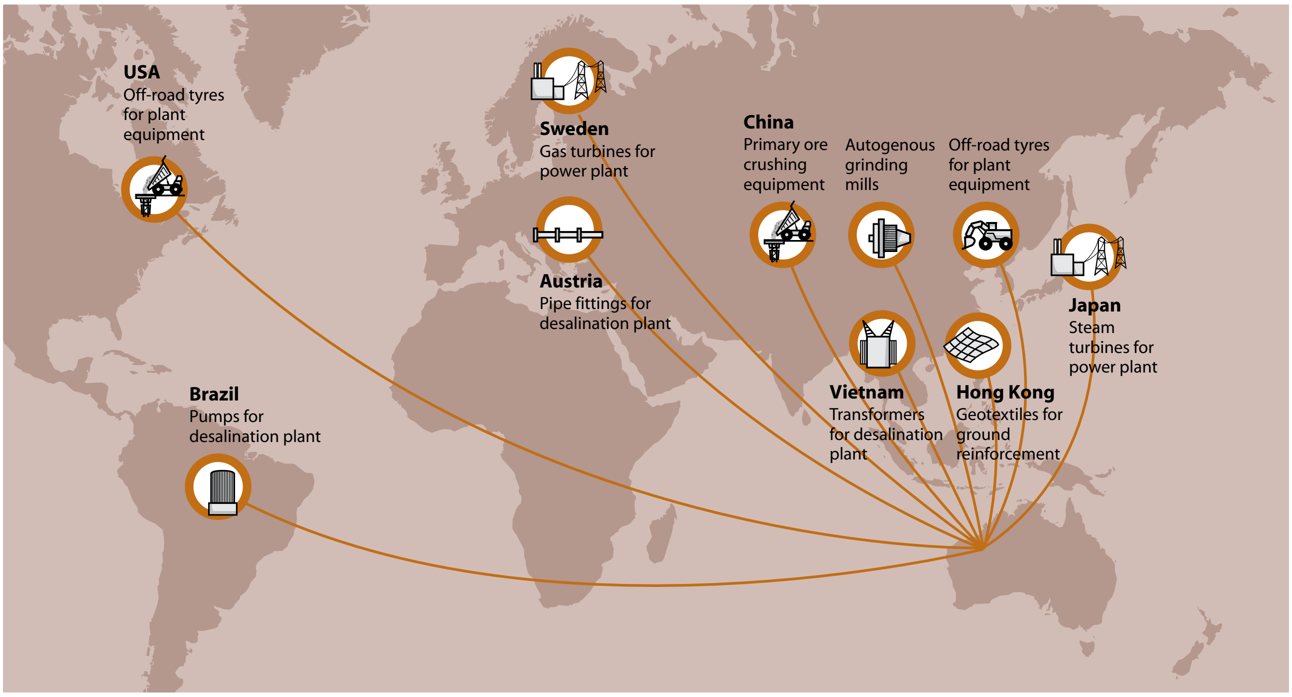
Products

The Sino Iron project will help satisfy demand from China's steelmaking industry by providing a reliable source of high quality iron concentrate. The products from the Sino Iron project will not only be used in CITIC Pacific's special steel mills in China, but also in other Chinese steel mills. One of the advantages of magnetite concentrate is its high iron content and low impurities compared to traditional iron ore products. Our research and marketing has shown this product will be strongly welcomed by Chinese steel mills. Subject to final plant design, the concentrate is expected to have an iron content of about 67 per cent.

Mineral Resource Estimate

CPM currently has rights to mine two billion tonnes of magnetite ore. The latest mineral resource estimation has identified resources in excess of two billion tonnes. This will allow the most efficient extraction of the highest quality material. This information would also be used in considering whether further mining rights are exercised in the future. CPM has rights to acquire an additional four billion tonnes of magnetite ore.

Global procurement



Total Joffre resource

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

Note: 'Mineral Resource' estimates are based on assay data from drill holes at 19 April 2010. Model released by Golder Associates in October 2010. A 'Mineral Resource' is a concentration or occurrence of material of economic interest in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. 'Joffre' is a member of the Brockman Iron Formation, the main ore body for the project. The MagFe cut-off grade is 17%.

* *The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves:*

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

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

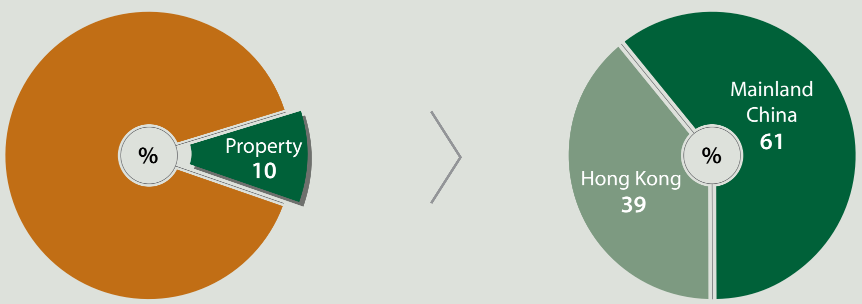
Inferred Mineral Resource
An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based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

Property

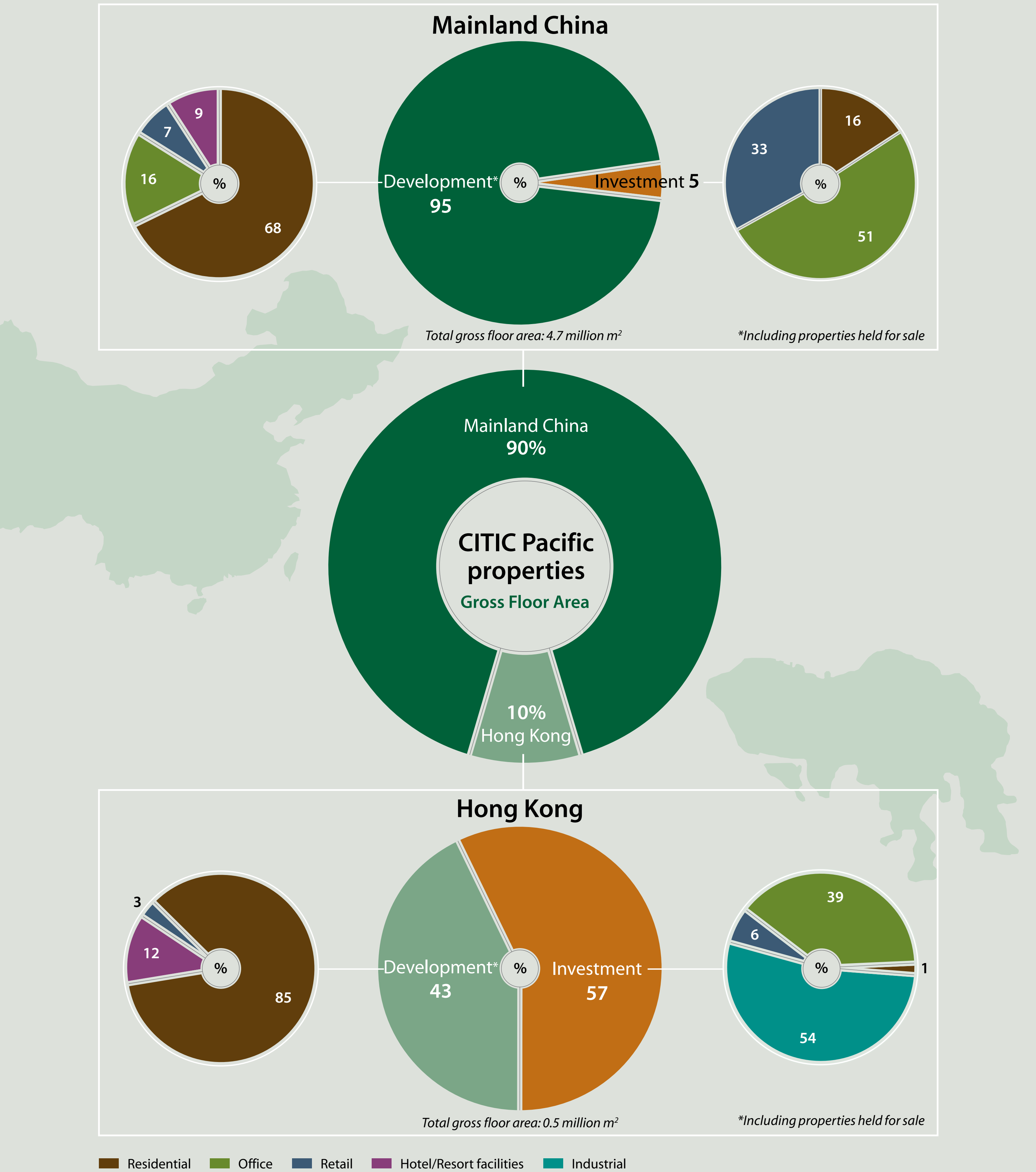
HK$ million	**2010**	2009	Change
Turnover	**4,049**	1,647	146%
Profit contribution			
Mainland China	**583**	524	11%
Hong Kong	**377**	397	(5)%
Assets			
Mainland China	**37,455**	29,728	26%
Hong Kong	**12,215**	11,093	10%
Liabilities			
Mainland China	**9,897**	7,158	38%
Hong Kong	**534**	473	13%
Cash inflow from operations	**5,602**	3,620	55%
Capital expenditure	**3,602**	3,381	7%

Assets

Profit contribution

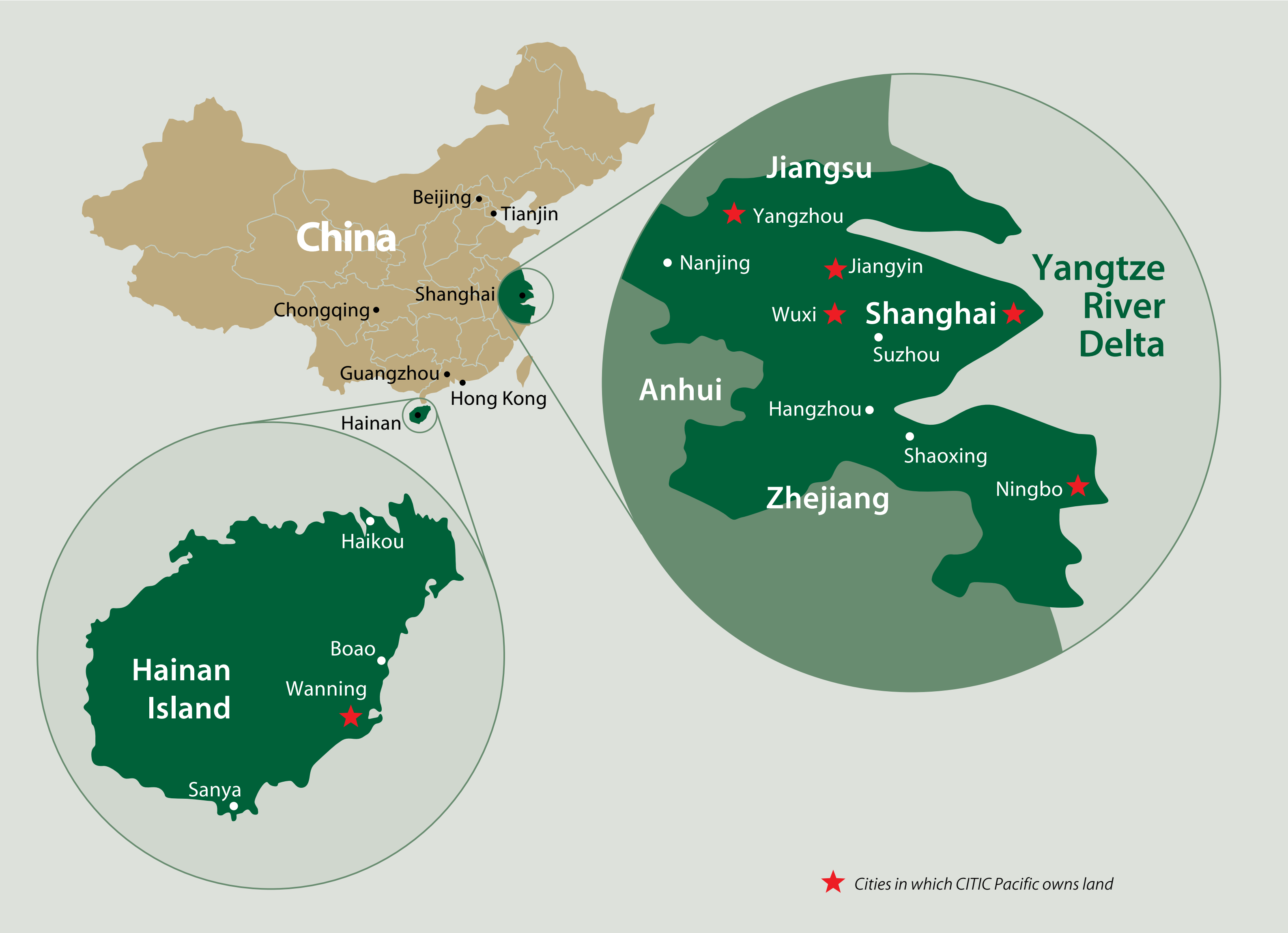


By gross floor area



Mainland China

- **Focus on Shanghai and major cities in the Yangtze River Delta area, as well as the Shenzhou Peninsula on Hainan Island**
- **Approximately 300,000 m^2 GFA sold in 2010**



Most of CITIC Pacific's properties are large-scale projects with excellent locations in mainland China. These include Shanghai's Lu Jia Zui New Financial District project, the Sichuan Beilu Station and The Centre in Jiading, which form part of the city's new railway transport system. Zhujiajiao New Town in Shanghai and Noble Manor in Yangzhou are large-scale residential developments offering comprehensive community facilities. Our Shenzhou Peninsula project on Hainan Island will benefit from the government's plan to promote the island as an international tourism destination.

In 2010, residential units from six property projects went on sale, including The Centre in Jiading, Zhujiajiao New Town in Shanghai, Noble Manor in Yangzhou, Taihu Jinyuan in Wuxi, Xingcheng Jinyuan in Jiangyin, and The Sunbury at the Shenzhou Peninsula project in Hainan.

Major Development Properties

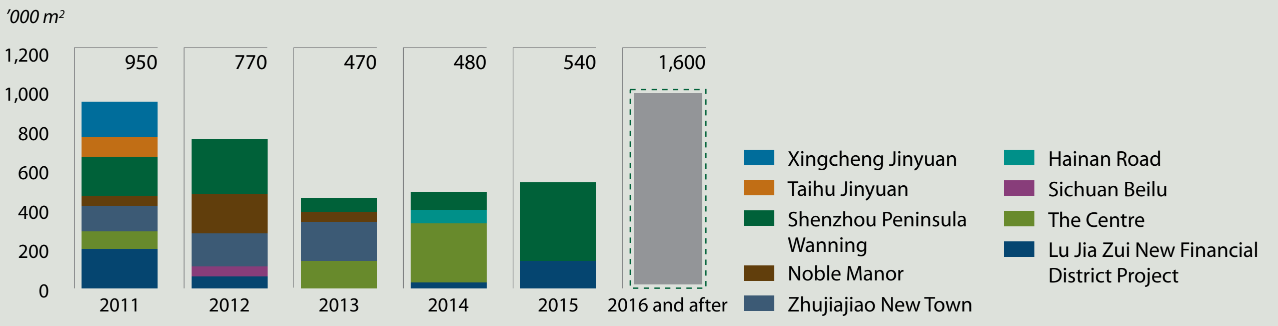
Project	Usage	Ownership	Approx. GFA* (m²)	Expected completion
Shanghai				
New Westgate Garden Phase II	Residential, retail	100%	137,000	2017
Zhujiajiao New Town, Qingpu	Residential, hotel, retail	100%	506,000	In phases from 2009 onwards (approx. 69,000 m² completed)
Lu Jia Zui New Financial District Project	Office, hotel, residential, retail	50%	647,000	In phases from January 2011 onwards (approx. 200,000 m² completed)
Site at Sichuan Beilu Station of Metro Line No. 10, Hongkou	Office, retail	100%	53,000	2011 to 2012
No.10, Hainan Rd., Hongkou	Office, retail	100%	66,000	2014
The Centre, Jiading	Office, hotel, residential, retail	100%	538,000	In phases from 2011 onwards
Jiangsu Province				
Noble Manor, Yangzhou	Residential, retail	100%	304,000	In phases from 2009 onwards (approx. 133,000 m² completed)
Xingcheng Jinyuan, Jiangyin	Retail	70%	18,000	In phases from January 2011 onwards (approx. 160,000 m² completed)
Taihu Jinyuan, Wuxi	Residential	70%	96,000	In phases from 2010 onwards (approx. 160,000 m² completed)
Hainan Island				
Shenzhou Peninsula, Wanning	Hotel, retail, residential	80% – 99.9%†	2,084,000	In phases from 2011 onwards
Total			**4,449,000**	

Figures are as of the end of January 2011

** GFA = gross floor area, i.e. the total area of permitted construction above ground. Completed GFA was deducted from the above table.*

† As per the cooperative agreement, the profit after deduction of development cost will be distributed 80:20 between CITIC Pacific and our partner.

Projected completion schedule



The Centre, Jiading *100% owned*

Site area	**156,000 m²**
Gross floor area	**538,000 m²** **Phase I – approx. 93,000 m²** **Other phases – approx. 445,000 m²**
Usage	**Office, retail, hotel and residential**
Expected completion	**In phases from 2011 onwards**
Current Status	**Construction in progress**

Located in northwest Shanghai, Jiading District is the gateway to neighbouring economic regions such as Suzhou, Kunshan and Taicang in Jiangsu Province. As the first satellite city of Shanghai, Jiading is well known as a base for the science and automobile industries. This project is situated above the Jiading New City Station of the new Metro Line No.11, which started operation in April 2010 and provides convenient transportation links between Jiading, Putuo, Changning, Xuhui and Pudong New District.

The development will be integrated with a transport interchange incorporating the city's metro lines and other public transport under a comprehensive plan providing residential districts, business centres, sports and recreational facilities as well as scientific research districts in the surrounding area.

The first phase of the residential towers has been topped out, and completion is scheduled for the end of 2011.

Since commencement of pre-sales in July 2010 and up to the end of December 2010, 724 residential units (64,200 m² GFA) were sold at an average selling price of RMB13,200/m².

Zhujiajiao New Town, Qingpu *100% owned*

Site area	**796,800 m²**
Gross floor area	**575,000 m²**
Completed	**69,000 m² (GFA)**
Usage	**Low density residential, retail and hotel**
Expected completion	**In phases from 2009 onwards**

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

Next to scenic Dadian and Dianshan lakes, the Zhujiajiao New Town will take full advantage of the cultural traditions and history of the area, creating a unique living environment in the core district of Zhujiajiao.

In 2010, 414 residential units (42,500 m² GFA) were sold, of which 375 units were apartments and the remainder were low-rise houses with average selling prices of RMB12,700/m² and RMB15,000/m² respectively.

Sichuan Beilu Station of Metro Line No. 10 Project, Hongkou *100% owned*

Site area	**13,300 m²**
Gross floor area	**53,000 m²**
Usage	**Office and retail**
Expected completion	**2011 to 2012**
Current Status	**Superstructure construction in progress**

The site is situated above the Sichuan Beilu Metro Station of Metro Line No. 10, which has been in operation since mid-2010. The project, comprising office and retail space with a retail basement connected to the Metro Station, will benefit from the pedestrian flow generated by the metro line and the overall geographical advantages offered by Hongkou.

No. 10, Hainan Road Project, Hongkou

100% owned

Site area	**16,400 m²**
Gross floor area	**66,000 m²**
Usage	**Office and retail**
Expected completion	**2014**
Current Status	**Design in progress**

Acquired in December 2007, the site is situated on the east side of our Sichuan Beilu Station project. It will be designed and developed into a high-end commercial centre for office, shopping and leisure activities.

New Westgate Garden *100% owned*

Phase II

Site area	**35,300 m²**
Gross floor area	**Approx. 137,000 m² (subject to government authority approval)**
Usage	**Residential and retail**
Expected completion	**2017**
Current Status	**Re-settlement in progress**

Located in the Huangpu District of Shanghai at Xizang Nanlu and Jianguo Donglu roads, this premium residential development is within walking distance of the Lao Xi Men subway station on Metro Line No. 8. It comprises residential towers and retail shops with a basement car park.

Lu Jia Zui New Financial District Project

50% owned

Site area	**249,400 m²**
Gross floor area	**847,000 m²**
Completed	**200,000 m² (GFA)**
Usage	**Office, hotel, residential and retail**
Expected completion	**In phases from January 2011 onwards**

The site of the Lu Jia Zui New Financial District project, previously used as a shipyard by Shanghai Shipyard Co., is the last prime development area on the south shore of the Huangpu River in central Shanghai. Jointly developed by CITIC Pacific and the China State Shipbuilding Corporation, this project will comprise Grade A office buildings, retail premises, apartments and a hotel. With riverside views and convenient transport links, it is being developed in phases under a comprehensive master plan. The project has already become a prominent landmark in the Lu Jia Zui Financial District along the Huangpu River.

Phase I comprises two Grade A office buildings and a five star hotel with serviced apartments, which will be managed by the Mandarin Oriental Hotel Group. The two office towers, which are being fitted out, have been sold to China Construction Bank and Agricultural Bank of China as their Shanghai headquarters. Handover to the bank is expected to be within 2011.

Phase II, which will comprise a Grade A office building, is under design development.

ZHEJIANG PROVINCE

Pacific Plaza, Ningbo *100% owned*

Site area	**39,500 m²**
Gross floor area	**98,000 m²**
Completed	**98,000 m² (GFA)**
Usage	**Office and retail**
Completion	**October 2009**
Current Status	**Sale and leasing underway**

Pacific Plaza is located in Jiangdong District of Ningbo, the economic provincial capital of Zhejiang Province. The site is close to Ningbo Eastern New City, the future political and economic heart of Ningbo. Pacific Plaza comprises two Grade A office towers and a shopping mall. Strata-title sales of one office tower and leasing of another office tower and its retail podium are currently underway.

Up to the end of December 2010, the shopping mall (approx. 27,000 m² GFA) and 91% of the office space (approx. 18,300 m² GFA) had been sold.

JIANGSU PROVINCE

Noble Manor, Yangzhou *100% owned*

Site area	**328,600 m²**
Gross floor area	**437,000 m²**
Completed	**133,000 m² (GFA)**
Usage	**Residential and retail**
Expected completion	**In phases from 2009 onwards**

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

In 2010, 481 residential units (69,000 m² GFA) were sold with an average selling price of RMB8,000/m²

JIANGSU PROVINCE

Taihu Jinyuan, Wuxi *70% owned*

Site area	**1,479,000 m²**
Gross floor area	**256,000 m²**
Completed	**160,000 m² (GFA)**
Usage	**Residential and retail**
Expected completion	**In phases from 2010 onwards**

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

In 2010, 232 residential units (36,000 m² GFA) were sold, of which 226 units were apartments and the remainder were low-rise houses with average selling prices of RMB14,600/m² and RMB46,800/m² respectively.

JIANGSU PROVINCE

Xingcheng Jinyuan, Jiangyin *70% owned*

Site area	**91,300 m²**
Gross floor area	**178,000 m²**
Completed	**160,000 m² (GFA)**
Usage	**Residential and retail**
Expected completion	**In phases from January 2011 onwards**

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

In 2010, 191 residential units (31,300 m² GFA) were sold with an average selling price of RMB10,500/m². The apartment buildings have been completed and are being handed over to purchasers. The construction of the retail portion is expected to be completed in 2011.

HAINAN PROVINCE

Shenzhou Peninsula, Wanning

80% - 99.9% owned

Site area	**7,419,900 m²**
Gross floor area	**2,084,000 m²**
Usage	**Residential, hotel, retail and recreation**
Expected completion	**In phases from 2011 onwards**
Current Status	**Phase I development is well underway Design of Phase II development is underway**

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

The project will also benefit from the newly completed express railway line running along the east coast of Hainan Island connecting the cities of Haikou and Sanya. This railway has a station at Wanning city located approximately six kilometres from the Shenzhou Peninsula site, further improving its accessibility from the international airports of Haikou and Sanya. This new express railway commenced operation on 30 December 2010.

The construction of roads and bridges is substantially completed, and interior fitting out of the two hotels is in progress. The hotels, which will be managed and operated by Starwood Hotels Group as 'Sheraton Shenzhou Peninsula Resort' and 'Four Points By Sheraton Shenzhou Peninsula', are scheduled to open around the middle of 2011. The superstructure of a residential project, The Sunbury, has been finished, with completion scheduled for the second half of 2011. Pre-sales, which began in October 2010, have made satisfactory progress.

In 2010, 181 apartment units (21,000 m² GFA) were sold with an average selling price of RMB15,400/m².

Sales Progress of Residential Projects

Project	Approx. GFA (m^2)	Sales launched	Available for sale (units & GFA)	Sold (up to end January 2011) %=sold/available	Average selling price (RMB/m^2)
Zhujiajiao New Town, Qingpu	575,000	In phases from September 2007	1,206 units (138,000 m^2)	990 units (110,000 m^2) (80%)	10,400 (apartment) 14,500 (low-rise house)
The Centre, Jiading	538,000	In phases from July 2010	921 units (87,000 m^2)	823 units (75,000 m^2) (86%)	13,500 (apartment)
Noble Manor, Yangzhou	437,000	In phases from September 2007	1,538 units (194,000 m^2)	1,510 units (191,000 m^2) (98%)	6,700 (apartment)
Taihu Jinyuan, Wuxi	256,000	In phases from May 2009	923 units (163,000 m^2)	618 units (108,000 m^2) (66%)	13,500 (apartment) 31,800 (low-rise house)
Xingcheng Jinyuan, Jiangyin	178,000	In phases from December 2008	928 units (149,000 m^2)	918 units (146,000 m^2) (98%)	8,900 (apartment)
Shenzhou Peninsula, Wanning	2,084,000	In phases from October 2010	445 units (52,000 m^2)	264 units (31,000 m^2) (59%)	15,900 (apartment)
Total			**5,961 units (783,000 m^2)**	**5,123 units (661,000 m^2)**	

Investment Properties

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

CITIC Pacific's investment properties in mainland China continue to enjoy steady rental income, with an overall occupancy of about 85% as of the end of 2010, when the occupancy rate of Pacific Plaza in Ningbo (completed at the end of 2009) gradually improved. The main contribution of rental income came from CITIC Square, located at Nanjing Xilu, Shanghai, with an occupancy rate of nearly 100%.

Hong Kong

- **Continued development of 216,000 m² of gross floor area in Discovery Bay.**
- **Major investment properties include CITIC Tower (the Group's headquarters) and DCH Commercial Centre. The portfolio enjoys a stable rental income with an overall average occupancy of approximately 88% as of the end of 2010.**

Development Properties

Discovery Bay

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

The current Yi Pak Bay development is located in the northern part of Discovery Bay. Covering a gross floor area of approximately 141,000 m², it has been developed into low-rise and mid-rise residential units at Siena One (Phase 11), Siena Two (Phase 12) and Chianti (Phase 13).

Construction of Phase 14 (a mid-rise development of approximately 16,000 m² GFA) and Phase 15 (a low-rise development of approximately 17,000 m² GFA) is in progress, with expected completion in the first quarter of 2011 with pre-sales in the same year. The interior fitting out of the hotel development (approximately 26,000 m² GFA) began in December 2010, and the hotel is expected to commence operation in 2012.

Investment Properties

Major properties	Usage	Ownership	Approx. GFA (m²)
CITIC Tower	Office, retail	40%	52,000
DCH Commercial Centre	Office, retail	100%	36,000
Wyler Centre I	Industrial	100%	37,000
CITIC Telecom Tower	Industrial	100%	21,000

Energy

HK$ million	**2010**	2009	Change
Profit contribution			
Power generation	**532**	748	(29)%
Coal	**513**	138	272%
Proportion of total contribution	**11%**	13%	(2)%
Assets	**7,840**	6,868	14%
Liabilities	**101**	52	94%

In 2010, the combination of high prices for thermal coal and unchanged on-grid tariffs put pressure on all power producers in China. Despite an increase in total electricity 6% and heat 18% generated by all power plants in which CITIC Pacific has an interest, profit from power generation decreased 29%.

High coal prices, on the other hand, benefited the coalmine in Shandong Province in which CITIC Pacific has a 30% interest. This mine produced 4.6 million tonnes of coal in 2010, leading to an increased profit contribution of 272% compared with last year. At full production, six million tonnes of coal can be produced annually from this coalmine.

There are now 14 vessels with a total carry capacity of 440,000 tonnes transporting coal to the power plants. To support the future growth of the energy business, two 50,000 tonne wharves will be built at Ligang Power Station, and the management will continue to focus on improving operating efficiency and reducing costs.

CITIC Pacific's power plants

Power plant	Location (province)	Installed capacity (MW)	Ownership	Type	Utilisation hours	Electricity generated 2010 (m kWh)	Electricity generated 2009 (m kWh)	Electricity generated Change	Heat generated 2010 (kGJ)	Heat generated 2009 (kGJ)	Heat generated Change
Ligang	Jiangsu			Coal fired							
I & II		1,440	65%		5,783	8,328	7,723	8%	892	NA	NA
III & IV		2,460	71.4%		4,426	10,887	10,502	4%	NA	NA	NA
Hanfeng	Hebei	1,320	15%	Coal fired	5,533	7,303	6,848	7%	NA	NA	NA
Huaibei	Anhui	640	12.5%	Coal fired	5,094	3,260	3,063	6%	NA	NA	NA
Zhengzhou	Henan	1,000	50%	Co-generation	5,958	5,958	5,327	12%	7,307	6,863	6%
Hohhot	Inner Mongolia	400	35%	Co-generation	4,979	1,992	2,087	-5%	3,336	2,871	16%
Chenming	Shandong	18	49%	Co-generation	6,174	111	104	7%	3,021	2,611	16%
Total		**7,278**				**37,839**	**35,654**	**6%**	**14,556**	**12,345**	**18%**

Tunnels

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

HK$ million	**2010**	2009	Change
Profit contribution	**502**	437	15%
Proportion of total contribution	**5%**	7%	(2)%
Assets	**1,963**	1,928	2%
Liabilities	**181**	194	(7)%

The Eastern Harbour Tunnel

www.easternharbourtunnel.com.hk

The Eastern Harbour Tunnel registered average daily traffic of 67,530 vehicles in 2010, an increase of 7% from 2009. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 28% market share of total traffic in 2010.

The Western Harbour Tunnel

www.westernharbourtunnel.com

The Western Harbour Tunnel is a key section of the Route 3 highway connecting Hong Kong Island with mainland China and Chek Lap Kok Airport. In 2010, average daily traffic was 53,580 vehicles, up 11% from 2009. A toll increase was implemented on 1 August 2010. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 22% market share of total traffic in 2010.

Dah Chong Hong

www.dch.com.hk

56.1% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01828

HK$ million	**2010**	2009	Change
Profit contribution	**775**	402	93%
Proportion of total contribution	**8%**	6%	2%
Assets	**14,717**	11,460	28%
Liabilities	**7,606**	5,704	33%

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

CITIC Telecom International

www.citictel.com

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

HK$ million	**2010**	2009	Change
Profit contribution	**248**	196	27%
Proportion of total contribution	**3%**	3%	0%
Assets	**3,060**	2,532	21%
Liabilities	**1,131**	749	51%

CITIC Telecom International (CITIC Telecom) is Asia's leading hub-based service provider. Its main businesses include voice, SMS, mobile VAS, VPN and data services. CITIC Telecom owns and operates an independent telecoms hub that provides interoperability and interconnections services to 537 telecoms operators in 69 countries and regions.

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

In November 2010, CITIC Telecom entered into an agreement to acquire a 49% interest in China Enterprise Communications Ltd., a VPN operator in China. The transaction is subject to approval by the relevant government authorities. When completed, CITIC Telecom's existing VPN related services will be further expanded.

Financial Review

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

Summary of 2010

A net profit of HK$8,915 million was attributable to shareholders for 2010, compared with HK$5,950 million in 2009. The 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 benefited from gains totalling HK$3,008 million from the disposal of non-core assets, mainly the sale of interests in North United Power, Hong Kong Air Cargo Terminals Limited ('HACTL'), Companhia de Telecomunicacoes de Macau ('CTM') and the sale of shares in Cathay Pacific and other listed shares.

In order to present a clear picture of our operating businesses, the business segments have been adjusted to separate the gains on disposal of assets from the performance of the underlying business operations, and these gains have been reclassified under disposal of assets.

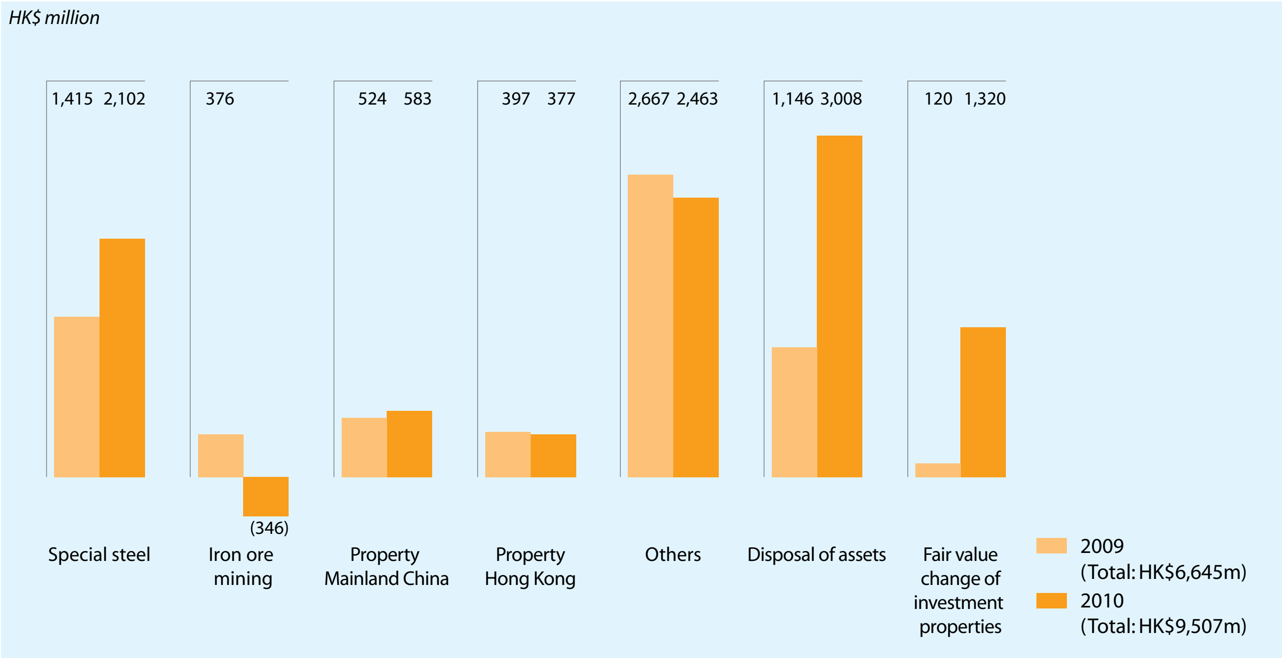
An upward revaluation of our investment properties was made following the advice of professional valuers.

Performance by Business

	Contribution		Assets as at 31 Dec		Return on assets	
In HK$ million	2010	2009	2010	2009	2010	2009
Special steel*	2,102	1,415	48,351	38,710	5%	4%
Iron ore mining†	(346)	376	53,397	36,026	(1%)	1%
Property						
Mainland China	583	524	37,455	29,728	2%	2%
Hong Kong	377	397	12,215	11,093	3%	4%
Energy	1,045	886	7,840	6,868	14%	12%
Tunnels	502	437	1,963	1,928	26%	23%
Dah Chong Hong	775	402	14,717	11,460	6%	4%
CITIC Telecom	248	196	3,060	2,532	9%	8%
Others	(107)	746	5,624	9,237	(1%)	7%
Sub-total	**5,179**	**5,379**	**184,622**	**147,582**	**3%**	**4%**
Disposal of assets	3,008	1,146	–	–	–	–
Fair value change of investment properties	1,320	120	–	–	–	–
Total	**9,507**	**6,645**	**184,622**	**147,582**	**–**	**–**

* The assets attributable to special steel in 2010 included assets for the expansion of the steel plants that were not income producing of HK$6.5 billion (2009: HK$6.8 billion). In 2010, CITIC Pacific's stake in Shijiazhuang was sold reducing assets by HK$1.8 billion.

† The assets attributable to iron ore mining include assets of HK$4.0 billion for ships under construction.



Special Steel The contribution for 2010 was HK$2,102 million compared with HK$1,415 million for 2009, an increase of 49%. The volume of special steel products sold was around 6.6 million tonnes during the year, similar to 2009. However, the price of special steel products rose 18% on average, driven by the rise in raw material prices during the period. The Shijiazhuang steel mill was disposed of in mid-March and its results were accounted up to the date of sale, with a credit of HK$49 million gained upon the disposal. Excluding such gain, Shijiazhuang's contribution was HK$3 million for 2010 (2009: HK$172 million).

Iron Ore Mining Construction of the iron ore mine in Australia continued. A loss of HK$346 million was recorded, which was mainly due to an accounting provision for a mismatch of the gas delivery with the production schedule under the existing contract. The balance of the profit and loss involves exchange gains between the AUD and USD, deferred tax credit and an impairment loss on surplus equipment.

China Property Net contribution increased to HK$583 million in 2010 compared with HK$524 million in 2009. Our investment properties, CITIC Square, Royal Pavilion and the commercial property in Ningbo had an average occupancy rate of 85% at the end of 31 December 2010. Contribution from property sales rose due to the sale of residential units in Qingpu in Shanghai, Wuxi and Yangzhou, and one of two office buildings in Ningbo.

Hong Kong Property Profits from leasing decreased slightly to HK$360 million in 2010 compared with HK$363 million in 2009, mainly attributable to the sale of part of CITIC Telecom Tower (previously known as Broadway Centre) and lower occupancy rates. Property sales contribution was mainly derived from the sale of properties in Discovery Bay by our associated company, Hong Kong Resorts.

In HK$ million	2010	2009
Mainland China		
Sales	**338**	207
Leasing	**352**	334
Property under development	**(107)**	(17)
Hong Kong		
Sales	**17**	34
Leasing	**360**	363

Energy The energy division recorded a HK$1,045 million profit contribution compared with HK$886 million in 2009. The power generation business contributed HK$532 million in 2010, compared with HK$748 million in 2009. Although there was an increase in electricity generated, the higher cost of coal resulted in a decrease in profitability. In contrast, the profitability of the coal mine in Shandong was improved by both an increase in production and the higher coal prices.

In HK$ million	2010	2009
Power generation	**532**	748
Coal	**513**	138
Total	**1,045**	886

Tunnels A profit contribution of HK$502 million in 2010 was achieved compared with HK$437 million in 2009. This was due to improving economic conditions in Hong Kong and an increase in the toll for the Western Harbour tunnel, which came into effect on 1 August 2010. Average daily traffic for the Eastern and Western Harbour Tunnels increased 7% and 11% respectively as compared with 2009.

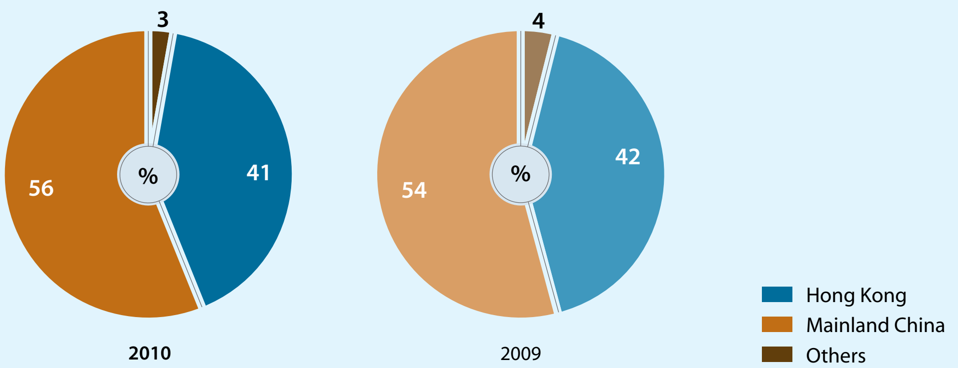
Dah Chong Hong CITIC Pacific's share of DCH's profit was HK$775 million in 2010 compared with HK$402 million in 2009. The increase in contribution was driven by the strong growth of the motor vehicle business in mainland China and the attributable share of a gain of HK$331 million from the disposal of DCH's interest in its Shiseido franchise. The performance of the food and consumer products business also improved with the increase in sales of fast moving consumer goods in the PRC. The profitability of the logistics business grew with additional facilities in Hong Kong and mainland China and the provision of more value-added services to customers, partly offset by the higher pre-operating expenses of the new facilities.

CITIC Telecom CITIC Pacific's share of CITIC Telecom's profit was HK$248 million in 2010 compared with HK$196 million in 2009. This was primarily due to an increase in our shareholding of CITIC Telecom from 52.6% to 60.6%, as a result of the sale of our interests in CTM to CITIC Telecom.

Fair Value Change of Investment Properties

The fair value change of investment properties was HK$1,320 million in 2010 as compared with HK$120 million in 2009. This was mainly due to an upward revaluation of investment properties in both mainland China and Hong Kong due to strong economic conditions. The remainder of the increase was mainly attributable to the classification of one tower of Ningbo Pacific Plaza as an investment property. The property had been previously classified as a property held for sale.

Property by geographic location



Disposal of Assets

Profit contribution on disposal of assets was HK$3,008 million as compared with HK$1,146 million in 2009. The bulk of these gains arose from the sale of 20% of North United Power, 10% of Hong Kong Air Cargo Terminals Limited ('HACTL') and 20% of Companhia de Telecomunicacoes de Macau ('CTM'), and the sale of shares in Cathay Pacific and other listed shares.

In HK$ million	2010	2009
Contributions from disposals		
HACTL	**416**	–
CTM	**433**	–
North United Power	**914**	–
Cathay Pacific	**1,202**	996
Sale of other listed shares	**22**	73
Others	**21**	77
Total	**3,008**	1,146

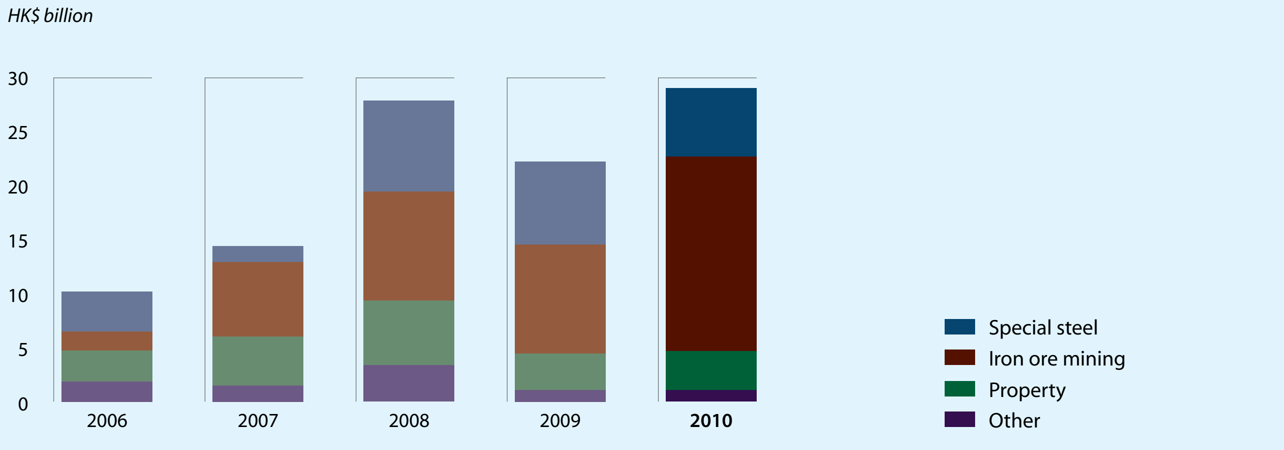
Cash Inflows

Consolidated cash inflows totalled HK$16,429 million in 2010 compared with HK$18,972 million in 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	2010	2009
Cash inflows/(outflows) from business operations		
Special steel	**2,083**	1,370
Iron ore mining	**(64)**	55
Property		
Mainland China	**5,381**	3,339
Hong Kong	**221**	281
Energy	**–**	32
Tunnels	**550**	521
Dah Chong Hong	**(146)**	1,200
CITIC Telecom	**341**	402
Others	**(350)**	27
	8,016	7,227
Other cash inflows		
Divestment of businesses	**4,043**	9,700
Dividends from associated companies & jointly controlled entities	**548**	299
Sales of other listed investments & other financial assets	**2,803**	599
Sales of fixed assets & investment properties	**237**	282
Others	**782**	865
	8,413	11,745
Total	**16,429**	18,972

Capital Expenditure

Investment in iron ore mining accounted for the largest share of capital expenditure in the last three years and continued to make up the bulk of expenditures in 2010. There was also continued capital investment in special steel and property in mainland China.



In HK$ million	**2010**	2009
Special steel	**6,271**	7,611
Iron ore mining	**17,909**	10,033
Property		
Mainland China	**3,602**	3,362
Hong Kong	**–**	19
Sub-total	**27,782**	21,025
Others	**1,094**	1,079
Total	**28,876**	22,104

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

CITIC Pacific has maintained its focus on its major businesses. Our investments in special steel, the Australian iron ore mining project and property projects in mainland China represent 96% of the total capital expenditure of CITIC Pacific for 2010.

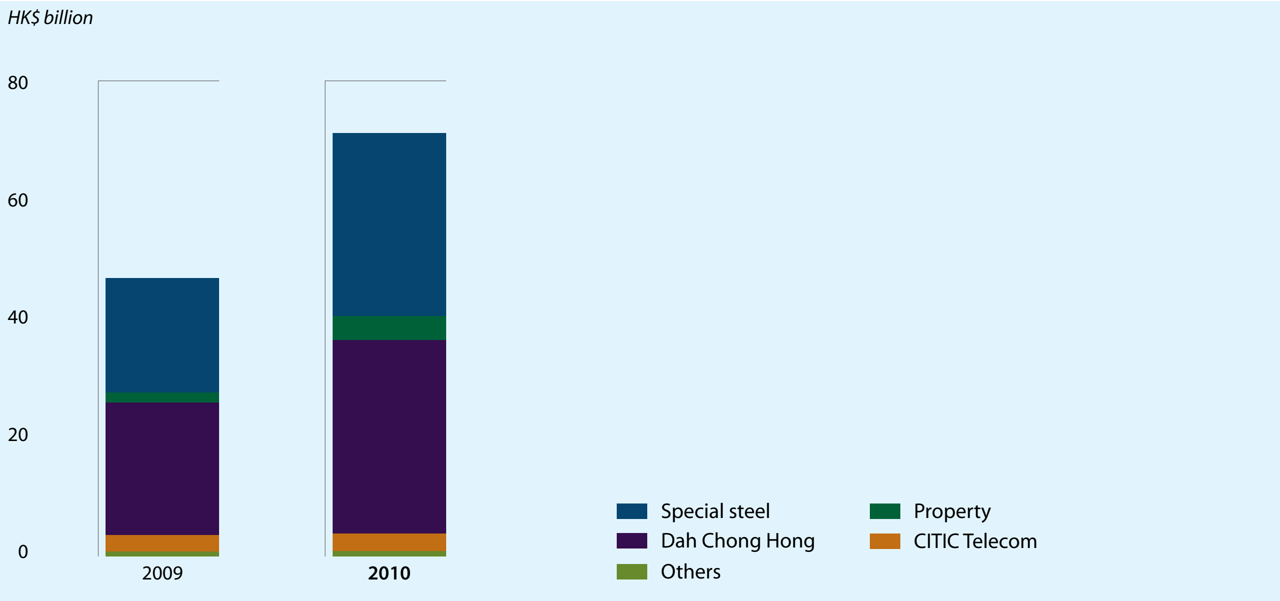
As at 31 December 2010, the contracted capital commitments of CITIC Pacific and its subsidiary companies were approximately HK$13,848 million.

The future capital expenditure will be funded by the Group's cash and deposits and available credit facilities. Page 62 sets out the HK$25 billion of cash and deposits held by the Group and HK$19 billion of available committed facilities at 31 December 2010.

Turnover

Turnover increased from HK$46,409 million in 2009 to HK$70,614 million in 2010. Special Steel and Dah Chong Hong accounted for the majority of the consolidated turnover of CITIC Pacific in 2010. Turnover of CITIC Pacific is mainly comprised of the total invoiced value of goods supplied net of government taxes where applicable (Special Steel and DCH), charges for telecommunication services and fees from services rendered to customers (CITIC Telecom), gross proceeds from sale of properties and gross property rental (Property) and toll income (Tunnels).

Turnover of Special Steel increased 60% while turnover of Dah Chong Hong increased 46% in 2010.



In HK$ million	**2010**	2009
Special steel	**30,478**	19,079
Iron ore mining	**27**	27
Property		
Mainland China	**3,791**	1,390
Hong Kong	**258**	257
Sub-total	**34,554**	20,753
Tunnels	**775**	724
Dah Chong Hong	**32,211**	22,131
CITIC Telecom	**2,966**	2,716
Others	**108**	85
Total	**70,614**	46,409

Interest Expense

CITIC Pacific's interest expense charged to the profit and loss account increased from HK$650 million in 2009 to HK$766 million in 2010. This was offset by HK$356 million of interest income, which increased from HK$313 million in 2009.

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

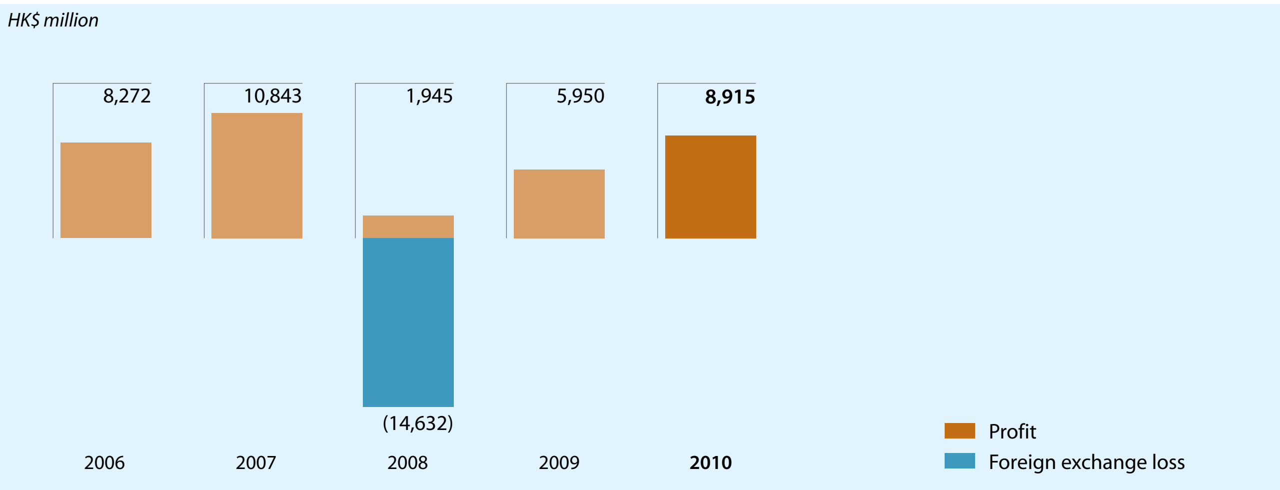
Capitalised interest of HK$2,335 million was mainly attributable to the development of our mining operations in Australia (2009: HK$1,816 million).

Taxation

Current taxation increased from HK$779 million in 2009 to HK$1,802 million in 2010 due to increased profits from operations, and overseas taxation reflected a provision in relation to a CITIC Pacific group corporate reorganisation in the PRC.

Net Profit

A net profit of HK$8,915 million was attributable to shareholders for 2010, compared with a net profit of HK$5,950 million in 2009. This was the best year since 2007 and shows a strong recovery in corporate profitability for CITIC Pacific after losses from foreign exchange contracts and the financial crisis in 2008.

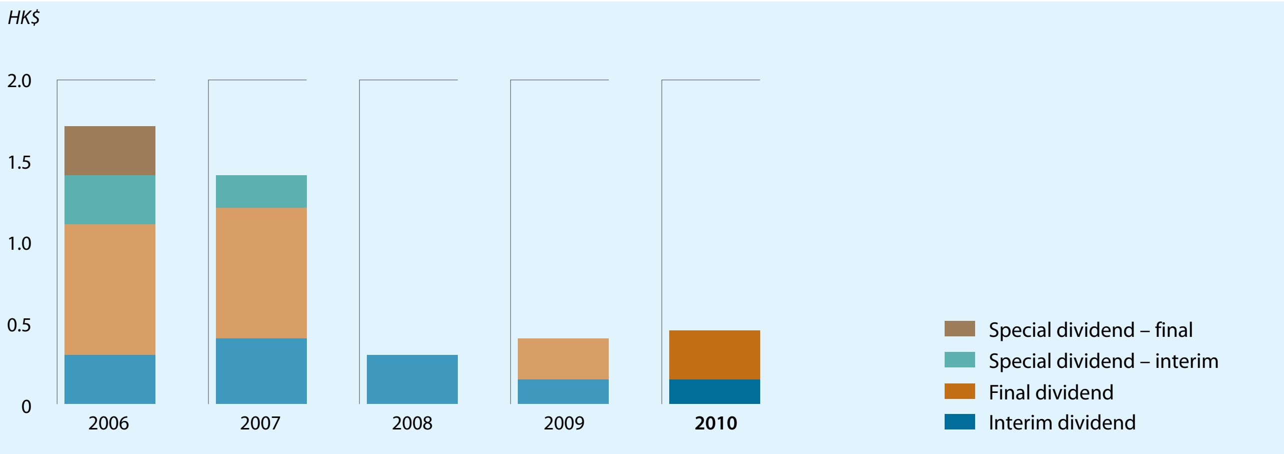


Earnings per Share

Earnings per share were HK$2.44 in 2010 compared with HK$1.63 in 2009, an increase of 50%. The number of shares outstanding was 3,648,688,160 with no shares being issued during 2010.

Dividends per Share

A final dividend of HK$0.30 per share has been recommended to shareholders for approval at the Annual General Meeting. This, together with the interim dividend of HK$0.15 per share that had been declared for the first half of 2010, represents an increase of HK$0.05 per share from last year. This equates to an aggregate cash distribution of HK$1,642 million.

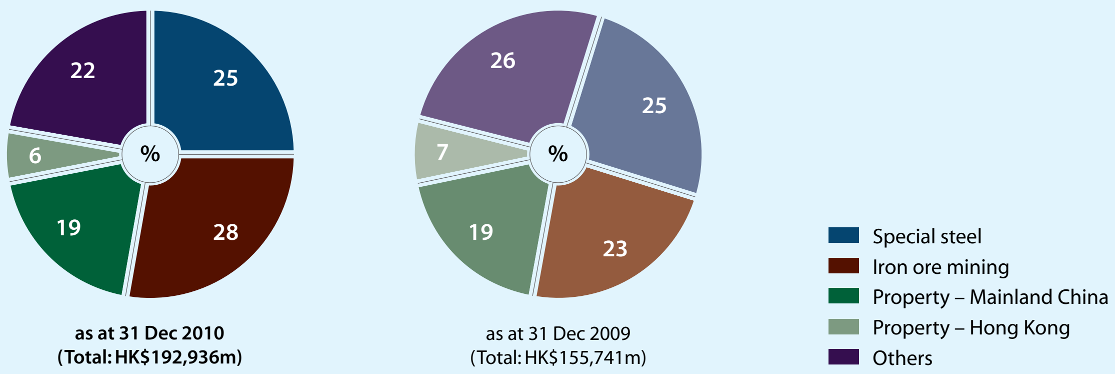


Balance Sheet Items

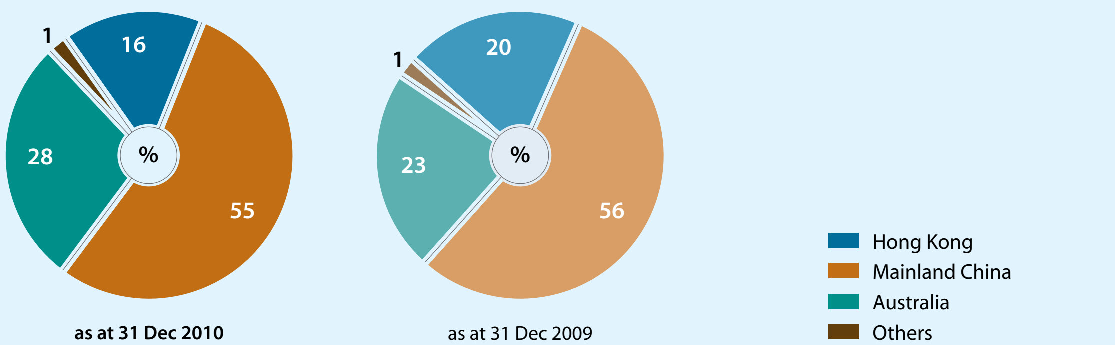
Assets

Total assets increased from HK$155,741 million to HK$192,936 million in 2010. Asset growth was mainly driven by the continued construction of the iron ore mine in Australia and continuing capital investment in the steel plants and our properties in mainland China. Other assets continued to decline as CTM and remaining interests in HACTL and North United Power were divested in 2010. Our main businesses increased their share of total assets from 67% in 2009 to 72% at 31 December 2010.

By business



By geographic location

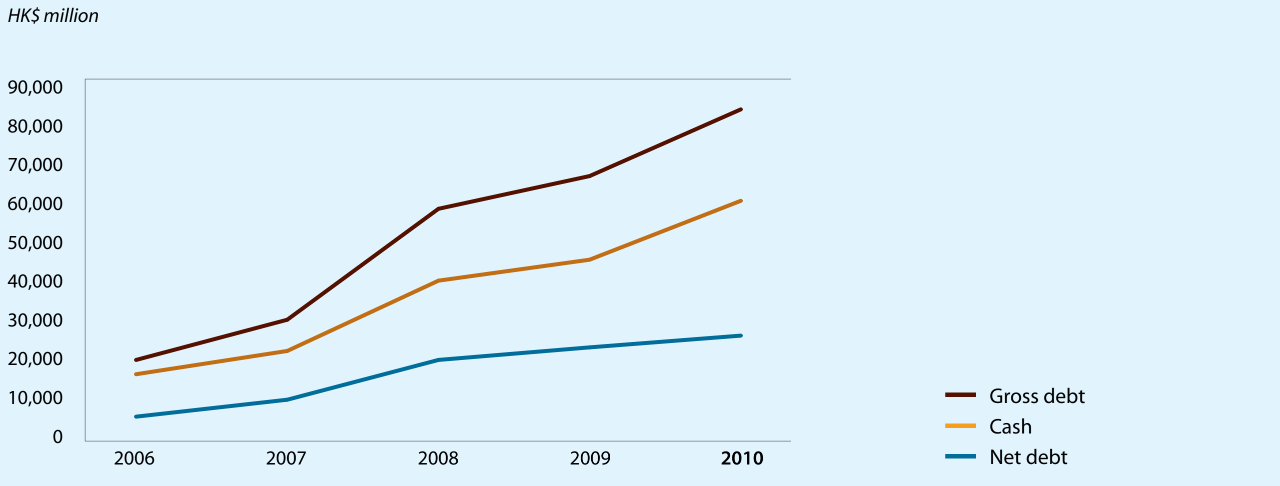


Current Assets and Liabilities

Current assets for CITIC Pacific were HK$54,340 million (2009: HK$45,298 million) of which HK$24,558 million was cash and deposits. Current liabilities were HK$43,129 million (2009: HK$24,759 million) of which HK$15,227 million was bank loans, loans and overdrafts. For CITIC Pacific's strategy for management of liquidity, please see page 61.

Net Debt

Net debt continued to grow in line with the planned expansion of 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$68,282 million at 31 December 2010 due to profit for 2010 together with adjustments in the reserves for disposal of assets, exchange translations, movements in the hedging reserve for interest rate and foreign exchange contracts and adjustments for fair value changes from other financial assets.

Derivatives Contracts

As at 31 December 2010, CITIC Pacific had gross outstanding derivative instruments of HK$43,955 million, compared with gross outstanding derivative instruments of HK$49,148 million as at 31 December 2009.

	Notional amount		Fair value as at	
In HK$ million	**31 Dec 2010**	31 Dec 2009	**31 Dec 2010**	31 Dec 2009
Forward foreign exchange contracts	**10,409**	18,341	**1,633**	457
Leveraged foreign exchange contracts*	**–**	1,186	**–**	(108)
Interest rate swaps	**32,351**	28,426	**(2,539)**	(1,581)
Cross currency swaps	**1,195**	1,195	**235**	178
	43,955	49,148	**(671)**	(1,054)

* Maximum deliverable amount for leveraged foreign exchange contracts.

The majority of these contracts are qualified for hedge accounting purposes, and as a result most of the movement in the fair market value of these derivatives is recorded in reserves. The cash flow hedging reserves showed a HK$513 million loss for 2010, mainly due to further declines in interest rates in the US and Hong Kong impacting our interest rate swaps as compared to a HK$4,312 million gain in 2009, which had mainly been a result of a substantial appreciation in the AUD/USD exchange rate, recovering from significant declines in 2008.

Risk Management

The Broad View

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

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

The management of risk starts with the board of directors. At each meeting the board receives a report of the financial results and the financial position of the group, both current and projected. At each meeting in 2010, the board received an in-depth briefing on a business: on one occasion on special steel and on three occasions on the iron ore mining project. At every meeting, written reports are provided on all businesses in a form similar to those reviewed by management at the executive committee. At the November meeting, the board received a preliminary budget for the coming three years.

The board has established audit, asset and liability management, executive, investment and remuneration committees whose activities are important parts of the overall control of risk. Their roles and membership are described beginning on page 79.

Treasury Risk Management

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

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

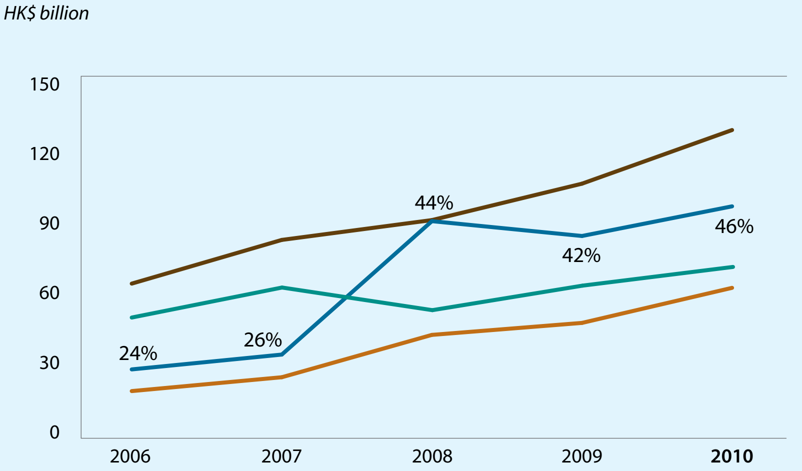
All business units, whether they are subsidiaries, associates or jointly controlled entities are responsible for managing their liquidity, interest rate, foreign exchange and commodity risks within the confines of the overall ALCO policies and specific delegations. They are responsible for identifying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

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

Balance Sheet Management

CITIC Pacific's business is financed by a mixture of debt and equity. As at 31 December 2010 the net debt was HK$59 billion and shareholders' funds were HK$68 billion. The net debt divided by total capital is a measure of our leverage. This ratio was 46% at the year end which was below our expectation but higher than our longer term objective once the investments being made in the iron ore mine and new steel production facilities are in full operation. The graph shows how net debt has risen faster over the last five years than shareholders' funds, and as a result leverage has increased.

Leverage



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

CITIC Pacific did not issue any new shares in 2010.

The debt of CITIC Pacific as at 31 December 2010 as compared with 31 December 2009 is as follows:

HK$ million	**2010**	2009
Total debt	**83,857**	65,675
Cash and bank deposits	**24,558**	21,553
Net debt	**59,299**	44,122

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

Net debt increased by HK$15,177 million from the end of 2009 to the end of 2010 mainly due to the continuing outlays for the Australian mining business and CITIC Pacific special steel and also to a lesser extent, property businesses in mainland China. The net debt of each business is as follows:

HK$ million	**2010**	2009
Special steel	**9,679**	8,300
Iron ore mining	**27,336**	14,436
Property – Mainland China	**(7,547)**	(2,991)
Ships	**2,074**	2,075
Dah Chong Hong	**1,311**	541
Parent company	**27,102**	22,816
Others	**(656)**	(1,055)
Total	**59,299**	44,122

Total Debt

Total debt increased by HK$18,182 million in 2010. Facilities (including a syndicated loan and a private placement) totalling HK$31 billion were established or renewed (HK$13 billion by CITIC Pacific Limited and HK$18 billion by consolidated entities). The new facilities included a US$1.4 billion loan to fund the Australian mining operations. In 2010, CITIC Pacific prepaid HK$4 billion of bank loans before contracted maturity dates to reduce debt and better utilise available funds.

Subsequent to 31 December 2010, an additional HK$1.2 billion of committed banking facilities have been provided to CITIC Pacific's subsidiaries.

As at the end of December 2010, CITIC Pacific maintained borrowing relationships with over 30 major financial institutions based in Hong Kong, mainland China and other countries. Our policy is to diversify the sources of funding as much as possible through bank borrowings and capital markets, and to maintain a mix of staggered maturities to minimise refinancing risk.

Liquidity Management

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

The maturing banking facilities have to be renewed. The funding programme is planned so that the amount maturing in any given year will not exceed the company's ability to raise new funds in that year.

The maturity of the debt outstanding as at 31 December 2010 is:

How is the Australian mining development financed?

Since 2006, CITIC Pacific's subsidiary Sino Iron has been building our iron ore mine in Australia, described from page 22.

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

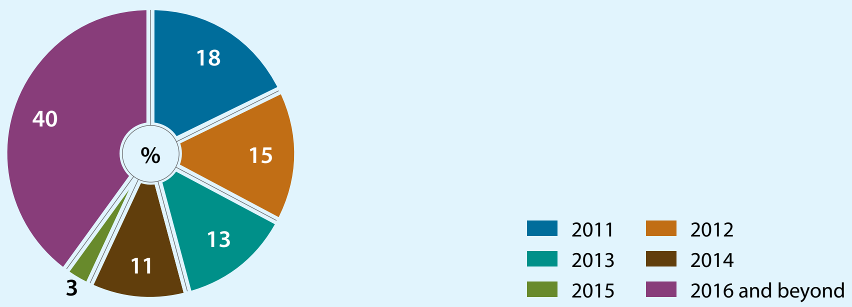
HK$ million	Total outstanding debt	Maturing in these years 2011	2012	2013	2014	2015	2016 and beyond
CITIC Pacific Limited	34,900	5,460*	7,550	6,320	7,149	631*	7,790
Subsidiaries	48,957	9,767	4,634	4,482	2,385	2,058	25,631
Total	83,857	15,227	12,184	10,802	9,534	2,689	33,421

* Including through wholly-owned special purpose vehicles.

As at 31 December 2010, outstanding loans that will mature by the end of 2011 amounted to HK$15,227 million, against cash and deposits totalling HK$24,558 million.

Total outstanding debt by maturity (HK$84 billion)

As at 31 December 2010



Total outstanding debt by type (HK$84 billion)

As at 31 December 2010

Available Sources of Finance

As at 31 December 2010, CITIC Pacific and its consolidated subsidiaries had cash and deposits of HK$24.6 billion, and available loan and trade facilities of HK$25.2 billion:

HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage
Committed facilities				
Term loans	92,502	73,908	18,594	74%
Commercial Paper (RMB paper)	947	947	–	–
Global bond (USD bond)	3,510	3,510	–	–
Private placement (JPY & USD note)	1,801	1,801	–	–
Total committed facilities	98,760	80,166	18,594	74%
Uncommitted facilities				
Money market lines and short-term facilities	5,789	3,430	2,356	9%
Trade facilities	6,623	2,379	4,244	17%
Total uncommitted facilities	12,409	5,809	6,600	26%

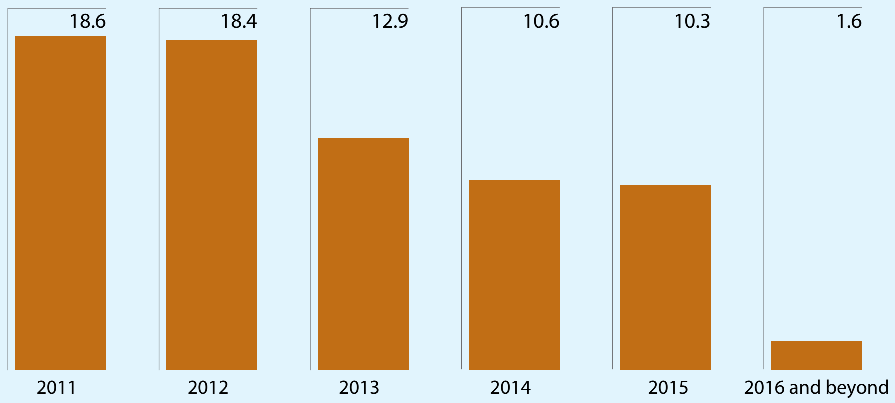
HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage
Source of funds				
Mainland China	51,216	47,507	3,709	15%
Hong Kong	52,393	33,819	18,574	74%
Others	7,560	4,649	2,911	11%
Total facilities	111,169	85,975	25,194	100%

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

CITIC Pacific had available committed facilities of HK$18.6 billion that were undrawn as at 31 December 2010. Loans can be drawn under these committed facilities before the contractual expiry date. The available committed facilities, less the amount expiring in each year, are shown in the graph below.

Available committed banking facilities (HK$18.6 billion as at 31 December 2010)

HK$ billion



Pledged Assets

As at 31 December 2010, iron ore mining assets of HK$41.6 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. In addition, assets of HK$1,263 million (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.

Guarantees

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific. The exception is for the iron ore mining project, which has not begun to generate cash flow. For this project, CITIC Pacific provides guarantees for the performance obligations under construction or procurement contracts, interest rate hedging transactions, foreign exchange hedging transactions and a total of USD3.8 billion in debt facilities.

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	Actual 2010
Minimum consolidated net worth		
Consolidated net worth	≥ HK$25 billion	HK$70 billion
Gearing		
Consolidated borrowing/consolidated net worth	≤1.5	1.2
Negative pledge		
Pledged assets/consolidated total assets	≤ 30%	0.65%

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
31 December 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 material costs. This upward revision in costs does not materially affect CITIC Pacific's debt coverage metrics. 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.

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 that its overall operating and financial profiles will improve substantially after the iron ore mine begins operations.

Net Debt and Cash in Jointly Controlled Entities and Associated Companies

CITIC Pacific's non-consolidated businesses are classified as jointly controlled entities and associated companies. Under Hong Kong generally accepted accounting standards, they are not consolidated in CITIC Pacific's financial statements but recorded in the balance sheet as CITIC Pacific's share of their net assets. The following table shows the net debt/cash position of jointly controlled entities and associated companies by business sector as at 31 December 2010.

HK$ million	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	(73)	(39)
Property		
Mainland China	(4,511)	(2,255)
Hong Kong	(486)	(237)
Energy	15,635	6,093
Tunnels	1,475	516
Dah Chong Hong	61	34
CITIC Telecom International	(627)	(76)
Other investments	2,071	688
Total	13,545	4,724

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 develops property projects in Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

Derivatives Policy

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

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

The use of financial instruments is currently restricted by ALCO to loans, bonds, deposits, interest rate swaps and plain vanilla foreign exchange contracts. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. None have been approved in 2010 nor are any outstanding. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

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 the risk of loss or profit due to changes in United States dollar ('USD'), Renminbi ('RMB') and Australian dollar ('AUD') exchange rates. There are also exposures to the Japanese Yen ('JPY') (from operations and assets related to DCH), Euro ('EUR') (from equipment and product purchases) and other currencies.

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

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

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

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

iii) USD denominated debt, 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 using derivative instruments, as this is a non-cash exposure.

US Dollar (USD) CITIC Pacific's investment in businesses whose functional currency is USD is mostly from the iron ore mining business, which had USD gross assets of HK$52 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 31 December 2010, CITIC Pacific had HK$51 billion equivalent of US dollar debt.

Renminbi (RMB) Businesses in mainland China had RMB gross assets of approximately HK$107 billion as at 31 December 2010, offset by debts and other liabilities of HK$38 billion. This gave the company an RMB net asset exposure of HK$69 billion (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 will have an increasing exposure to the Renminbi.

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

As at 31 December 2010, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$1.4 billion outstanding. They are qualified as accounting hedges, because their maturities match the needs of the business over the next two years as well as fulfilling other relevant criteria to be considered accounting hedges. The average rate of these contracts is 0.82 USD to one AUD.

Japanese Yen (JPY) CITIC Pacific issued a JPY8 billion bond in 2005. From an economic perspective, this bond is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge, therefore changes in its value are reflected in the profit and loss account. In addition to the JPY bond, as at 31 December 2010 there were no other JPY exposures at the corporate level.

Euro (EUR) EUR exposure amounted to EUR183 million as at 31 December 2010. Most of this exposure is related to contracts for procurement and design services for the Australian mining project and equipment or finished goods purchases by the special steel business and Dah Chong Hong.

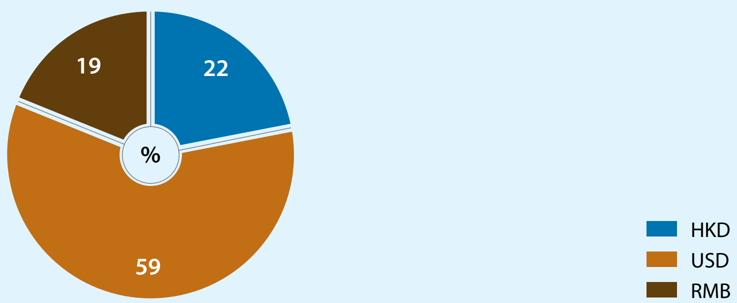
The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 31 December 2010 is summarised as follows:

			Denomination			
HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
Total debt in original currency	16,390	50,694	15,817	860	96	**83,857**
Total debt after conversion	18,011	49,704	15,817	229	96	**83,857**
Cash and bank deposits	7,467	3,984	12,645	159	303	**24,558**
Net debt/(cash) after conversion	10,544	45,720	3,172	70	(207)	**59,299**

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 convert USD and JPY financing, which swaps the USD and JPY cash flows into HKD.

Outstanding debt after conversion (HK$84 billion)

As at 31 December 2010



Interest Rate Risk

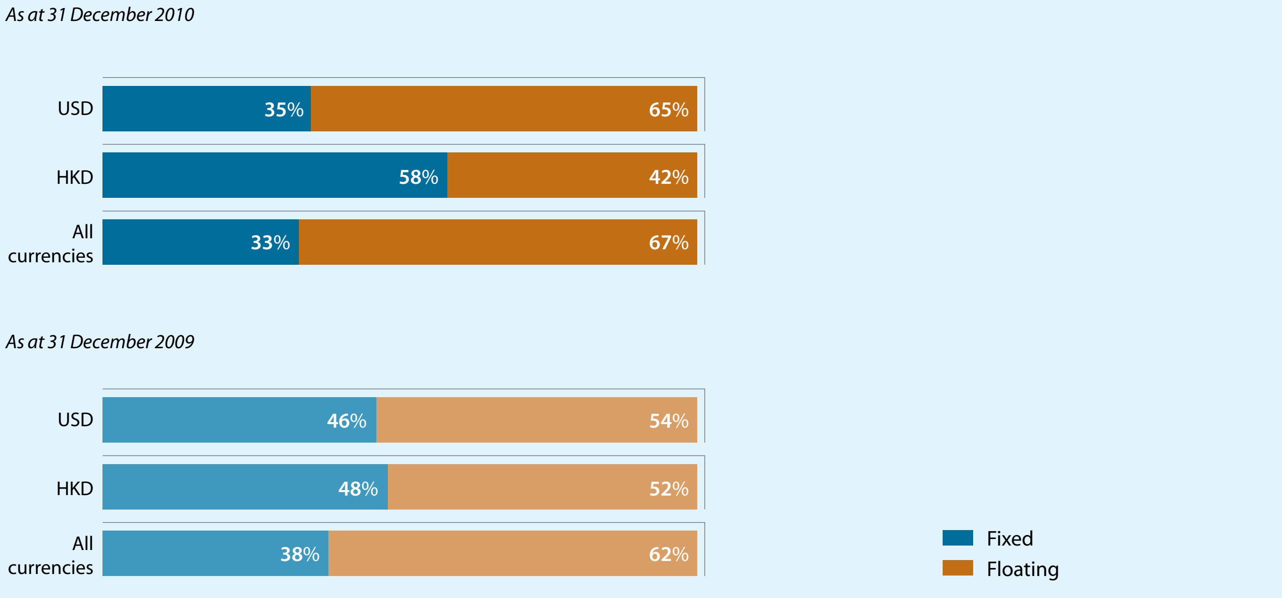
CITIC Pacific's interest rate risk arises primarily from borrowings. Borrowings subject to variable rates expose CITIC Pacific to cash flow interest rate risk. Borrowings subject to fixed rates economically expose CITIC Pacific to fair value interest rate risk.

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.

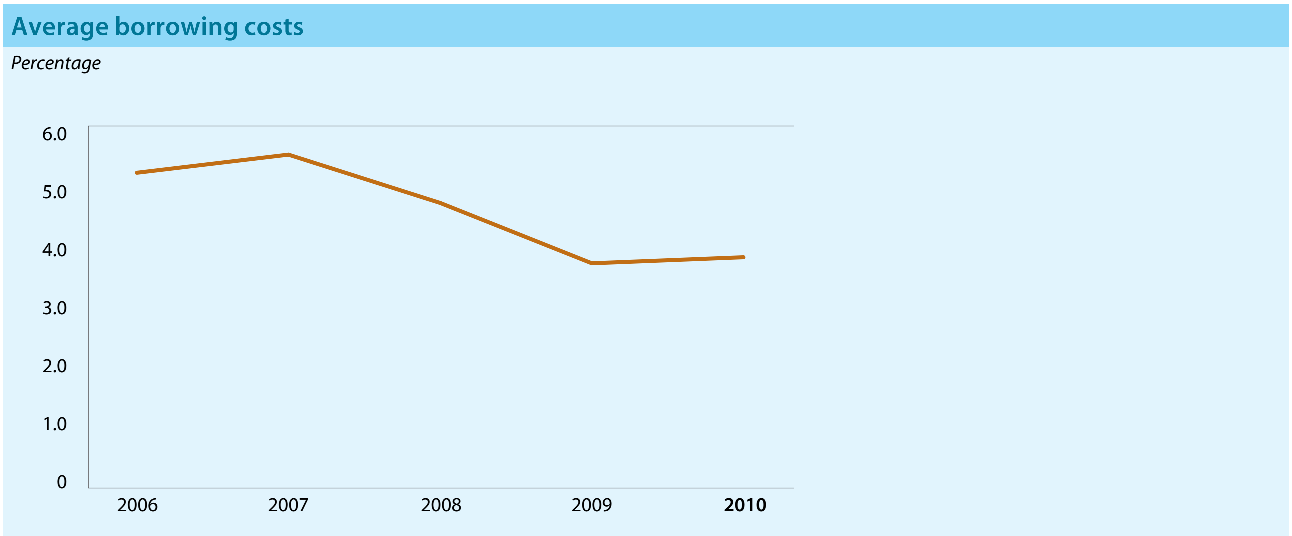
The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments. In 2010, CITIC Pacific entered into HK$4.7 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 ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 33% as at 31 December 2010.

As at 31 December 2010, CITIC Pacific's portfolio of floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK$26 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 67% of the borrowings of CITIC Pacific were linked to floating interest rates.

Fixed and floating interest rate borrowings



CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for 2010 was approximately 3.8% compared with 3.7% in 2009.



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

Commodity Risk

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

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However, many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 31 December 2010, CITIC Pacific did not have any exposure to commodity derivatives. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes.

Counterparty Risk

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

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

Contingent Liabilities

Details of CITIC Pacific's contingent liabilities as at 31 December 2010 are listed under Note 37 to the financial statements.

Major External Risks and Uncertainties

Economic Risks

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

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

Competitive Markets

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

Agency Relationships

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

Regulation

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

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

Capital Expenditure

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

Natural Disasters or Events, Terrorism and Disease

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

Forward Looking Statements

This whole report contains forward looking statements with respect to the financial condition, results of operations and businesses of CITIC Pacific. These forward looking statements represent the company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

Ten Year Statistics

At year end (HK$ million)	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**
Shareholders' funds	40,781	41,742	37,848	36,921	39,103	46,510	59,535	49,688	60,259	**68,282**
per share *(HK$)*	18.62	19.07	17.29	16.84	17.83	21.18	26.91	13.63	16.52	**18.71**
Debt										
Debt	14,639	9,267	10,528	14,580	21,218	18,293	28,654	57,234	65,675	**83,683**
Bank deposits	4,631	2,545	5,511	2,417	2,579	3,679	8,045	18,296	21,553	**24,558**
Net debt/total capital	20%	14%	12%	25%	32%	24%	26%	44%	42%	**46%**
Interest cover*	6x	12x	8x	15x	11x	20x	50x	(13)x	17x	**21x**
Capital employed	55,420	51,009	48,376	51,501	60,321	64,803	88,189	106,922	125,934	**151,965**
Property, plant and equipment	6,293	4,174	4,335	6,066	8,871	9,491	12,154	23,865	40,032	**63,334**
Investment properties	5,357	8,493	7,923	8,115	8,645	9,604	10,895	11,230	11,164	**13,579**
Properties under development	460	586	679	1,672	1,849	2,712	4,288	9,848	11,237	**12,161**
Leasehold land	1,076	1,094	1,194	1,596	1,618	1,712	1,641	1,483	1,581	**1,597**
Jointly controlled entities	2,365	3,582	4,085	7,852	10,413	14,922	17,446	21,140	22,097	**21,681**
Associated companies	22,704	22,183	22,584	21,439	23,239	16,416	17,683	14,801	5,611	**6,116**
Other financial assets	8,070	7,092	1,027	1,121	929	2,819	7,502	1,063	2,198	**448**
Intangible assets	1,842	1,697	1,619	1,785	1,795	3,581	4,602	8,979	10,913	**12,989**
Stock market capitalisation	37,993	31,514	43,332	48,444	47,038	58,952	96,338	30,556	76,258	**73,704**
Number of shareholders	11,044	12,260	12,198	11,554	11,262	10,433	8,571	8,712	8,565	**8,490**
Staff	11,733	11,643	12,174	15,915	19,174	23,822	24,319	28,654	30,329	**29,886**
For the year (HK$ million)										
Net profit/(loss) after tax										
Net profit/(loss) after tax	2,084	3,835	1,148	3,534	3,989	8,272	10,843	(12,687)	5,950	**8,915**
per share *(HK$)*	0.95	1.75	0.52	1.61	1.82	3.77	4.91	(5.70)	1.63	**2.44**
Contribution by major business										
Special steel	95	126	178	438	808	1,333	2,242	1,617	1,415	**2,102**
Iron ore mining	–	–	–	–	–	–	–	(123)	376	**(346)**
Property										
Mainland China	–	103	112	125	154	308	197	523	524	**583**
Hong Kong and others	625	783	243	434	952	1,727	534	490	397	**377**
Energy	281	245	229	439	368	268	494	(1,090)	886	**1,959**
Roads and tunnels	1,318	1,174	578	276	362	411	412	443	437	**502**
Dah Chong Hong	105	234	253	284	233	297	417	320	402	**775**
CITIC Telecom	129	252	116	120	122	191	157	181	196	**248**
Other investments	549	1,857	815	1,671	992	3,520	1,469	483	1,892	**1,987**
Net gain from listing of subsidiary companies	–	–	–	–	–	–	4,552†	–	–	**–**
Fair value change of investment properties	–	–	(587)	181	755	1,077	1,217	(33)	120	**1,320**
EBITDA	3,921	5,691	3,126	5,666	6,412	11,882	15,160	(9,950)	10,765	**15,744**
Dividends per share *(HK$)*										
Regular	0.80	1.00	1.00	1.10	1.10	1.10	1.20	0.30	0.40	**0.45**
Special	–	1.00	–	–	–	0.60	0.20	–	–	**–**
Cover	1.2x	1.8x	0.5x	1.5x	1.7x	3.4x	4.1x	(19.0)x	4.1x	**5.4x**

Note:
1. 2008 & 2009 figures have been restated to reflect the group's adoption of HKAS 17 (amendments) – 'Leases'.
2. 2008 figures have been restated to reflect the group's adoption of HK(IFRIC)-Int 13 'Customer Loyalty Programmes'.
3. The adoption of HKFRS 8 'Operating segments' in year 2009 has resulted in a change of presentation in segment information, in particular aviation segment had been included in other investments segment.
4. Prior years' figures have been restated to reflect the group's adoption of Hong Kong Financial Reporting Standards except the figures have not been adjusted for years 2001 and before following the adoption of revised accounting standard of SSAP 12 'Income Tax' in year 2002.

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

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

Human Resources

The success of CITIC Pacific has been built on our committed and talented workforce who possess the variety of skills and experience required to support the operations and sustainable development of CITIC Pacific.

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

Staff Strength

CITIC Pacific has a widespread and diverse workforce. With Hong Kong as the base, we have our businesses serving the fast-growing China market and employees largely originating from mainland China, Hong Kong and Western Australia. As of December 2010, CITIC Pacific, including our principal subsidiaries worldwide, employed a total of 29,886 employees (2009: 30,329). Of these, 81% were based in mainland China; 16% in Hong Kong; 2% in Australia; and the rest of them were based in other countries like Japan, Taiwan and Canada, etc.

Due to the restructuring of capital investment during the year, there was a slight decrease of 443 in headcount in our workforce in 2010 which represented a decrease of 1.5% as compared with 2009.

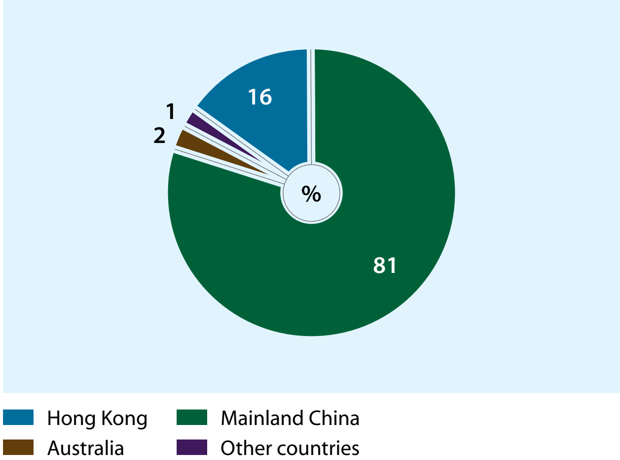
Remuneration

CITIC Pacific offers competitive remuneration packages designed to attract, motivate and retain talented people, and reviews remuneration packages annually with reference to the pay level of comparable positions in the market to ensure internal equity and market competitiveness.

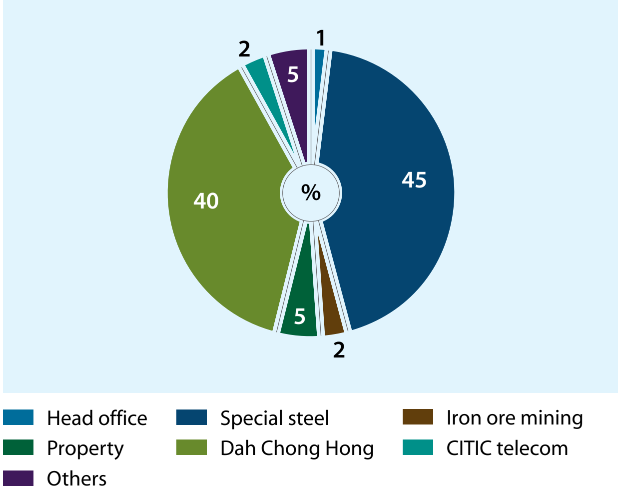
In addition to guaranteed base pay and comprehensive benefits programmes, CITIC Pacific has implemented a variable bonus policy that links pay with individual and business performance. The total amounts of variable bonuses paid to employees are determined according to the business performance for which factors like net profit, business and market development plans as well as its financial conditions are taken into consideration. Whilst observing the approved guidelines, the bonuses are allocated by respective functional heads and differentiated based on the performance rating of each employee under their responsible areas. Over the years, this variable pay policy has proven to be effective in motivating performance of our employees.

For senior management, on top of the variable bonus awards, share options are granted under the CITIC Pacific Share Incentive Plan 2000 ('the Plan') as part of the performance-based incentive award which aims to align management incentives with shareholder interests. Details of the Plan and the granting of options are reported on pages 96 to 99.

2010 Headcount by location



2010 Headcount by business segment



To support our performance-based remuneration principles, a performance management and development process is in place to facilitate the setting of performance objectives, reviewing and managing performance as well as identifying training and development opportunities for personal growth.

Remuneration Committee

The Remuneration Committee, established in August 2003, comprises three non-executive directors, two of whom are independent non-executive directors. The committee meets at least once a year to review and approve the remuneration of executive directors and other key executives based on the following principles:

- No individual should be involved in decisions relating to his/her own remuneration;
- Remuneration should reasonably reflect performance, responsibilities and complexity as well as the time commitment in order to attract, motivate and retain high calibre personal;
- Remuneration should be determined with reference to the market pay levels of comparable listed companies as agreed by the Remuneration Committee and the top management.

In 2010, the total remuneration paid to the directors is HK$85 million. (2009: HK$117 million). Further information on individual director's emoluments can be found on page 143.

Remuneration Review for Year 2011

Subsequent to a review of the remuneration packages for directors in January 2011, the following recommendations were made to the Board after the approval of the Remuneration Committee:

1. Raising the directors' fee for Non-executive Directors from HK$200,000 to HK$350,000.
2. Removing the directors' fee for Executive Directors serving on the board of CITIC Pacific Limited.
3. Neither directors' fee nor share options from subsidiaries should be granted to Executive Directors or employees from the head office of CITIC Pacific who are assigned to serve on the boards of the subsidiaries as non-executive directors.
4. In view of the expiry of the CITIC Pacific Share Incentive Plan 2000 ('the Plan') in May 2010, the Remuneration Committee has agreed to put forward a new share option scheme which is proposed based on the principles of the previous plan whilst complying with the changes in the Listing Rules.

For item 1, the recommendation is made with reference to the market pay level of directors' fee of a number of prominent public listed companies in Hong Kong and

serves to bring the directors' fee that has remained unchanged since 2008 closer to the market.

For items 2 and 3, taking into consideration that the Executive Directors and employees of CITIC Pacific have been receiving remunerations that are reasonably commensurate with their duties, accountabilities as well as time commitment, the recommendations serve to align internal remuneration principles within the Group.

The Board endorsed the recommendations and agreed to put forward items 1, 2 and 4 for Shareholders' approval at the 2011 AGM.

People Development

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

In addition to management and leadership training programmes, we organise seminars and presentations conducted by professional institutions on specific topics, such as legislative changes, workplace safety and new technology, to maintain the industry and technical knowledge of staff members. We also support and encourage self-initiated personal development through financial sponsorship.

This year, with an aim to enhance functional alignment and further improve the functional effectiveness and efficiency within the Group, the headquarter of CITIC Pacific organised group conferences for finance and human resources functions. Participants benefited from knowledge and best practices sharing among internal business units as well as from external professionals.

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 programme 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.

Employee Relations

To enhance the sense of engagement, pride and community, CITIC Pacific and its subsidiaries have organised numerous activities and interest classes for employees and their families for fun, education, wellness and charity throughout the year of 2010.

Corporate Social Responsibility

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

CITIC Pacific has been recognised under the Caring Company Scheme of the Hong Kong Council of Social Service since 2007. To support the promotion of volunteerism for building a caring community in Hong Kong, CITIC Pacific has sponsored the Hong Kong Volunteer Award (HKVA) organised by the Agency for Volunteer Service (AVS) since 2007.

Nurturing Youth

Giving young people opportunities to improve their future through the acquisition of knowledge and skills is the best way to support the long-term development of the community. The implementation of the 2010 CITIC Pacific Management Trainee Programme and various technical traineeship programmes, the hosting of more than 10 student and community visits to the Eastern Harbour Tunnels in 2010 are part of our initiatives for nurturing the youth.

CITIC Pacific Mining has also started their 2nd year of the 3-year partnership with the Clontarf Foundation to organise education-based programmes that support Aboriginal boys and young men in the Roebourne and Karratha communities in Australia.

Helping those in need

CITIC Pacific and its subsidiaries have contributed to local communities through active participation in charitable events, donations and fundraising initiatives organised by various charitable organisations in Hong Kong, mainland China and Australia.

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.

In support of Oxfam's fund-raising activities, Dah Chong Hong continued sponsoring rice for the Oxfam Rice Sale to raise funds for the Oxfam China Development Fund. Dah Chong Hong also sent its employees to participate in the Oxfam Trailwalker to raise funds for Oxfam's various poverty alleviation and emergency relief projects in Africa and Asia, including Hong Kong and mainland China.

During the year, apart from the active participation in the volunteer services for the children and senior citizens in local communities, various subsidiaries made donations to local charitable organisations to help the victims of the earthquake in Qinghai and to provide financial assistance to children from poor families in mainland China and let them have the opportunity to receive basic education.

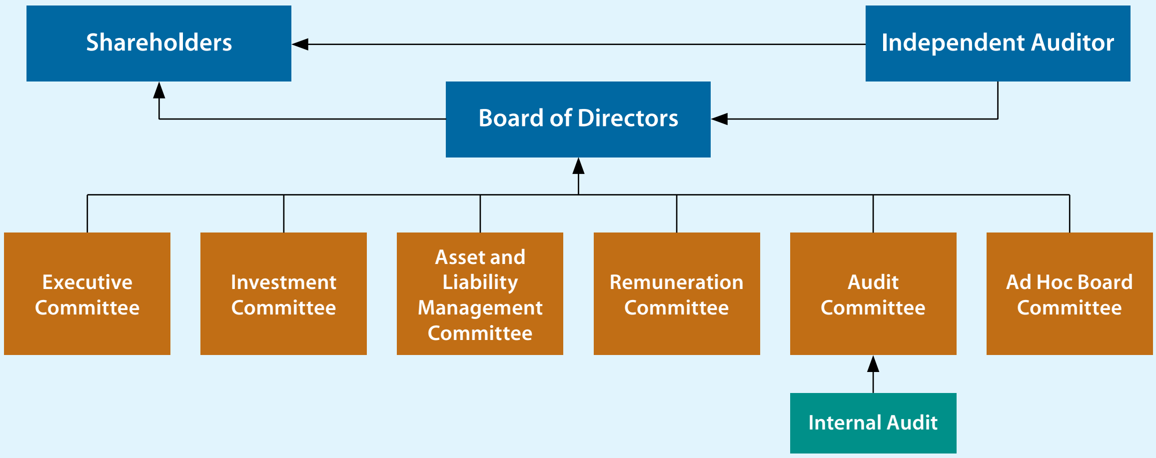
Corporate Governance

Corporate Governance Practices

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. CITIC Pacific complied throughout 2010 with all of the provisions in the code on corporate governance practices contained in Appendix 14 of the Listing Rules.

Our corporate governance framework can be expressed diagrammatically as follows:

Corporate Governance Structure



Board of Directors

Messrs Li Shilin and Wang Ande will retire as executive directors of CITIC Pacific by rotation at the forthcoming annual general meeting to be held on 12 May 2011 ('the 2011 AGM') pursuant to Article 104(A) of the articles of association of CITIC Pacific, and they have notified CITIC Pacific that as they are retiring, they will not seek for re-election. In addition, Mr Willie Chang has tendered his resignation as a non-executive director of CITIC Pacific, Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong have tendered their resignation as independent non-executive directors of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. As a result of the departure of directors referred to as above, the board has appointed Mr Gregory L. Curl and Mr Francis Siu Wai Keung as independent non-executive directors of CITIC Pacific with effect from the conclusion of the 2011 AGM.

After the above changes, the board will comprise seven executive and six non-executive directors, of whom three are independent. (The biographies of the directors, together with information about the relationships among them, are set out on pages 85 to 87.) Non-executive directors comprise more than 46% of the board, and independent non-executive directors make up more than 23%. Three non-executive directors are not independent (as defined by the Stock Exchange), as one director is the president of a shareholder owning a stake of more than 1% in CITIC Pacific; one is a director of CITIC Group; and one is a director of a company in which CITIC Group is a substantial shareholder.

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

The board determines the overall strategies of CITIC Pacific, monitors and controls operating and financial performance and sets appropriate policies to manage risk in pursuit of the strategic objectives of CITIC Pacific.

Day-to-day management of CITIC Pacific's businesses is delegated to the executive director or officer in charge of each division.

The strategic direction and planning of CITIC Pacific, including investment plans and proposed disposals or divestments as well as the annual operating and capital budgets, are reviewed by the investment committee.

The asset and liability management committee reviews, on a monthly basis, the asset and liability balance of CITIC Pacific. It monitors and sets limits on exposure in relation to asset and liability mismatches, counterparties, currencies, interest rates, commitments and contingent liabilities.

Matters reserved for the board are those affecting CITIC Pacific's overall strategic policies, finances and shareholders, including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments.

All board members have separate and independent access to senior management in order to fulfil their duties. They also have full and timely access to relevant information about CITIC Pacific and are kept abreast of the conduct, business activities and development of CITIC Pacific. Independent professional advice can be sought at CITIC Pacific's expense upon their request.

CITIC Pacific has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent.

The board meets regularly to review the financial and operating performance of CITIC Pacific and other business units and to discuss future strategy. Four board meetings were held in 2010. At these board meetings, the board reviewed matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, connected transactions. At least 14 days' notice of all regular board meetings is given to all directors and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least 3 days in advance of every regular board meeting. All minutes of the board meeting are kept by the company secretary and are available to all directors for inspection.

Individual attendance of each director at the board meetings during 2010 is set out below:

Directors	Attendance/ number of board meetings
Executive Directors	
Mr Chang Zhenming – Chairman	4/4
Mr Zhang Jijing – Managing Director	4/4
Mr Carl Yung Ming Jie	4/4
Mr Vernon Francis Moore	4/4
Mr Li Shilin*	0/4
Mr Liu Jifu	3/4
Mr Milton Law Ming To	4/4
Mr Wang Ande*	3/4
Mr Kwok Man Leung	4/4
Mr Peter Lee Chung Hing (resigned on 1 April 2010)	1/1
Independent Non-executive Directors	
Mr Alexander Reid Hamilton	3/4
Mr Hansen Loh Chung Hon*	4/4
Mr Norman Ho Hau Chong*	3/4
Non-executive Directors	
Mr Willie Chang*	4/4
Mr André Desmarais (three of the meetings were attended by his alternate)	4/4
Mr Ju Weimin	2/4
Mr Yin Ke	4/4

* (1) Messrs Li Shilin and Wang Ande will retire as executive directors by rotation at the 2011 AGM pursuant to Article 104(A) of the articles of association of CITIC Pacific, and will not seek for re-election.

(2) Mr Willie Chang will resign as a non-executive director, and Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong will resign as independent non-executive directors, all to be effective from the conclusion of the 2011 AGM.

(3) Messrs Gregory L. Curl and Francis Siu Wai Keung have been appointed as independent non-executive directors with effect from the conclusion of the 2011 AGM.

Chairman and Chief Executive Officer

Mr Chang Zhenming serves as the chairman of CITIC Pacific and Mr Zhang Jijing is the managing director of CITIC Pacific. The roles of the chairman and the managing director are segregated. The primary role of the chairman is to provide leadership for the board, to ensure that it works effectively in discharging its responsibilities and to report to the board on the strategy of CITIC Pacific. The managing director is responsible for the day-to-day management of CITIC Pacific's business. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Executive Committee

The executive committee serves as a channel for communicating the direction and priorities of CITIC Pacific and for sharing information with and amongst senior executives about key developments and issues affecting the various businesses of CITIC Pacific. This committee's activities include:

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

The executive 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. Leaders of the key head office functional departments also attend meetings. The executive committee met eleven times in 2010.

Remuneration Committee

The full terms of reference can be found on CITIC Pacific's website (http://www.citicpacific.com/eng/about/governance_remun.html).

Responsibility

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

Membership and Attendance

Members	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Norman Ho Hau Chong (Chairman)*	2/2
Mr Alexander Reid Hamilton	2/2
Non-executive Director	
Mr Willie Chang*	2/2

* Following their resignation, Mr Norman Ho Hau Chong will cease to be the chairman of remuneration committee and Mr Willie Chang will cease to be a member of the remuneration committee with effect from the conclusion of the 2011 AGM. The board has appointed Mr Francis Siu Wai Keung as the chairman of remuneration committee and Mr Gregory L. Curl as a member of the remuneration committee with effect from the conclusion of the 2011 AGM.

Work Done

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

Details of CITIC Pacific's remuneration policies are set out in the Human Resources section on pages 73 to 75. Directors' emoluments and retirement benefits are disclosed on pages 143 to 144. Details of the share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 96 to 99.

Nomination of Directors

There is no nomination committee of the board. Messrs Gregory L. Curl and Francis Siu Wai Keung have been appointed as independent non-executive directors by the board with effect from the conclusion of the 2011 AGM. Both Messrs Gregory L. Curl and Francis Siu Wai Keung will be subject to re-election at the next general meeting after the 2011 AGM.

Audit Committee

The board established an audit committee in March 1995. The full terms of reference can be found on CITIC Pacific's website (http://www.citicpacific.com/eng/about/governance_audit.html).

Responsibility

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

Membership and Attendance

The audit committee members have a wide range of experience in different industries and its chairman has appropriate professional qualifications and experience in accounting matters. The audit committee meets at least four times a year together with the group finance director, group financial controller and the external and internal auditors. Other executive directors do not attend the meeting unless by invitation. During 2010, the audit committee held four meetings.

Members	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Alexander Reid Hamilton (Chairman)	4/4
Mr Hansen Loh Chung Hon*	4/4
Non-executive Director	
Mr Willie Chang*	4/4

* Following their resignation, Messrs Hansen Loh Chung Hon and Willie Chang will cease to be members of the audit committee with effect from the conclusion of the 2011 AGM. The board has appointed Messrs Francis Siu Wai Keung and Yin Ke as members of the audit committee with effect from the conclusion of the 2011 AGM.

Work Done

The audit committee reviewed the half-year and annual financial statements and recommended the board to adopt the half-year and annual reports for 2010. The audit committee reviewed and approved the internal audit plan for the year and considered the internal audit findings and management's response. The audit committee discussed with the external auditors their independence and the nature and scope of the audit of the annual financial statements and the review of the half-year financial statements and the submission of the auditor's report to the committee upon completion of the review and audit as appropriate. The committee also considered reports from the auditors following their review of the half-year financial statements and audit of the annual financial statements. The committee also considered the external auditors' fees. The audit committee considered the whistleblowing policy which was adopted by CITIC Pacific on 1 June 2010. The committee considered the terms of reference for the committee and minor amendments were adopted to allow the committee unrestricted access to their own legal advice if required. The committee also reviewed a report on a special review conducted on a certain operation of CITIC Pacific.

Investment Committee

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

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

The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors.

The committee meets on an 'as required' basis. In 2010, there were seven discussions of the committee covering various topics.

Asset and Liability Management Committee

The responsibilities of the asset and liability management committee are to:

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

The committee is chaired by the group finance director. Other members include two executive directors and a non-executive director, the group treasurer, group financial controller, the executive with responsibility for financial risk management and other finance team representatives in CITIC Pacific. The chief financial officers of major business units attend and report at the meetings of the asset and liability management committee from time to time. The committee met eleven times during 2010 to consider the matters within its terms of reference.

Special Committee to Deal with Matters Relating to Investigations of CITIC Pacific

A special committee to deal with matters relating to the investigations of CITIC Pacific was established since April 2009 to:

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

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

On 18 March 2011, the court handed down judgment ruling that privilege had been lost in respect of six documents. CITIC Pacific is carefully considering the judgment and taking legal advice on its position.

Auditor's Remuneration

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

Statutory audit fee: HK$25 million (2009: HK$28 million)

Fees for other services, including advisory services relating to user requirements for the new financial accounting consolidation system, review of systems of internal control, review of the half-year financial statements and tax compliance: HK$24 million (2009: HK$16 million)

Other audit firms provided recurring audit services to subsidiaries at a fee of approximately HK$28 million (2009: HK$27 million) and provided other services for fees of HK$10 million (2009: HK$12 million)

Internal Controls

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

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

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

CITIC Pacific has put and continues to place considerable emphasis on enhancing its systems of internal control.

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

In conducting these reviews, the following were considered:

- a self-assessment by the management of major subsidiaries and business units of their material controls and risk management activities undertaken with reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. This process has been expanded this year to include self assessments by the principal head office functional departments. The documentation supporting the self assessments was subjected to review by group internal audit. The results of the self assessment were consolidated and reviewed by the audit committee. Whilst no material deficiencies were identified, the subsidiaries and businesses and head office functions have indicated some areas of internal control which they intend to enhance;
- letters of representation from executive management of business units confirming that their self assessments remain correct and that their accounts are prepared in accordance with the group's accounting policies;
- the reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee, which reviews the findings at each committee meeting and reports to the board on such reviews where appropriate; and
- self assessments by business units, group financial control, group finance and group internal audit of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes. The main conclusions are that:
  - the resources in the finance function are adequate and CITIC Pacific has taken steps to address matters which had been identified as requiring attention including clarification of roles and responsibilities, improvement in lines of communication and enhancement of its performance management;
  - the qualifications and experience of the staff of the accounting and finance functions are satisfactory overall; and
  - the training activities and budgets have been given considerable attention during the year and are satisfactory.

Internal Audit

CITIC Pacific regards group internal audit as a very important part of the board and audit committee's oversight function, including:

- the audit plan and audit work for the year are developed using a risk assessment methodology;
- the scope of reviews includes coverage of both group businesses and head office functions;
- the skill sets of group internal audit staff include appropriate industry and information systems auditing expertise;
- internal audit teams are established in head office, Shanghai and Perth to provide dedicated audit services to various business units and functions;
- the information technology ('IT') audit function within group internal audit addresses the increasing IT governance needs among different operations and process automation;
- internal audit oversees the whistle-blowing channels established in June 2010; investigations into reported cases are conducted where appropriate;
- the head of group internal audit attends the monthly meetings of the executive committee to ensure that he is aware of all significant developments in the group; and
- a training and development programme for group internal audit staff is prepared and reviewed by the audit committee.

Group internal audit reports to the audit committee, which reviews and approves the annual internal audit plan. Under the internal audit charter, group internal audit has unrestricted access to information, properties and all levels of management to facilitate the execution of its work. Reports are prepared after audit visits and summarized for review at each audit committee meeting. A quarterly follow-up review is undertaken by group internal audit to establish the extent of any required remedial action taken by management, and the results of this review are considered by the audit committee. Group internal audit also conducts ad hoc reviews or investigations of particular incidents or circumstances when required.

Codes

To ensure the highest standard of integrity and professionalism in its businesses, CITIC Pacific has adopted a Code of Conduct defining the ethical standards to which all employees are required to adhere. Employees are well informed and aware of the rules and ethical standards set out in the Code of Conduct upon joining CITIC Pacific. The audit committee receives report on the execution of the Code of Conduct and its compliance at least once a year for monitoring purposes.

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

Directors' Securities Transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ('model code') contained in Appendix 10 of the Listing Rules. All directors complied with the required standard set out in the model code throughout 2010.

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

During 2010, CITIC Pacific issued press announcements in respect of a number of notifiable transactions and connected transactions, which can be viewed on CITIC Pacific's website (http://www.citicpacific.com/eng/inv/announce/announce_index.php).

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

Communication with Shareholders

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

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

Fair Disclosure and Investor Relations

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

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

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

Financial Reporting

The directors acknowledge their responsibility for preparing accounts that give a true and fair view of the group's affairs and of its results and cash flows for the year in accordance with Hong Kong Financial Reporting Standards. The directors endeavour to ensure a balanced, clear and understandable assessment of CITIC Pacific's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the accounts except for those disclosed in Note 1(a) on pages 118 to 119.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2010 are set out in the Independent Auditor's Report on page 199.

Directors and Senior Managers

Executive Directors

Chang Zhenming

Age 54: chairman of CITIC Pacific since 2009. From 2000 to 2005 he served as an executive director, and from 2006 as a non-executive director, of CITIC Pacific. He has been appointed as the chairman of CITIC Group since December 2010 and previously served as vice chairman and president of CITIC Group. He is the vice chairman of China CITIC Bank Corporation Limited ('CITIC Bank'), CITIC International Financial Holdings Limited ('CIFH'), a non-executive director of CITIC Bank International Limited ('CITIC Bank International', formerly CITIC Ka Wah Bank Limited) and the managing director of CITIC Hong Kong (Holdings) Limited ('CITIC HK'). He was a non-executive director and deputy chairman of Cathay Pacific Airways Limited ('Cathay'). Mr Chang is the chairman of the investment committee and a member of the executive committee.

Zhang Jijing

Age 55: managing director of CITIC Pacific since November 2009 and a non-executive director from April 2009. He has been appointed as an executive director and a vice president of CITIC Group since April 2010 and has been 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. He is a non-executive director of CITIC Resources Holdings Limited, CITIC Securities Co., Ltd. ('CITIC Securities') and CITIC Bank. He was the managing director of CITIC Australia Group and a director and vice president of CITIC Australia Pty. Ltd. Mr Zhang is the chairman of the executive committee and a member of the investment committee.

Carl Yung Ming Jie

Age 42: deputy managing director since 2007 and a director since 2000, joined CITIC Pacific in 1993. He is the chairman of Shanghai CITIC Square Co., Ltd. and Shanghai New Westgate Garden Property Co., Ltd, a director of CITIC Pacific China Holdings Limited ('CP China') and responsible for our Hong Kong property business. Mr Yung is a member of the executive committee.

Vernon Francis Moore

Age 64: group finance director and a director since 1990, transferring from CITIC HK. He is a director of CITIC Pacific Mining Management Pty Ltd ('CP Mining'), the chairman of New Hong Kong Tunnel Company Limited ('NHKTC') and Western Harbour Tunnel Company Limited ('WHT'), and an independent non-executive director of CLP Holdings Limited ('CLP'). He was a non-executive director of Cathay until 2009, and from 1987 to 2007 an executive director of CITIC HK. Mr Moore is the chairman of the asset and liability management committee, and a member of both the executive committee and the investment committee.

Li Shilin

Age 61: a director since 2000. He is the chairman of CITIC Guoan Group and CITIC Guoan Information Industry Co., Ltd. He was the chairman and a director of CITIC Offshore Helicopter Co., Ltd. until November 2009, and an executive director and a vice president of CITIC Group until April 2010. Mr Li will retire as director by rotation at the forthcoming Annual General Meeting to be held on 12 May 2011 ('the 2011 AGM') pursuant to Article 104(A) of the articles of association of CITIC Pacific, and will not seek for re-election.

Liu Jifu

Age 67: a director since 2001. He is a director of CITIC HK, a non-executive director of CIFH and from 18 November 2010, a non-executive director of CITIC Telecom International Holdings Limited ('CITIC Telecom', formerly CITIC 1616 Holdings Limited). He was with the Financial and Economics Research Institute in the China Academy of Social Sciences, an executive director of China Everbright Group Limited and the chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

Milton Law Ming To

Age 47: a director since 2006, joined CITIC Pacific in 1992. He is a director of NHKTC, WHT, Daye Special Steel Co., Ltd ('Daye'), and CP Mining. Mr Law is a member of the executive committee, the investment committee and the asset and liability management committee.

Wang Ande

Age 61: a director since 2006, joined CITIC Pacific in 2003. He is the managing director of CP China and a director of group companies concerned with property projects in the PRC. He was responsible for lands and property development in the Shanghai Municipal Government and Pudong New Area Government. Mr Wang will retire as director by rotation at the 2011 AGM pursuant to Article 104(A) of the articles of association of CITIC Pacific, and will not seek for re-election.

Kwok Man Leung

Age 42: a director since 2008, joined CITIC Pacific in 1993. He is a director of NHKTC and other group companies involved in special steel, and a non-executive director of Dah Chong Hong Holdings Limited ('DCH Holdings'). He was a non-executive director of CITIC Telecom until November 2010. Mr Kwok is a member of the executive committee, the investment committee and the asset and liability management committee.

Non-executive Directors

Willie Chang
Age 67: a director since 1987. He is the sole proprietor of Willie Chang & Co., solicitors. He was a partner of Johnson, Stokes and Master. Mr Chang is a member of both the audit committee and the remuneration committee. He has tendered his resignation as a non-executive director, a member of both the audit committee and the remuneration committee with effect from the conclusion of the 2011 AGM.

André Desmarais
Age 54: a director since 1997. He is the president and co-chief executive officer of Power Corporation of Canada and a senior advisor to the International Advisory Council of China Association for the Promotion of Industrial Development.

Ju Weimin
Age 47: a director since 2009. He has been appointed as an executive director and a vice president of CITIC Group since April 2010 and has been a director of CITIC Group since 2000 and the chief financial officer of CITIC Group since 2002. He is the chairman of CITIC Trust Co. Ltd, a non-executive director of CITIC Securities, CITIC Bank, Asia Satellite Telecommunications Holdings Limited, CIFH and CITIC Bank International. Mr Ju is a member of the asset and liability management committee.

Yin Ke
Age 47: a director since 2009. He is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited, a director of CITIC Securities, a non-executive director of DCH Holdings and from 26 October 2010 a non-executive director of CITIC Dameng Holdings Limited. He was a non-executive director of Zhongxing Shenyang Commercial Building Company Group Limited until March 2010. Mr Yin has been appointed as a member of the audit committee with effect from the conclusion of the 2011 AGM.

Peter Kruyt
Age 55: an alternate director to André Desmarais since 2003. He is vice president of Power Corporation of Canada, chairman of Power Pacific Corporation Limited, the Canada China Business Council, and Concordia University, and president and chief executive officer of Victoria Square Ventures Inc.

Independent Non-executive Directors

Alexander Reid Hamilton
Age 69: a director since 1994. He is an independent non-executive director of China COSCO Holdings Company Limited, Shangri-La Asia Limited, Esprit Holdings Limited, Octopus Cards Limited, DBS Bank (Hong Kong) Limited and JF China Region Fund, Inc. He was a partner of PricewaterhouseCoopers, and a director of China Central Properties Limited. Mr Hamilton is the chairman of the audit committee and a member of the remuneration committee.

Hansen Loh Chung Hon
Age 73: a director since 1994. He is the managing director of Wyler Textiles, Limited and an independent non-executive director of CLP. Mr Loh is a member of the audit committee. He has tendered his resignation as an independent non-executive director and a member of the audit committee with effect from the conclusion of the 2011 AGM.

Norman Ho Hau Chong
Age 55: a director since 1994. He is an executive director of Honorway Investments Limited, Tak Hung (Holding) Company Limited, Miramar Hotel and Investment Company, Limited and Vision Values Holdings Limited, and an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited. He was a non-executive director of Taifook Securities Group Limited (subsequently renamed as Haitong International Securities Group Limited). Mr Ho is the chairman of the remuneration committee. He has tendered his resignation as an independent non-executive director and the chairman of the remuneration committee with effect from the conclusion of the 2011 AGM.

New Directors to the Board

On 3 March 2011, CITIC Pacific announced that Messrs Gregory L. Curl and Francis Siu Wai Keung have been appointed as independent non-executive directors of CITIC Pacific with effect from the conclusion of the 2011 AGM. Messrs Gregory L. Curl and Francis Siu Wai Keung will stand for re-election at the next general meeting after they take up the office.

Gregory L. Curl
Age 62: Mr Curl joined Temasek Holdings (Private) Limited as President on 1 September 2010, following his retirement from Bank of America in March 2010. He is also a director of the University of Virginia's Jefferson Scholars Foundation. He was a director of The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation until 24 June 2010. Mr Curl has been appointed as a member of the remuneration committee with effect from the conclusion of the 2011 AGM.

Francis Siu Wai Keung
Age 56: Mr Siu is an independent non-executive director of GuocoLand Limited and Hua Xia Bank Co., Limited. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China. Mr Siu has been appointed as the chairman of the remuneration committee and a member of the audit committee with effect from the conclusion of the 2011 AGM.

Company Secretary and Group General Counsel

Ricky Choy Wing Kay
Age 36: company secretary, appointed in 2010 and group general counsel, appointed in January 2011. He joined CITIC Pacific in 2008. He is a qualified solicitor in Hong Kong. He previously practiced as a commercial lawyer in private practice in Hong Kong.

Corporate Functional Leaders

Fei Yiping
Age 47: group financial controller, appointed in 2009. He is a director and chief financial officer of CITIC HK, and a non-executive director of CITIC Telecom and DCH Holdings. He joined CITIC Group in 1991. He has over 11 years of experience in accounting and financial management. Mr Fei is a member of the asset and liability management committee.

Wei Yen
Age 61: group treasurer, joined CITIC Pacific in 2009. He is a director of WHT. Before joining CITIC Pacific, he was a managing director with Nomura International and Lehman Brothers. From 2004 to 2006, Mr Yen was a managing director in financial institutions with Moody's Asia Pacific. He has over 20 years of financial industry experience in New York and Hong Kong. Mr Yen is a member of the asset and liability management committee.

Paul Lo Kai Sing
Age 55: director of group human resources, joined CITIC Pacific group in 2005. He has many years of experience in human resources management in a variety of industries and once served as the general manager, group human resources and communications, of DCH Holdings from 1997 to 2000.

Holly Chen Meng
Age 44: director of group investor relations & corporate communications, joined CITIC Pacific in 2001. Prior to that, she worked for over 10 years at investment banks including Lehman Brothers, Merrill Lynch and Citibank, where she obtained extensive experience in corporate finance and corporate communications.

Raymond Ma Wai Man
Age 44: group internal auditor, joined CITIC Pacific in 2008. He has over 22 years of experience in auditing and finance. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Operating Business Leaders

Special Steel

Yu Yapeng
Age 55: president of CITIC Pacific Special Steel Co., Ltd., joined CITIC Pacific group in 1993. From 1988 to June 2008, he has been the chief engineer, executive vice general manager and general manager of Jiangyin Xingcheng Special Steel Works Co., Ltd. He was the vice chairman of China Special Steel Enterprises Association since 1997 and now is the chairman of China Special Steel Enterprises Association. He is a director and the president of CITIC Pacific Special Steel group since July 2008 and the chairman of Daye since April 2010.

Iron Ore Mining

Hua Dongyi *PhD*
Age 46: chairman of CP Mining, appointed in January 2010. He joined CITIC Group in 2002. During the past 20 years, Dr Hua has held executive management positions in international projects in PRC, the Philippines, Pakistan, Angola and Algeria. He has extensive experience in project management, FIDIC contract management, and cost and risk management. Dr Hua is a member of the executive committee.

Property

Aaron Wong Ha Hang
Age 52: director, property department, joined CITIC Pacific in 1996. He is a director of NHKTC. Before that he worked for an international consulting firm in the United Kingdom and in Hong Kong. Mr Wong is a member of the executive committee.

Energy

Li Yajun
Age 47: general manager of CITIC Pacific energy department, joined the Ligang Power plant in 1987. He is the chairman of Sunburst Energy Development Co., Ltd., Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited. Mr Li has over 21 years' practical experience in power plant management. In recent years, he has been involved in coal and other energy industries. He also has extensive experience in investment and capital management. Mr Li is a member of the executive committee.

Tunnels

Miranda Yip Siu Wai
Age 47: general manager of NHKTC, joined NHKTC in 1999 as deputy general manager. She was appointed as executive director and general manager in 2004. She has extensive experience in public administration.

Listed Subsidiaries

Dah Chong Hong Holdings

Clement Hui Ying Bun
Age 64: chairman of DCH Holdings, joined DCH Holdings in 1966. He has more than 40 years of experience with DCH Holdings group in the motor vehicle businesses and corporate management.

Yip Moon Tong
Age 58: chief executive officer of DCH Holdings, joined DCH Holdings in 1992. He has over 30 years of experience, in both the public and private sectors, in engineering and motor vehicle businesses.

CITIC Telecom

Xin Yue Jiang
Age 62: chairman of CITIC Telecom, joined CITIC Telecom in 2008. He possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation.

Norman Yuen Kee Tong
Age 62: chief executive officer of CITIC Telecom, joined CITIC Pacific group in 2001. Before that, he was the deputy chief executive of Hong Kong Telecommunications Limited and later, Pacific Century CyberWorks Limited. He has more than 20 years of extensive experience in all aspects of telecoms industry.

Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2010.

Principal Activities

The principal activity of CITIC Pacific is to hold the subsidiaries, associates and joint ventures through which its business operations are carried out, employing staff and raising finance. Their major areas of operation are set out in the Business Review on pages 8 to 47.

Dividends

The directors declared an interim dividend of HK$0.15 per share for the year ended 31 December 2010 which was paid on 22 September 2010. The directors are recommending, to shareholders at the forthcoming annual general meeting, the payment of a final divided of HK$0.30 per share in respect of the year ended 31 December 2010 payable on 20 May 2011 to shareholders on the Register of Members at the close of business on 12 May 2011. This represents a total distribution for the year of HK$1,642 million.

Reserves

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

Donations

Donations made by CITIC Pacific and its subsidiary companies during the year amounted to HK$23 million.

Fixed Assets

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

Major Customers and Suppliers

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

None of the directors, their associates nor any shareholders (which to the knowledge of the directors own more than 5% of CITIC Pacific's share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The names of the principal subsidiary companies, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in Note 42 to the financial statements.

Issue of Debt Securities

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly-owned subsidiary of CITIC Pacific, issued and sold a total of US$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at 31 December 2010.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly-owned subsidiary of CITIC Pacific, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding at 31 December 2010.

On 8 June 2010, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly-owned subsidiary of CITIC Pacific, issued and sold a total of RMB800 million principal amount of 3.27% short term commercial paper due 2011 ('Commercial Paper') to investors. All of the Commercial Paper remained outstanding at 31 December 2010.

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

Borrowings

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

Directors

Mr Hamilton Ho Hau Hay resigned as independent non-executive director of CITIC Pacific with effect from 1 January 2010 and Mr Peter Lee Chung Hing resigned as executive director and deputy managing director of CITIC Pacific with effect from 1 April 2010.

Pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Carl Yung Ming Jie, Li Shilin, Wang Ande, Kwok Man Leung and André Desmarais shall retire by rotation in the forthcoming annual general meeting to be held on 12 May 2011 ('the 2011 AGM'). Messrs Carl Yung Ming Jie, Kwok Man Leung and André Desmarais, being eligible, offer themselves for re-election at the 2011 AGM. Messrs Li Shilin and Wang Ande have notified CITIC Pacific that as they are retiring, they will not seek for re-election at the 2011 AGM. In addition, Mr Willie Chang has tendered his resignation as a non-executive director of CITIC Pacific, Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong have tendered their resignation as independent non-executive directors of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. Accordingly, Mr Willie Chang will cease to be a member of both the audit committee and the remuneration committee of CITIC Pacific, Mr Hansen Loh Chung Hon will cease to be a member of the audit committee of CITIC Pacific and Mr Norman Ho Hau Chong will cease to be the chairman of the remuneration committee of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM.

As a result of the departure of directors referred to as above, all of whom have provided long service to CITIC Pacific and whose dedication are sincerely appreciated, the board has appointed Mr Gregory L. Curl as an independent non-executive director and a member of the remuneration committee of CITIC Pacific, and Mr Francis Siu Wai Keung as an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. In addition, Mr Yin Ke, a non-executive director of CITIC Pacific, has been appointed as a member of the audit committee of CITIC Pacific with effect from the conclusion of the 2011 AGM.

Except for the above changes, the directors of CITIC Pacific whose names and biographical details appear on pages 85 to 87 were the directors in office during the whole of the financial year ended 31 December 2010.

Management Contract

CITIC Pacific entered into a management agreement with CITIC Hong Kong (Holdings) Limited ('CITIC HK') on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to CITIC Pacific and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Chang Zhenming and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the annual general meeting of CITIC Pacific to be held on 12 May 2011.

Directors' Interests in Contracts of Significance

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

Competing Interests

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

Related Party Transactions

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

Connected Transactions

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

1. On 21 April 2010, in order to streamline the shareholding structure such that the interests in the Ligang power plants will be held by CITIC Pacific and State Development & Investment Corporation ('SDIC') directly, Sunspark Power Investment Company Limited ('Sunspark') (a wholly-owned subsidiary of CITIC Pacific) entered into the following agreements:

i) an agreement with SDIC, pursuant to which SDIC agreed to transfer its 35% shareholding interest in Sunburst Energy Development Co., Ltd. ('Sunburst'), which holds shareholding interests in Jiangsu Ligang Electric Power Company Limited ('Jiangsu Ligang') and Jiangyin Ligang Electric Power Generation Company Limited ('Jiangyin Ligang'), to Sunspark at a consideration of RMB256,309,900;

ii) an agreement with SDIC, pursuant to which Sunspark agreed to transfer its 4.70% shareholding interest in Jiangsu Ligang, which operates phases 1 and 2 of Ligang power plants, to SDIC at a consideration of RMB121,147,100; and

iii) an agreement with SDIC, pursuant to which Sunspark agreed to transfer its 9.17% shareholding interest in Jiangyin Ligang, which operates phases 3 and 4 of Ligang power plants, to SDIC at a consideration of RMB125,697,400.

The attributable shareholding interests of CITIC Pacific and SDIC in Jiangsu Ligang and Jiangyin Ligang will not be changed. SDIC is a connected person of CITIC Pacific by virtue of its being a substantial shareholder of Sunburst. The transaction was not yet completed as at 31 December 2010.

2. On 10 May 2010, CITIC Pacific as the lender and 無錫太湖苑置業有限公司 (Wuxi Taihu Yuan Property Co., Ltd.) ('Taihu Yuan') (a 70% owned subsidiary of CITIC Pacific) as the borrower entered into a loan extension agreement, pursuant to which the repayment deadline under the loan agreement made between the parties on 11 May 2007 be extended from 10 May 2010 to 10 May 2011 for the remaining balance of the outstanding principal amount of US$22,000,000 owed by Taihu Yuan to CITIC Pacific (the 'Financial Assistance'). The annual interest rate for the extended period is 12-month LIBOR plus 1.5%.

Taihu Yuan is engaged in the development of residential and commercial properties in Wuxi, the PRC and the extension of the Financial Assistance to Taihu Yuan would facilitate the business development of Taihu Yuan.

As Taihu Yuan is an associate of 無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.) (a 30% shareholder of Taihu Yuan), a connected person of CITIC Pacific by virtue of its holding of 10% or more in certain subsidiaries of CITIC Pacific, Taihu Yuan is a connected person of CITIC Pacific under the Listing Rules.

3. On 25 May 2010, Swire Aviation Limited, Swire Finance Limited, Swire Pacific Limited, CITIC Pacific and Cathay Pacific Airways Limited ('Cathay Pacific') (collectively the 'Sellers') and Jardine, Matheson & Co., Limited, The Wharf (Holdings) Limited, Mosgen Limited, Hutchison Port Holdings Limited and China National Aviation Corporation (Group) Limited (collectively the 'Purchasers') entered into a sale and purchase agreement for the sale by the Sellers of 40% interests, comprising CITIC Pacific's entire 10.002% interests in Hong Kong Air Cargo Terminals Limited and HACTL Investment Holdings Limited, to the Purchasers for a cash consideration of HK$2,560 million, comprising HK$640,128,000 in respect of the sale interest of CITIC Pacific. The sale was completed during the year.

Cathay Pacific is a substantial shareholder of certain subsidiaries of CITIC Pacific, and therefore a connected person of CITIC Pacific under the Listing Rules.

4. Subsequent to the clubhouse contract (the 'Clubhouse Contract') made on 21 October 2009 between 中信泰富萬寧(聯合)開發有限公司 (CITIC Pacific Wanning United Development Company Limited) (a 80% owned subsidiary of CITIC Pacific) as the employer and中信國華國際工程承包有限責任公司 (CITIC International Contracting Co., Ltd.) ('CIC') as the contractor in relation to the construction of a clubhouse of Shenzhen Peninsula (the 'Clubhouse'), the group entered into a supplemental agreement to the Clubhouse Contract (the 'Supplemental Agreement') with CIC on 23 June 2010 to increase the scope of works to include the execution of the interior fitting-out works for the Clubhouse for an additional sum of RMB23,400,000. The total contract sum of the Clubhouse Contract as supplemented by the Supplemental Agreement is RMB55,571,677.64.

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

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

5. On 2 September 2010, CITIC Telecom International Holdings Limited ('CITIC Telecom', formerly 'CITIC 1616 Holdings Limited'), being a subsidiary of CITIC Pacific, CITIC Telecom International CPC Limited ('CPCNet', formerly 'CPCNet Hong Kong Limited'), being a wholly-owned subsidiary of CITIC Telecom, CITIC Group, 北京中經迅通網絡技術有限公司 (CE-SCM Network Technology Co., Ltd.) ('CE-SCM'), 國務院國有資產監督管理委員會信息中心 (Information Centre of State-owned Assets Supervision & Administration Commission of the State Council) and 中企網絡通信技術有限公司 (China Enterprise Communications Ltd.) ('CEC') entered into a framework agreement, pursuant to which CITIC Telecom will (through CPCNet) acquire at completion (the 'Acquisition'):

i) 8.23% equity interest in CEC from CITIC Group and a right to require CITIC Group to sell to CPCNet the remaining 45.09% equity interest, which is exercisable by CPCNet after completion of the Acquisition and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC, at a total consideration of RMB80,818,000 (approximately HK$92,702,455);

ii) 40.77% equity interest in CEC from CE-SCM, at a consideration of RMB82,395,048 (approximately HK$94,511,411) (subject to audit adjustment); and

iii) the entire issued share capital of China Enterprise Netcom Corporation Limited ('CEC-HK'), which currently is a subsidiary of CEC, at a consideration of HK$400,000.

CPCNet, CEC and CEC-HK will also, before completion, enter into certain arrangements, including but not limited to the transactions contemplated under the Exclusive Service Agreement (as defined below).

The aggregate amount payable by CITIC Telecom is approximately HK$258,383,266 comprising (a) the aforesaid consideration for the Acquisition in the total sum of approximately RMB163,561,768 (approximately HK$187,613,866), subject to audit adjustments; and (b) the assumption of debts in the amount of US$9,073,000 (approximately HK$70,769,400) owed by CEC-HK to a subsidiary of CITIC Group. CEC is one of the leading virtual private network ('VPN') services providers in the PRC and is a unique independent VPN services provider which was granted a nationwide internet protocol virtual private network ('IP-VPN') license from the Ministry of Industry and Information Technology of the PRC, which allows CEC to provide domestic IP-VPN services throughout China. CITIC Group is the controlling shareholder of CITIC Pacific, and therefore is a connected person of CITIC Pacific. The Acquisition was not yet completed as at 31 December 2010.

6. On 26 January 2011, in order to maximise control over the shipment of coal to the Ligang power station, 江陰利電煤炭運銷有限公司 (Jiangyin Lidian Coal Transportation & Marketing Co., Ltd.) ('Jiangyin Lidian'), a wholly owned subsidiary of Jiangyin Ligang, over which CITIC Pacific's attributable interest will remain to be approximately 71% upon completion of the restructure as described in item (1) above, entered into an equity transfer agreement with 中信信托有限責任公司 (CITIC Trust Co., Ltd.) ('CITIC Trust'), pursuant to which Jiangyin Lidian agreed to purchase from CITIC Trust 100% equity interest in 上海中信輪船有限公司 (Shanghai CITIC Shipping Corporation Limited) ('CITIC Shipping') at a consideration of RMB120,270,827.95. Furthermore, Jiangyin Lidian has agreed to procure CITIC Shipping to make a one-off payment to repay all balances (including interests where applicable) due by CITIC Shipping to CITIC Trust, CITIC Hong Kong (Holdings) Limited ('CITIC (HK)') and its subsidiaries within 7 business days after the Business Administration Registration has been updated. Jiangyin Lidian is jointly and severally liable to repay such balances. The aggregate amount due by CITIC Shipping to such parties as at 31 December 2010 is approximately of HK$289,689,850.

On the same day, Jiangyin Lidian as lender, CITIC Shipping as borrower and China Construction Bank Corporation as agent entered into a loan agreement, pursuant to which Jiangyin Lidian agreed to provide CITIC Shipping a loan of up to RMB58,000,000 for a term of 1 year (the 'Term') commencing from 1 February 2011 (or the remittance record date) to 31 January 2012 (or a date being 1 year after the remittance record date) for the purpose of paying back CITIC Shipping's bank loan, which will become due upon the transfer of the equity of CITIC Shipping. The loan is a one-off facility and is unsecured and bear interest at a rate calculated at the prime rate of PRC and floating every 3 months. Interest of the loan shall be payable every 3 months while the principal amount of the loan shall be repaid on the expiry of the Term.

CITIC Shipping is a shipping company, providing transportation services by carriers in the PRC. CITIC Trust held 90% and 10% of the equity interest in CITIC Shipping on behalf of CITIC (HK) and 中信投資管理（上海）有限公司 (CITIC Investment Management (Shanghai) Company Limited) ('CITIC Investment') respectively in its capacity as a trustee. CITIC Investment is a wholly owned subsidiary of CITIC (HK). CITIC (HK) is a wholly-owned subsidiary of CITIC Group, a controlling shareholder of CITIC Pacific. In addition, CITIC Trust is also a wholly-owned subsidiary of CITIC Group, and thus all of CITIC (HK), CITIC Investment, being an associate of CITIC (HK), and CITIC Trust are connected persons of CITIC Pacific. The transaction was not yet completed.

Non-Exempt Continuing Connected Transactions

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

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

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

The actual amount paid by the Power Companies to CITIC Shipping for the year ended 31 December 2010 under the Coal Transportation Agreement was approximately RMB126.72 million.

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

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

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

The actual amount paid by CITIC Pacific to Goldon for the year ended 31 December 2010 under the Lease Agreement was approximately HK$65.20 million.

3. In the ordinary and usual course of business, CITIC Pacific and its subsidiaries maintain bank balances with China CITIC Bank Corporation Limited ('CITIC Bank') and CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited) ('CITIC Bank International') on normal commercial terms. As at 31 December 2007, 31 December 2008 and 31 December 2009, the aggregate bank balances maintained by the group with CITIC Bank and CITIC Bank International totalled approximately HK$391 million, HK$1,754 million and HK$58 million respectively. On 6 May 2010, CITIC Pacific entered into a master agreement with CITIC Bank and CITIC Bank International for the purpose to set out the aggregate maximum bank balance maintained by the group with CITIC Bank and CITIC Bank International on any given day for the period from 31 May 2010 to 31 December 2010 and the two years ending 31 December 2011 and 31 December 2012 of not exceeding HK$1,400 million.

CITIC Bank and CITIC Bank International are subsidiaries of CITIC Group, a controlling shareholder of CITIC Pacific, and are therefore connected persons of CITIC Pacific.

As at 31 December 2010 the aggregate bank balances maintained by the group with CITIC Bank and CITIC Bank International totalled approximately HK$297 million.

4. On 24 November 2010, CEC, CEC-HK and CPCNet entered into an exclusive service agreement (the 'Exclusive Service Agreement'), pursuant to which CEC shall provide technical and support services to the customers of CEC-HK and CPCNet in the PRC for a term of 3 years to facilitate the provision of value-added telecom services to these customers. CEC will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively

in the PRC to service the customers of CEC-HK and CPCNet in the PRC. A service fee shall be payable to CEC monthly with reference to CEC's costs in servicing such customers provided that CEC-HK and CPCNet shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC's costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPCNet on the other shall be entitled to share the surplus equally. Assuming that the Exclusive Service Agreement will be for a term from 1 November 2010 to 31 October 2013, the annual caps for the transactions under the Exclusive Service Agreement for the two months ended 31 December 2010, the two years ending 31 December 2012 and the ten months ending 31 October 2013 are estimated to be US$3,000,000 (approximately HK$23,400,000), US$40,000,000 (approximately HK$312,000,000), US$55,000,000 (approximately HK$429,000,000) and US$60,000,000 (approximately HK$468,000,000) respectively. In accordance with the Listing Rules, CEC is an associate of CITIC Group (being a controlling shareholder of CITIC Pacific), and therefore is a connected person of CITIC Pacific.

No services were provided by CEC to the customers of CEC-HK and CPCNet under the Exclusive Service Agreement for the year ended 31 December 2010 and accordingly there were no continuing connected transactions under the Exclusive Service Agreement for the year ended 31 December 2010.

The independent non-executive directors of CITIC Pacific have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2010 (the 'Transactions') and confirm that:

a. the Transactions have been entered into in the ordinary and usual course of business of CITIC Pacific;

b. the Transactions have been entered into on normal commercial terms or on terms no less favourable to CITIC Pacific than terms available to or from (as appropriate) independent third parties; and

c. the Transactions were entered into, in all material respects, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

CITIC Pacific's auditor was engaged to report on the group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the group in pages 94 to 95 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by CITIC Pacific to the Hong Kong Stock Exchange.

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

On 11 May 2010, Sino Iron entered into a supplemental contract to the general construction contract dated 24 January 2007 (as amended on 20 August 2007) with MCC Mining (Western Australia) Pty Ltd ('MCC Mining', a wholly owned subsidiary of MCC), the lead construction contractor for the iron ore mining project, pursuant to which Sino Iron agreed to pay an additional US$835 million to MCC Mining.

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

As at 31 December 2010, the Disposal had not yet been completed. Accordingly, the general construction contract, the supplemental contract thereto and the transactions contemplated thereunder did not constitute a continuing connected transaction for CITIC Pacific during the year.

Share Option Plan Adopted by CITIC Pacific

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

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

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

3. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of CITIC Pacific from time to time or (ii) the issued share capital of CITIC Pacific as at the date of adopting the Plan, whichever is the lower.

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

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

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

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

8. The life of the Plan is ten years.

The Plan ended on 30 May 2010.

Since the adoption of the Plan and up to 30 May 2010, 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 per share and HK$19.90 per share expired at the close of business on 27 May 2007 and 31 October 2009 respectively.

None of the share options granted under the Plan were exercised or cancelled, but options for 2,990,000 shares have lapsed during the year ended 31 December 2010. A summary of the movements of the share options during the year ended 31 December 2010 is as follows:

A. CITIC Pacific directors

			Number of share options			
Name of director	Date of grant	Exercise price HK$	Balance as at 01.01.10	Exercised/ lapsed/cancelled during the year ended 31.12.10	Balance as at 31.12.10	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)*	*(Note1)*
	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 year ended 31.12.10	Exercised/lapsed/ cancelled during the year ended 31.12.10	Balance as at 31.12.10
20.06.06	22.10	1,196,000	–	–	1,196,000
16.10.07	47.32	4,350,000	–	–	4,350,000
19.11.09	22.00	7,600,000	–	–	7,600,000
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 year ended 31.12.10	Exercised/ cancelled during the year ended 31.12.10	Lapsed during the year ended 31.12.10	Balance as at 31.12.10
20.06.06	22.10	2,000,000 *(Note 2)*	–	–	750,000	1,250,000
16.10.07	47.32	3,600,000 *(Note 2)*	–	–	1,150,000	2,450,000
19.11.09	22.00	2,190,000 *(Note 2)*	–	–	1,090,000	1,100,000

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 year ended 31 December 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 year ended 31 December 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 Telecom International Holdings Limited ('CITIC Telecom', formerly CITIC 1616 Holdings Limited)
CITIC Telecom adopted a share option plan ('CITIC Telecom Share Option Plan') on 17 May 2007. The major terms of the CITIC Telecom Share Option Plan are as follows:

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

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

3. The maximum number of shares of CITIC Telecom ('CITIC Telecom Shares') over which options may be granted under the CITIC Telecom Share Option Plan must not exceed 10% of (i) the CITIC Telecom Shares in issue from time to time; or (ii) the CITIC Telecom Shares in issue as at the date of adopting the CITIC Telecom Share Option Plan, whichever is the lower. As at 3 March 2011, the maximum number of shares available for issue under the CITIC Telecom Share Option Plan is 139,305,000, representing approximately 5.84% of the issued share capital of CITIC Telecom.

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

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

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

7. The subscription price determined by the board of CITIC Telecom will not be less than the higher of (i) the closing price of CITIC Telecom Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of CITIC Telecom 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 Telecom Shares.

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

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

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

All options granted were accepted except for options for 115,000 CITIC Telecom Shares granted on 17 September 2009. Options for 1,644,500 CITIC Telecom Shares were exercised, options for 1,672,500 CITIC Telecom Shares have lapsed and no options were cancelled during the year ended 31 December 2010. The grantees were CITIC Telecom Directors or CITIC Telecom Employees. On 17 September 2009, options for 300,000 CITIC Telecom Shares have been granted to Mr Kwok Man Leung, an executive director of CITIC Pacific and such options were not exercised, cancelled or lapsed up till 31 December 2010. Mr Kwok has resigned as director of CITIC Telecom with effect from 18 November 2010. Save as aforesaid, none were granted to the directors, chief executive 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. The major terms of the Pre-IPO Scheme are as follows:

a. The purpose of the Pre-IPO Scheme is to recognise the contributions of certain directors and employees of the DCH Holdings group to the growth of the DCH Holdings group and to incentivise such persons going forward.

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

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

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

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

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

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

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

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

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

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

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

A summary of the movements of share options under the Pre-IPO Scheme during the year ended 31 December 2010 is as follows:

		Number of share options			
Balance as at 01.01.10	Granted during the year ended 31.12.10	Lapsed during the year ended 31.12.10	Cancelled during the year ended 31.12.10	Exercised during the year ended 31.12.10	Balance as at 31.12.10
16,900,000	–	100,000	–	9,375,000*	7,425,000

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$8.73.

Post-IPO Share Option Scheme

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

a. The purpose of the Post-IPO Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees of the DCH Holdings group and to promote the long term financial success of DCH Holdings by aligning the interests of grantees to DCH Holdings' shareholders.

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

c. The maximum number of shares over which share options may be granted under the Post-IPO Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 3 March 2011, the maximum number of shares available for issue under the Post-IPO Scheme is 138,600,000, representing approximately 7.62% of the issued share capital of DCH Holdings. Share options lapsed in accordance with the terms of the Post-IPO Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.

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

e. The exercise period of any share option granted under the Post-IPO Scheme must not be more than 10 years commencing on the date of grant.

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

g. The subscription price determined by the board of DCH Holdings will not be less than whichever is the higher of (i) the closing price of DCH Holdings' shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of DCH Holdings' shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of DCH Holdings.

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

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

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

The closing price of DCH Holdings' shares immediately before the grant on 7 July 2010 was HK$4.69 per DCH Holdings' share. All share options granted were accepted.

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

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

A summary of the movements of share options under the Post-IPO Scheme during the year ended 31 December 2010 is as follows:

	Number of share options			
Balance as at 01.01.10	Granted during the year ended 31.12.10	Lapsed/cancelled during the year ended 31.12.10	Exercised during the year ended 31.12.10	Balance as at 31.12.10
–	23,400,000	–	7,300,000*	16,100,000

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$8.72.

The fair value of the share options granted under the Post-IPO Scheme during the year ended 31 December 2010 measured as at the date of grant of 7 July 2010 was HK$1.33 per share based on the following assumptions using the Binomial Lattice Model:

Share price at the grant date	HK$4.610
Exercise price	HK$4.766
Expected volatility of DCH Holdings' share price per annum	45%
Expected average share option life	3.8 years
Expected dividend yield per annum	3%
Risk-free interest rate per annum (based on Hong Kong Exchange Fund Notes)	1.15%

The expected volatility and dividend yield is based on historical volatility and historical dividend yields. Changes in the above assumptions could materially affect the share options' fair value estimate.

The total expense recognised in the DCH Holdings' income statement for the year ended 31 December 2010 in respect of the grant of the aforesaid 23,400,000 share options for DCH Holdings' shares is HK$31,122,000.

All the share options forfeited before expiry will be treated as lapsed share options which will not be added back to the number of shares available to be issued under the Post-IPO Scheme.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the changes in monthly salaries for the following directors with effect from 1 January 2011:

Director	Previous monthly salary	Monthly salary (with effect from 01.01.11)
Carl Yung Ming Jie	HK$140,000	HK$147,000
Vernon Francis Moore	HK$175,000	HK$183,800
Li Shilin	HK$46,580	HK$48,890
Liu Jifu	HK$53,850	HK$56,550
Milton Law Ming To	HK$140,000	HK$147,000
Wang Ande	RMB130,000	RMB136,500
Kwok Man Leung	HK$140,000	HK$147,000

Note: for information in relation to the 2010 full year emoluments of the directors, please refer to Note 12 to the financial statements.

The following proposals in relation to directors' fees for appointment and acting as members of certain board committees with effect from the financial year ending 31 December 2011 have been endorsed by the board and the remuneration committee in January 2011 and will be put forward for shareholders' approval at the 2011 AGM:

1. removing the director's fee and fees for serving on any board committees for executive directors serving on the board of CITIC Pacific; and

2. raising the director's fee for the remaining non-executive directors from HK$200,000 to HK$350,000.

Directors' Interests in Securities

The interests of the directors in shares of CITIC Pacific or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ('SFO')) as at 31 December 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 Telecom International Holdings Limited		
Vernon Francis Moore	200,000 *(Note 1)*	0.008
Dah Chong Hong Holdings Limited		
Li Shilin	12,000	0.001
Hansen Loh Chung Hon	62,000 *(Note 4)*	0.003
CITIC Guoan Information Industry Co., Ltd.		
Li Shilin	92,466	0.006

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. 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 Telecom

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Telecom 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 year ended 31.12.10	Exercised/ lapsed/ cancelled during the year ended 31.12.10	Balance as at 31.12.10	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 31 December 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year were there any subsisting agreements enabling the directors of CITIC Pacific to acquire benefits by means of acquisition of shares in, or debentures of, CITIC Pacific or any other corporate, which at the relevant time, CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies was a party.

Substantial Shareholders

As at 31 December 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 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.

Shareholding Statistics

Based on the share register records of CITIC Pacific, set out below is a shareholding statistic chart of the shareholders of CITIC Pacific as at 31 December 2010:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,281	50.42
1,001 to 10,000	3,358	39.55
10,001 to 100,000	780	9.20
100,001 to 1,000,000	64	0.75
1,000,001 above	7	0.08
Total	**8,490**	**100**

As at 31 December 2010, the total number of issued shares of CITIC Pacific was 3,648,688,160 and based on the share register records of CITIC Pacific, HKSCC Nominees Limited held 1,573,895,577 shares representing 43.14 % of the issued share capital of CITIC Pacific.

Share Capital

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2010. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific’s shares during the year ended 31 December 2010.

Service Contracts

As at 31 December 2010, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the group and any director proposed for re election at the forthcoming annual general meeting.

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

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

Proforma combined balance sheet of affiliated companies

in HK$ million	CITIC Pacific Limited and its subsidiary companies' attributable interest as at 31 Dec 2010
Fixed assets	14,564
Jointly controlled entities	226
Other financial assets	28
Deferred tax assets	5
Intangible assets	1,669
Other non current assets	1,719
Net current assets	2,998
Total assets less current liabilities	21,209
Long term borrowings	(6,525)
Deferred tax liabilities	(409)
Derivative financial instruments	(10)
Loan from shareholders	(6,018)
	8,247

Auditors

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

Sufficiency of Public Float

Based on information that is publicly available to CITIC Pacific and within the knowledge of the directors, the directors confirm that CITIC Pacific has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2010.

By Order of the Board,
Chang Zhenming *Chairman*
Hong Kong, 3 March 2011

Contents of Financial Statements and Notes

Consolidated Profit and Loss Account

for the year ended 31 December 2010

in HK$ million	Note	2010	2009
Revenue	3	**70,614**	46,409
Cost of sales		**(59,662)**	(38,248)
Gross profit		**10,952**	8,161
Other income and net gains	4	**4,395**	2,632
Distribution and selling expenses		**(2,084)**	(1,470)
Other operating expenses		**(4,472)**	(3,523)
Change in fair value of investment properties		**1,294**	90
Profit from consolidated activities	5 & 6	**10,085**	5,890
Share of results of			
Jointly controlled entities	5	**2,000**	2,018
Associated companies	5	**630**	642
Profit before net finance charges and taxation		**12,715**	8,550
Finance charges		**(704)**	(937)
Finance income		**356**	313
Net finance charges	7	**(348)**	(624)
Profit before taxation		**12,367**	7,926
Taxation	8	**(2,178)**	(1,097)
Profit for the year		**10,189**	6,829
Attributable to:			
Shareholders of the Company	9	**8,915**	5,950
Non-controlling interests		**1,274**	879
		10,189	6,829
Dividends	10	**(1,642)**	(1,459)
Earnings per share for profit attributable to			
shareholders of the Company during the year (HK$)	11		
Basic		**2.44**	1.63
Diluted		**2.44**	1.63

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

in HK$ million	2010	2009
Profit for the year	**10,189**	6,829
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**(513)**	4,312
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	**(1,232)**	(80)
Fair value changes from other financial assets	**835**	509
Revaluation gain recognised upon transfer from property held for own use to investment properties	**116**	–
Share of other comprehensive income of associated companies and jointly controlled entities	**56**	51
Exchange translation differences	**2,391**	246
Reserve released on disposal/dilution of interest in jointly controlled entities	**(298)**	(27)
Reserve released on disposal of interest in associated companies and non-current assets held for sale	**(421)**	50
Reserve released upon liquidation of subsidiary companies	**5**	–
Total comprehensive income for the year	**11,128**	11,890
Total comprehensive income for the year attributable to		
Shareholders of the Company	**9,679**	11,000
Non-controlling interests	**1,449**	890
	11,128	11,890

Consolidated Balance Sheet

as at 31 December 2010

in HK$ million	Note	2010	As restated 31 December 2009	As restated 1 January 2009
Non-current assets				
Property, plant and equipment	15	**63,334**	40,032	23,865
Investment properties	15	**13,579**	11,164	11,230
Properties under development	15	**9,881**	9,065	8,630
Leasehold land – operating leases	15	**1,597**	1,581	1,483
Jointly controlled entities	17	**21,681**	22,097	21,140
Associated companies	18	**6,116**	5,611	14,801
Other financial assets	19	**448**	2,198	1,063
Intangible assets	20	**12,989**	10,913	8,979
Deferred tax assets	32	**714**	554	1,967
Derivative financial instruments	31	**1,854**	748	235
Non-current deposits and prepayment	21	**6,403**	6,480	8,709
		138,596	110,443	102,102
Current assets				
Properties under development	15	**2,280**	2,172	1,218
Properties held for sale		**1,870**	1,651	733
Other assets held for sale	22	**298**	1,765	–
Inventories	23	**11,191**	6,983	5,605
Derivative financial instruments	31	**73**	92	1,016
Debtors, accounts receivable, deposits and prepayments	24	**14,070**	11,082	9,931
Cash and bank deposits		**24,558**	21,553	18,296
		54,340	45,298	36,799
Current liabilities				
Bank loans, other loans and overdrafts				
secured	28	**598**	105	490
unsecured	28	**14,629**	4,252	8,892
Creditors, accounts payable, deposits and accruals	25	**26,911**	19,992	13,500
Derivative financial instruments	31	**55**	167	3,043
Provision for taxation		**936**	243	274
		43,129	24,759	26,199
Net current assets		**11,211**	20,539	10,600
Total assets less current liabilities		**149,807**	130,982	112,702
Non-current liabilities				
Long term borrowings	28	**68,456**	61,318	47,852
Deferred tax liabilities	32	**2,419**	1,891	1,710
Derivative financial instruments	31	**2,543**	1,727	6,682
Provisions and deferred income	33	**2,254**	807	734
		75,672	65,743	56,978
Net assets	5	**74,135**	65,239	55,724
Equity				
Share capital	26	**1,459**	1,459	1,458
Reserves	27	**65,728**	57,888	48,230
Proposed dividend		**1,095**	912	–
Equity attributable to shareholders of the Company		**68,282**	60,259	49,688
Non-controlling interests in equity		**5,853**	4,980	6,036
Total equity		**74,135**	65,239	55,724

Zhang Jijing
Managing Director

Vernon F. Moore
Group Finance Director

Balance Sheet

as at 31 December 2010

in HK$ million	Note	2010	2009
Non-current assets			
Property, plant and equipment	15	**7**	10
Subsidiary companies	16	**68,401**	61,243
Jointly controlled entities	17	**5,121**	5,102
Associated companies	18	**2,018**	2,544
Derivative financial instruments	31	**859**	342
		76,406	69,241
Current assets			
Other assets held for sale	22	**–**	1,894
Derivative financial instruments	31	**15**	62
Amounts due from subsidiary companies	16	**3,960**	1,467
Debtors, accounts receivable, deposits and prepayments	24	**188**	129
Cash and bank deposits		**7,781**	7,754
		11,944	11,306
Current liabilities			
Bank loans, other loans and overdrafts			
unsecured	28	**1,949**	700
Amounts due to subsidiary companies	16	**9,647**	9,288
Creditors, accounts payable, deposits and accruals	25	**291**	143
Derivative financial instruments	31	**37**	150
Provision for taxation		**1**	–
		11,925	10,281
Net current assets		**19**	1,025
Total assets less current liabilities		**76,425**	70,266
Non-current liabilities			
Long term borrowings	28	**28,723**	25,834
Derivative financial instruments	31	**2,276**	1,328
		30,999	27,162
Net assets		**45,426**	43,104
Equity			
Share capital	26	**1,459**	1,459
Reserves	27	**42,872**	40,733
Proposed dividend		**1,095**	912
Equity attributable to shareholders of the Company		**45,426**	43,104

Zhang Jijing
Managing Director

Vernon F. Moore
Group Finance Director

Consolidated Cash Flow Statement

for the year ended 31 December 2010

in HK$ million	Note	2010	2009
Cash flows from operating activities			
Profit before taxation		**12,367**	7,926
Share of results of jointly controlled entities and associated companies		**(2,630)**	(2,660)
Net finance charges		**348**	624
Gain on leveraged foreign exchange contracts		**–**	(283)
Net exchange gain		**(335)**	(707)
Income from other financial assets		**(53)**	(3)
Depreciation and amortisation		**1,630**	1,186
Impairment losses		**469**	487
Net gain from sale of other financial assets		**(1,228)**	(86)
Provision for gas contract		**468**	–
Share-based payment		**50**	75
Gain on disposal of property, plant and equipment		**(131)**	(92)
Change in fair value of investment properties		**(1,294)**	(90)
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies		**(2,117)**	(1,078)
Operating profit before working capital changes		**7,544**	5,299
Decrease in properties held for sale		**2,143**	874
Increase in inventories		**(4,208)**	(1,279)
Increase in debtors, accounts receivable, deposits and prepayments		**(1,075)**	(587)
Increase in creditors, accounts payable, deposits and accruals		**4,568**	3,715
Effect of foreign exchange rate changes		**102**	11
Cash generated from operating activities		**9,074**	8,033
Income taxes paid		**(1,058)**	(806)
Cash generated from operating activities after income taxes paid		**8,016**	7,227
Net payment for termination cost in respect of interest rate swaptions		**–**	(333)
Payment for leveraged foreign exchange contracts		**(107)**	(1,024)
Interest received		**361**	308
Interest paid		**(3,051)**	(2,419)
Realised exchange gain		**138**	400
Other finance charges and financial instruments		**(187)**	(62)
Net cash from consolidated activities before increase of properties under development		**5,170**	4,097
Increase in properties under development		**(2,055)**	(2,295)
Net cash generated from consolidated activities		**3,115**	1,802

in HK$ million	Note	2010	2009
Cash flows from investing activities			
Purchase of			
Subsidiary companies (net of cash and cash equivalents acquired)	36	–	(240)
Additional interests in subsidiary companies		**(21)**	(1,817)
Properties under development for own use		**(1,109)**	(346)
Property, plant and equipment		**(19,833)**	(13,359)
Leasehold land – operating leases		**(28)**	(42)
Intangible assets		**(1,377)**	(1,589)
Other financial assets		**(289)**	(404)
Proceeds of			
Disposal of property, plant and equipment and investment properties		**237**	282
Sale of other financial assets		**2,803**	599
Disposal of interests in associated companies		**2,797**	7,451
Disposal of interests in jointly controlled entity		**948**	–
Increase in pledged deposits with banks		**(68)**	(66)
Net payments for non-current deposits		**(1,836)**	(171)
Investment in jointly controlled entities and associated companies		**(208)**	(25)
Deposit paid for acquisition of a subsidiary company		**(66)**	–
Repayment in loans to jointly controlled entities and associated companies		**377**	855
Dividend received from jointly controlled entities and associated companies		**548**	299
Income received from other financial assets		**65**	5
Deposits received from sale of business interest		**298**	2,249
Net cash used in investing activities		**(16,762)**	(6,319)
Cash flows from financing activities			
Issue of shares pursuant to the Plan	27	–	49
New borrowings		**33,967**	30,640
Repayment of loans		**(15,914)**	(22,238)
Decrease in non-controlling interests		**(372)**	(220)
Dividends paid to shareholders of the Company		**(1,459)**	(547)
Net cash from financing activities		**16,222**	7,684
Net increase in cash and cash equivalents		**2,575**	3,167
Cash and cash equivalents at 1 January		**21,303**	18,117
Effect of foreign exchange rate changes		**359**	19
Cash and cash equivalents at 31 December		**24,237**	21,303
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		**24,558**	21,553
Bank overdrafts and pledged deposits		**(321)**	(250)
		24,237	21,303

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

in HK$ million	Share capital (Attributable to shareholders of the Company)	Other reserves (Attributable to shareholders of the Company)	Retained profits (Attributable to shareholders of the Company)	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 year	–	–	8,915	8,915	1,274	10,189
Other comprehensive income, net of tax, for the year						
Share of other comprehensive income of associated companies and jointly controlled entities	–	128	(72)	56	–	56
Fair value changes of other financial assets	–	835	–	835	–	835
Fair value released on disposal of other financial assets	–	(1,232)	–	(1,232)	–	(1,232)
Exchange translation differences	–	2,216	–	2,216	175	2,391
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	116	–	116	–	116
Cash flow hedging reserves movement from interest rate swaps and foreign currency contracts	–	(513)	–	(513)	–	(513)
Reserve released on disposal of an associated company and non-current assets held for sale	–	(338)	(83)	(421)	–	(421)
Reserve released on disposal of a jointly controlled entity	–	(298)	–	(298)	–	(298)
Reserve released upon liquidation of a subsidiary company	–	5	–	5	–	5
Total comprehensive income for the year	–	919	8,760	9,679	1,449	11,128
Transactions with owners						
Partial disposal of an associated company to non-controlling interests	–	(253)	–	(253)	(180)	(433)
Dividends paid to shareholders of the Company	–	–	(1,459)	(1,459)	–	(1,459)
Dividends paid to non-controlling interests	–	–	–	–	(438)	(438)
Acquisition of interests from non-controlling interests	–	1	–	1	(20)	(19)
Capital injection by non-controlling interests	–	–	–	–	118	118
Capital refund to non-controlling interests	–	–	–	–	(26)	(26)
Dilution of interest in a subsidiary	–	38	–	38	(38)	–
Share-based payment	–	17	–	17	8	25
Transfer from profits to general and other reserves	–	283	(283)	–	–	–
	–	86	(1,742)	(1,656)	(576)	(2,232)
Balance at 31 December 2010	1,459	44,581	22,242	68,282	5,853	74,135

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 year	–	–	5,950	5,950	879	6,829
Other comprehensive income for the year, net of tax						
Exchange translation differences	–	235	–	235	11	246
Share of other comprehensive income of associated companies and jointly controlled entities	–	51	–	51	–	51
Fair value changes from other financial assets	–	509	–	509	–	509
Reserves released on deemed disposal of jointly controlled entities	–	(27)	–	(27)	–	(27)
Reserves released on disposal of an associated company	–	50	–	50	–	50
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	–	(80)	–	(80)	–	(80)
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	–	4,312	–	4,312	–	4,312
Total comprehensive income for the year	–	5,050	5,950	11,000	890	11,890
Transactions with owners						
Dividends paid to shareholders of the Company	–	–	(547)	(547)	–	(547)
Dividends paid to non-controlling interests	–	–	–	–	(375)	(375)
Share of associated company's share-based payment	–	–	(6)	(6)	–	(6)
Acquisition of interests from non-controlling interests	–	–	–	–	(1,671)	(1,671)
Capital injection by non-controlling interests	–	–	–	–	88	88
Capital refund to non-controlling interests	–	–	–	–	(2)	(2)
Transfer from profits to general and other reserves	–	160	(160)	–	–	–
Non-controlling interests arising from acquisition of subsidiary companies	–	–	–	–	10	10
Disposal of a subsidiary company	–	–	–	–	(14)	(14)
Loans from non-controlling interests	–	–	–	–	16	16
Share options exercised	–	48	–	48	–	48
Share capital issued	1	–	–	1	–	1
Share-based payment	–	75	–	75	–	75
Equity-settled share-based transaction	–	–	–	–	2	2
	1	283	(713)	(429)	(1,946)	(2,375)
Balance at 31 December 2009	1,459	43,576	15,224	60,259	4,980	65,239

Notes to the Financial Statements

1 Significant Accounting Policies

a Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements ('the Accounts') of CITIC Pacific Limited (the 'Company') and its subsidiary companies (together the 'Group') are set out below. These policies have been consistently applied to each of the years presented, other than the adoption of new or revised Hong Kong Financial Reporting Standards ('HKFRS') in 2010 as set out below. The Accounts have been prepared in accordance with HKFRS, and under the historical cost convention, except as disclosed in the accounting policies below in (h) and (w). The following revised standards, amendments or interpretations became effective in 2010 and are relevant to the Group.

Standard No.	Title	Effect
HKFRS 3 (revised)	Business combinations	Note (i)
HKAS 27 (revised)	Consolidated and separate financial statements	Note (ii)
HK Int 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	Insignificant
Improvements to HKFRS 2009		Note (iii)

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

(i) 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.

(ii) 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.

(iii) 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 on the basis of information existing at the inception of those leases. 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 classified as operating leases to leasehold land classified as finance leases for the amount of HK$677 million as at 31 December 2010, HK$796 million as at 31 December 2009 and HK$837 million as at 1 January 2009 respectively. Other amendments in this 2009 improvement project are immaterial to the Group.

1 Significant Accounting Policies *continued*

a Basis of Preparation *continued*

The following new standards, amendments and interpretations which have been issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') as of 31 December 2010 may impact the Group in future years but are not yet effective for the year ended 31 December 2010:

Standard No.	Title	Applicable accounting period to the Group
HKAS 24 (Revised)	Related party disclosure (revised)	2011
HKFRS 9	Financial instruments	2013
Amendments of HKAS 12	Deferred tax: recovery of underlying assets	2012
Improvements to HKFRS 2010		2011

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

b Basis of Consolidation

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

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

c Goodwill

Goodwill arising on the acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

1 Significant Accounting Policies *continued*

d Subsidiary Companies and Non-Controlling Interests

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

The acquisition method of accounting is used to account for the acquisition of subsidiary companies. The consideration transferred for the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. 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.

Non-controlling interest (previously known as minority interests) is the equity in a subsidiary which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group, instead of transactions with parties not within the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

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.

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

e Jointly Controlled Entities

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

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

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

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

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

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

1 Significant Accounting Policies *continued*

f Associated Companies

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

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

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

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

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

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

g Property, Plant and Equipment

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

Property, plant and equipment include leasehold land classified as finance leases. Please refer to note 1 (m) for the accounting policy on leasehold land classified as finance leases.

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

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

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

1 Significant Accounting Policies *continued*

g Property, Plant and Equipment *continued*

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

Freehold land is not amortised.

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

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

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

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

h Investment Properties

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

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

i Properties under Development

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

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

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

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

1 Significant Accounting Policies *continued*

j Capitalisation of Development Costs

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

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

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

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

k Properties Held for Sale

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

l Other Assets Held for Sale

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

m Leasehold Land

Leasehold land under operating lease and finance lease arrangements is stated at cost less accumulated amortisation and impairment. Leasehold land is amortised on a straight-line basis over the lease term.

n Intangible Assets

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

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

1 Significant Accounting Policies *continued*

o Mining Exploration, Evaluation and Development Expenditure

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

- it is expected that the expenditure will be recouped by future development and commercial exploitation or sale; or,
- at the balance sheet date, exploration and evaluation activities have reached a stage, which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

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

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

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

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

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

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

p Trade and Other Receivables

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

1 Significant Accounting Policies *continued*

q Cash and Cash Equivalents

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

r Borrowings

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

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

s Provisions

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

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

i) Site restoration

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

ii) Mining rights

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

t Share Capital

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

1 Significant Accounting Policies *continued*

u Segment Reporting

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

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

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

v Revenue Recognition

i) Sales of goods

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

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

ii) Rendering of services

Commission income is recognised when the goods concerned are sold to customers.

Revenue arising from the rendering of repairing services is recognised when the relevant work is completed.

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

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

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

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

iv) Toll income

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

v) Rental income

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

vi) Dividend income

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

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

1 Significant Accounting Policies *continued*

w Financial Instruments

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

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

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

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

i) Financial assets at fair value through profit or loss

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

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

ii) Loans and receivables

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

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

iii) Available-for-sale financial assets

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

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

1 Significant Accounting Policies *continued*

w Financial Instruments *continued*

iv) Derivative financial instruments

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

Cash flow hedges

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

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

Hedge of net investments in foreign operations

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

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

x Operating Leases

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

1 Significant Accounting Policies *continued*

y Impairment of Assets

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

z Inventories

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

aa Foreign Currencies

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

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

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

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

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

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

1 Significant Accounting Policies *continued*

bb Deferred Taxation

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

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

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

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

cc Employee Benefits

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

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

ii) Share-based payments

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

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

iii) Termination benefits

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

2 Critical Accounting Estimates and Judgements

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

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

i) Investment properties

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

ii) Impairment of goodwill

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

iii) Impairment of assets

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

Mining operation

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

2 Critical Accounting Estimates and Judgements *continued*

iii) Impairment of assets *continued*

Property, plant and equipment

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

Properties under development

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

Jointly controlled entities and associated companies

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

Debtors, accounts receivables, deposits and prepayments

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

2 Critical Accounting Estimates and Judgements *continued*

iv) Depreciation

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

v) Provision for inventories

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

vi) Fair value of derivative financial instruments

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

vii) Income taxes

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

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

3 Turnover and Revenue

The principal activities of CITIC Pacific Limited is holding its subsidiary companies, jointly controlled entities and associated companies (collectively the 'Investee Companies'), and raising finance. Revenue generating activities of the Group are conducted through the subsidiaries. The principal activities of the Investee Companies are set out in Note 42 to the financial statements.

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

	Group	
in HK$ million	**2010**	2009
Sale of goods	**60,977**	40,033
Telecommunications	**2,966**	2,716
Services rendered to customers	**1,795**	1,234
Properties sales	**3,290**	911
Rental income	**800**	788
Toll income	**740**	691
Others	**46**	36
	70,614	46,409

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

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

4 Other Income and Net Gains

in HK$ million	Group 2010	2009
Other income		
Commission income, subsidy income, rebates and others	**531**	383
Dividend income from other financial assets		
Listed shares	**53**	3
	584	386
Gain from leveraged foreign exchange contracts (Note i)	**–**	283
Net exchange gain (Note ii)	**335**	707
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies	**2,117**	1,078
Net gain from sale of other financial assets, mainly listed investments	**1,228**	86
Net gain from disposal of property, plant and equipment	**131**	92
	3,476	1,256
	4,395	2,632

Notes:

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 mining 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. The net gain of HK$283 million recognised for the year ended 31 December 2009 in relation to leveraged foreign exchange contracts comprised 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 net exchange gain of HK$335 million (2009: gain of HK$707 million which mainly represents the net exchange gain on Australian dollars bank balances arising from deliveries under leveraged and plain vanilla contracts subsequent to their delivery date) above mainly represents the net exchange gain on revaluation of monetary items in foreign currencies.

5 Segment Information

a Revenue and Profit Attributable to Shareholders of the Company

in HK$ million	Revenue*	Year ended 31 December 2010 Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations†	Segment profit/(loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to shareholders of the Company
Special steel	30,478	2,646	386	29	192	(355)	2,898	(7)	2,891	(522)	(267)	2,102
Iron ore mining	27	(470)	–	–	1	–	(469)	–	(469)	123	–	(346)
Property												
Mainland China	3,791	987	–	–	51	(31)	1,007	10	1,017	(379)	(55)	583
Hong Kong	258	207	–	108	–	–	315	85	400	(23)	–	377
Energy	–	966	1,043	–	11	–	2,020	–	2,020	(61)	–	1,959
Tunnels	775	523	193	–	–	–	716	–	716	(86)	(128)	502
Dah Chong Hong	32,211	1,885	50	21	15	(115)	1,856	(89)	1,767	(355)	(637)	775
CITIC Telecom	2,966	355	–	108	1	–	464	1	465	(44)	(173)	248
Other investments	108	2,092	328	69	2	(2)	2,489	–	2,489	(502)	–	1,987
Change in fair value of investment properties	–	1,294	–	295	–	–	1,589	–	1,589	(255)	(14)	1,320
Corporate												
General and administration expenses	–	(511)	–	–	–	–	(511)	–	(511)	(34)	–	(545)
Exchange gain	–	111	–	–	–	–	111	–	111	–	–	111
Net finance charges	–	–	–	–	83	(201)	(118)	–	(118)	(40)	–	(158)
Total	70,614	10,085	2,000	630	356	(704)	12,367	–	12,367	(2,178)	(1,274)	8,915

* Companies making up each reportable segment are set out in note 42.

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

5 Segment Information *continued*

a Revenue and Profit Attributable to Shareholders of the Company *continued*

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

* Companies making up each reportable segment are set out in note 42.
† Segment allocations arising from property leases between segments were carried out at arms' length rentals.
‡ Other investments segment includes the aviation segment which comprised a profit of approximately HK$1 billion from the disposal of interests in Cathay Pacific Airways Ltd.

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

in HK$ million	Group **2010**	2009
Mainland China	**54,102**	34,467
Hong Kong	**11,574**	9,891
Other countries	**4,938**	2,051
	70,614	46,409

5 Segment Information *continued*

b Assets and Liabilities

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

in HK$ million	Segment assets† 2010	Segment assets† 2009	Investments in jointly controlled entities 2010	Investments in jointly controlled entities 2009	Investments in associated companies 2010	Investments in associated companies 2009	Total assets 2010	Total assets 2009	Segment liabilities† 2010	Segment liabilities† 2009	Total net assets 2010	Total net assets 2009	Additions of non-current assets* (other than financial instruments and deferred tax assets) 2010	Additions of non-current assets* (other than financial instruments and deferred tax assets) 2009
By principal activities														
Special steel	**45,243**	34,271	**2,923**	4,291	**185**	148	**48,351**	38,710	**(23,409)**	(18,146)	**24,942**	20,564	**7,032**	6,296
Iron ore mining	**53,397**	36,026	**–**	–	**–**	–	**53,397**	36,026	**(38,678)**	(25,977)	**14,719**	10,049	**19,434**	10,310
Property														
Mainland China	**31,778**	24,263	**5,677**	5,465	**–**	–	**37,455**	29,728	**(9,897)**	(7,158)	**27,558**	22,570	**2,833**	3,325
Hong Kong	**6,910**	6,389	**–**	–	**5,305**	4,704	**12,215**	11,093	**(534)**	(473)	**11,681**	10,620	**285**	20
Energy	**1,181**	301	**6,659**	6,567	**–**	–	**7,840**	6,868	**(101)**	(52)	**7,739**	6,816	**–**	–
Tunnels	**972**	980	**991**	948	**–**	–	**1,963**	1,928	**(181)**	(194)	**1,782**	1,734	**4**	–
Dah Chong Hong	**14,158**	11,072	**356**	258	**203**	130	**14,717**	11,460	**(7,606)**	(5,704)	**7,111**	5,756	**888**	524
CITIC Telecom	**2,652**	2,532	**–**	–	**408**	–	**3,060**	2,532	**(1,131)**	(749)	**1,929**	1,783	**330**	376
Other investments	**534**	4,040	**5,075**	4,568	**15**	629	**5,624**	9,237	**(617)**	(113)	**5,007**	9,124	**300**	15
Corporate	**8,314**	8,159	**–**	–	**–**	–	**8,314**	8,159	**(36,647)**	(31,936)	**(28,333)**	(23,777)	**1**	–
Segment assets/ (liabilities)	**165,139**	128,033	**21,681**	22,097	**6,116**	5,611	**192,936**	155,741	**(118,801)**	(90,502)	**74,135**	65,239	**31,107**	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.

* Non-current assets are amounts expected to be recovered more than twelve months after the year end.
† Segment assets and segment liabilities are presented with intercompany balances eliminated.

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

in HK$ million	Group 2010	Group 2009
Mainland China	**68,372**	59,132
Australia	**48,798**	30,215
Hong Kong	**17,863**	18,934
Other countries	**995**	860
	136,028	109,141

6 Profit from Consolidated Activities

in HK$ million	Group 2010	2009
The profit from consolidated activities is arrived at after crediting		
Rental income from		
i) Investment properties		
Gross income	**800**	788
Less: direct outgoings	**(52)**	(54)
	748	734
ii) Other operating leases	**170**	155

in HK$ million	Group 2010	2009
And after charging		
Cost of inventories	**48,087**	33,566
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses		
Staff costs	**3,128**	2,668
Depreciation of property, plant and equipment	**1,456**	1,013
Amortisation of leasehold land – operating lease	**34**	40
Amortisation of intangible assets	**140**	124
Other operating expenses	**4,472**	3,523
Auditor's remuneration	**52**	55
Contributions to staff retirement schemes	**105**	102
Impairment losses provision on (Note)		
Other financial assets	**74**	114
Property, plant and equipment	**345**	13
Jointly controlled entities and associated companies	**–**	339
Trade and other receivable	**18**	19
Intangible assets	**32**	2
Operating lease rentals		
Land and buildings	**331**	289

Note

in HK$ million	2010	2009
Impairment losses by operating segment		
Special steel (Note a)	**–**	253
Iron ore mining	**125**	–
Property (Note b)	**145**	–
Energy	**–**	75
CITIC Telecom	**14**	–
Dah Chong Hong (Note c)	**111**	30
Other investments (Note d)	**74**	129
	469	487

Notes:

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

b. An impairment provision for a property investment in the People's Republic of China ('PRC') was made in current year as its value in use based on its estimated cashflows discounted at a rate of 15% was below its carrying amount.

c. Impairment loss of Dah Chong Hong in 2010 mainly related to fixed assets.

d. Impairment provision was made on other investments as the market values of certain listed shares were below the purchase prices.

6 Profit from Consolidated Activities *continued*

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

	Group	
in HK$ million	**2010**	2009
Within 1 year	**768**	701
After 1 year but within 5 years	**701**	612
After 5 years	**45**	51
	1,514	1,364

7 Net Finance Charges

	Group	
in HK$ million	**2010**	2009
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	**1,274**	1,240
Bank loans not wholly repayable within five years	**1,518**	947
Other loans wholly repayable within five years	**278**	268
Other loans not wholly repayable within five years	**31**	11
	3,101	2,466
Amount capitalised	**(2,335)**	(1,816)
	766	650
Other finance charges	**107**	62
Other financial instruments		
Net realised loss	**–**	155
Fair value loss/(gain)	**51**	(96)
Ineffectiveness on cash flow hedges	**(220)**	166
	704	937
Finance income		
Interest income	**(356)**	(313)
	348	624

The capitalisation rates applied to funds borrowed are between 2.8 % and 4.6% per annum (2009: 2.2% and 4.1% per annum).

8 Taxation

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

in HK$ million	Group **2010**	 2009
a) *Current taxation*		
Hong Kong profits tax	**268**	226
Overseas taxation*	**1,534**	553
Deferred taxation (Note 32)		
Changes in fair value of investment properties	**255**	19
Origination and reversal of other temporary differences		
arising from leveraged foreign exchange contracts of an Australian subsidiary company	**–**	88
others	**121**	210
Effect of tax rate changes	**–**	1
	2,178	1,097
b) Aggregate current and deferred tax relating to items (credited)/charged to reserves		
Deferred tax relating to mining assets and others	**(26)**	1,243

* Overseas taxation in year 2010 has included taxes provided in relation to a group reorganisation in the PRC.

Taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

in HK$ million	Group **2010**	 2009
Profit before taxation	**12,367**	7,926
Less: share of results of		
jointly controlled entities	**(2,000)**	(2,018)
associated companies	**(630)**	(642)
	9,737	5,266
Calculated at Hong Kong profits tax rate of 16.5% (2009:16.5%)	**1,607**	868
Effect of different taxation rates in other jurisdictions	**110**	54
Effect of non-taxable income and non-deductible expenses	**(237)**	(24)
Utilisation of tax losses previously unrecognised and net of tax losses not recognised	**(37)**	14
Over provision in prior years	**–**	(46)
Effect of tax rate changes	**–**	1
Withholding tax on interest income and undistributed profits of certain PRC operations	**269**	158
Others	**466**	72
Taxation	**2,178**	1,097

9 Profit Attributable to Shareholders of the Company

The Group's profit attributable to shareholders of the Company is recorded in the financial statements of the Company to the extent of a profit of HK$4,228 million (2009: HK$2,247 million).

10 Dividends

in HK$ million	**2010**	2009
2009 Final dividend paid: HK$0.25 (2008: HK$Nil) per share	**912**	–
Interim		
2010 Interim dividend paid: HK$0.15 (2009: HK$0.15) per share	**547**	547
Final		
2010 Final dividend proposed: HK$0.30 (2009: HK$0.25) per share	**1,095**	912
	1,642	1,459
Dividend per share (HK$)	**0.45**	0.40

11 Earnings per Share

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of the Company of HK$8,915 million (2009: HK$5,950 million).

The basic earnings per share is based on the number of 3,648,688,160 shares in issue during the year (2009: 3,646,765,954 weighted average number of shares). Diluted earnings per share for the year ended 31 December 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 year ended 31 December 2010.

12 Directors' Emoluments

The remuneration of each director for the year ended 31 December 2010 is set out below:

in HK$ million Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	**2010** Total	2009 Total
Chang Zhenming#	0.15	1.23	2.00	–	**3.38**	8.36
Zhang Jijing#	0.15	1.23	5.00	–	**6.38**	2.81
Carl Yung Ming Jie#	0.15	1.61	7.50	0.08	**9.34**	12.52
Vernon Francis Moore#	0.15	2.23	12.00	0.01	**14.39**	14.88
Li Shilin#	0.15	0.56	–	–	**0.71**	0.71
Liu Jifu#*	0.17	0.75	8.50	0.01	**9.43**	11.47
Milton Law Ming To#	0.15	1.88	11.00	0.08	**13.11**	12.16
Wang Ande#	0.15	2.09	9.00	–	**11.24**	12.37
Kwok Man Leung#*	0.45	1.87	11.00	0.08	**13.40**	14.59
Willie Chang	0.35	–	–	–	**0.35**	0.35
Alexander Reid Hamilton	0.35	–	–	–	**0.35**	0.35
Hansen Loh Chung Hon	0.30	–	–	–	**0.30**	0.30
Norman Ho Hau Chong	0.25	–	–	–	**0.25**	0.25
André Desmarais	0.20	–	–	–	**0.20**	0.20
Ju Weimin	0.20	–	–	–	**0.20**	0.15
Yin Ke*	0.32	–	–	–	**0.32**	0.02
Peter Lee Chung Hing	0.04	1.24	–	0.03	**1.31**	22.99
Hamilton Ho Hau Hay	–	–	–	–	**–**	0.20
Larry Yung Chi Kin	–	–	–	–	**–**	1.09
Henry Fan Hung Ling	–	–	–	–	**–**	1.30
	3.68	14.69	66.00	0.29	**84.66**	117.07

Mr Peter Lee Chung Hing and Mr Hamilton Ho Hau Hay resigned during the year.

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

* Included fee of HK$0.44 million and share based payment of HK$0.06 million paid to certain directors from listed subsidiary companies of the Group.

13 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, three (2009: four) are directors whose emoluments are disclosed in note 12.

The aggregate emoluments in respect of the other two individuals (2009: one) are as follows:

in HK$ million	**2010**	2009
Salaries and other emoluments	**4.10**	8.31
Discretionary bonuses	**18.97**	11.85
Retirement scheme contribution	**0.34**	0.01
Share based payment	**4.32**	1.60
	27.73	21.77

The number of these individuals with emoluments within the following bands were:

	2010	2009
HK$11,000,001 – HK$12,000,000	**1**	–
HK$15,000,001 – HK$16,000,000	**1**	–
HK$21,000,001 – HK$22,000,000	**–**	1

14 Retirement Benefits

Hong Kong employees are offered the option to enrol in one of the MPF Master Trust Schemes under the CITIC Group MPF Scheme – the Fidelity Retirement Master Trust, the Hang Seng Mandatory Provident Fund and the RCM Mandatory Provident Fund. All these master trust schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in mainland China and other locations are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities and contributions are made according to the local mandatory requirements.

15 Fixed Assets and Properties under Development

a Group

in HK$ million	Fixed assets: Property, plant and equipment: Leasehold land – finance leases and self-use properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land – operating leases (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 31 December 2009, as previously reported	7,768	13,824	21,738	3,384	46,714	11,164	2,803	9,236	69,917
Effect of adoption of HKAS 17 (Amendment)	1,089	–	–	–	1,089	–	(1,089)	–	–
At 1 January 2010, as restated	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
Exchange adjustments	279	545	295	76	1,195	324	70	451	2,040
Additions (Note vii)	170	354	23,696	541	24,761	–	–	2,935	27,696
Disposals	(51)	(266)	(52)	(153)	(522)	–	(29)	(3)	(554)
Change in fair value of investment properties	–	–	–	–	–	1,294	–	–	1,294
Transfer upon completion	2,515	4,603	(7,082)	217	253	–	14	(267)	–
Transfer to investment properties/current assets	(282)	4	–	(35)	(313)	797	–	(2,280)	(1,796)
Reclassification	(90)	145	(81)	26	–	–	–	–	–
At 31 December 2010	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Accumulated depreciation, amortisation and impairment									
At 31 December 2009, as previously reported	1,342	3,941	24	2,171	7,478	–	426	171	8,075
Effect of adoption of HKAS 17 (Amendment)	293	–	–	–	293	–	(293)	–	–
At 1 January 2010, as restated	1,635	3,941	24	2,171	7,771	–	133	171	8,075
Exchange adjustments	63	193	1	37	294	–	6	12	312
Charge for the year (Note viii)	290	796	–	370	1,456	–	34	8	1,498
Depreciation capitalised to construction in progress	16	143	–	88	247	–	–	–	247
Written back on disposals	(21)	(38)	–	(106)	(165)	–	(2)	–	(167)
Impairment loss	206	–	125	13	344	–	1	–	345
Transfer to investment properties/current assets	(79)	–	–	(25)	(104)	–	–	–	(104)
Reclassification	–	5	–	(5)	–	–	–	–	–
At 31 December 2010	2,110	5,040	150	2,543	9,843	–	172	191	10,206
Net book value									
At 31 December 2010	9,288	14,169	38,364	1,513	63,334	13,579	1,597	9,881	88,391
Represented by									
Cost	11,398	19,209	38,514	4,056	73,177	–	1,769	10,072	85,018
Valuation	–	–	–	–	–	13,579	–	–	13,579
	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597

15 Fixed Assets and Properties under Development *continued*

a Group *continued*

	Fixed assets								
	Property, plant and equipment								
in HK$ million	Leasehold land – finance leases and self-use properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land – operating leases (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 31 December 2008, as previously reported	5,558	9,515	11,259	3,182	29,514	11,230	2,686	8,791	52,221
Effect of adoption of HKAS 17 (Amendment)	1,114	–	–	–	1,114	–	(1,114)	–	–
At 1 January 2009, as restated	6,672	9,515	11,259	3,182	30,628	11,230	1,572	8,791	52,221
Exchange adjustments	33	38	19	35	125	14	6	31	176
Additions (Note vii)	73	73	16,541	361	17,048	–	73	3,134	20,255
Acquisition of subsidiary companies	9	–	198	24	231	–	6	–	237
Disposals	(73)	(92)	(21)	(345)	(531)	(85)	(4)	(270)	(890)
Change in fair value of investment properties	–	–	–	–	–	90	–	–	90
Transfer to current assets	–	–	–	–	–	–	–	(2,172)	(2,172)
Transfer upon completion	2,058	4,295	(6,336)	185	202	–	(1)	(201)	–
Reclassification	85	(5)	78	(58)	100	(85)	62	(77)	–
At 31 December 2009	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
Accumulated depreciation, amortisation and impairment									
At 31 December 2008, as previously reported	1,174	3,233	23	2,056	6,486	–	366	161	7,013
Effect of adoption of HKAS 17 (Amendment)	277	–	–	–	277	–	(277)	–	–
At 1 January 2009, as restated	1,451	3,233	23	2,056	6,763	–	89	161	7,013
Exchange adjustments	5	13	–	11	29	–	–	1	30
Charge for the year (Note viii)	202	475	1	335	1,013	–	40	9	1,062
Depreciation capitalised to construction in progress	3	288	–	28	319	–	4	–	323
Written back on disposals	(32)	(69)	–	(265)	(366)	–	–	–	(366)
Impairment loss	6	2	–	5	13	–	–	–	13
Reclassification	–	(1)	–	1	–	–	–	–	–
At 31 December 2009, as restated	1,635	3,941	24	2,171	7,771	–	133	171	8,075
Net book value									
At 31 December 2009, as restated	7,222	9,883	21,714	1,213	40,032	11,164	1,581	9,065	61,842
Represented by									
Cost	8,857	13,824	21,738	3,384	47,803	–	1,714	9,236	58,753
Valuation	–	–	–	–	–	11,164	–	–	11,164
	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917

15 Fixed Assets and Properties under Development *continued*

a Group *continued*

Notes:

i) During the year, interest capitalised in properties under development and construction in progress amounts to HK$398 million (2009: HK$401 million) and HK$1,691 million (2009: HK$1,207 million) respectively.

ii) As at 31 December 2010, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$32,311 million (2009: HK$15,779 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

iii) As at 31 December 2010, construction in progress comprised of the development of an iron ore mine in Western Australia amounted to HK$31,709 million (2009: HK$14,745 million), expansion of the Group's special steel mills amounted to HK$6,567 million (2009: HK$6,819 million) and others of HK$238 million (2009: HK$174 million).

iv) Other property, plant and equipment comprise traffic equipment, cargo lighters, computer installations, telecommunications equipment, motor vehicles and furniture, fixtures and equipment.

v) As at 31 December 2009 and 2010, certain of the Group's properties under development are in the process of applying for certificates of land use rights in the PRC.

vi) Commitments of the Group in respect of additions to fixed assets and properties under development:

in HK$ million	**2010**	2009
Authorised but not contracted for		
property, plant and equipment, properties under development		
and leasehold land classified as operating leases	**2,353**	3,040
Contracted but not provided for		
property, plant and equipment, properties under development		
and leasehold land classified as operating leases	**12,039**	18,311

		Group	
	in HK$ million	**2010**	2009
vii)	*a) Additions to fixed assets and properties under development by operating segment*		
	Special steel	**6,736**	8,032
	Iron ore mining	**17,166**	8,531
	Property	**2,975**	3,160
	Tunnels	**4**	14
	Dah Chong Hong	**654**	404
	CITIC Telecom	**159**	112
	Other investments	**2**	2
		27,696	20,255
	b) Additions to fixed assets and properties under development by geographical area		
	Mainland China	**10,119**	11,190
	Hong Kong	**384**	534
	Overseas	**17,193**	8,531
		27,696	20,255
viii)	*Depreciation and amortisation charge for the year by segment*		
	Special steel	**1,037**	644
	Iron ore mining	**1**	–
	Property	**84**	64
	Tunnels	**6**	6
	Dah Chong Hong	**258**	235
	CITIC Telecom	**107**	106
	Other investments	**5**	7
		1,498	1,062

15 Fixed Assets and Properties under Development *continued*

b Company

in HK$ million	Motor vehicles, equipment, furniture and fixtures **2010**	2009
Cost		
At 1 January	**105**	109
Additions	**1**	2
Disposals	**(2)**	(6)
At 31 December	**104**	105
Accumulated depreciation		
At 1 January	**95**	93
Charge for the year	**4**	5
Written back on disposals	**(2)**	(3)
At 31 December	**97**	95
Net book value, at cost		
At 31 December	**7**	10

c The tenure of the properties of the Group is as follows:

	Leasehold land – finance leases and self-use properties			Investment properties		Properties under development*		Leasehold land operating leases			Total	
in HK$ million	**2010**	As restated 31 December 2009	As restated 1 January 2009	**2010**	2009	**2010**	2009	**2010**	As restated 31 December 2009	As restated 1 January 2009	**2010**	2009
Leasehold properties held In Hong Kong												
Leases of over 50 years	**23**	23	23	**865**	849	**–**	–	**–**	–	–	**888**	872
Leases of between 10 to 50 years	**1,876**	2,096	2,160	**4,634**	3,879	**24**	24	**–**	62	–	**6,534**	6,061
Leases of less than 10 years	**12**	12	16	**–**	–	**–**	–	**–**	–	–	**12**	12
In mainland China												
Leases of over 50 years	**476**	247	141	**1,766**	1,545	**3,302**	3,337	**–**	23	–	**5,544**	5,152
Leases of between 10 to 50 years	**8,652**	6,146	4,043	**5,873**	4,470	**6,746**	5,875	**1,759**	1,599	1,563	**23,030**	18,090
Leases of less than 10 years	**91**	76	26	**–**	–	**–**	–	**–**	–	–	**91**	76
Properties held overseas												
Freehold	**228**	221	219	**441**	421	**–**	–	**–**	–	–	**669**	642
Leases of between 10 to 50 years	**40**	36	44	**–**	–	**–**	–	**10**	9	9	**50**	45
Leases of less than 10 years	**–**	–	–	**–**	–	**–**	–	**–**	21	–	**–**	21
	11,398	8,857	6,672	**13,579**	11,164	**10,072**	9,236	**1,769**	1,714	1,572	**36,818**	30,971

* The total amount includes properties under development for sale classified as non-current assets of HK$7,936 million (2009: HK$7,577 million) and the remaining balance represents properties under development for own use.

15 Fixed Assets and Properties under Development *continued*

d Property Valuation

Investment properties were revalued at 31 December 2010 by the following independent, professionally qualified valuers.

Properties located in	Valuers
Hong Kong and Shanghai	Knight Frank Petty Limited
Japan	Kikuchi Certified Real Estate Appraiser Office

e Fixed assets and properties held for sale under current assets of the Group let under operating leases to generate rental income are as follows:

in HK$ million	Investment properties	Leasehold land – finance leases and self-use properties	Other fixed assets	Fixed assets total	Properties held for sale
Cost or valuation	**13,579**	**182**	**266**	**14,027**	**310**
Accumulated depreciation/ impairment	**–**	**(14)**	**(136)**	**(150)**	**(70)**
Net book value at 31 December 2010	**13,579**	**168**	**130**	**13,877**	**240**
Depreciation charges/amortisation charges for the year	**–**	**4**	**33**	**37**	**3**
Cost or valuation	11,164	182	217	11,563	310
Accumulated depreciation/impairment	–	(10)	(130)	(140)	(67)
Net book value at 31 December 2009	11,164	172	87	11,423	243
Depreciation charges/amortisation charges for the year	–	–	33	33	3

16 Subsidiary Companies

	Company	
in HK$ million	**2010**	2009
Non-current		
Unlisted shares, at cost less impairment losses	**1,822**	1,363
Amounts due from subsidiary companies (Note)	**66,579**	59,880
	68,401	61,243
Current		
Amounts due from subsidiary companies (Note)*	**3,960**	1,467
Amounts due to subsidiary companies (Note)*	**(9,647)**	(9,288)
	(5,687)	(7,821)

Particulars of the principal subsidiary companies are shown in Note 42.

Note: Amounts due from subsidiary companies and amounts due to subsidiary companies are interest bearing at market rates except for amounts due from subsidiary companies of approximately HK$44,095 million (2009: HK$40,166 million) and amounts due to subsidiary companies of approximately HK$6,159 million (2009: HK$5,796 million), which are non-interest bearing. The non-current amounts due from subsidiary companies are not repayable within 12 months from the balance sheet date, and the current amounts due from/to subsidiary companies have no fixed repayment terms. The amounts were not in default or impaired except for a provision for impairment loss of HK$281 million which was made in 2010 (2009: HK$879 million).

* These amounts approximate fair value.

17 Jointly Controlled Entities

in HK$ million	Group 2010	2009
Share of net assets	**15,902**	15,909
Goodwill and intangible assets		
At 1 January	**2,184**	2,219
Disposal	**(213)**	(28)
Amortisation	**(36)**	(13)
Exchange differences	**83**	6
At 31 December	**2,018**	2,184
	17,920	18,093
Loans due from jointly controlled entities (Note b)	**3,762**	4,005
Loans due to jointly controlled entities (Note b)	**(1)**	(1)
	21,681	22,097

in HK$ million	Company 2010	2009
Unlisted shares, at cost	**4,244**	4,244
Loans due from jointly controlled entities	**877**	858
	5,121	5,102

Note:

a. Jointly controlled entities include the Western Harbour Tunnel Company Limited ('WHTCL') whose year end is 31 July which is not coterminous with the Group's year end. The results of certain jointly controlled entities (including WHTCL) have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2009 and 2010.

b. Loans due from jointly controlled entities and loans due to jointly controlled entities are interest bearing at market rates except for loans to jointly controlled entities of approximately HK$1,488 million (2009: HK$1,567 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired, and the carrying amounts approximate their fair value.

17 Jointly Controlled Entities *continued*

c. The following amounts represent the Group's share of the assets and liabilities, and revenue and results of jointly controlled entities and are included in the consolidated balance sheet and the consolidated profit and loss account using the equity method and after adjusting for goodwill and amortisation:

in HK$ million	**2010**	2009
Assets		
Non-current assets	**21,025**	22,809
Current assets	**20,313**	19,916
	41,338	42,725
Liabilities		
Non-current liabilities	**(11,523)**	(12,104)
Current liabilities	**(13,761)**	(14,434)
	(25,284)	(26,538)
Net assets	**16,054**	16,187
Revenue	**19,861**	18,394
Expenses	**(17,386)**	(15,908)
	2,475	2,486
Taxation	**(413)**	(407)
Profit for the year	**2,062**	2,079
Share of jointly controlled entities' capital commitments (Note i)		
authorised but not contracted for	**386**	22
contracted but not provided for	**1,520**	1,191

Note:

i) The Group has fully contributed its attributable portion of capital and loans to the respective jointly controlled entities.

ii) There are no material contingent liabilities for 2009 and 2010 to be shared by the Group.

d. Particulars of the principal jointly controlled entities are shown in Note 42.

18 Associated Companies

in HK$ million	Group 2010	2009
Share of net assets	**3,927**	3,433
Goodwill		
At 1 January	**65**	1,439
Disposal	**–**	(1,374)
At 31 December	**65**	65
Loans due from associated companies (Note b)	**2,132**	2,122
Loans due to associated companies (Note b)	**(8)**	(9)
	6,116	5,611
Investment at cost		
Unlisted shares	**2,822**	2,673
	2,822	2,673

in HK$ million	Company 2010	2009
Investment at cost		
Unlisted shares	**53**	303
Loans due from associated companies	**1,973**	2,250
Loans due to associated companies	**(8)**	(9)
	2,018	2,544

Dividend income from associated companies during the year is as follows:

in HK$ million	Group 2010	2009
Unlisted associated companies	**544**	268
	544	268

Note:

a. Associated companies include the Hong Kong Resort Company Limited ('HKR') whose year end is 31 March which is not coterminous with the Group's year end. The results of certain associated companies including HKR have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2009 and 2010.

b. Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for loans due to associated companies of approximately HK$8 million (2009: HK$9 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired except for a provision for impairment loss of HK$24 million made in 2007 for the loans due from an associated company. The carrying amounts of the loans approximate their fair value.

c. Particulars of the principal associated companies are shown in Note 42.

18 Associated Companies *continued*

Summarised financial information of the associated companies on a gross basis:

in HK$ million	Group 2010	2009
Assets	**19,783**	19,616
Liabilities	**13,580**	14,000
Revenue	**5,476**	7,843
Profit	**1,892**	1,753
Capital commitments		
authorised but not contracted for	**190**	99
contracted but not provided for	**651**	1,002
Contingent liabilities	**114**	199

19 Other Financial Assets

in HK$ million	Group 2010	2009
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	**377**	2,174
	377	2,174
Others		
Unlisted investments		
Shares, at cost	**13**	11
Investment fund, at fair value	**58**	13
	448	2,198

Other financial assets are denominated in the following currencies:

in HK$ million	Group 2010	2009
Hong Kong dollars	**390**	2,185
Other currencies	**58**	13
	448	2,198

20 Intangible Assets

in HK$ million	Goodwill	Other intangible assets Mining assets	Vehicular tunnel	Others	Total
Cost					
At 1 January 2010	**1,249**	**8,611**	**2,000**	**329**	**12,189**
Exchange adjustment	**9**	**16**	**–**	**15**	**40**
Additions	**–**	**2,193**	**–**	**17**	**2,210**
At 31 December 2010	**1,258**	**10,820**	**2,000**	**361**	**14,439**
Accumulated amortisation and impairment losses					
At 1 January 2010	**25**	**21**	**1,204**	**26**	**1,276**
Exchange adjustments	**–**	**–**	**–**	**2**	**2**
Charge for the year	**–**	**–**	**116**	**24**	**140**
Impairment loss	**29**	**–**	**–**	**3**	**32**
At 31 December 2010	**54**	**21**	**1,320**	**55**	**1,450**
Net book value					
At 31 December 2010	**1,204**	**10,799***	**680**	**306**	**12,989**
Cost					
At 1 January 2009	966	6,898	2,000	265	10,129
Exchange adjustment	2	10	–	–	12
Additions	191	1,703	–	26	1,920
Acquisition of subsidiaries	90	–	–	38	128
At 31 December 2009	1,249	8,611	2,000	329	12,189
Accumulated amortisation and impairment losses					
At 1 January 2009	25	21	1,098	6	1,150
Charge for the year	–	–	106	18	124
Impairment loss	–	–	–	2	2
At 31 December 2009	25	21	1,204	26	1,276
Net book value					
At 31 December 2009	1,224	8,590*	796	303	10,913

* Including mining rights provision of HK$1,511 million (2009: HK$706 million). For details see note 33.

The amortisation charge for the year is included in 'other operating expenses' in the consolidated profit and loss account.

As at 31 December 2010, the remaining amortisation period of the vehicle tunnel is 6 years, whilst the mining assets are currently under construction and will be amortised on a unit of production basis on completion of construction and when the mine is in production. The Group estimates that it will mine a total of 2 billion tonnes of iron ore over a period of approximately 25 years.

20 Intangible Assets *continued*

Analysed by:

in HK$ million	2010 Goodwill	2010 Other intangible assets Mining assets	2010 Other intangible assets Vehicular tunnel (Note a)	2010 Other intangible assets Others	2009 Goodwill	2009 Other intangible assets Mining assets	2009 Other intangible assets Vehicular tunnel	2009 Other intangible assets Others
Special steel	**237**	–	–	–	231	–	–	–
Iron ore mining	**23**	**10,799**	–	–	25	8,590	–	–
Property								
Mainland China	**323**	–	–	–	323	–	–	–
Tunnels	**7**	–	**680**	–	7	–	796	–
CITIC Telecom	**354**	–	–	**36**	351	–	–	40
Dah Chong Hong	**260**	–	–	**270**	287	–	–	263
	1,204	**10,799**	**680**	**306**	1,224	8,590	796	303

Note:

a. The vehicular tunnel rights represent a franchise to operate the Eastern Harbour Crossing for the period ending 7 August 2016. At the end of the franchise period, the assets of the franchise will be vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise.

21 Non-Current Deposits and Prepayment

in HK$ million	Group 2010	Group 2009
Non-current deposits represent deposit payments for		
Construction of cargo ships	**3,956**	3,847
Land acquisitions	–	156
Acquisition and construction of other property, plant and equipment mainly in relation to the Group's steel plant new phases and the Australian iron ore mining project	**2,276**	2,477
Acquisition of a subsidiary company	**66**	–
Prepayment for rental of certain telecommunication facilities	**105**	–
	6,403	6,480

22 Other Assets Held for Sale

As at 31 December 2010, certain properties located in PRC 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 classified as an asset held for sale because a sale contract had been entered into with a state-owned enterprise in PRC. The disposal was completed in 2010.

23 Inventories

in HK$ million	Group 2010	2009
Raw materials	**4,677**	2,540
Work-in-progress	**1,388**	892
Finished goods	**4,722**	3,265
Others	**404**	286
	11,191	6,983

An amount of HK$46 million (2009: HK$35 million) for write-down and HK$35 million (2009: HK$387 million) for reversal of write-down of inventories to net realisable value have been included in cost of sales in the profit and loss account.

24 Debtors, Accounts Receivable, Deposits and Prepayments

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Trade debtors and bills receivable aged				
Within 1 year	**5,002**	5,322	**–**	–
Over 1 year	**178**	134	**–**	–
	5,180	5,456	**–**	–
Accounts receivable, deposits and prepayments	**8,890**	5,626	**188**	129
	14,070	11,082	**188**	129

Note:

i) Trade debtors are net of provision and the ageing is classified based on invoice date.

ii) Each business unit has its own defined credit policy.

iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair value.

iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$227 million (2009: HK$183 million), which are unsecured, interest free and recoverable on demand, and amounts due from associated companies of HK$95 million (2009: HK$27 million) which are unsecured, interest free and recoverable on demand.

As of 31 December 2010, trade receivables of HK$182 million (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 based on invoice date is as follows:

in HK$ million	**2010**	2009
Less than 3 months	**153**	84
3 to 6 months	**22**	17
Over 6 months	**7**	3
	182	104

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

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

in HK$ million	**2010**	2009
At 1 January	**127**	141
Exchange adjustments	**4**	–
Provision for impairment loss during the year	**18**	19
Receivables written off during the year	**(17)**	(14)
Provision written back during the year	**(9)**	(29)
Through acquisition of a subsidiary company	**–**	10
At 31 December	**123**	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 31 December 2010, trade receivables of HK$100 million (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$35 million (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.

25 Creditors, Accounts Payable, Deposits and Accruals

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Trade creditors and bills payable aged				
Within 1 year	**9,744**	6,983	**–**	–
Over 1 year	**456**	482	**–**	–
	10,200	7,465	**–**	–
Accounts payable, deposits and accruals	**16,711**	12,527	**291**	143
	26,911	19,992	**291**	143

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

26 Share Capital

	Number of shares of HK$0.40 each	HK$million
Authorised		
At 31 December 2009 and 2010	6,000,000,000	2,400
Issued and fully paid		
At 1 January 2009	3,646,274,160	1,458
Issue of shares pursuant to the Plan	2,414,000	1
At 31 December 2009	3,648,688,160	1,459
At 1 January 2010	3,648,688,160	1,459
At 31 December 2010	3,648,688,160	1,459

Share Option Plan:

Under the CITIC Pacific Share Incentive Plan 2000 ('the Plan') adopted on 31 May 2000, which expired on 30 May 2010, the Board could invite any director, executive or employee of the Company or any of its subsidiary companies to subscribe for options over the Company's shares on payment of HK$1 per acceptance. The exercise price determined by the Board will be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of the Company from time to time or (ii) the issued share capital of the Company as at the date of adopting the Plan, whichever is the lower.

Since the adoption of the Plan and up to its expiry on 30 May 2010, the Company has granted six lots of share options:

					Outstanding balance	
Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	At 31 December 2010	At 31 December 2009
28 May 2002	11,550,000	0.32%	18.20	18.10	–	–
1 November 2004	12,780,000	0.35%	19.90	19.90	–	–
20 June 2006	15,930,000	0.44%	22.10	22.50	5,596,000	6,346,000
16 October 2007	18,500,000	0.51%	47.32	47.65	12,100,000	13,250,000
19 November 2009	13,890,000	0.38%	22.00	21.40	12,800,000	13,890,000
14 January 2010	880,000	0.02%	20.59	19.98	880,000	–

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

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

Other than the Plan, certain of the Company's subsidiary companies have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

26 Share Capital *continued*

a Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	Average exercise price in HK$ per share	Options	Average exercise price in HK$ per share	Options
At 1 January		**33,486,000**		29,760,000
Granted	**20.59**	**880,000**	22.00	13,890,000
Exercised	**–**	**–**	19.95	(2,414,000)
Lapsed	**31.76**	**(2,990,000)**	33.09	(7,750,000)
At 31 December		**31,376,000**		33,486,000
Weighted average remaining contractual life		**2.47 years**		3.41 years

Details of share options exercised during the year:

Exercise price HK$	Number of shares 2010	2009
19.90	**–**	2,364,000
22.10	**–**	50,000
	–	2,414,000

There was no share option exercised in 2010. The related weighted average share price at the time of exercise in 2009 was HK$20.63 per share.

b Fair Value of Share Options and Assumptions

The fair value of an option on one CITIC Pacific share granted in the year ended 31 December 2010 measured as at the grant date of 14 January 2010 was HK$4.96 based on the following data and assumptions using the Binomial Lattice Model ('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 grant date)

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

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

The total expense recognised in the Company's profit and loss account for the year ended 31 December 2010 in respect of the grant of the aforesaid 880,000 options was HK$4,364,800 (2009: HK$74,033,700).

27 Reserves

a Group

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 1 January 2010	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Share of reserves of associated companies and jointly controlled entities	–	–	19	–	(10)	107	3	9	(72)	56
Exchange translation differences	–	–	–	–	–	2,216	–	–	–	2,216
Partial disposal of an associated company to non-controlling interests	–	–	–	–	–	–	–	(253)	–	(253)
Reserves released on disposal of a jointly controlled entity	–	–	–	–	–	(298)	–	–	–	(298)
Reserves released on disposal of associated companies and non-current assets held for sale	–	–	(28)	83	–	(393)	–	–	(83)	(421)
Reserves released upon liquidation of a subsidiary company	–	–	–	–	–	5	–	–	–	5
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	–	–	–	–	–	116	–	116
Cash flow hedges										
Fair value gain in the year	–	–	–	–	–	–	292	–	–	292
Transfer to construction in progress	–	–	–	–	–	–	(1,116)	–	–	(1,116)
Transfer to net finance charges	–	–	–	–	–	–	285	–	–	285
Tax effect	–	–	–	–	–	–	26	–	–	26
	–	–	–	–	–	–	(513)	–	–	(513)
Fair value gain on other financial assets	–	–	–	–	835	–	–	–	–	835
Fair value released on disposal of other financial assets	–	–	–	–	(1,232)	–	–	–	–	(1,232)
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	38	–	38
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	1	–	1
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	283	(283)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	8,915	8,915
Dividends (Note 10)	–	–	–	–	–	–	–	–	(1,459)	(1,459)
Share-based payment	–	–	17	–	–	–	–	–	–	17
At 31 December 2010	36,515	29	1,030	(1,655)	156	6,762	403	1,341	22,242	66,823
Representing										
At 31 December 2010 after proposed final dividend										65,728
2010 Final dividend proposed										1,095
										66,823
Retained by										
Company and subsidiary companies	36,515	29	918	(1,655)	144	6,547	409	1,315	16,461	60,683
Jointly controlled entities	–	–	112	–	12	211	(6)	26	4,616	4,971
Associated companies	–	–	–	–	–	4	–	–	1,165	1,169
	36,515	29	1,030	(1,655)	156	6,762	403	1,341	22,242	66,823

27 Reserves *continued*

a Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 1 January 2009	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230
Share of reserves of associated companies and jointly controlled entities	–	–	18	–	8	(16)	40	1	(6)	45
Exchange translation differences	–	–	–	–	–	235	–	–	–	235
Reserves released on deemed disposal of jointly controlled entities	–	–	(19)	–	–	(8)	–	–	–	(27)
Reserves released on disposal of associated companies	–	–	(10)	–	(112)	133	39	–	–	50
Cash flow hedges										
Fair value gain in the year	–	–	–	–	–	–	5,676	–	–	5,676
Transfer to construction in progress	–	–	–	–	–	–	(501)	–	–	(501)
Transfer to net finance charges	–	–	–	–	–	–	380	–	–	380
Tax effect	–	–	–	–	–	–	(1,243)	–	–	(1,243)
	–	–	–	–	–	–	4,312	–	–	4,312
Fair value gain on other financial assets	–	–	–	–	509	–	–	–	–	509
Fair value released on disposal of other financial assets	–	–	–	–	(80)	–	–	–	–	(80)
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	160	(160)	–
Issue of shares pursuant to the Plan	48	–	–	–	–	–	–	–	–	48
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	5,950	5,950
Dividends (Note 10)	–	–	–	–	–	–	–	–	(547)	(547)
Share-based payment	–	–	75	–	–	–	–	–	–	75
At 31 December 2009	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Representing										
At 31 December 2009 after proposed final dividend										57,888
2009 Final dividend proposed										912
										58,800
Retained by										
Company and subsidiary companies	36,515	29	898	(1,738)	541	4,634	923	1,130	9,836	52,768
Jointly controlled entities	–	–	93	–	22	108	(10)	17	4,088	4,318
Associated companies	–	–	3	–	–	–	–	–	1,300	1,303
Non-current assets held for sale	–	–	28	–	–	383	–	–	–	411
	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800

27 Reserves *continued*

b Company

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2010	**36,515**	**29**	**878**	**(886)**	**5,109**	**41,645**
Share–based payment	**–**	**–**	**5**	**–**	**–**	**5**
Cash flow hedges						
Fair value loss in the year	**–**	**–**	**–**	**(924)**	**–**	**(924)**
Transfer to net finance charges	**–**	**–**	**–**	**472**	**–**	**472**
	–	**–**	**–**	**(452)**	**–**	**(452)**
Profit attributable to shareholders of the Company (Note 9)	**–**	**–**	**–**	**–**	**4,228**	**4,228**
Dividends (Note 10)	**–**	**–**	**–**	**–**	**(1,459)**	**(1,459)**
At 31 December 2010	**36,515**	**29**	**883**	**(1,338)**	**7,878**	**43,967**
Representing						
At 31 December 2010 after proposed final dividend						42,872
2010 Final dividend proposed						1,095
						43,967
At 1 January 2009	36,467	29	804	(2,297)	3,409	38,412
Share–based payment	–	–	74	–	–	74
Issue of shares pursuant to the Plan	48	–	–	–	–	48
Cash flow hedges						
Fair value gain in the year	–	–	–	1,046	–	1,046
Transfer to net finance charges	–	–	–	365	–	365
	–	–	–	1,411	–	1,411
Profit attributable to shareholders of the Company (Note 9)	–	–	–	–	2,247	2,247
Dividends (Note 10)	–	–	–	–	(547)	(547)
At 31 December 2009	36,515	29	878	(886)	5,109	41,645

27 Reserves *continued*

c Nature and Purpose of Reserves

i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees.

iii) Goodwill

The Goodwill reserve is as a result of goodwill arising on acquisitions prior to year 2001 which under the then prevailing Accounting Standards was reflected in reserves rather than as a separate asset.

iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

vii) General and other reserves

General and other reserves comprise reserves of the mainland China subsidiaries appropriated according to the articles of association of the relevant subsidiaries and the mainland China rules and regulations used for specific purposes before distribution of dividend, and reserves arising from assets revaluation and transactions with non-controlling interests.

viii) Distributable reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$5,800 million (2009: HK$4,223 million).

28 Borrowings

a

in HK$ million	Group 2010	Group 2009	Company 2010	Company 2009
Short term borrowings				
Bank loans				
unsecured	**4,193**	2,652	**–**	–
secured	**278**	49	**–**	–
	4,471	2,701	**–**	–
Other loans				
unsecured	**–**	–	**–**	–
secured	**166**	56	**–**	–
	166	56	**–**	–
Current portion of long term borrowings	**10,590**	1,600	**1,949**	700
Total short term borrowing	**15,227**	4,357	**1,949**	700
Long term borrowings				
Bank loans				
unsecured	**60,830**	46,819	**29,507**	26,534
secured	**12,935**	12,059	**–**	–
	73,765	58,878	**29,507**	26,534
Other loans				
unsecured	**5,281**	4,040	**1,165**	–
Less: current portion of long term borrowings	**(10,590)**	(1,600)	**(1,949)**	(700)
Total long term borrowings	**68,456**	61,318	**28,723**	25,834
Total borrowings	**83,683**	65,675	**30,672**	26,534
Analysed into				
unsecured	**70,304**	53,511	**30,672**	26,534
secured	**13,379**	12,164	**–**	–
	83,683	65,675	**30,672**	26,534

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') to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at 31 December 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 notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding at 31 December 2010.

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

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

v) As at 31 December 2010, certain of the Group's inventories, deposits, accounts receivable, properties under development and self-use properties with an aggregate carrying value of HK$1.3 billion (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$41.6 billion (2009: HK$23.5 billion) of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$0.3 billion (2009: HK$1.1 billion). Shipbuilding contracts of HK$5.0 billion (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$47.9 billion (2009: HK$29.5 billion).

vi) Bank loans of the Group and the Company not wholly repayable within five years amounted to HK$38.2 billion (2009: HK$27.5 billion) and HK$6.6 billion (2009: HK$6.6 billion) respectively. Other loans of the Group and the Company not wholly repayable within five years amounted to HK$1.2 billion (2009: HK$0.5 billion) and HK$1.2 billion (2009: HK$Nil) respectively.

28 Borrowings *continued*

b The maturity of the Group's and the Company's long term borrowings is as follows:

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Bank loans are repayable				
in the first year	**7,080**	1,599	**1,949**	700
in the second year	**12,175**	11,114	**7,544**	5,984
in the third to fifth years inclusive	**22,315**	20,862	**13,394**	13,230
after the fifth year	**32,195**	25,303	**6,620**	6,620
	73,765	58,878	**29,507**	26,534
Other loans are repayable				
in the first year	**3,510**	1	**–**	–
in the second year	**–**	3,510	**–**	–
in the third to fifth years inclusive	**606**	–	**–**	–
after the fifth year	**1,165**	529	**1,165**	–
	5,281	4,040	**1,165**	–
	79,046	62,918	**30,672**	26,534

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

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Total borrowings	**83,683**	65,675	**30,672**	26,534
Borrowing at fixed rates for more than one year (from balance sheet date)	**(1,248)**	(3,815)	**(1,248)**	(78)
Interest rate swaps converting floating to fixed	**(26,891)**	(21,096)	**(18,866)**	(14,166)
Borrowings subject to interest-rate changes	**55,544**	40,764	**10,558**	12,290

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

	Group		Company	
	2010	2009	**2010**	2009
Total borrowings	**3.8%**	3.7%	**3.7%**	3.3%

d The fair value of borrowings is HK$82,526 million (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 unrecognised gain of HK$1,157 million (2009: HK$1,304 million). This unrecognised gain has not been recorded in the financial statements as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

28 Borrowings *continued*

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

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Hong Kong dollar	**16,323**	11,405	**15,198**	10,547
US dollar	**50,611**	40,834	**15,474**	15,987
Renminbi	**15,817**	12,805	**–**	–
Other currencies	**932**	631	**–**	–
	83,683	65,675	**30,672**	26,534

The Group has the following undrawn borrowing facilities:

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Floating rate				
expiring within one year	**2,506**	2,058	**1,073**	823
expiring beyond one year	**18,444**	14,570	**16,330**	12,545
	20,950	16,628	**17,403**	13,368

29 Financial Risk Management and Fair Values

Financial Risk Factors

The Group is exposed to a variety of financial risks and manages them through a combination of financial instruments.

An Asset and Liability Management Committee ('ALCO') was set up by the board in October 2008 to oversee and monitor the exposures of the Group and it meets on a monthly basis.

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

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 31 December 2010, HK$28.1 billion (2009: HK$24.9 billion) of the Group's total borrowings were effectively paying fixed rate and the remaining were effectively paying a floating rate of interest. In addition, no forward starting swaps was outstanding as of 31 December 2010 (2009: HK$1.9 billion).

At 31 December 2010, if interest rates had been 0.6% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:-

	Group			
	0.6% higher		0.6% 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	**(233)**	–	**233**	–
Cash and bank deposits	**147**	–	**(147)**	–
Derivatives	**12**	**1,045**	**(8)**	**(1,088)**

	Company			
	0.6% higher		0.6% 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	**(64)**	–	**64**	–
Cash and bank deposits	**47**	–	**(47)**	–
Derivatives	**51**	**611**	**(56)**	**(622)**

At 31 December 2009, if interest rates had been 1% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:-

	Group			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(260)	–	260	–
Cash and bank deposits	213	–	(213)	–
Derivatives	132	1,568	(148)	(1,765)

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations *continued*

	Company			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(124)	–	124	–
Cash and bank deposits	78	–	(78)	–
Derivatives	95	871	(107)	(976)

As described in note 4(i), the Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD1.4 billion outstanding at 31 December 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 31 December 2010, a 1% increase/(decrease) in the differential between Australian and US interest rates could give rise to a hypothetical impact of approximately HK$115 million (2009: HK$212 million) (decrease)/increase on profit.

b Exposure to Foreign Currency Fluctuations

CITIC Pacific is based in Hong Kong and has determined that its functional currency is the Hong Kong Dollar. CITIC Pacific conducts its business mainly in Hong Kong, mainland China and Australia. Therefore it is subject to the risk of changes in the foreign exchange rates of the US Dollar, Renminbi and Australian Dollar and to a lesser extent, Japanese Yen 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 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.

As of 31 December 2010 the plain vanilla forward contracts had a notional amount of AUD 1,363 million (2009: AUD 1,993 million).

CITIC Pacific has funded the iron ore mining project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore mining project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. USD/HKD foreign exchange forward contracts, cross currency swaps and USD net investment hedges are employed to hedge 55% of the currency exposure arising from other USD loans and a JPY/HKD cross currency swap was employed to minimise currency exposure for JPY Notes.

29 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					
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)
2010						
USD	1%	(167)	–	1%	167	–
RMB	4%	140	149	4%	(140)	(149)
AUD*	10%	39	599	10%	(39)	(599)
YEN	7%	34	–	7%	(28)	–
Pound Sterling	2%	(12)	–	2%	12	–
EURO	3%	2	–	3%	(2)	–

	Company					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2010						
USD	1%	(146)	–	1%	146	–
RMB	4%	163	–	4%	(163)	–
AUD*	10%	–	–	10%	–	–
YEN	7%	–	–	7%	–	–
EURO	3%	–	–	3%	–	–

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

	Group					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2009						
USD	1%	(108)	(1)	1%	107	2
RMB	5%	218	–	5%	(213)	–
AUD*	5%	(55)	698	5%	55	(698)
YEN	10%	25	–	10%	(22)	–
SEK	2%	–	–	2%	–	–
EURO	5%	–	–	5%	–	–

	Company					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2009						
USD	1%	(78)	(1)	1%	77	2
RMB	5%	75	–	5%	(70)	–
AUD*	5%	–	–	5%	–	–
YEN	10%	–	–	10%	–	–
SEK	2%	–	–	2%	–	–
EURO	5%	–	–	5%	–	–

* During the year ended 31 December 2009, the Group completed restructuring of all its leveraged AUD contracts to plain vanilla forward contracts which qualify as and are accounted for as hedges. Therefore, changes in such contracts due to movements in AUD/USD spot rates only impact equity in the sensitivity table above. However, there may be residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates that are recorded in the profit and loss account.

c Price Risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 31 December 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$19 million (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.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

d Credit Exposure

The Group's credit risk is primarily related to deposits placed with banks and the continued ability of the banks to deliver on foreign exchange and derivatives. Operating businesses have trade and accounts receivables.

The Group's cash and deposits with banks are placed with major financial institutions. Counterparty limits are closely monitored for all financial institutions with whom the Group is doing business. The Group only deals with international financial institutions with an investment grade credit rating except for leading PRC financial institutions that do not have an international credit rating. The amount of counterparties' lending exposure to the Group is an important consideration as a means to control credit risk.

Trade receivables are presented net of allowances for bad and doubtful debts. Credit risk in respect of trade and accounts receivables is dispersed since the customers are large in number and spread across different industries and geographical areas. Accordingly, the Group has no significant concentration of such credit risk. Each core operating business has a policy of credit control in place under which credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance. None of the financial assets that are fully performing has been renegotiated in the current period.

e Liquidity Risk

Liquidity risk is managed by maintaining substantial undrawn committed credit facilities, money market lines and cash deposits so as to avoid over reliance on any one source of funds. Refinancing is allocated such that there is a reasonable amount coming due in any one period. In addition, the Company has established co-operative agreements with major PRC banks.

The Group's liquidity management procedures involve regularly projecting cashflows in major currencies, and considering the level of liquid assets and new financings necessary to meet these cash flow requirements.

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At the end of 2010 CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other markets. The Group diversifies its funding mix through bank borrowings and accessing the capital markets and seeks to maintain a mix of short-and long-term borrowings to stagger maturities and minimise financing risk.

29 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.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Bank borrowings	**(17,682)**	**(14,185)**	**(28,437)**	**(48,479)**
Derivative financial instruments	**(957)**	**(813)**	**(854)**	**17**
Trade creditors and accounts payable	**(26,851)**	**(58)**	**–**	**(2)**
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)

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Bank borrowings	**(2,745)**	**(8,219)**	**(14,464)**	**(9,886)**
Derivative financial instruments	**(603)**	**(508)**	**(409)**	**26**
Trade creditors and accounts payable	**(291)**	**–**	**–**	**–**
Amounts due to subsidiary companies	**(9,647)**	**–**	**–**	**–**
Financial guarantee*	**(5,585)**	**(10,397)**	**(18,904)**	**(869)**
At 31 December 2009				
Bank borrowings	(1,369)	(6,568)	(14,156)	(8,412)
Derivative financial instruments	(645)	(351)	(239)	248
Trade creditors and accounts payable	(130)	–	(5)	(8)
Amounts due to subsidiary companies	(9,288)	–	–	–
Financial guarantee*	–	(5,764)	(18,893)	(1,101)

* These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised, however based on the operating results, the Company does not expect them to be crystalised.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on interest or exchange rates (where applicable) prevailing at the balance sheet date.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Forward foreign exchange contracts – cash flow hedges				
outflow	**(4,015)**	**(3,961)**	**(720)**	–
inflow	**5,000**	**4,931**	**889**	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(2,529)**	**(6)**	**(44)**	**(801)**
inflow	**2,517**	**3**	**15**	**1,136**

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Forward foreign exchange contracts – cash flow hedges				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(1,106)**	–	–	–
inflow	**1,109**	–	–	–

The majority of foreign exchange forward contracts that are not qualified for hedge accounting as at 31 December 2010 consist of USD/ HKD forward exchange contracts and cross currency swap contracts and gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 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

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

in HK$ million	Company Less than 1 year	 Between 1 and 2 years	 Between 2 and 5 years	 Over 5 years
At 31 December 2009				
Forward foreign exchange contracts – cash flow hedges				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(4,210)	(1,113)	–	–
inflow	4,276	1,122	–	–

f Fair Value Estimation

i) The fair values of outstanding derivative transactions is generated from software provided by Reval Inc., ('Reval') 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 28(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.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

iv) Financial instruments are carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments : Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Group				Company			
in HK$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2010								
Assets								
Available-for-sale financial assets								
Listed	**377**	–	–	**377**	–	–	–	–
Unlisted	–	–	**58**	**58**	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	**279**	–	**279**	–	**44**	–	**44**
Forward exchange contracts	–	**1,648**	–	**1,648**	–	**830**	–	**830**
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	**2,583**	–	**2,583**	–	**1,487**	–	**1,487**
Forward exchange contracts	–	**15**	–	**15**	–	**826**	–	**826**

	Group				Company			
in HK$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2009								
Assets								
Available-for-sale financial assets								
Listed	2,174	–	–	2,174	–	–	–	–
Unlisted	–	–	13	13	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	40	178	218	–	40	–	40
Forward exchange contracts	–	622	–	622	–	364	–	364
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	1,621	–	1,621	–	1,041	–	1,041
Forward exchange contracts	–	273	–	273	–	437	–	437

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

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

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

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

	Group	
in HK$ million	Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
At 1 January 2009	–	154
Purchase	13	–
Net gains or losses recognised in profit and loss account during the period	–	24
At 31 December 2009	13	178
Total gains or losses for the year included in profit or loss for assets held at 31 December 2009	–	24

	Group	
in HK$ million	Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
At 1 January 2010	**13**	**178**
Purchase	**19**	**–**
Settlements	**(14)**	**–**
Net gains or losses recognised in other comprehensive income during the year	**31**	**–**
Net gains or losses recognised in profit and loss account during the period	**9**	**1**
Transfer out of Level 3*	**–**	**(179)**
At 31 December 2010	**58**	**–**
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	**9**	**1**
Total gains or losses recognised in other comprehensive income during the year	**31**	**–**

* 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 observable data on the correlation of Japanese Yen to USD, that had recently become available.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

v) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009 except as follows:

in HK$ million	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
The Group				
Bank loans	**78,402**	**77,183**	61,636	60,189
Global bonds (USD Bond)	**3,510**	**3,575**	3,510	3,687
Private placement (USD & JPY Notes)	**1,771**	**1,768**	529	495
The Company				
Bank loans	**29,507**	**28,378**	26,534	25,230
Private placement (USD Note)	**1,165**	**1,141**	–	–

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

vi) Securities

Fair value for the listed securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

vii) Derivatives

Forward exchange contracts are valued by Reval using a Discounted Cashflow model with independently sourced market data. Forward rates are used to convert future cashflows back to the functional currency. These cashflows are then discounted back to the valuation date to arrive at the fair market value.

Interest rate swap agreements are valued using a discounted cashflow model mainly based on independently sourced market data. Future cashflows for floating rate indices are implied from market curves. All future cashflows are then discounted back to the valuation date to arrive at the fair market value.

viii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ix) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2010 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

30 Capital Risk Management

The Group's primary objective when managing capital is to safeguard the Group's ability to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong shareholders' equity position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is the equity attributable to shareholders of the Company, as shown in the consolidated balance sheet, plus net debt.

The leverage ratios at 31 December 2010 and 2009 were as follows:

in HK$ million	**2010**	2009
Total borrowings	**83,683**	65,675
Less: Cash and bank deposits	**24,558**	21,553
Net debt	**59,125**	44,122
Equity attributable to the shareholders of the Company	**68,282**	60,259
Total capital	**127,407**	104,381
Leverage ratio	**46%**	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 31 December 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 31 December 2010.

31 Derivative Financial Instruments

	Group			
	2010		2009	
in HK$ million	Assets	Liabilities	Assets	Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest–rate instruments	**33**	**2,379**	–	1,470
Forward foreign exchange instruments	**1,635**	**–**	585	148
	1,668	**2,379**	585	1,618
Not qualified for hedge accounting				
Interest–rate instruments	**246**	**204**	218	151
Forward foreign exchange instruments	**13**	**15**	37	125
	259	**219**	255	276
	1,927	**2,598**	840	1,894
Less: current portion				
Interest–rate instruments	**60**	**40**	58	40
Forward foreign exchange instruments	**13**	**15**	34	127
	73	**55**	92	167
	1,854	**2,543**	748	1,727

31 Derivative Financial Instruments *continued*

	Company			
	2010		2009	
in HK$ million	Assets	Liabilities	Assets	Liabilities
Qualified for hedge accounting cash flow hedges				
Interest–rate instruments	**33**	**1,286**	–	890
Forward foreign exchange instruments	**826**	**826**	329	329
	859	**2,112**	329	1,219
Not qualified for hedge accounting				
Interest–rate instruments	**11**	**201**	40	151
Forward foreign exchange instruments	**4**	**–**	35	108
	15	**201**	75	259
	874	**2,313**	404	1,478
Less: current portion				
Interest–rate instruments	**11**	**37**	28	40
Forward foreign exchange instruments	**4**	**–**	34	110
	15	**37**	62	150
	859	**2,276**	342	1,328

i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments at 31 December 2010 was HK$10,409 million (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 28 months are recognised in the hedging reserve in equity as of 31 December 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 31 December 2010 was HK$32,351 million (2009: HK$28,426 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$1,195 million (2009: HK$1,195 million). At 31 December 2010, the fixed interest rates under interest rate swaps varied from 0.84% to 7.23% per annum (2009: 3% to 7.23% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 31 December 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).

32 Deferred Taxation

a Group

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation is realised or settled. The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation		Losses		Revaluation of investment properties and valuation of other properties		Mining assets and others		Total	
in HK$ million	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Deferred tax arising from At 1 January	**(519)**	(526)	**1,975**	935	**(1,174)**	(1,153)	**(1,619)**	1,001	**(1,337)**	257
Exchange adjustment	**(5)**	–	**7**	6	**(22)**	(2)	**–**	(6)	**(20)**	(2)
Credited/(charged) to reserve	**–**	–	**–**	–	**–**	–	**26**	(1,243)	**26**	(1,243)
Effect of tax rate change	**–**	–	**–**	–	**–**	–	**–**	(1)	**–**	(1)
(Charged)/credited to consolidated profit and loss account	**15**	13	**318**	1,035*	**(255)**	(19)	**(454)**	(1,346)*	**(376)**	(317)
Others	**1**	(6)	**–**	(1)	**–**	–	**1**	(24)	2	(31)
At 31 December	**(508)**	(519)	**2,300**	1,975	**(1,451)**	(1,174)	**(2,046)**	(1,619)	**(1,705)**	(1,337)

* In 2009, the tax losses were mainly due to realisation of losses upon restructuring of certain leveraged foreign exchange contracts giving rise to a reclassification of a deferred tax asset from 'mining assets and others' to 'losses'.

	Group	
in HK$ million	**2010**	2009
Net deferred tax assets recognised on the consolidated balance sheet	**714**	554
Net deferred tax liabilities recognised on the consolidated balance sheet	**(2,419)**	(1,891)
	(1,705)	(1,337)

b Deferred Tax Assets Unrecognised

The Group has not recognised deferred tax assets in respect of the following items:

	Group	
in HK$ million	**2010**	2009
Deductible temporary differences	**27**	35
Tax losses	**3,712**	3,360
Taxable temporary differences	**(561)**	(204)
	3,178	3,191

	Company	
in HK$ million	**2010**	2009
Deductible temporary differences	**22**	21
Tax losses	**678**	594
	700	615

Note:
Tax losses in certain tax jurisdictions of HK$701 million (2009: HK$493 million) will expire within the next five years. The remaining amounts do not expire under current tax legislation.

32 Deferred Taxation *continued*

c Deferred Tax Liabilities not Recognised

At 31 December 2010, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$2,193 million (2009: HK$1,387 million). Deferred tax liabilities of HK$245 million (2009: HK$185 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

33 Provisions and Deferred Income

in HK$ million	Site restoration	Mining rights	Gas contract	Deferred income	Total
Balance at 1 January 2010	**101**	**706**	**–**	**–**	**807**
Provisions made during the year	**237**	**805**	**302**	**103**	**1,447**
Balance at 31 December 2010	**338**	**1,511**	**302**	**103**	**2,254**
Balance at 1 January 2009	54	680	–	–	734
Provisions made during the year	47	26	–	–	73
Balance at 31 December 2009	101	706	–	–	807

Site restoration

A provision of HK$237 million (2009: HK$47 million) was made during the year ended 31 December 2010 in respect of a subsidiary's obligation to rectify environmental damage with a corresponding increase in property, plant and equipment. Amortisation of this asset will occur from the production date, using a units of production method.

Mining rights

In accordance with the mining right/lease agreements entered into by two subsidiary companies of the Group, the Group is committed to pay a defined royalty if either of the two subsidiary companies' production is less than 6 million tonnes by March 2013. A provision has been made for this commitment with a corresponding increase in intangible mining assets. Amortisation of this asset will occur from the production date, using the units of production method.

Gas contract

In accordance with the Group's contracted gas purchases, the Group is obligated to pay and/or take delivery of set levels of gas commencing on October 2011. Such gas contracts have liquidated damages clauses requiring damages be paid should the set levels of gas purchased not be adhered to. Due to the potential mismatch of the gas delivery under contracts and the production schedule, utilisation of such gas levels is projected to be at a lower rate at certain points in time and therefore a provision for the estimated damages payable has been accrued based on a combination of liquidated damages and losses from the on-sale of surplus gas.

Deferred income

The amount represents deferred revenue arising from an advance receivable from a customer for certain telecommunication service.

34 Capital Commitments

in HK$ million	Group 2010	Group 2009
Authorised but not contracted for (Note a)	**2,399**	3,040
Contracted but not provided for (Note b)	**13,848**	20,064

in HK$ million	Company 2010	Company 2009
Contracted but not provided for	**–**	–

Note a

in HK$ million	Group 2010	Group 2009
Authorised but not contracted for		
Analysis by operating segment		
Special Steel	**815**	2,772
Dah Chong Hong	**291**	258
CITIC Telecom	**46**	10
Property – Mainland China	**1,247**	–
	2,399	3,040

Note b

in HK$ million	Group 2010	Group 2009
Contracted but not yet paid nor accrued		
Analysis by operating segment		
Special steel	**3,843**	4,193
Iron ore mining	**5,107**	12,561
Property		
Mainland China	**4,455**	3,022
Hong Kong	**11**	8
Dah Chong Hong	**129**	190
CITIC Telecom	**260**	29
Other investments	**43**	61
	13,848	20,064

35 Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	Group		Company	
in HK$ million	**2010**	2009	**2010**	2009
Properties commitments				
Within 1 year	**280**	295	**20**	61
After 1 year but within 5 years	**536**	486	**–**	20
After 5 years	**450**	307	**–**	–
	1,266	1,088	**20**	81
Other commitments				
Within 1 year	**75**	69	**–**	–
After 1 year but within 5 years	**218**	216	**–**	–
After 5 years	**421**	365	**–**	–
	714	650	**–**	–
	1,980	1,738	**20**	81

36 Business Combinations, Acquisitions and Disposals

Purchase of Subsidiary Companies

Year ended 31 December 2009

In 2009 the Group acquired a 100% equity interest in Loreto Maritime Pte. Ltd., a company which is currently constructing transshipment barges and will undertake the transshipment of iron ore to ocean going vessels on completion of the construction.

In 2009 a listed subsidiary group of the Company CITIC Telecom acquired the remaining 51% equity interest in CM Tel (USA) LLC (renamed as ComNet (USA) LLC in July 2009) and a 100% equity interest in Macquarie Telecom Pte. Ltd (renamed as ComNet Communications (Singapore) Pte. Ltd.

The aggregate fair value of the net assets acquired in 2009 as at the dates of acquisition was HK$175 million. Since acquisition these businesses contributed aggregate revenues of HK$403 million and aggregate net profit of HK$7 million. The aggregate revenue and net profit of the acquired companies computed as though the acquisitions had been at the beginning of the year are HK$615 million and HK$5 million respectively.

In 2009 the Group also acquired the then remaining approximately 20% non-controlling interests in various subsidiary companies engaging in steel manufacturing in Jiangyin. Accordingly those companies became wholly owned subsidiaries of the Group.

36 Business Combinations, Acquisitions and Disposals *continued*

Purchase of Subsidiary Companies *continued*

Acquiree's carrying amount before combination for purchases of subsidiary companies during 2009 is as below:

in HK$ million	2009
Net assets acquired	
Property, plant and equipment	231
Leasehold land	6
Intangible assets	38
Interest in associated company	–
Inventories	36
Debtors, accounts receivable, deposits and prepayments	82
Cash and bank deposits	19
Deferred tax assets	–
Assets	412
Bank loans and other loans	(108)
Creditors, accounts payable, deposits and accruals	(116)
Provision for taxation	–
Deferred tax liabilities	–
Liabilities	(224)
	188
Fair value adjustments	20
Fair value of net assets acquired	208
Share of net assets immediately prior to purchase	(37)
Gain on acquisitions	–
Non–controlling interests	–
Goodwill	90
	261
Satisfied by	
Cash	257
Consideration payable	4
	261

37 Contingent Liabilities

in HK$ million	Company 2010	2009
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies	**36,882**	29,450
Jointly controlled entity	**–**	27
Associated company	**35**	–
Other performance guarantees and potential penalties		
Subsidiary companies (Note i)	**4,582**	4,831
	41,499	34,308

Note:

i) The Company has provided guarantees to its subsidiary companies to support their performance or obligations under construction or procurement contracts.

ii) In the normal course of the Group's business, there are a number of claims now outstanding by or against the Group. While the outcome of such claims cannot be readily predicted, management believes that they will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the Group.

iii) The Group is subject to ever stricter environmental laws and regulations concerning its operations and products. These laws may require the Group to take remedial action and rehabilitation works to reduce the effects on the environment of previous actions by the Group. The ultimate requirement for remedial action and rehabilitation works and its cost are inherently difficult to predict but the estimated cost of undisputed environmental obligations has been provided for in these accounts. Whilst the amount of future costs could be significant and material to the Group's results in the period they are recognised, it is not possible to estimate the amounts involved, although management does not expect these costs to have a material adverse financial effect on the consolidated financial position or liquidity of the Group.

iv) Following CITIC Pacific's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission ('SFC') announced that it had commenced a formal investigation into the affairs of CITIC Pacific. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

   On 18 November 2009, the Acting Secretary for the Financial Services and the Treasury said that the SFC's investigation has been completed while the Police's investigation is still ongoing.

   In the absence of the findings of these investigations being made available to CITIC Pacific and due to the inherent difficulties involved in attempting to predict the outcome of such investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

38 Material Related Party Transactions

Where one party has the ability to control the other party or exercise significant influence in making financial and operating decisions of another party, they are considered to be related. Parties are also considered to be related if they are subject to common control.

a Transactions with state-owned enterprises (other than companies within the CITIC Group)

CITIC Pacific Limited is controlled by CITIC Group which owns 57.6% of the Company's shares. 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 PRC (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises are regarded as related party transactions.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. The Group has certain transactions with other state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities, acquisition of property interests, depositing and borrowing money and entering into derivative financial instruments. In the ordinary course of the Group's businesses, transactions occur with state-owned enterprises.

The more significant transactions with state-owned enterprises are as follows:

i) As at 31 December 2010, there were derivative liabilities of HK$1,840 million (2009: HK$913 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in note 31.

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

in HK$ million	**2010**	2009
Bank balances and deposits	**16,799**	14,159
Bank loans	**64,134**	45,093

38 Material Related Party Transactions *continued*

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

iii) Transactions with China Metallurgical Group

On 24 January 2007, Sino Iron Pty Ltd., a wholly owned subsidiary of the Company, ('Sino Iron') entered into a general construction contract ('the Contract') with China Metallurgical Group Corp., a state-owned enterprise ('MCC'). Pursuant to the Contract, MCC is responsible for the procurement of mining equipment, design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities ('the Works to be conducted by MCC') at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works to be conducted by MCC is capped and no increase to the contract sum can be made unless otherwise agreed by both parties. On 20 August 2007, Sino Iron entered into supplemental agreements with MCC in relation to, amongst other things, the adjustment to the scope of the works to be conducted by MCC to extend to the second 1 billion tonnes of iron ore to be extracted and the revision of the contract sum to US$1,750 million (approximately HK$13,650 million). On 11 May 2010, Sino Iron and MCC entered into 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 remaining works (other than works to be conducted by MCC) shall be contracted out to third parties directly by Sino Iron and such works shall be managed by MCC. Sino Iron agreed to pay 1% of the relevant contract price (excluding any fee for training, interest, transportation, insurance and tax expenses) to MCC as management fees for the MCC managed works.

in HK$ million	**2010**	2009
Balances with MCC		
Trade, other receivables and prepayment	**5,895**	2,574
Trade payable and other payable to MCC	**(1,395)**	(629)
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(2,130)**	(2,130)
Transaction with MCC		
Incurred costs on General Construction Contract	**4,783**	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 31 December 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 been completed as at 31 December 2010.

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

iv) During the year, 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 receivable from PRC party.

38 Material Related Party Transactions *continued*

b Transactions with Other Related Parties

The Group also had the following significant transactions and balances with other related parties:

in HK$ million	**2010**	2009
Transactions with jointly controlled entities		
(i) Recurring transactions		
Interest income	**171**	58
Dividend income	**1,143**	21
Sales	**306**	49
Service income	**2**	46
	1,622	174
Purchases	**1,336**	803
Service charges	**51**	98
	1,387	901
Transactions with associated companies		
(i) Recurring transactions		
Interest income	**7**	23
Dividend income	**537**	268
Sales	**518**	235
Service income	**18**	76
	1,080	602
Purchases	**–**	9
Rental charge	**85**	85
Service charge	**6**	23
	91	117

c Transactions with CITIC Group

in HK$ million	**2010**	2009
Balances with fellow subsidiary companies within CITIC Group, ultimate holding company of the Company		
(i) Bank balances	**305**	58
(ii) Bank loans	**474**	454
(iii) Trade and other payables	**106**	59

On 2 September 2010, a subsidiary company of the Group proposed to acquire from CITIC Group (i) a 8.23% equity interest in China Enterprise Communications Ltd. ('CEC'), a then 53.32% owned subsidiary of CITIC Group, (ii) a 100% equity interest in China Enterprise Netcom Corporation Limited, a then wholly owned subsidiary of CEC, and (iii) the right to purchase an additional 45.09% interest in CEC. Total consideration for the proposed acquisition amounted to HK$167 million. The transaction was not yet completed as at 31 December 2010.

38 Material Related Party Transactions *continued*

d Transactions with Non-controlling Interest

Disposal of Companhia de Telecomunicacoes de Macau, S.A.R.L. ('CTM') to CITIC Telecom Holdings Limited ('CITIC Telecom')

On 5 May 2010, the Company disposed of a 20% equity interest in CTM to CITIC Telecom, a then 52.57% owned subsidiary, at a consideration of HK$1.4 billion, which was satisfied by HK$467 million in cash and HK$933 million by issue of 406 million shares of CITIC Telecom. The transaction resulted in a gain of HK$433 million on partial disposal of CTM attributable to shareholders of the Company which represents the excess of consideration paid by the non-controlling interests over the carrying value of CTM they acquired. The increase in equity interest in CITIC Telecom is regarded as a transaction with non-controlling interests which results a decrease in general and other reserves of HK$253 million. The Company's shareholding in CITIC Telecom has increased to 60.65% as a result of the transaction.

39 Ultimate Holding Company

The Directors regard CITIC Group, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company.

40 Comparative Figures

Certain comparative figures for 2009 have been adjusted to conform with the current accounting standards described in note 1a(iii) to the Accounts. In accordance with accounting standard, HKAS1 – Presentation of Financial Statements, an additional balance sheet and the relevant notes as at the beginning of the comparative year are also presented.

41 Approval of financial statements

The financial statements were approved by the Board of Directors on 3 March 2011.

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies

The following are the principal subsidiary companies, jointly controlled entities and associated companies which in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of all companies would in the opinion of the directors result in particulars of excessive length.

			Interest in equity shares held by		Particulars of issued shares†		
Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Company %	Subsidiary %	No. of shares	Par value	Principal activities
Special Steel							
Subsidiary companies							
Daye Special Steel Co., Ltd.	People's Republic of China Sino-foreign joint stock limited company*	58.13	–	58.13	449,408,480	RMB1	Steel making
Hubei Xin Yegang Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangsu CP Xingcheng Special Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin CP Xingcheng By-products Recycling Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Processing and recycling of metal slag and sale of its related recycled products
Jiangyin CP Xingcheng Industry Gas Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of oxygen, liquefied oxygen, nitrogen and argon
Jiangyin Xingcheng Metalwork Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Developing and production of alloy and metal hardware
Jiangyin Xingcheng Special Steel Works Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Loading and unloading business

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Tongling Xin Yaxing Coking & Chemical Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	92.485	–	92.485	N/A	N/A	Production and sale of coal gas, coke and chemical related products
Wuxi Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of ferrous metal materials
中信泰富特鋼經貿有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Wholesale, retail and import/export of steel products, relevant materials and technology
江陰泰富興澄特種材料有限公司	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of hot iron and the related products
江陰澄東爐料有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	General sales of scrip steel, alloys and coke
湖北中特新化能科技有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
湖北新冶鋼特種鋼管有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production of seamless steel tube
銅陵新亞星港務有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Port construction, operation and related service
Jointly controlled entities#							
中信泰富工程技術(上海)有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Engineering service for metallurgy and mining

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Iron Ore Mining							
Subsidiary companies							
Korean Steel Pty Ltd	Australia	100	–	100	10,000	N/A	Mining extraction and processing of magnetite
Loreto Maritime Pte. Ltd.	Singapore	100	–	100	3	N/A	Build and own transshipment vessels and related facilities and equipment for iron ore product
MetaGas Pty Ltd	Australia	100	–	100	5,000,010	N/A	Gas procurement and trading
Pacific Resources Trading Pte. Ltd.	Singapore	100	–	100	1	N/A	General trading and related business
Pastoral Management Pty Ltd	Australia	100	–	100	5,000,010	N/A	Pastoral lease management
Sino Iron Pty Ltd	Australia	100	–	100	11,526	N/A	Mining extraction and processing of magnetite
Property							
People's Republic of China							
Subsidiary companies							
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Shanghai Super Property Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海中信泰富廣場有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China Sino-foreign co-operative joint venture*	100	–	100	N/A	N/A	Property development
上海珠街閣房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	84.52	15.48	N/A	N/A	Property development

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
上海利通置業有限公司	People's Republic of China Sino-foreign equity joint venture*	100	96.2	3.8	N/A	N/A	Property development
中信泰富(上海)物業管理有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property management
江陰興澄置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property development
無錫太湖景發展有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Sports related services
無錫太湖苑置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property investment and development
中信泰富萬寧發展有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China Limited liability company*	80	–	80	N/A	N/A	Property development
萬寧中意發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧中榮發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧中宏發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧仁和發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧百納發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧金信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by		Particulars of issued shares†		Principal activities
			Company %	Subsidiary %	No. of shares	Par value	
萬寧金誠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
萬寧創遠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
中信泰富萬寧天富發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9^	–	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉頤房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉逸房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉諧房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海旭升置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
紀亮(上海)房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
尊創(上海)賓館有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Jointly controlled entities#							
上海瑞明置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development
上海瑞博置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development
中船置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares[†] No. of shares	Particulars of issued shares[†] Par value	Principal activities
Hong Kong							
Subsidiary companies							
Borgia Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Broadway Centre Property Management Company Limited	Hong Kong	100	–	100	2	HK$1	Property management
Famous Land Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Glenridge Company Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Hang Luen Chong Investment Company, Limited	Hong Kong	100	–	100	80,000	HK$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	–	100	2	HK$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	–	100	50,000	HK$100	Property investment
Lindenford Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Neostar Investment Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Pacific Grace Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Tendo Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Associated companies							
CITIC Tower Property Management Company Limited	Hong Kong	40	–	40	–	–	Property management
Goldon Investment Limited	Hong Kong	40	–	40	–	–	Property investment
Hong Kong Resort Company Limited[‡]	Hong Kong	50	–	50	–	–	Property development
Konorus Investment Limited	Hong Kong	15	–	15	–	–	Property development
Shinta Limited[‡]	Hong Kong	20	–	20	–	–	Property investment

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Energy Generation							
Jointly controlled entities#							
Huaibei Go-On Power Company Ltd.	People's Republic of China Sino-foreign equity joint venture*	12.5	–	12.5	–	–	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Electric Power (Holdings) Company Limited	People's Republic of China Sino-foreign equity joint venture*	35	–	35	–	–	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China Sino-foreign equity joint venture*	56.31	–	56.31	–	–	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited	People's Republic of China Foreign investment stock company*	54.31	–	54.31	1,170,000,000	RMB1	Electric power plant construction and operation
Sunburst Energy Development Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	65	–	65	–	–	Investment holding
Widewin Investments Limited ‡	British Virgin Islands	37.5	–	37.5	–	–	Investment holding
Zhengzhou Xinli Electric Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Electric power plant construction and operation

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Civil Infrastructure							
Tunnels							
Subsidiary companies							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK$10	Tunnel operation
Jointly controlled entities#							
Hong Kong Transport, Logistics and Management Company Limited	Hong Kong	35	–	35	–	–	Management, operation and maintenance of the Cross-Harbour Tunnel
Western Harbour Tunnel Company Limited ‡	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
Environmental							
Jointly controlled entities#							
Changzhou CGE Water Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	24.01	–	24.01	–	–	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	–	50	–	–	Design, construction and operation of refuse transfer station
Veolia Water (Kunming) Investment Limited	Hong Kong	25	–	25	–	–	Investment holding
Associated companies							
Green Valley Landfill, Limited	Hong Kong	30	–	30	–	–	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	–	30	–	–	Design, construction and operation of transfer station
CITIC Telecom International Holdings Limited (Formerly known as CITIC 1616 Holdings Limited) (Listed in Hong Kong) §	Hong Kong	60.61	–	60.61	2,385,201,870	HK$0.10	Investment holding
Dah Chong Hong Holdings Limited (Listed in Hong Kong) §	Hong Kong	56.15	–	56.15	1,814,508,000	HK$0.15	Investment holding

42 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

			Interest in equity shares held by		Particulars of issued shares†		
Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Company %	Subsidiary %	No. of shares	Par value	Principal activities
Other Investments							
Subsidiary companies							
CITIC Pacific China Holdings Limited	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Investment holding
CITIC Pacific Communications Limited	Bermuda	100	–	100	100,000	HK$1	Investment holding
CITIC Pacific Finance (2001) Limited	British Virgin Islands	100	100	–	1,000	US$1	Financing
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	–	1	US$1	Financing
Dah Chong Hong (Engineering) Limited	Hong Kong	100	–	100	1,551,000	HK$100	Engineering services
Jointly controlled entities#							
CITIC Capital Holdings Limited	Hong Kong	27.5	–	27.5	–	–	Investment holding
CITIC Guoan Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Investment holding
上海國睿生命科技有限公司	People's Republic of China Sino-foreign equity joint venture*	24.94	24.94	–	–	–	Research and development of tissue engineering products
山東新巨龍能源有限責任公司	People's Republic of China Sino-foreign equity joint venture*	30	–	30	N/A	N/A	Coal ores construction and sales
Associated company							
Cheer First Limited‡	Hong Kong	40	–	40	–	–	Financing

Note:
† Represents ordinary shares, unless otherwise stated.
‡ Affiliates which have been given financial assistance by the company or its subsidiaries at 31 December 2010.
§ Subsidiaries separately listed on the main board of the Hong Kong Stock Exchange and including their respective group companies.
# In accordance with the Joint Venture agreement, none of the participating parties has unilateral control over the economic activity.
^ Under the terms of the co-operative joint venture contract, the Company is entitled to 80% of the distributable profit of the joint venture.

Independent Auditor's Report

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

We have audited the consolidated financial statements of CITIC Pacific Limited (the 'Company') and its subsidiaries (together, the 'Group') set out on pages 110 to 198, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 March 2011

Major Properties Held by the Group

as at 31 December 2010

Address/Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area (sq. m.)	Existing use
Major Properties Held for Investment				
* 1. Skyway House, 3 Sham Mong Road, Kowloon, H.K. 2604/2700th shares of KIL No. 9706 & the extension thereto	2041	100	29,000	Office and Retail
2. Block C of Yee Lim Industrial Centre, 2-28 Kwai Lok Street, and 2-6 Kwai Hei Street, Kwai Chung, H.K. 4000/9000th shares of KCTL No. 333	2047	100	30,000	Cold Storage and Godown
3. Wyler Centre 1, Basement 1 & 2 and Parking Spaces Nos P50 and P51 on 2nd Floor of Wyler Centre 2, 192-210 Tai Lin Pai Road, Kwai Chung, H.K. 5779/11152th shares of and in the Remaining Portion of KCTL No. 130 & the extension thereto	2047	100	37,000	Industrial
4. Portion of CITIC Telecom Tower, No. 93 Kwai Fuk Road, Kwai Chung, H.K. 83089/125743th shares of KCTL No. 435	2047	100	21,000	Industrial
5. 111 Lee Nam Road, Ap Lei Chau, H.K. ALCIL No. 124	2047	100	60,000	Motor Services and Godown
6. DCH Commercial Centre, No. 25, Westlands Road, Quarry Bay, H.K. IL No. 8854	2047	100	36,000	Office and Retail
7. CITIC Tower, No. 1 Tim Mei Avenue, Central, H.K. IL No. 8822	2047	40	52,000	Office and Retail
8. CITIC Square, 1168 Nanjing Xi Lu, Jingan District, Shanghai, the PRC	2044	100	114,000	Office and Retail
9. Royal Pavilion, 688 Hua Shan Lu, Jingan District, Shanghai, the PRC	2063	100	35,000	Serviced Apartment
10. New Westgate Garden, Retail portion (Phase 1), Xi Zang Nan Lu/ Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	2072	100	23,000	Retail
11. Pacific Plaza, Tower A, Jiang Dong District, Ningbo, the PRC	2046	100	49,000	Office and Retail

* excluding a petrol filling station on the ground floor with an ancillary storage tank in part of the basement and a storeroom on the first floor

Address/Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area (sq. m.)	Existing use
Major Properties Held for Sale				
1. Grand Court, 109-135 Kadoorie Avenue, Kowloon, H.K. Subsections 1 and 2 and the Remaining Portion of Section D of KIL No. 2657	2081	100	13,000	Residential
2. New Westgate Garden, Phase 1, Xi Zang Nan Lu/Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	2072	100	2,000	Residential
3. Pacific Plaza, Tower B, Jiang Dong District, Ningbo, the PRC	2046	100	2,000	Office
4. Noble Manor, Phase 1, Yangzhou, the PRC	2076	100	11,000	Retail
5. Taihu Jinyuan, Phase 1, Wuxi, the PRC	2043 – 2073	70	41,000	Residential and Retail

Location/Lot no.	Stage of completion	Estimated completion date	Classification	Leasehold expiry	Group's interest %	Approximate site area (sq. m.)	Approximate gross floor area (sq. m.)
Major Properties Under Development							
1. New Westgate Garden, Phase 2, Xi Zang Nan Lu/ Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	Resettlement in progress	2017	Residential & Retail	2072	100	35,300	137,000
2. Shanghai Lu Jia Zui, New Financial District Project, the PRC	Phase 1 Construction in progress	in phases from 2011 onwards	Office, Hotel, Residential & Retail	2044 – 2074	50	249,400	847,000
3. Zhujiajiao New Town, Qing Pu District, Shanghai, the PRC	Construction in progress	in phases from 2009 onwards	Residential, Hotel & Retail	2046 – 2078	100	681,700	506,000
4. Commercial Development, Sichuan Bei Lu Metro Station, Hong Kou District, Shanghai, the PRC	Construction in progress	2011 to 2012	Office and Retail	2047 – 2057	100	13,300	53,000
5. Commercial Development, No 10, Hainan Road, Hong Kou District, Shanghai, the PRC	Design in progress	2014	Office and Retail	2047 – 2057	100	16,400	66,000
6. The Centre, Jiading District, Shanghai, the PRC	Phase 1 Construction in progress	in phases from 2011 onwards	Office, Hotel, Residential & Retail	2046 – 2076	100	156,000	538,000
7. Noble Manor, Yangzhou, the PRC	Phase 2 Construction in progress	in phases from 2009 onwards	Residential & Retail	2045 – 2076	100	219,000	304,000
8. Xing Cheng Jinyuan, Jiangyin, the PRC	Construction in progress	in phases from 2011 onwards	Residential & Retail	2046 – 2076	70	91,300	178,000
9. Taihu Jinyuan, Wuxi, the PRC	Phase 2 Construction in progress	in phases from 2010 onwards	Residential	2073	70	203,500	96,000
10. Resort Development, Shenzhou Peninsula, Wanning, Hainan, the PRC	Phase 1 Construction in progress	in phases from 2011 onwards	Hotel, Retail & Residential	2057 – 2079	80 – 99.9	7,419,900	2,084,000

Definition of Terms

Terms

Total debt	Short-term and long-term loans, notes and bonds
Net debt	Total debt less cash less bank deposits
Total capital	Shareholders' funds plus net debt
Cash inflows	Cash inflows represent *cash generated from business operations after income taxes paid*, and *other cash inflows* which principally include dividends from associated companies and jointly controlled entities, proceeds from divestments of businesses, sales of listed investments and sales of fixed assets and investment properties
EBITDA	Earnings before interest expense, taxation, depreciation and amortisation
Contribution by business	Segment profit/(loss) attributable to shareholders as described in Note 5 to the accounts on page 136

Ratios

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

Corporate Information

Headquarters and Registered Office

32nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Telephone +852 2820 2111
Fax +852 2877 2771

Website

www.citicpacific.com contains a description of CITIC Pacific's business, copies of both the full and summary reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrars

Shareholders should contact our Registrars, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, by fax at +852 2522 5259 or by email at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register:	5 May 2011 to 12 May 2011
Annual General Meeting:	12 May 2011, 10:30 a.m. Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong
Dividend payment:	20 May 2011

Annual Report 2010

Our Annual Report is also available as a Summary Financial Report. Both documents are printed in English and Chinese and are available on our website at www.citicpacific.com under the 'Investor Information' section.

Shareholders may choose to receive the Summary Financial Report or the Annual Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrars.

Shareholders having difficulty in gaining access to these documents will promptly be sent printed copies free of charge upon request to CITIC Pacific's Share Registrars.

Non-shareholders are requested to write to the Company Secretary, CITIC Pacific Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citicpacific.com.

CITIC Pacific Ltd
32/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel +852 2820 2111
Fax +852 2877 2771

www.citicpacific.com

Stock code 00267