CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Despite considerable economic uncertainty and slowing growth in global markets in the first half of 2012, CITIC Pacific recorded a profit attributable to ordinary shareholders of HK$5,482 million, 9% lower than in the same period of 2011. Included in this result is HK$2,494 million from the sale of our interest in CITIC Guoan and an investment property revaluation of HK$909 million. Excluding these items, profit from continuing business activities declined significantly, primarily due to lower profit contribution from the special steel business as margins were reduced. However, we retained our market leadership in that sector and performed considerably better than many of our peers, recording profits month-by-month. Income from our mainland China development properties was also less in comparison to last year's high base, which included the delivery of two office buildings in Shanghai.

Our Finances

Our company's financial flexibility was further enhanced in the past six months with an addition of HK$33 billion in new financing including a total of US$1.1 billion bonds and a HK$7.1 billion syndicated loan. This is a testament to the confidence that investors and the market have in our company and our businesses.

The sale of our 50% interest in CITIC Guoan that we agreed in 2011 was completed in June with the receipt of HK$4 billion equivalent in cash. At the end of June, our cash, bank deposits and available committed facilities totalled HK$51 billion. Gearing was 48%, which is higher than ideal but not a concern to us because it is within the plan.

Financially, we are in a comfortable position to meet all our investment needs and repay maturing debts this year. Our treasury team structures our debt profile so that the amount maturing each year does not exceed our ability to raise new funds in subsequent years.

The board is recommending an interim dividend of HK$0.15 per share.

Our businesses

Iron Ore Mining

Since the beginning of the year, significant progress has been made on the Sino Iron project, a result of the hard work and commitment of our CITIC Pacific Mining team and all of our contractors.

The Sino Iron project is Australia's first large-scale, fully integrated magnetite mining and processing project and is pioneering the growth of a new industry in the country.

The infrastructure required for the project is enormous in scale and scope. Our construction efforts include building the mine pit; the processing area, which comprises crushers and the world's largest grinding mills; 30-kilometre slurry and water pipelines; a power plant that is the largest and cleanest in the Pilbara in Western Australia; a 51-gigalitre desalination plant, which creates a fresh water supply for the project; and a new port, the first to be built in the area in nearly 40 years.

Physical construction of the first production line is now complete, and commissioning of all individual components is well underway. Power is being generated 24 hours a day, and the supply of fresh water from the desalination plant will start in a month. Construction of common facilities for all six lines is also nearing completion.

However, we will not be able to meet our target of integrated commissioning and beginning trial production of the first production line by the end of August, despite the deadline that China Metallurgical Group Corporation ("MCC") committed to. MCC is the contractor responsible for the processing area, which remains the primary cause of the delay. I will, in later paragraphs, talk about some of the key reasons why this happened, and I will outline what we are doing to best deal with the situation in order to reach our target of beginning first line production.

Our team recently held another detailed review with MCC and went through all the milestones that need to be met in order to achieve first production. Based on our discussions, integrated commissioning of the first production line is planned to begin in October and trial production is expected to start in November.

Commissioning is the process of verifying that the plant has been built according to the engineering drawings, documenting the process, testing the control systems, and finally test running. This begins with individual components, and when they can all run smoothly on their own then commissioning of the whole production line can begin. The current status of the main components is as follows:

Component	Status
Mining	Pre-stripped 153 million tonnes of material Accumulated 5 million tonnes of magnetite ore Ready for the operation of the first production line
Power plant	Now generating continuous power 24 hours a day
Desalination plant	Ready to supply fresh water in September
Slurry and water pipelines	Pressure tested and ready to operate
Dewatering plant	First unit is expected to be in operation in November
Port	Port facilities are expected to be ready for operation by mid-September Barges are ready Tugs and transshippers will be ready by September
Stackers/reclaimer	Ready for testing
Tailings area	First tailing area ready
Crusher	First crusher is ready for testing
Concentrator area	First production line is being commissioned First conveyor is under commissioning

As you can deduce from the table above, the majority of the components are undergoing commissioning or are ready to begin operations. There is no question that tremendous progress has been made in the last six months. However, it is also a fact that we will not be able to produce iron ore later this month, which is a disappointment to us and to you.

There are a number of reasons for the delay, and our CITIC Pacific Mining team has been working closely with MCC to resolve all the issues. I would like to share with you some of the challenges we faced, which ranged from inexperience to equipment delivery delays caused by extreme weather such as cyclones.

I have spoken before that as pioneers in developing the world's largest magnetite iron ore mine we have faced unpredictable challenges in completing a project of this scale. MCC, although an experienced contractor in China, the complications and the amount of work involved in building such a large and complex project in Australia far exceeded their expectations.

The main difficulties in commissioning the project include the following: First, the commissioning process for an iron ore mine in Australia is very different from that in China. There are strict commissioning requirements, ranging from the certification of construction completion documents by licensed Australian engineers to meeting stringent safety regulation standards. Second, commissioning of control systems such as "e-houses" must be done by qualified Australian electricians. Given the mining boom in Australia in recent years, there has been a particularly acute shortage of these technicians. Third, commissioning also requires the assistance of equipment service providers, of which there are hundreds, and the on-going need to process the visas of these workers has continued to be complicated and time consuming.

As the employer of MCC, we do bear our share of the responsibility. But at this point, the end is in sight. We have been working closely with MCC to facilitate resolution of all remaining obstacles they face to meet their obligations to us. MCC has assigned many more personnel to the task, and many vendors have also sent experienced staff. We have also been recruiting to fill critical positions for the commencement of operations. The majority of people who will fill these positions have been recruited from within Australia. Additionally, we have secured the services of a number of magnetite processing experts from China, who will play a key role in the transfer of the requisite specialist skills and knowledge.

Bringing the first line into production as soon as possible continues to be the top priority for our company and our management team. Personally, I have used the majority of the time I spend as CITIC Pacific Chairman on this project. I have frequent dialogues and hold regular meetings with the senior management of MCC, and I have visited Perth and the mine site three times in the last six months to review progress with MCC and our team. We remain firmly committed to what we set out to do.

Special Steel

In general, there was lower market demand for steel products, both domestically and overseas, in the first six months of 2012. This resulted in losses for many steel producers. In contrast, CITIC Pacific Special Steel as the market leader remained profitable every month during this period. However, profit contribution from this business decreased 63% from the same period in 2011 as product prices remained low and margins were reduced, even though sales volume was above last year's level.

We expect the rest of 2012 will continue to be tough for this business. The increase in steel-making capability in China has also created a situation of over-capacity, which poses challenges to all steel manufacturers particularly when market demand is weak. As China's largest dedicated special steel producer, CITIC Pacific Special Steel is well positioned in the market it serves and will continue to leverage its expertise and know-how to remain profitable in a difficult operating environment. China's transition from an investment-driven economy to a consumer-oriented one will also create opportunities for our special steel business as demand for higher end products increases.

Property in mainland China

Residential property sales in mainland China continued to be affected by measures put in place by the government. Our projects in Shanghai's Qingpu and Jiangsu's Wuxi sold at a slow pace. On the other hand, our developments in Yangzhou, Jiangsu province and Hainan's Shenzhou Peninsula have been selling satisfactorily as there are no purchasing restrictions where the projects are located.

The situation is quite different for our office and commercial projects, where demand is strong. The first two towers of our Shanghai Lu Jia Zui financial district project were delivered in the first half of 2011 to Agricultural Bank of China and China Construction Bank. We continue to see strong interest from other financial institutions that would like us to build their regional headquarters in the area. The result is that we have signed sales agreements of approximately HK$13 billion with two banks for whom we will be building two more office towers. Construction of these two towers has already begun.

Looking at our other businesses, energy had a lower profit contribution in the first six months, mainly due to decreased electricity generated at our main asset — Ligang Power Station — and decreased contribution from our coal mine. Our two listed companies, Dah Chong Hong and CITIC Telecom, as well as the two tunnels in Hong Kong continued to generate stable profits and deliver cash to our company.

Our objectives for the rest of 2012

Our top priority and key focus remain steadfastly on bringing the Sino Iron project into production so it can begin generating cash and contributing to our bottom line.

The uncertain global economic environment and the slower growth of the Chinese economy will no doubt affect our businesses. The goal we set for ourselves is that our businesses have to perform better than our competitors and must strive to be leaders in their respective fields. I am pleased to say that our special steel business has done just that. Our colleagues in special steel have been achieving profit month by month, when most others are doing poorly. It is in these difficult times that our resilience and strength shine through, and I have every confidence that our company will ride through this challenging period and come out stronger and better.

On behalf of the board, I would like to thank our employees, our investors and lenders for their continued support and faith in our long-term business prospects.

Chang Zhenming
Chairman

Hong Kong, 16 August 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	2012 HK$m	2011 HK$m
Revenue	2	49,919	45,940
Cost of sales		(43,785)	(38,772)
Gross profit		6,134	7,168
Other income and net gains	3	2,728	683
Distribution and selling expenses		(1,540)	(1,295)
Other operating expenses		(2,259)	(2,340)
Change in fair value of investment properties		901	1,338
Profit from consolidated activities	2	5,964	5,554
Share of results of			
Jointly controlled entities	2	1,079	2,436
Associated companies	2	379	472
Profit before net finance charges and taxation		7,422	8,462
Finance charges		(645)	(318)
Finance income		401	253
Net finance charges	5	(244)	(65)
Profit before taxation		7,178	8,397
Taxation	6	(950)	(1,422)
Profit for the period		6,228	6,975
Profit attributable to:			
Ordinary shareholders of the Company	2	5,482	6,012
Holders of perpetual capital securities		230	99
Non-controlling interests		516	864
		6,228	6,975
Dividends			
Proposed dividend	7	(547)	(547)
Earnings per share for profit attributable to ordinary shareholders of the Company during the period (HK$)			
Basic	8	1.50	1.65
Diluted	8	1.50	1.65

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	2012 HK$m	2011 HK$m
Profit for the period	6,228	6,975
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	(815)	(560)
Fair value changes from other financial assets	(32)	(3)
Share of other comprehensive income of associated companies and jointly controlled entities	(23)	45
Exchange translation differences	(767)	1,003
Surplus on revaluation of properties transferred from self-use properties to investment properties	64	-
Transfer to profit and loss account on impairment of other financial assets	7	-
Reserve released on disposal of an interest in jointly controlled entity	(413)	-
Reserve released upon liquidation of a jointly controlled entity and subsidiary companies	-	(28)
Total comprehensive income for the period	4,249	7,432
Total comprehensive income for the period attributable to		
Ordinary shareholders of the Company	3,563	6,399
Holders of perpetual capital securities	230	99
Non-controlling interests	456	934
	4,249	7,432

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2012

	Note	30 June 2012 HK$m	31 December 2011 HK$m
Non-current assets			
Property, plant and equipment		94,546	85,132
Investment properties		15,818	15,270
Properties under development		6,698	6,628
Leasehold land – operating leases		2,415	2,277
Jointly controlled entities		20,583	21,278
Associated companies		7,383	7,222
Other financial assets		312	345
Intangible assets		17,752	16,202
Deferred tax assets		1,962	1,647
Derivative financial instruments	11	172	928
Non-current deposits and prepayment		2,853	4,031
		170,494	160,960
Current assets			
Properties under development		3,108	3,189
Properties held for sale		1,828	1,493
Other assets held for sale		778	2,388
Inventories		15,727	14,125
Derivative financial instruments	11	705	401
Debtors, accounts receivable, deposits and prepayments	9	18,074	16,253
Cash and bank deposits		35,607	30,930
		75,827	68,779
Current liabilities			
Bank loans, other loans and overdrafts			
- secured		1,759	1,329
- unsecured		27,297	26,328
Creditors, accounts payable, deposits and accruals	10	29,319	29,820
Derivative financial instruments	11	145	159
Provisions	12	2,081	-
Provision for taxation		1,170	1,514
		61,771	59,150
Net current assets		14,056	9,629
Total assets less current liabilities		184,550	170,589
Non-current liabilities			
Long term borrowings		83,380	71,050
Deferred tax liabilities		3,385	3,373
Derivative financial instruments	11	5,029	4,747
Provisions, deferred income and other payables	13	2,135	3,406
		93,929	82,576
Net assets		90,621	88,013

CONSOLIDATED BALANCE SHEET (UNAUDITED) (Continued)
AS AT 30 JUNE 2012

	Note	30 June 2012 HK$m	31 December 2011 HK$m
Equity			
Share capital		1,460	1,460
Perpetual capital securities		5,951	5,951
Reserves		75,476	72,452
Proposed dividend	7	547	1,095
Total ordinary shareholders’ funds and perpetual capital securities		83,434	80,958
Non-controlling interests in equity		7,187	7,055
Total equity		90,621	88,013

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

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

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2011.

2 Segment information

(a) Revenue and Profit Attributable to Ordinary Shareholders of the Company and Holders of Perpetual Capital Securities :

Six months ended 30 June 2012	Revenue	Profit / (loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Net finance income/ (charges)	Group total	Segment allocations*	Segment profit/(loss)	Taxation	Non-controlling interests	Profit / (loss) attributable to ordinary shareholders of the Company
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Special steel	22,254	819	133	25	(252)	725	(3)	722	(101)	(97)	524
Iron ore mining	75	(99)	-	-	(50)	(149)	-	(149)	39	-	(110)
Property											
Mainland China	1,641	633	193	-	49	875	5	880	(347)	16	549
Hong Kong	118	102	-	52	-	154	50	204	(14)	-	190
Energy	8	(50)	563	-	12	525	-	525	(25)	-	500
Tunnels	398	274	111	-	2	387	-	387	(45)	(69)	273
Dah Chong Hong	23,636	978	6	4	(97)	891	(51)	840	(242)	(252)	346
CITIC Telecom	1,744	199	1	90	(1)	289	(1)	288	(34)	(100)	154
Other investments	45	2,476	72	10	-	2,558	-	2,558	14	-	2,572
Change in fair value of investment properties	-	901	-	198	-	1,099	-	1,099	(176)	(14)	909
Corporate											
General and administration expenses	-	(214)	-	-	-	(214)	-	(214)	(8)	-	(222)
Exchange loss	-	(55)	-	-	-	(55)	-	(55)	-	-	(55)
Net finance income	-	-	-	-	93	93	-	93	(11)	-	82
Total	49,919	5,964	1,079	379	(244)	7,178	-	7,178	(950)	(516)	5,712
Profit attributable to:											
Holders of perpetual capital securities											(230)
											5,482

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

2 Segment information (continued)

(a) Revenue and Profit Attributable to Ordinary Shareholders of the Company and Holders of Perpetual Capital Securities : (continued)

Six months ended 30 June 2011	Revenue	Profit / (loss)from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Net finance income/ (charges)	Group total	Segment allocations*	Segment profit/(loss)	Taxation	Non-controlling interests	Profit / (loss) attributable to ordinary shareholders of the Company
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Special steel	21,448	1,737	261	15	(139)	1,874	(3)	1,871	(314)	(159)	1,398
Iron ore mining	28	(319)	-	-	-	(319)	-	(319)	(51)	-	(370)
Property											
Mainland China	2,580	1,045	1,122	-	34	2,201	5	2,206	(340)	(159)	1,707
Hong Kong	129	420	-	42	-	462	43	505	(14)	-	491
Energy	10	42	821	-	6	869	-	869	(45)	-	824
Tunnels	388	268	85	-	-	353	-	353	(44)	(65)	244
Dah Chong Hong	19,814	1,012	10	-	(70)	952	(45)	907	(292)	(287)	328
CITIC Telecom	1,492	190	-	94	-	284	-	284	(33)	(99)	152
Other investments	51	4	137	10	-	151	-	151	(3)	-	148
Change in fair value of investment properties	-	1,338	-	311	-	1,649	-	1,649	(226)	(95)	1,328
Corporate											
General and administration expenses	-	(237)	-	-	-	(237)	-	(237)	(8)	-	(245)
Exchange gain	-	54	-	-	-	54	-	54	-	-	54
Net finance income	-	-	-	-	104	104	-	104	(52)	-	52
Total	45,940	5,554	2,436	472	(65)	8,397	-	8,397	(1,422)	(864)	6,111
Profit attributable to:											
Holders of perpetual capital securities											(99)
											6,012

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

2 Segment information (Continued)

(a) Segment Revenue and Profit Attributable to Ordinary Shareholders of the Company and Holders of Perpetual Capital Securities : (continued)

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

	Six months ended 30 June	
	2012	2011
	HK$m	HK$m
Mainland China	39,101	36,077
Hong Kong	6,407	6,051
Other countries	4,411	3,812
	49,919	45,940

2 Segment information (Continued)

(b) Assets and liabilities

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

	Segment assets#		Investments in jointly controlled entities		Investments in associated companies		Total assets		Segment liabilities#		Total net assets		Additions of non-current assets* (other than financial instruments and deferred tax assets) Six months ended	
	30 June 2012 HK$m	31 Dec 2011 HK$m	30 June 2012 HK$m	31 Dec 2011 HK$m	30 June 2012 HK$m	31 Dec 2011 HK$m	30 June 2012 HK$m	31 Dec 2011 HK$m	30 June 2012 HK$m	31 Dec 2011 HK$m	30 June 2012 HK$m	31 Dec 2011 HK$m	30 June 2012 HK$m	30 June 2011 HK$m
By principal activities														
Special steel	54,564	53,175	2,720	2,872	248	226	57,532	56,273	(27,603)	(27,295)	29,929	28,978	2,083	3,280
Iron ore mining	76,449	66,997	-	-	-	-	76,449	66,997	(43,329)	(42,059)	33,120	24,938	9,427	6,337
Property														
Mainland China	32,453	33,304	7,176	7,048	-	-	39,629	40,352	(8,409)	(9,616)	31,220	30,736	403	811
Hong Kong	8,309	7,685	-	-	6,527	6,319	14,836	14,004	(316)	(283)	14,520	13,721	10	130
Energy	3,271	2,011	6,038	6,899	-	-	9,309	8,910	(337)	(352)	8,972	8,558	-	6
Tunnels	959	956	1,130	1,021	-	-	2,089	1,977	(169)	(153)	1,920	1,824	-	-
Dah Chong Hong	21,466	20,355	243	239	239	228	21,948	20,822	(13,148)	(12,347)	8,800	8,475	397	556
CITIC Telecom	2,979	2,884	44	43	339	427	3,362	3,354	(1,068)	(1,153)	2,294	2,201	105	66
Other investments	381	2,687	3,232	3,156	30	22	3,643	5,865	(269)	(571)	3,374	5,294	-	11
Corporate	17,524	11,185	-	-	-	-	17,524	11,185	(61,052)	(47,897)	(43,528)	(36,712)	5	6
Segment assets/ (liabilities)	218,355	201,239	20,583	21,278	7,383	7,222	246,321	229,739	(155,700)	(141,726)	90,621	88,013	12,430	11,203

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 period end.

\# Segment assets and segment liabilities are presented with intercompany balances eliminated.

3 Other income and net gains

	Six months ended 30 June	
	2012	2011
	HK$m	HK$m
Other income		
Commission income, subsidy income, rebates and others	308	238
Dividend income from other financial assets		
Listed shares	4	7
	312	245
Net gains		
Net exchange (loss)/ gain	(141)	133
Net gain from liquidation/disposal of jointly controlled entities	2,473	3
Net gain from disposal of investment properties	-	296
Others	84	6
	2,416	438
	2,728	683

4 Profit from consolidated activities

	Six months ended 30 June	
	2012	2011
	HK$m	HK$m
The profit from consolidated activities is arrived at after charging:		
Cost of inventories/properties sold	40,827	34,381
Depreciation and amortisation	1,423	1,027
Impairment losses on other financial assets	7	-
Impairment losses on trade and other receivables	15	17
Impairment losses on property, plant and equipment	22	28

5 Net finance charges

	Six months ended 30 June 2012 HK$m	2011 HK$m
Finance charges		
Interest expense	2,370	1,866
Amount capitalised	(1,732)	(1,473)
	638	393
Other finance charges	69	69
Other financial instruments		
- Fair value (gain)/ loss	(8)	35
- Ineffectiveness on cash flow hedges	(54)	(179)
	645	318
Finance income		
Interest income	(401)	(253)
	244	65

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (Six months ended 30 June 2011: 16.5%) on the estimated assessable profit for the period. Tax outside Hong Kong is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

	Six months ended 30 June 2012 HK$m	2011 HK$m
Current taxation		
Hong Kong profits tax	145	137
Tax outside Hong Kong	710	799
Deferred taxation		
Changes in fair value of investment properties	176	226
Origination and reversal of other temporary differences	(81)	260
	950	1,422

7 Dividends

	Six months ended 30 June	
	2012	2011
	HK$m	HK$m
2011 Final dividend paid: HK$0.30 (2010: HK$0.30) per share	1,095	1,095
2012 Interim dividend proposed: HK$0.15 (2011: HK$0.15) per share	547	547

8 Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK$5,482 million (six months ended 30 June 2011: HK$6,012 million). The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of the Company adjusted for the effect of the conversion of dilutive potential ordinary shares of subsidiary companies, which the effect is not material to the Group.

The basic earnings per share is based on the number of 3,649,444,160 shares in issue during the period (six months ended 30 June 2011: 3,649,018,272 shares in issue). The diluted earnings per share for 2012 is the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of options because the exercise price was above the average market price of the Company's shares for the period ended 30 June 2012.

9 Debtors, accounts receivable, deposits and prepayments

	30 June 2012 HK$m	31 December 2011 HK$m
Trade debtors and bills receivable aged:		
- Within 1 year	7,802	7,375
- Over 1 year	69	48
	7,871	7,423
Accounts receivable, deposits and prepayments	10,203	8,830
	18,074	16,253

Note:
(i) Trade debtors are net of provisions and the ageing is classified based on invoice date.
(ii) Each business unit has its own defined credit policy.
(iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair values.
(iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$379 million (31 December 2011: HK$185 million), dividend receivable from jointly controlled entities of HK$2,459 million (31 December 2011: HK$1,738 million), and amounts due from associated companies of HK$181 million (31 December 2011: HK$138 million), which are unsecured, interest free and recoverable on demand.

10 Creditors, accounts payable, deposits and accruals

	30 June 2012 HK$m	31 December 2011 HK$m
Trade creditors and bills payable aged:		
- Within 1 year	12,861	13,173
- Over 1 year	418	204
	13,279	13,377
Accounts payable, deposits and accruals	16,040	16,443
	29,319	29,820

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

11 Derivative financial instruments

	30 June 2012 Assets HK$m	30 June 2012 Liabilities HK$m	31 December 2011 Assets HK$m	31 December 2011 Liabilities HK$m
Qualified for hedge accounting – cash flow hedge				
- Interest-rate instruments	-	4,875	-	4,566
- Forward foreign exchange instruments	628	-	1,047	-
	628	4,875	1,047	4,566
Not qualified for hedge accounting				
- Interest-rate instruments	246	286	279	276
- Forward foreign exchange instruments	3	13	3	64
	249	299	282	340
	877	5,174	1,329	4,906
Less: current portion				
- Interest-rate instruments	74	132	73	95
- Forward foreign exchange instruments	631	13	328	64
	705	145	401	159
Non-current portion	172	5,029	928	4,747

12 Provisions

Provisions mainly consist of mining rights liability. 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 tones by March 2013. The mining rights liability was grouped under non-current liabilities as at 31 December 2011.

13 Provisions, deferred income and other payables

As at 30 June 2012, the amount consists of provisions for site restoration, mining rights and gas contract, deferred income and other payables. Other payables represent vendor retention fund payable to China Metallurgical Group Corp. ("MCC") of HK$1,115 million. As at 31 December 2011, the vendor retention fund payable to MCC of HK$757 million has been reclassified from current liabilities to non-current liabilities to conform with current period's presentation.

FINANCIAL REVIEW AND ANALYSIS

Group Debt and Liquidity

The debt of CITIC Pacific as at 30 June 2012 as compared with 31 December 2011 and 30 June 2011 is as follows:

in HK$ million	**30 June 2012**	31 December 2011	30 June 2011
Total debt	**112,730**	98,893	92,035
Cash and bank deposits	**35,607**	30,930	32,647
Net debt	**77,123**	67,963	59,388

Leverage (Net debt to Total capital*)	**48%**	46%	43%

* Total capital = Total ordinary shareholders' funds and perpetual capital securities + Net debt

The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 30 June 2012 is summarised as follows:

	Denomination					
in HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
Total debt in original currency	22,996	68,901	19,558	882	393	**112,730**
Total debt after conversion	23,639	68,901	19,558	239	393	**112,730**
Cash and bank deposits	7,193	10,151	17,622	229	412	**35,607**
Net debt / (cash) after conversion	16,446	58,750	1,936	10	(19)	**77,123**

As at 30 June 2012, CITIC Pacific and its consolidated subsidiaries had a total of HK$67.6 billion of assets pledged for various facilities. Iron ore mining assets of HK$60.7 billion were pledged under its financing documents. Contracts for building four ships (HK$1.7 billion in aggregate) and eight completed ships with carrying value of HK$3.5 billion for transporting iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK$1,682 million (31 December 2011: HK$1,724 million) were pledged to secure banking facilities, which mainly related to Dah Chong Hong's overseas business.

Maturity Profile of Outstanding Debt

The maturity of the debt outstanding at 30 June 2012 is as follows:

in HK$ million	Total outstanding debt	Maturing in these years					
		2012	2013	2014	2015	2016	2017 and beyond
CITIC Pacific Limited	57,679	4,651	10,540	10,350	10,648*	1,317	20,173
Subsidiaries	55,051	8,604	8,893	5,687	3,748	2,163	25,956
Total	112,730	13,255	19,433	16,037	14,396	3,480	46,129

* *Including through wholly-owned special purpose vehicle.*

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. 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.

Available Sources of Finance

As at 30 June 2012, CITIC Pacific and its consolidated subsidiaries had cash and deposits of HK$35.6 billion, and available loan and trade facilities of HK$25.3 billion:

in HK$ million	Total financial facilities	Amount Utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Committed facilities				
Term loans	97,660	82,147	15,513	61%
Short-term loans	4,300	4,300	-	-
Commercial paper (RMB commercial paper)	976	976	-	-
Global bond (USD bond)	12,480	12,480	-	-
Domestic bond (RMB note)	610	610	-	-
Private placement (JPY & USD note & RMB bond)	3,034	3,034	-	-
Total committed facilities	119,060	103,547	15,513	61%
Uncommitted facilities				
Money market lines and short-term facilities	12,827	8,572	4,255	17%
Trade facilities	9,478	3,981^	5,497	22%
Total uncommitted facilities	22,305	12,553	9,752	39%
Total facilities	141,365	116,100	25,265	100%

^ *Including trade facility loans of HK$611 million.*

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.

Risk Management

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. Written reports are provided on all businesses in a form similar to those reviewed by management at the executive committee.

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

Liquidity Management

The objective of liquidity management is to ensure that CITIC Pacific always has enough money available to meet its liabilities. The Group's liquidity management procedures involve regularly projecting cash flows in major currencies, and considering the level of liquid assets and new financings necessary to meet these cash flow requirements. Every month, cash flow projections for three years are reviewed and revised by business units and the Asset and Liability Management Committee ("ALCO"), and financing actions are taken accordingly. Every day, the group treasury 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.

Derivatives Policy

Financial derivatives are used to assist in the management of interest rate and exchange rate risks. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purpose. 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. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. None have been submitted for approval in the first half of 2012. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

Foreign Exchange Risk

The company's functional currency is Hong Kong dollar ("HKD"). CITIC Pacific has major operations in Hong Kong, mainland China and Australia whose functional currency is HKD, Renminbi ("RMB") and United States dollar ("USD"), and is subject to the risk of loss or profit due to changes in USD, 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.

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

(1) USD denominated debt
(2) RMB denominated debt
(3) expenditure relating to its iron ore mining operations in Australia and steel operations in mainland China
(4) purchases of raw materials by steel and property operations in mainland China
(5) purchases of finished products for sale by DCH, and
(6) registered capital of investment in mainland China

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 uses a cross currency swap to convert the foreign currency exposure from JPY financing into HKD.

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.

Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business, as at 30 June 2012 the Australian mining operation had plain vanilla forward contracts with a notional amount of A$0.4 billion outstanding with maturities up to the first quarter of 2013, which qualify as accounting hedges. The average rate of these contracts is 0.82 USD to 1.00 AUD. In the second half of 2012, the Australian mining operation will adopt a new policy to stabilise the effective exchange rate over time by entering into plain vanilla forward contracts to hedge its forecast future AUD expenditures.

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$75 billion. The company uses its USD borrowings to hedge these USD assets. As at 30 June 2012, CITIC Pacific had HK$69 billion equivalent of US dollar debt.

Businesses in mainland China had RMB gross assets of approximately HK$128 billion as at 30 June 2012, offset by debts and other liabilities of HK$46 billion. This gave the company an RMB net asset exposure of HK$82 billion.

Interest Rate Risk

This risk is managed by considering the whole 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. The ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 34% as at 30 June 2012.

CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for the first half of 2012 was approximately 4.1% compared with 4.0% for the same period last year.

Commodity Risk

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

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

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 30 June 2012, CITIC Pacific did not have any exposure to commodity derivatives.

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.

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 economy of mainland China as a whole, as well as the economies of Hong Kong and other cities. The sales of special steel are substantially to customers in China, as are the vehicles and other products of Dah Chong Hong; the iron ore mine is expected to sell its output to steel mills in China, and our electricity is sold exclusively to users in mainland China. Our property developments are mainly in mainland China, and our infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented that 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 (including principals with whom we have agency relationships), 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.

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 may be subject to stringent licensing terms and regulations. Failure to adhere to these licensing terms and regulations may result in penalties or in extreme cases an inability to operate. The licensing 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, and could also be affected 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.

Capital Commitments and Contingent Liabilities

CITIC Pacific's contingent liabilities as at 30 June 2012 had not significantly changed from the position as at 31 December 2011.

As at 30 June 2012, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK$6.9 billion.

On 13 April 2012, CITIC Pacific announced that it had exercised the First Option under the China Project Option Agreement with the right to extract a further 1 billion tonnes of magnetite ore for a consideration of US$200 million, adjusted for inflation between 1 March 2006 and the date of completion of the Acquisition less the costs incurred for the drilling program under the further drilling obligations.

Please refer to the announcement of CITIC Pacific dated 13 April 2012 for details.

HUMAN RESOURCES

As of the end of June 2012, CITIC Pacific employed 34,365 employees at its headquarters in Hong Kong and principal subsidiaries worldwide. A total of 28,420 employees (82.7%) were based in mainland China; 4,712 (13.7%) in Hong Kong; 756 (2.2%) in Australia; and the remaining 477 employees (1.4%) in other countries such as Singapore, Japan, Taiwan, Canada and the United States of America.

CITIC Pacific offers competitive remuneration packages as well as comprehensive learning and development opportunities to attract, motivate and retain talented employees. In recognition of its continuous efforts and commitment towards people development, CITIC Pacific was honoured as a Manpower Developer under the ERB Manpower Developer Award Scheme organised by the Employees Retraining Board.

In the first half of 2012, CITIC Pacific continued its focus on people development to ensure its employees are equipped with the required knowledge and skills to support its business objectives. In addition to regular internal and external training programmes and sharing sessions for increasing professional knowledge, technical skills and management competencies, CITIC Pacific has launched a new learning initiative at its headquarters. This initiative, CITIC Pacific Lunch & Learn, provides a relaxed environment for teaching non-business and leisure subjects and promoting employee wellness and work-life balance.

Subsequent to the successful completion of the first CITIC Pacific Leadership Development Programme (CPLDP), CITIC Pacific held its second CPLDP in partnership with the Hong Kong University of Science and Technology in May. The programme maintained its positive momentum for grooming senior managers through customised leadership development programmes.

Corporate Social Responsibility

CITIC Pacific and its subsidiaries continued their contributions to local communities through participation in charitable activities such as donations and volunteer works for the elderly and disadvantaged. In the first half of the year, employees from the headquarters became involved in a volunteer service day organised by the Neighbourhood Advice-Action Council. Activities included delivering rice dumplings and showing care to senior citizens living alone in Shamshuipo during the Tuen Ng Festival, and taking part in fund-raising events such as the Mother’s Day - Oxfam Rice Sale and Community Chest Skip Lunch Day.

CORPORATE GOVERNANCE

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. Details of our corporate governance practices can be found in CITIC Pacific's Annual Report 2011 and on CITIC Pacific's website www.citicpacific.com. In order to ensure a high standard of corporate governance, the board has set up the following committees:

- Established the executive committee for communication of the direction and priorities of CITIC Pacific and sharing information with and amongst senior executives about CITIC Pacific's key developments and business issues. This committee is chaired by the managing director, and its membership includes the group finance director, three other executive directors, leaders of major businesses in the group and leaders of key head office functions.

- Established the investment committee to consider the strategy and planning of CITIC Pacific and to review investment proposals. The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors.

- Established the asset and liability management committee ("ALCO") to review the financial position and financial risk management of CITIC Pacific. ALCO monitors and sets limits on exposure in relation to asset and liability structure, counterparties, currencies, interest rates, commitments and contingent liabilities. It also reviews and approves financing plans, approves the use of new financial products and establishes hedging policies. Chaired by the group finance director, the committee comprises two executive directors, the group treasurer, group financial controller, and the executives with responsibility for treasury, treasury risk management and financial control.

- Established the audit committee to assist the board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting obligations. The committee oversees the relationship with the external auditors, reviews and monitors the effectiveness of the internal audit function and reviews CITIC Pacific's policies and practices on corporate governance. The committee comprises three non-executive directors, two of whom are independent non-executive directors having the relevant professional qualifications and expertise in accounting matters.

- Established the remuneration committee to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The committee comprises three independent non-executive directors.

- Established the nomination committee to determine the policy for the nomination of directors and to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The committee is chaired by the chairman of the board; the other two members are independent non-executive directors.

- Established the special committee to deal with matters relating to the investigations of CITIC Pacific by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force. The committee comprises the managing director, a non-executive director and an independent non-executive director.

Save as disclosed below, CITIC Pacific has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices (which was effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In respect of code provision A.6.7 of the CG Code, Mr Carl Yung Ming Jie (an executive director), Mr. André Desmarais (a non-executive director) and Mr Alexander Reid Hamilton (an independent non-executive director) were not able to attend the annual general meeting of CITIC Pacific held on 18 May 2012 ("AGM"). Mr Carl Yung was ill, while Mr Alexander Hamilton and Mr André Desmarais were away from Hong Kong due to other engagements. Mr Peter Kruyt, the alternate director of Mr André Desmarais, attended the AGM.

The audit committee of the board reviewed the Half-Year Report with management and CITIC Pacific's internal and external auditors and recommended its adoption by the board.

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

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of HK$0.15 per share (2011: HK$0.15 per share) for the year ending 31 December 2012, payable on Monday, 24 September 2012 to shareholders whose names appear on CITIC Pacific's register of members on Friday, 14 September 2012. The register of members of CITIC Pacific will be closed from Tuesday, 11 September 2012 to Friday, 14 September 2012, both days inclusive, during which period no share transfer will be effected. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 September 2012.

SHARE CAPITAL

CITIC Pacific has not redeemed any of its shares during the six months ended 30 June 2012. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the six months ended 30 June 2012.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the group. These forward looking statements represent CITIC Pacific'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.

HALF-YEAR REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on CITIC Pacific's website (www.citicpacific.com) and the Hong Kong Stock Exchange's website (www.hkex.com.hk). The full Half-Year Report will be made available on the websites of CITIC Pacific and the Hong Kong Stock Exchange around 29 August 2012.

By Order of the Board
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 16 August 2012

As at the date hereof, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Carl Yung Ming Jie, Vernon Francis Moore, Liu Jifu, Milton Law Ming To and Kwok Man Leung; the non-executive directors of CITIC Pacific are Messrs André Desmarais, Ju Weimin, Yin Ke and Peter Kruyt (alternate director to Mr André Desmarais); and the independent non-executive directors of CITIC Pacific are Messrs Alexander Reid Hamilton, Gregory Lynn Curl and Francis Siu Wai Keung.