CITIC PACIFIC

Half-Year Report 2013

CITIC Group Corporation

58%

CITIC PACIFIC

CITIC PACIFIC AT A GLANCE

CITIC Pacific Limited, listed in Hong Kong, is a constituent of the Hang Seng Index. We are a diversified company with a clear focus on three main businesses: special steel, iron ore mining and property development in mainland China. CITIC Pacific is 58% owned by CITIC Group Corporation.

We are pioneers and market leaders:

- We are building what is not only the largest magnetite iron ore mine in the world, but one of the largest single investments by a Chinese company outside China.
- We are the biggest dedicated special steel manufacturer in China.
- Our property projects enjoy prime locations in China's economic centers.

In our businesses, we embrace world-class technology and strive for international best practices. CITIC Pacific is strongly committed to long-term business success and lasting shareholder value.

Special Steel
22% of assets

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

Iron Ore Mining
33% of assets

Sino Iron project is the largest magnetite iron ore development project in Australia and, when completed, will have six production lines with the capacity to produce a total of 24 million tonnes of magnetite concentrate a year. Sino Iron has dedicated infrastructure facilities that include a power station, a desalination plant and a large scale port. Once in operation, in conjunction with 12 ships for iron ore delivery, Sino Iron will ensure a stable, quality supply of iron ore to CITIC Pacific's special steel plants, as well as other steel producers in China.

Property mainland China
17% of assets

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

Others

Hong Kong Property
Energy
Tunnels
Dah Chong Hong
CITIC Telecom

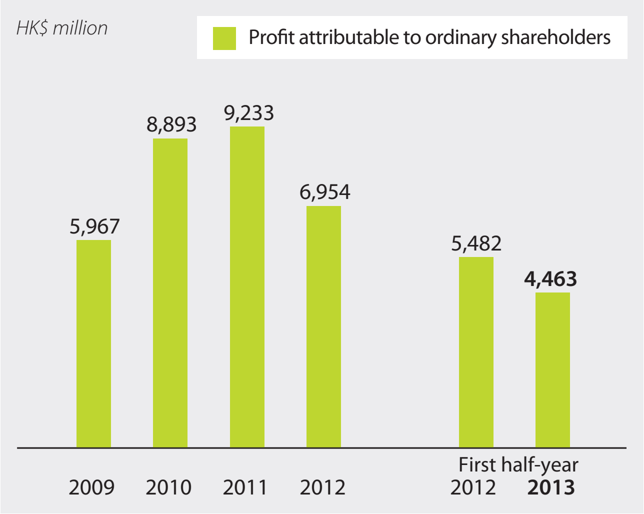
Content

Financial Highlights

In HK$ million	Half-year ended 30 June 2013	2012	Increase/ (Decrease)
Profit attributable to ordinary shareholders	**4,463**	5,482	(1,019)
Special steel	**605**	524	81
Iron ore mining	**(1,054)**	(110)	(944)
Mainland China property	**218**	549	(331)
Gain on disposal of assets	**2,417**	2,494	(77)
Other businesses	**2,277**	2,025	252
Cash inflows from business operations	**3,714**	1,243	2,471
Other cash inflows	**1,270**	5,672	(4,402)
Capital expenditure	**10,254**	13,435	(3,181)
EBITDA	**8,892**	9,612	(720)
Earnings per share (HK$)	**1.22**	1.50	(0.28)
Dividend per share (HK$)	**0.10**	0.15	(0.05)

In HK$ million	**As at 30 June 2013**	As at 31 December 2012	Increase/ (Decrease)
Total ordinary shareholders' funds and perpetual capital securities	**98,021**	84,678	13,343
Net debt	**84,580**	83,808	772
Cash and bank deposits	**33,685**	32,821	864
Available committed banking facilities	**12,608**	14,701	(2,093)
Net debt to total capital (%)	**46**	50	(4)

Profit attributable to ordinary shareholders



Asset by business

CONSOLIDATING DIVERSITY FOR FOCUSED SUCCESS

Chairman's Letter to Shareholders

Dear Shareholders,

Our company's profit attributable to ordinary shareholders for the first half of 2013 was HK$4,463 million, 19% lower than in the same period of 2012. About half of the profit was from non-recurring items. The sharp decline in profit from continuing business activities was mainly due to our iron ore mine in Australia. As parts of the mine begin to operate, interest expenses associated with them can no longer be capitalised. In addition, we also had to increase the provision for the unused gas supply. Profit from mainland properties also declined as we had fewer finished units to deliver to customers. On the positive side, the special steel business performed steadily in the first six months of 2013 compared with the same period last year. Our energy business did particularly well with strong contribution from the Ligang Power station.

Sino Iron Ore Project Progress

Consistent with my past reports, I would like to devote much of this letter to our iron ore mine in Western Australia, which has been and will remain management's main focus until it achieves full operation.

We have strived to be open and transparent by providing our shareholders with frequent progress reports on the mine. As previously stated, after commissioning production line one in late 2012 we experienced a series of technical problems this spring which led to the decision in May to suspend the operation, so that our equipment could be more easily repaired and adjusted. Encountering such technical issues is not surprising considering the massive scale of this project. The pause in operation was the most efficient and effective way to fully address all outstanding engineering issues.

I am glad to report that we recommenced load commissioning of line one in late July. So far, things are going well, most of the major issues we encountered have been addressed, and we have achieved continuous production. Resumption of load commissioning is an important milestone and an encouraging achievement. What we have learned from this commissioning is that the processing technology employed is viable and capable of producing good quality iron ore concentrate, which has an average iron content of about 66%. Building a greenfield project is complex and has not been smooth sailing for us, but I am pleased that we have proven we have the technical knowledge and management expertise to build and operate the mine. However, the re-commissioning is still very recent, and for a project of this massive scale and complexity, more time and data are required to gain further insight into production parameters, line stability and reliability.

In our progress update on the second production line in late May, we reported that the gearless motor responsible for driving the grinding mill was being repaired. This, unfortunately, is taking longer than anticipated. Load commissioning can only begin when the motor passes the required voltage test. If the test is not successful, we will need to reassess the situation and develop an appropriate action plan. This would be a significant task and further push back the commissioning of line two. All parties are working closely with the manufacturer, Siemens, which made the gearless motor specifically for our project.

Our focus for the next six months will be to ensure the stable running of production line one, ramping it up to full capacity as soon as possible, as well as getting the second production line ready for load commissioning.

For lines three to six, all the grinding mills have already been put on their foundations. A detailed and comprehensive implementation plan has been developed and it will be fine tuned based on information and knowledge gained from commissioning line one. The plan will be further reviewed by a team of technical experts and finalised in the coming month. Infrastructure such as the power station and desalination plant has been running now for some time supporting line one.

Iron ore concentrate produced to date has been stockpiled near the port. The first shipment will be arranged once the relevant authorities grant permission to do so. I am looking forward to seeing iron ore concentrate delivered to our own steel mills, as well as others in China.

Other Operating Businesses

Profit from the special steel business was at about the same level as the first half of last year, a time when the market for steel was quite good. The market began to decline in the second half of 2012 and was particularly depressed in the last quarter of 2012. Looking at the steel market in the first six months of 2013, we see that the overall market is still quite weak, although demand picked up and product prices recovered from their low levels at the end of last year.

In this context, the fact that our special steel operation achieved a similar level of profitability as the first six months of last year was quite encouraging. How did we do it? We intensified our efforts to open new markets, in particular those for our plate products. The product volume increase in the period came primarily from selling more special steel plates. We did this by continuing to improve the quality of our products and by focusing on optimising the procurement of raw materials, thereby effectively lowering the overall input cost. Simply put, we did it through managing the business prudently and making good decisions despite a generally soft market environment. As to how we see the rest of 2013, the fact remains that we will have to operate in an environment with excess capacity and moderate demand. We will leverage our market leading position to capture the opportunities in the growing Chinese economy.

The mainland China residential property market continued to be affected by the purchasing restrictions and other measures implemented by the government. However, sales of residential units at our Shenzhou Peninsula project on Hainan Island were quite good in the last six months. On the other hand, the commercial property market remains buoyant, and our investment properties continue to generate steady rental income. As I have said before, I am confident that the forces driving the market, including urbanisation and the emerging middle class, will create positive momentum in the mainland property market. We are in this business for the long-term and will continue to develop our existing land bank, and market and sell our products.

At the end of June, we had over HK$46 billion in cash and available committed facilities, giving us the flexibility to repay maturing debts, pay a dividend to you and reinvest in the business.

The board resolved to pay an interim dividend of HK$0.10 per share.

We are a company focused on China – our special steel is sold primarily in the domestic market, we develop properties in China and our iron ore will be supplied to and used by Chinese steel mills. So our prosperity is very much dependent on and connected to the economic growth of China. Following a decade of exceptional growth, China is entering a period of more moderate economic development. Albeit slower than before, this growth is still robust compared with the rest of the world. Future economic growth will focus more on quality, efficiency and endurance. The challenge facing our company and most Chinese companies in this transitional time is that we have to operate in an environment with excess capacity in a number of industries. To stay competitive, do well and achieve better profitability, we have to work hard to improve productivity, increase the technology content of our products, enhance efficiency and thereby reduce costs.

We have come a long way in both China and Australia, and we are proud of our progress. However, we still have a lot of work ahead of us. I remind myself and our management team often of the importance of maintaining focus on our core proposition and purpose – creating value for our shareholders. At the same time, we also need to attend to the myriad details and dimensions of our daily tasks and operations.

On behalf of the board, I would like to thank our employees for the work done to date, as well as our investors and lenders for their continued support.

Chang Zhenming
Chairman
Hong Kong, 14 August 2013

Financial Review

For the first half of 2013, CITIC Pacific's total earnings fell 19% to HK$4,463 million as compared to the same period last year. Nearly half of the actual Group total earnings for both periods were non-recurring items. Total earnings of the underlying business operations were HK$1,814 million, 28% below last year. The energy sector had outstanding performance increasing its contribution by 74% due to Ligang power station's selling more units, and lower coal prices. Special steel improved, largely due to the acquisition of the additional 25% interest in Xing Cheng Phase II. These good results were offset by a loss of HK$1.1 billion recorded by iron ore mining business due to gas provisions and interest charges.

Group Financial Results

	Half-year ended 30 June			
In HK$ million	**2013**	2012	Increase/(Decrease)	
Revenue	**41,291**	48,175	(6,884)	(14)%
Profit from consolidated activities	**2,593**	5,766	(3,173)	(55)%
Gain on disposal of assets	**2,417**	2,494	(77)	(3)%
Change in fair value of investment properties	**608**	909	(301)	(33)%
Net finance charges	**(1,104)**	(243)	861	354%
Taxation	**(268)**	(950)	(682)	(72)%
Profit attributable to ordinary shareholders	**4,463**	5,482	(1,019)	(19)%

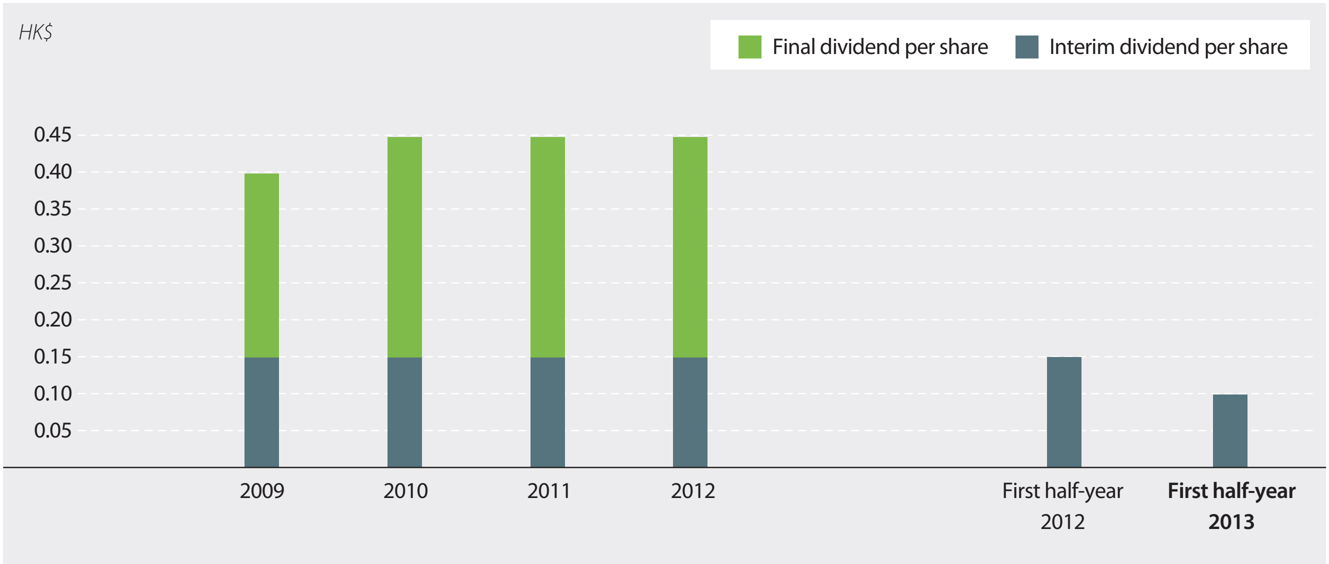
Profit Attributable to Ordinary Shareholders

Earnings per Share

Earnings per share were HK$1.22 in the first half of 2013 compared with HK$1.50 in the first half of 2012, a decrease of 19%. The number of shares outstanding was 3,649,444,160 on both 30 June 2012 and 2013.

Dividends

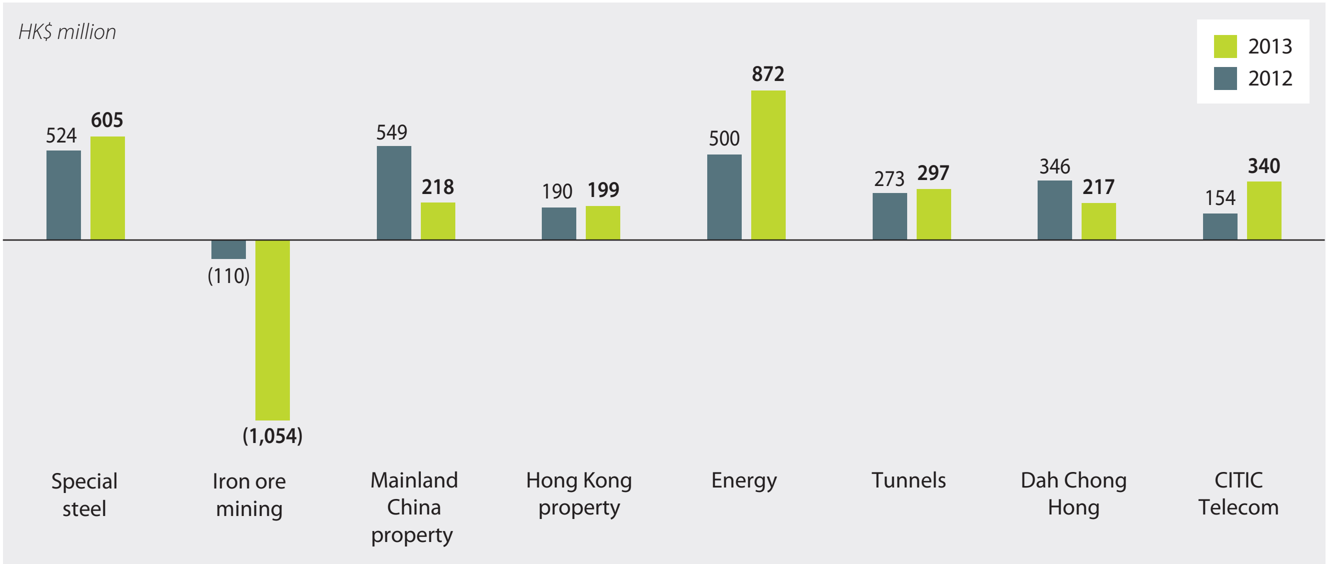
An interim dividend of HK$0.10 (2012: HK$0.15) per share has been declared. It represents a cash distribution of HK$365 million.



Contribution and Assets by Business

In HK$ million	Contribution Half-year ended 30 June **2013**	 2012	Assets **As at 30 June** **2013**	 As at 31 December 2012
Special steel	**605**	524	**55,551**	55,622
Iron ore mining	**(1,054)**	(110)	**86,127**	81,577
Mainland China property	**218**	549	**43,120**	40,623
Hong Kong property	**199**	190	**16,143**	15,573
Energy	**872**	500	**10,060**	9,716
Tunnels	**297**	273	**2,191**	2,208
Dah Chong Hong	**217**	346	**20,116**	20,306
CITIC Telecom	**340**	154	**3,826**	3,733
Other investments	**120**	78	**3,656**	3,574
Underlying business operations	**1,814**	2,504	**240,790**	232,932
Gain on disposal of assets	**2,417**	2,494		
Fair value change in investment properties	**608**	909		
Others	**(376)**	(425)		
Profit attributable to ordinary shareholders	**4,463**	5,482		

Contribution by business



Special Steel: The underlying operating contribution for the first half of 2013 was at a similar level as for the same period last year. Despite the overall price of our products being down 10% for the first half as compared to last year, margin improved resulting from the lower cost of major raw materials utilized in production. A total of 3.6 million tonnes of finished special steel products were sold during the reporting period, 3% more than last year. The operating results were HK$75 million higher than last year due to raising our shareholding in Xing Cheng Phase II to 100%.

Iron Ore Mining: The loss in the first half of 2013 was HK$944 million higher than the same period last year, reflecting a provision made for the potential mismatch between the gas delivery under contracts and the production schedule, an increase in non-capitalized loan interest associated with equipment now completed, and other operating expenses. For the purpose of segment analysis, Iron Ore Mining includes the mining operation in Western Australia, the 12 mini-cape vessels intended to carry the mine's iron ore, and a trading and ship management business in Singapore.

Mainland China Property: Lower net contribution in the sector during the first half of 2013 was due to a decrease in sales recognized for residential projects in Shanghai. Sales recognized for commercial projects in Shanghai decreased as no buildings were available to deliver to customers. The leasing business was comparatively steady, with occupancy rates of our investment properties on 30 June 2013 remaining comparable with previous years.

	Half-year ended 30 June			
In HK$ million	**2013**	2012	Increase/(Decrease)	
Sales	**99**	465	(366)	(79)%
Leasing	**221**	214	7	3%
Others and operating expenses	**(102)**	(130)	(28)	(22)%
Total	**218**	549	(331)	(60)%

Hong Kong Property: Earnings from the leasing business benefited from rising rental and occupancy rates of our investment properties in Hong Kong. For property development, an operating loss was shared from our associated company Hong Kong Resorts during the first half of 2013, due to a charge related to common facilities at Discovery Bay, partially compensated by earnings on the sales recognized of Discovery Bay's Phase 14 "AMALFI".

	Half-year ended 30 June			
In HK$ million	**2013**	2012	Increase/(Decrease)	
Property development	**(42)**	1	(43)	N/A
Leasing	**241**	189	52	28%
Total	**199**	190	9	5%

Energy: Increase in energy division's contribution was attributed to lower coal costs in power generation and more units of electricity sold as compared to the same period last year. Lower earnings from the coal mine in Shandong were mainly due to a drop in coal prices, despite increases in sales volume and coal production.

	Half-year ended 30 June			
In HK$ million	**2013**	2012	Increase/(Decrease)	
Power generation	**627**	214	413	193%
Coal	**245**	286	(41)	(14)%
Total	**872**	500	372	74%

Tunnels: Higher earnings were mainly attributable to an increase in Western Harbour Tunnel's toll rates, which went into effect on 1 January 2013. Both tunnels also saw growth in both market share and volume of traffic between Hong Kong and Kowloon as compared with the first half of last year. Average daily traffic for the Eastern and Western Harbour Tunnels increased 2% and 3% respectively.

Dah Chong Hong: The 37% decrease in contribution from Dah Chong Hong was expected due to the termination of the Bentley distributorship in the PRC at the end of 2012, and lower sales of commercial vehicles in the PRC which have been adversely affected by the stagnation in infrastructure development. Earnings from the food business were hindered by a slowdown in spending on fast-moving consumer goods and additional development expenses for logistics facilities in the PRC. The contribution from the Hong Kong motor business increased, as it benefited from the popularity of environmentally friendly vehicle products and the depreciation of the Japanese Yen improved the pricing of Dah Chong Hong's Japanese brands.

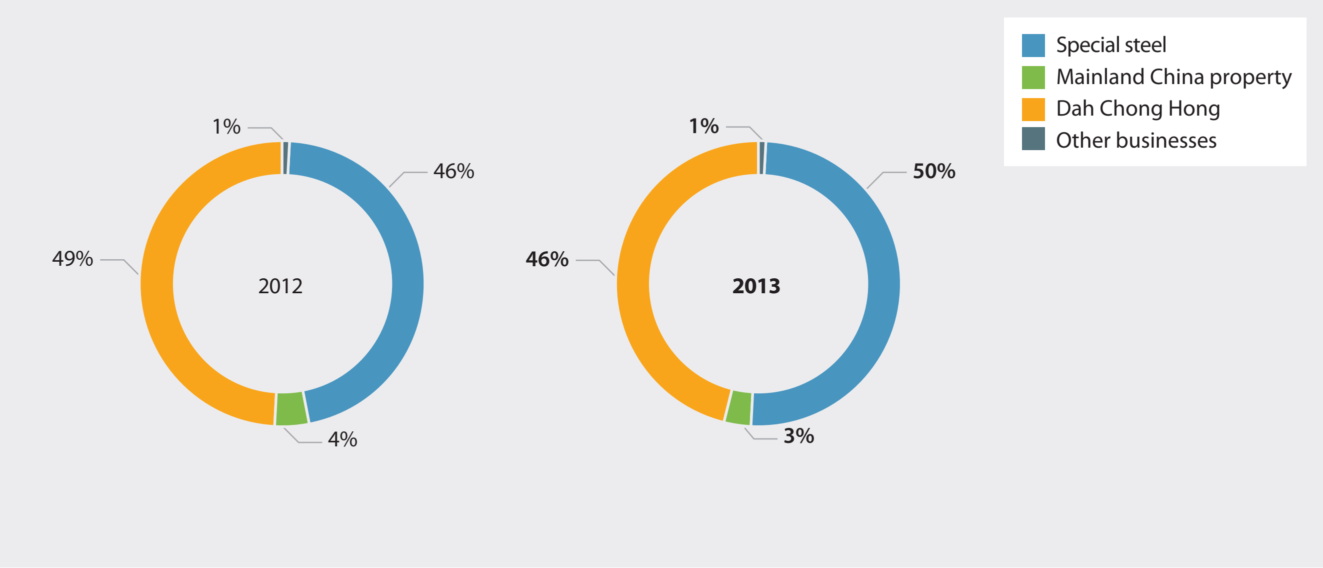
CITIC Telecom: CITIC Telecom's operating earnings were similar to last year. There was a reduction in our share of its results reflecting the reduction in our interest from 61% to 42% in February 2013. The increase in the contribution from CITIC Telecom was mainly due to the gain resulting from the accounting treatment on the increase from 20% to 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. The gain was partially offset by exceptional items including the related transaction costs, special provisions and impairment on investments and share option expenses.

Financial Review

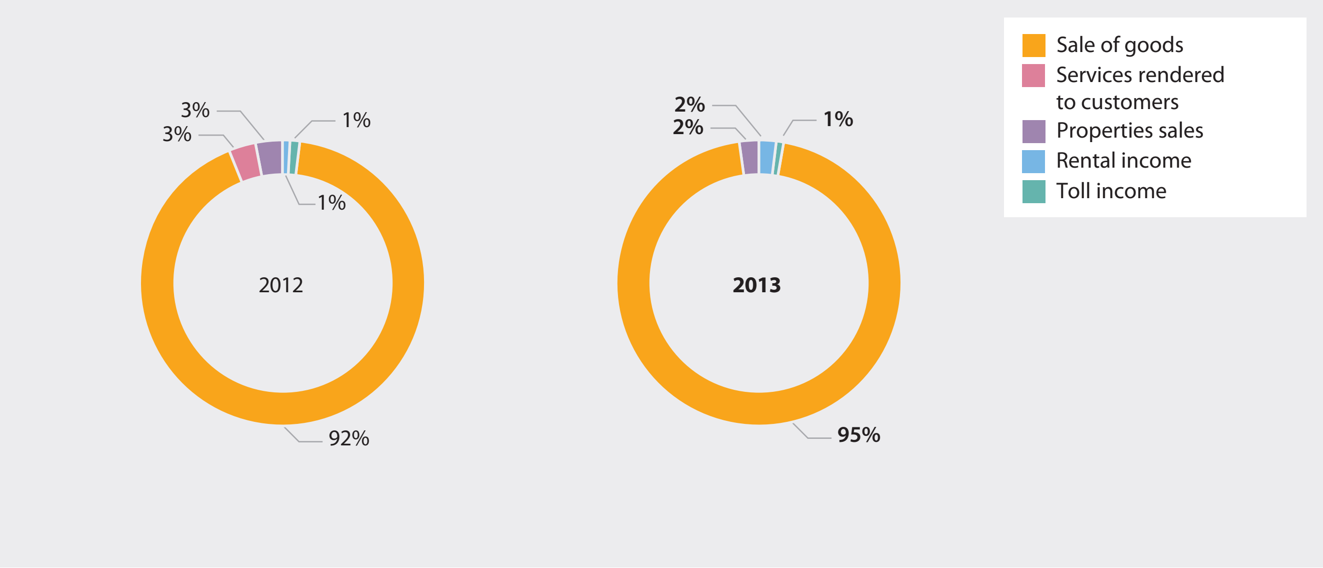
Revenue

Revenue from operations fell 14% from HK$48,175 million in the first half of 2012 to HK$41,291 million in the first half of 2013, primarily due to a reduction of HK$4.7 billion resulting mainly from reduced sales of motor vehicles in the PRC by Dah Chong Hong. In addition, lower selling prices of our special steel products reduced revenue by HK$1.8 billion.

By business



By nature



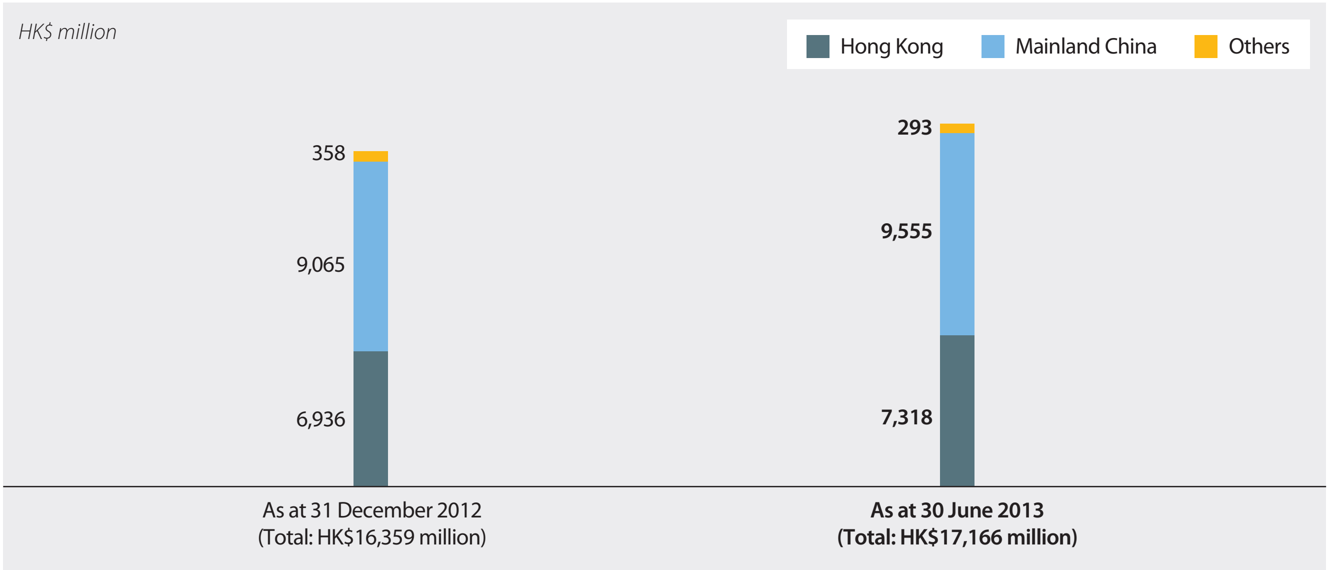
Gain on Disposal of Assets

One-off gains of HK$2,417 million included an amount of HK$2,055 million which comprised a disposal gain of a 18.6% interest in CITIC Telecom and a fair value gain on our remaining shares, an amount of HK$362 million of negative goodwill recognized following our acquisition of a 25% interest in Xing Cheng Phase II, and a fair value gain on our existing shares in the business immediately after the acquisition. The gain in 2012 was made from the sale of our entire interest in CITIC Guoan.

Change in the Fair Value of Investment Properties

The fair value of investment properties increased by HK$608 million in the first half of 2013. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong.

Fair Value of Investment Properties



Net Finance Charges

The increase in net finance charges from HK$243 million to HK$1,104 million was the result of increased borrowing as compared between the first half of 2012 and 2013, a reduction in the proportion of capitalized interest associated with our iron ore mine and a higher average borrowing cost for the first half of 2013 as compared with the same period last year.

Taxation

Taxation in the first half of 2013 decreased 72% to HK$268 million as compared with the same period last year, mainly due to reduced earnings from the underlying businesses, including PRC Property and Iron Ore Mining.

Group Cash Flows

In HK$ million	Half-year ended 30 June **2013**	2012	Increase/(Decrease)	
Source of Cash:				
Cash inflows from business operations	**3,714**	1,243	2,471	199%
Other cash inflows	**1,270**	5,672	(4,402)	(78)%
Increase in net borrowings	**1,742**	14,035	(12,293)	(88)%
Issue of perpetual capital securities	**7,725**	–	7,725	N/A
	14,451	20,950	(6,499)	(31)%
Use of Cash:				
Capital expenditure*	**(8,859)**	(11,703)	(2,844)	(24)%
Final dividend paid to ordinary shareholders	**(1,095)**	(1,095)	–	–
Distribution made to holders of perpetual capital securities	**(230)**	(230)	–	–
Interest paid	**(2,764)**	(2,291)	473	21%
Other cash outflows	**(629)**	(227)	402	177%
	(13,577)	(15,546)	(1,969)	(13)%
Net Increase in Cash	**874**	5,404	(4,530)	(84)%

* capital expenditure analysed on pages 15 to 16 includes capitalized interest of HK$1,395 million (2012: HK$1,732 million)

Cash generated from our business operations for the first half of 2013 almost tripled to HK$3.7 billion, as Dah Chong Hong returned to net operating cash inflow, and more cash was generated from our property business in the PRC. Other cash receipts in 2013 included a HK$773 million proceeds of disposal of our 18.6% interest in CITIC Telecom, which was offset by a cash outflow of HK$758 million to subscribe for the rights issue of CITIC Telecom to maintain our level of shareholdings. Including an issue of US$1 billion in perpetual capital securities and an increase in net borrowing of HK$1.7 billion, total sources of cash in the first half of 2013 was HK$14.5 billion.

The Group also acquired 25% interest in Xing Cheng Phase II in a consideration of HK$659 million, making it a wholly-owned subsidiary of the Group. Including this transaction, capital expenditure outflows during the period were around HK$9 billion, 24% lower than last year. More details of capital expenditure can be found on pages 15 to 16. Together with final dividend distribution to ordinary shareholders, distribution to holders of perpetual capital securities, interest paid and various other payments, total use of cash in the first half of 2013 was HK$13.6 billion.

The Group had a net cash inflow of HK$0.9 billion for the first half of 2013.

Cash inflows from business operations

In HK$ million	**2013**	2012	Increase/(Decrease)	
	Half-year ended 30 June			
Cash inflows/(outflows) by business:				
Special steel	**1,691**	2,023	(332)	(16)%
Iron ore mining	**15**	191	(176)	(92)%
Mainland China property	**1,098**	198	900	455%
	2,804	2,412	392	16%
Hong Kong property	**192**	141	51	36%
Energy	**8**	(58)	66	N/A
Tunnels	**304**	302	2	1%
Dah Chong Hong	**377**	(1,385)	1,762	N/A
CITIC Telecom	**49**	143	(94)	(66)%
Others	**(20)**	(312)	(292)	(94)%
	3,714	1,243	2,471	199%

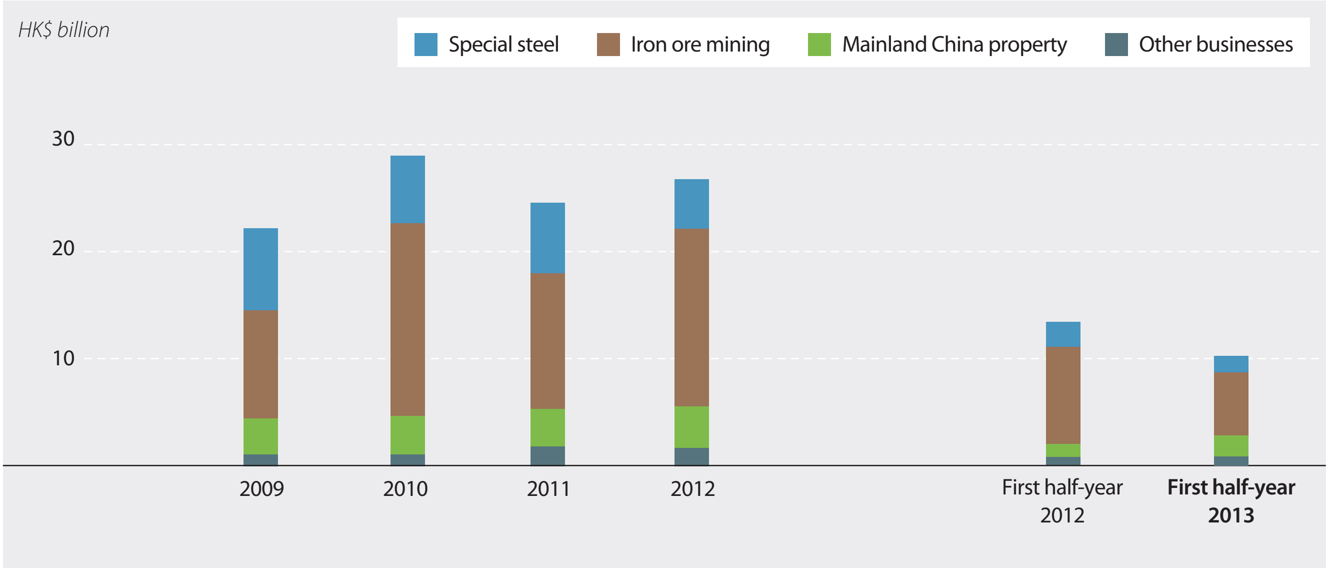
Other cash inflows

In HK$ million	**2013**	2012	Increase/(Decrease)	
	Half-year ended 30 June			
Net proceeds of divestment of businesses	**15**	4,285	(4,270)	(100)%
Dividends received and loan repayment from joint ventures and associated companies	**907**	911	(4)	–
Proceeds of sale of fixed assets and investment properties	**139**	126	13	10%
Others	**209**	350	(141)	(40)%
	1,270	5,672	(4,402)	(78)%

Capital Expenditure

In HK$ million	**2013**	2012	Increase/(Decrease)	
	Half-year ended 30 June			
Special steel	**1,529**	2,316	(787)	(34)%
Iron ore mining	**5,893**	9,058	(3,165)	(35)%
Mainland China property	**1,965**	1,191	774	65%
Sub-total	**9,387**	12,565	(3,178)	(25)%
Others	**867**	870	(3)	–
	10,254	13,435	(3,181)	(24)%

Capital expenditure



For the first half of 2013, the capital expenditure in our special steel business was mainly comprised of additional shares in Xing Cheng Phase II, and expenditure for the high speed wire product plant at Xing Cheng, Jiangdu Pellet Plant and renovation of existing plants at Xing Cheng and Daye.

Capital expenditure for iron ore mining in the first half of 2013 included continuing expenditure for the construction of the production lines and common facilities, and capitalized interest.

Our property development projects on the mainland had higher capital expenditure during the first half of 2013, mainly due to a relocation expense for current residents at our Westgate Garden development site in Shanghai.

Capital Commitments

As at 30 June 2013, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies amounted to HK$3.9 billion.

Future capital expenditures will be funded by the Group's cash and deposits, as well as available credit facilities. Pages 26 to 27 describe the HK$33.7 billion of cash and deposits held by the Group and HK$12.6 billion of available committed facilities as at 30 June 2013.

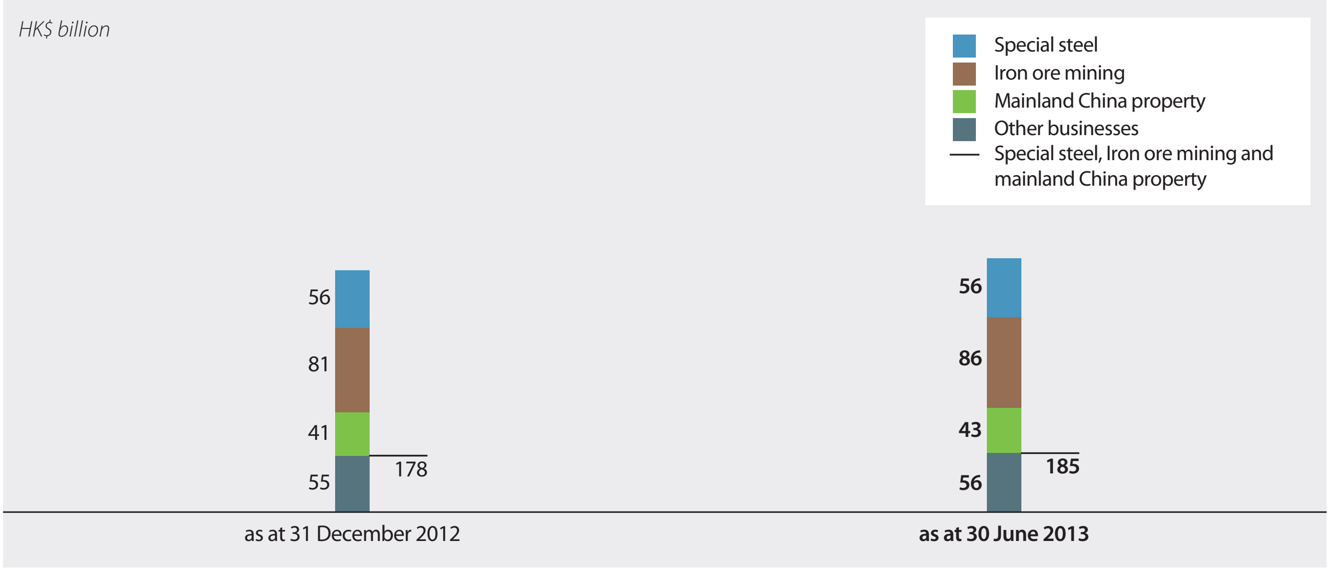
Group Financial Position

In HK$ million	**As at 30 June 2013**	As at 31 December 2012	Increase/(Decrease)		Note to the Financial Statements
Total assets	**258,401**	247,386	11,015	4%	
Fixed assets and non-current properties under development	**137,296**	128,040	9,256	7%	
Derivative financial instrument assets	**111**	376	(265)	(70)%	18
Derivative financial instrument liabilities	**3,096**	4,978	(1,882)	(38)%	18
Inventories	**12,254**	11,803	451	4%	
Net debt	**84,580**	83,808	772	1%	
Total ordinary shareholders' funds and perpetual capital securities	**98,021**	84,678	13,343	16%	

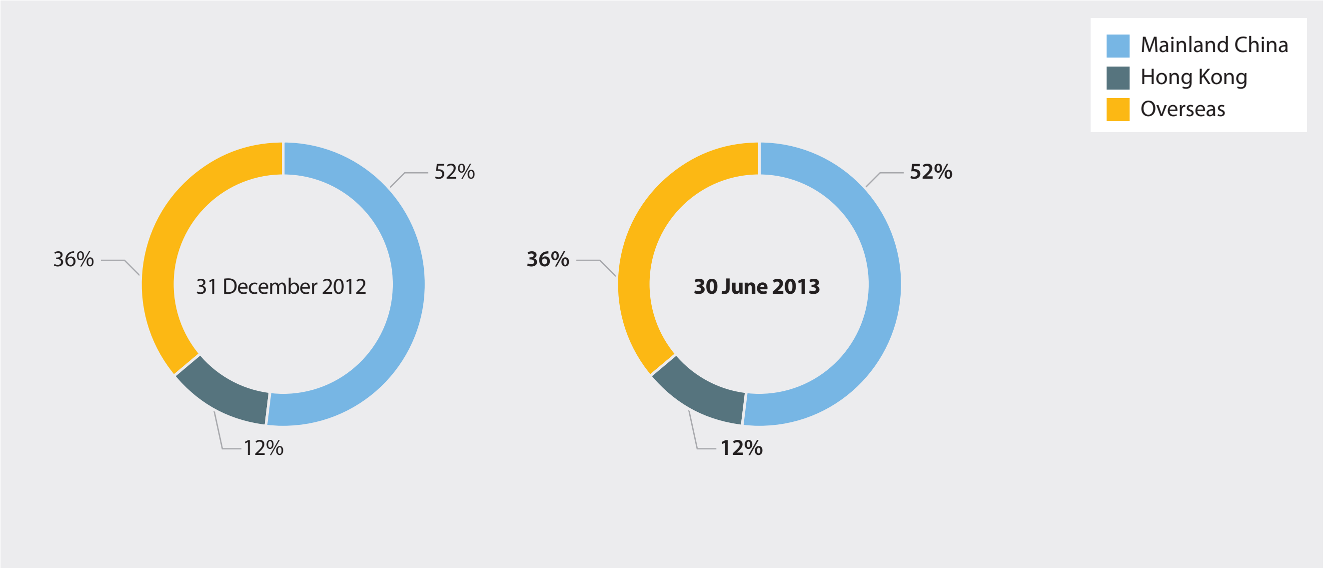
Total Assets

Total assets increased from HK$247,386 million at the end of 2012 to HK$258,401 million at the end of the first half of 2013. Continuing construction and installation of equipment for the iron ore mine were the main drivers of the increase in business assets, which are analyzed below:

By business



By geographical location



Derivative Financial Instruments

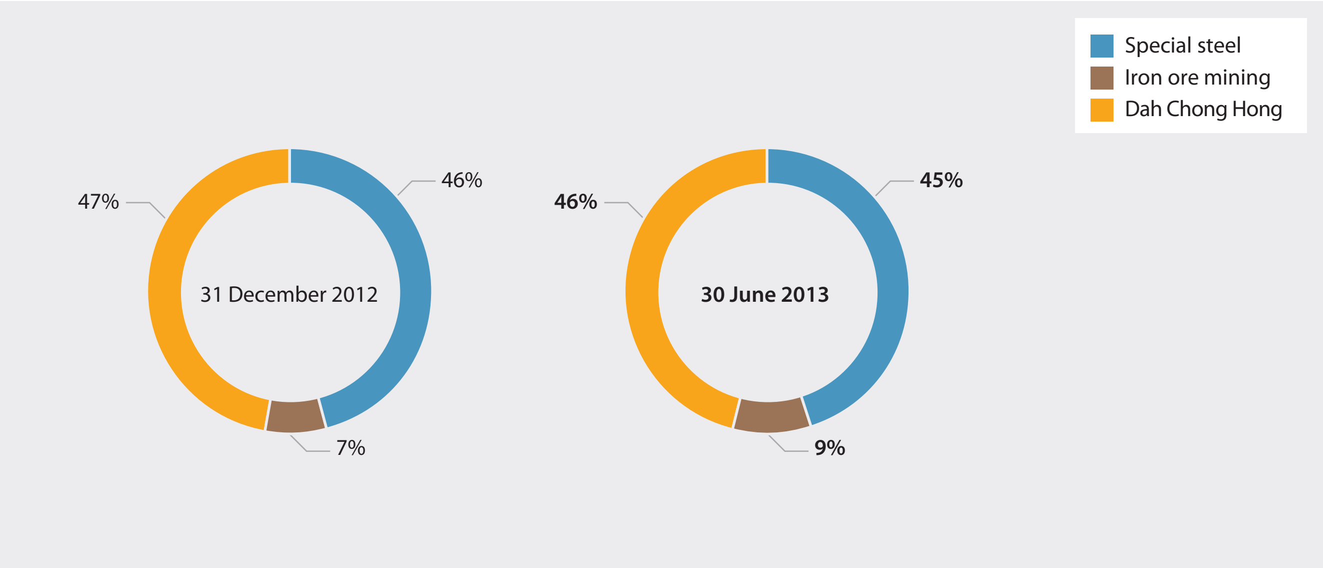
As at 30 June 2013, the Group had gross outstanding derivative instruments amounting to HK$28.5 billion. These derivative instruments had a negative fair value of HK$3 billion on 30 June 2013. All the derivative instruments were to fix interest rate and foreign currency exposure. The valuation loss in interest rate swaps arose because current interest rates are below the interest rates fixed by the swaps. The breakdown by type of derivative financial instruments is shown below:

	Notional Amount		Fair Value as at	
In HK$ million	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
Forward foreign exchange contracts	**766**	1,018	**(41)**	180
Interest rate swaps	**27,093**	29,929	**(3,051)**	(4,969)
Cross currency swaps	**644**	644	**107**	187
	28,503	31,591	**(2,985)**	(4,602)

Inventories

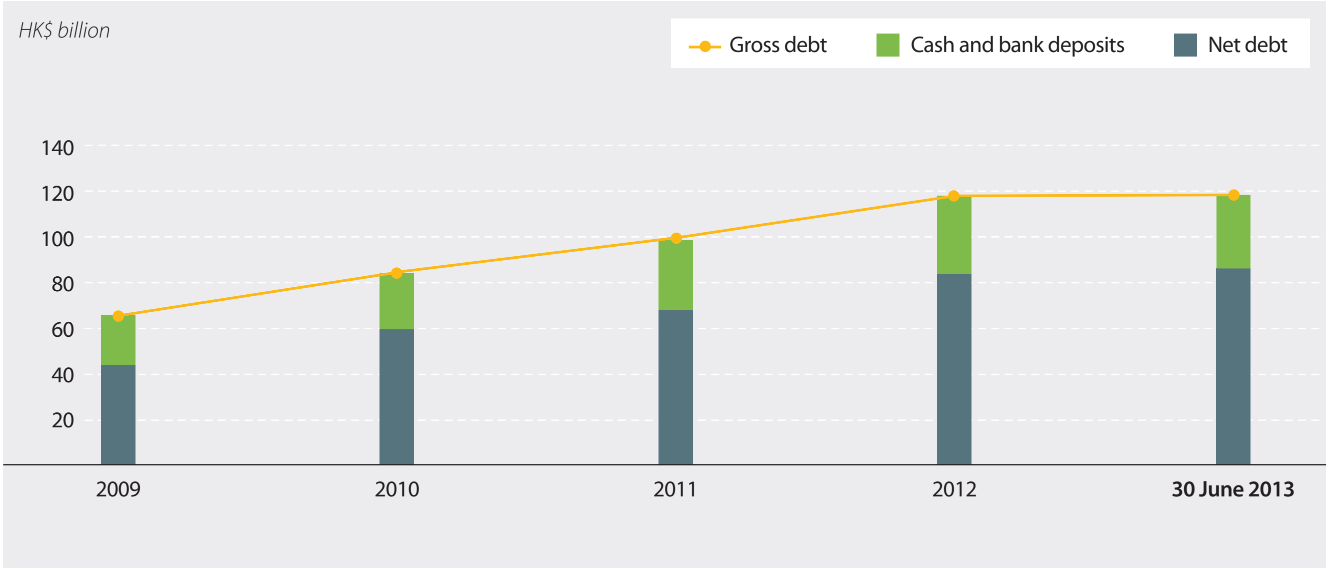
Inventories comprises mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. Inventories as at 30 June 2013 increased 4% as compared with 31 December 2012, due primarily to an increase in finished special steel products. The breakdown by business of inventories is shown below:

By business



Net Debt

Financing needs during the first half of 2013 were met by a 1% increase in net debt, and the proceeds from the issuance of perpetual capital securities. More details of outstanding debts and available loan and trade facilities can be found on pages 21 to 27.



Total Ordinary Shareholders' Funds and Perpetual Capital Securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$84,678 million at 31 December 2012 to HK$98,021 million at 30 June 2013, due to the issuance of US$1 billion perpetual capital securities during the period, plus the profit and other comprehensive income for the period, offset by dividends paid to ordinary shareholders and distribution to holders of perpetual capital securities of HK$1,325 million.

Risk Management

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

Many parts of this report refer directly or indirectly to various risks faced by our businesses, but in this section key financial risks are addressed. Other external risks associated with the Group's businesses are also briefly discussed later in this section.

Risk Management Framework

Risk Governance Structure

Overall risk management starts with the board of directors. At each meeting, the board receives reports of the financial results and the financial positions of the Group, both current and projected. Written reports are provided to directors on all businesses identical to those reviewed by management at executive committee meetings.

The board has established asset and liability management, audit, executive, investment, nomination and remuneration committees whose activities play important roles in the overall control of various risks faced by the Group.

The asset and liability management committee ("ALCO") was set up by the board in October 2008 to oversee and monitor the financial risk exposures of the Group. ALCO's major functions are asset and liability management ("ALM") and treasury risk management.

The group treasury department, headed by the group treasurer, is responsible for implementing treasury policy (see risk governance policy below), and communicating ALCO decisions to operating units, monitoring adherence and preparing management reports to be presented to ALCO, the executive committee and the board.

All business units, whether they are subsidiaries, associates or joint ventures, are responsible for managing their financial risk positions within the confines of the overall risk framework and specific delegations defined by ALCO. They are responsible for identifying areas of risk within their organisations and reporting those risks to ALCO on a timely basis.

Listed subsidiaries including Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs within the framework of the Group's treasury policy.

Risk Governance Policy

The basic framework for risk management has been developed and is defined in the treasury policy approved by ALCO. This policy is subject to periodic review so as to incorporate the latest risk standards in the market and/or business developments in the Group.

The treasury policy sets out control requirements and ensures alignment and consistency in which the major financial risks are dealt with, from identification, quantification, and evaluation to final reporting to ALCO for its decisions on both ALM and treasury risk management.

Financial Risk Management

Asset and Liability Management

One of the main functions of ALCO is ALM. CITIC Pacific's investments in different businesses are financed by a mixture of long-term debt, short-term debt, common equity and perpetual capital securities. CITIC Pacific manages its capital structure to finance its overall operations and growth by using different sources of funds. The type of funding is targeted to match the characteristics of our underlying business.

Debt

As at 30 June 2013, total outstanding debt of CITIC Pacific Limited and its subsidiaries amounted to HK$118,697 million. Total debt increased by HK$1.7 billion during the first half of 2013. Facilities totalling HK$19.1 billion were established or renewed during the period (HK$12.7 billion by CITIC Pacific Limited and HK$6.4 billion by its subsidiaries). The new facilities included US$500 million bonds due in 2020 issued under a global medium-term note programme and RMB500 million notes due in 2016 under a PRC medium-term note programme. Net debt increased by HK$0.8 billion from the end of 2012 to the end of June 2013.

Total debt and net debt of CITIC Pacific are as follows:

in HK$ million	**30 June 2013**	31 December 2012	30 June 2012
Total debt	**118,697**	116,994	112,730
Cash and bank deposits	**33,685**	32,821	35,607
Net debt	**85,012**	84,173	77,123

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

Net debt financed directly by each business is as follows:

in HK$ million	**30 June 2013**	31 December 2012
Special steel	**9,982**	9,279
Iron ore mining	**27,644**	27,618
Mainland China property	**(7,421)**	(7,150)
Ships	**2,390**	2,500
Dah Chong Hong	**3,553**	3,196
CITIC Pacific Limited*	**49,532**	49,742
Others	**(668)**	(1,012)
Total	**85,012**	84,173

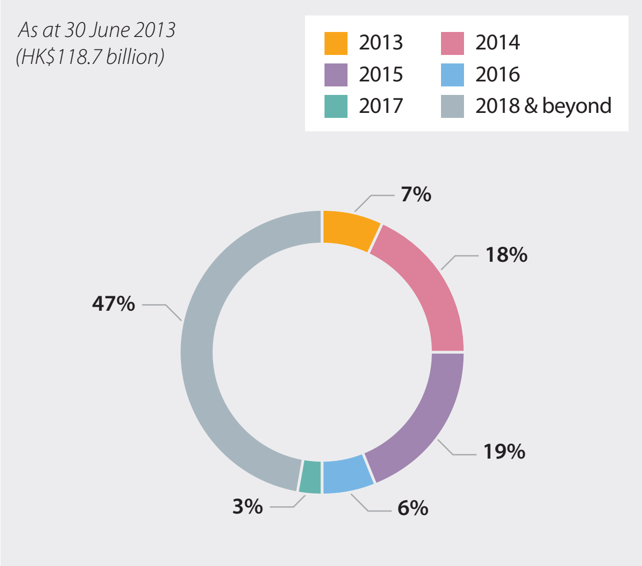
* Including outstanding debt of a wholly-owned special purpose vehicle.

The maturity profile of the debt outstanding as at 30 June 2013 is as follows:

in HK$ million	**Total outstanding debt**	Maturing in these years					
		2013	2014	2015	2016	2017	2018 and beyond
CITIC Pacific Limited	**66,785**	400	13,450	17,369*	3,693	59	31,814
Subsidiaries	**51,912**	8,109	7,945	5,613	3,595	3,494	23,156
Total	**118,697**	8,509	21,395	22,982	7,288	3,553	54,970

* Including outstanding debt of a wholly-owned special purpose vehicle.

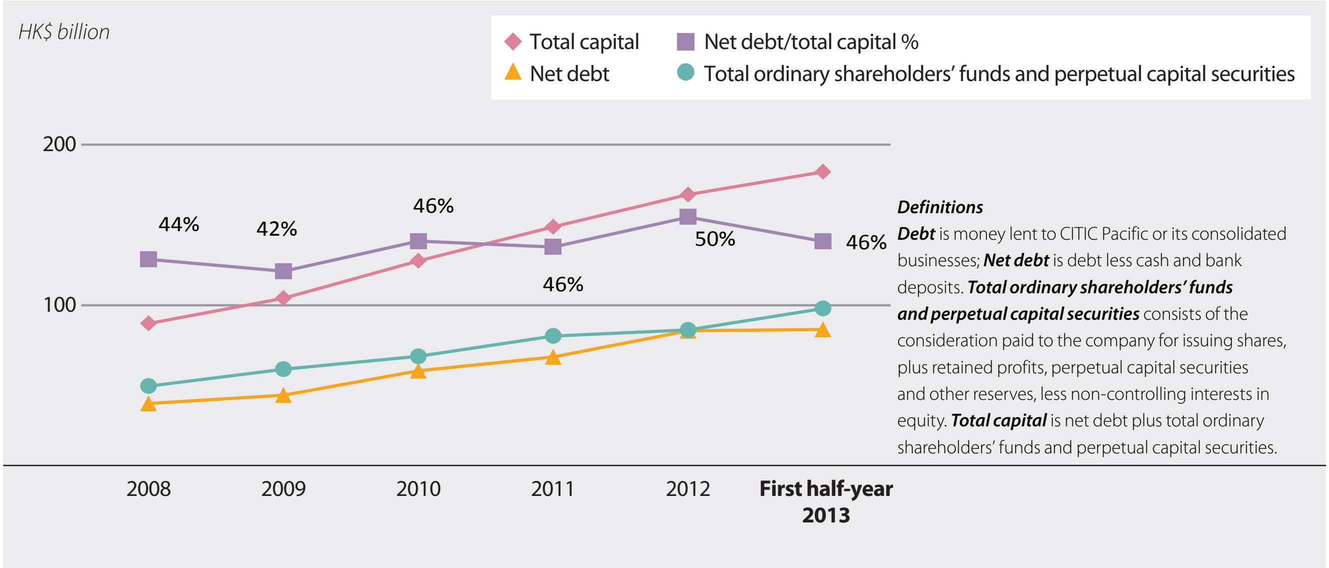
Total outstanding debt by maturity



Leverage

CITIC Pacific issued US$1 billion of perpetual capital securities in the first half of 2013.

As at 30 June 2013, net debt was HK$85 billion and total ordinary shareholders' funds and perpetual capital securities were HK$98 billion. Net debt divided by total capital is the measure of our leverage. This ratio was 46% at the end of June 2013.



Definitions

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

Guarantees

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific. The major exception is for the iron ore mining project, which has not begun to generate cash flow. For this project, CITIC Pacific provides guarantees for the performance obligations under construction or procurement contracts, interest rate hedging transactions, foreign exchange hedging transactions and a total outstanding of US$3.6 billion in debt facilities. Other guarantees mainly include those provided for ship financing, a Japanese Yen bond and trade facilities for two subsidiaries.

Pledged assets

As at 30 June 2013, CITIC Pacific had a total of HK$73.7 billion of assets pledged for various facilities. Iron ore mining assets of HK$67.6 billion were pledged under its financing documents. Twelve completed ships with carrying value of HK$5.3 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$0.8 billion were pledged to secure banking facilities, which mainly related to Dah Chong Hong's mainland China and overseas business.

Financial covenants

Over the years, CITIC Pacific has developed a standard loan document, including covenants to facilitate the management of its loan portfolio and debt compliance. CITIC Pacific monitors these covenants on a regular basis and has been in compliance with them and any others applicable to a particular facility. The standard financial covenants are generally as follows:

	Covenant limit	Actual 30 June 2013
Minimum Consolidated Net Worth		
Consolidated Net Worth	≥ HK$25 billion	HK$98.6 billion
Gearing		
Consolidated Borrowing/Consolidated Net Worth	≤ 1.5	1.2
Negative Pledge		
Pledged Assets/Consolidated Total Assets	≤ 30%	0.3%

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.

Credit ratings

	S&P	Moody's
30 June 2013	BB+ (Negative)	Ba1 (Negative)

The ratings reflect the agencies' expectation that CITIC Pacific will continue to enjoy strong support from the CITIC Group as a strategically important subsidiary, and there was no change in the ratings during the first half of 2013. On 21 August 2013, S&P changed CITIC Pacific's long term corporate credit rating to "BB".

One of CITIC Pacific's risk management objectives is to continue to improve its credit profile. CITIC Pacific expects that its overall operating and financial profiles will improve substantially after the iron ore mine starts to generate cash flow.

Net debt and cash in joint ventures and associated companies

CITIC Pacific's non-consolidated businesses are classified as joint ventures and associated companies. Under Hong Kong generally accepted accounting standards, they are not consolidated in CITIC Pacific's financial statements but recorded in the consolidated balance sheet as CITIC Pacific's share of their net assets. The debts arranged by the joint ventures and associated companies are without recourse to their shareholders. None of these debts are guaranteed by CITIC Pacific Limited 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.

The following table shows the net debt/cash position of joint ventures and associated companies by business sector as at 30 June 2013:

in HK$ million	Total net debt/(cash)	Proportion of net debt/ (cash) attributable to CITIC Pacific
Special steel	221	89
Property		
Mainland China	(6,870)	(3,435)
Hong Kong and others	(1,116)	(549)
Energy	8,360	3,388
Tunnels	(157)	(55)
Dah Chong Hong	166	92
CITIC Telecom	(1,380)	(573)
Other investments	(657)	(409)
Total	**(1,433)**	**(1,452)**

Capital commitments and contingent liabilities

CITIC Pacific's contingent liabilities as at 30 June 2013 had not significantly changed from the position as at 31 December 2012.

As at 30 June 2013, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK$3.9 billion.

Liquidity risk management

Liquidity risk is in essence managed alongside ALM. The objective of liquidity risk management is to ensure that CITIC Pacific always has sufficient cash to meet its liabilities and has the flexibility to respond to opportunities by making sure that undrawn committed facilities are available to meet future funding and working capital requirement.

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 ALCO, and financing actions are taken accordingly.

How is the Australian mining development financed?

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

The mine's development is being financed by three amortising loan facilities with an outstanding sum of US$3.6 billion as at 30 June 2013 maturing 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 foreign exchange risks, which are discussed later.

As at the end of June 2013, CITIC Pacific maintained borrowing relationships with over 40 major financial institutions based in Hong Kong, mainland China and other countries. 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 banks' approval is required on a project-by-project basis.

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. Our policy is to diversify the sources of funding as much as possible through the increasing use of the capital market to supplement bank borrowings and to maintain a mix of staggered maturities to minimise refinancing risk.

The following sub-sections reflect the Group's ALM and liquidity positions in various aspects:

Available sources of finance

CITIC Pacific aims at maintaining the cash balance and undrawn committed banking facilities at a reasonable level to cover the debt repayments in the upcoming year as well as to support the on-going business development of the Group. The cash and deposits balance together with the undrawn committed banking facilities as at 30 June 2013 was HK$46.3 billion.

In addition to the cash and deposits balance of HK$33.7 billion as at 30 June 2013, CITIC Pacific had available loan and trade facilities of HK$27.9 billion, of which HK$12.6 billion was undrawn committed banking facilities. Loans can be drawn under these committed facilities before the contractual expiry dates.

The following table summarises CITIC Pacific's cash and deposits balance by business:

in HK$ million	30 June 2013
CITIC Pacific Limited	17,253
Mainland China property	8,387
Special steel	3,750
Dah Chong Hong	2,465
Iron ore mining	725
Ships	412
Others	693
Total	**33,685**

The following table summarises CITIC Pacific's funding by type of facility:

in HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Committed facilities				
Long-term loans	91,512	78,904	12,608	45%
Global bonds (USD bond)	24,180	24,180	–	–
Private placement (JPY & USD note & RMB bond)	2,941	2,941	–	–
Domestic bonds (RMB note)	1,507	1,507	–	–
Short-term loans	4,300	4,300	–	–
Total committed facilities	124,440	111,832	12,608	45%
Uncommitted facilities				
Money market lines and short-term facilities	15,941	6,746	9,195	33%
Trade facilities^	8,140	2,088^	6,052	22%
Total uncommitted facilities	24,081	8,834	15,247	55%
Total facilities	148,521	120,666	27,855	100%

^ HK$119 million was included in total debt.

The following table summarises CITIC Pacific's funding by source:

in HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Source of funding				
Bonds				
Long-term	28,628	28,628	–	–
Bank borrowings				
Mainland China	68,014	59,203	8,811	32%
Hong Kong	46,603	32,317	14,286	51%
Others	5,276	518	4,758	17%
Total facilities	148,521	120,666	27,855	100%

Treasury Risk Management

Treasury risk management essentially covers the following financial risks inherent in CITIC Pacific's businesses:

- Foreign exchange risk
- Interest rate risk
- Commodity risk
- Counterparty risk

Financial derivatives may be used to assist in the management of the above risks. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes. The use of derivative instruments is currently restricted by ALCO to interest rate swaps, cross currency swaps and plain vanilla forward 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 were submitted for approval in the first half of 2013. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged both in economic terms and under accounting rules.

CITIC Pacific has engaged Reval Inc. ('Reval'), 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 the latest accounting standards. The valuations of the derivatives portfolio as at 30 June 2013 are in compliance with HKFRS 13, which is effective since 1 January 2013. The software provided by Reval has been upgraded to generate the valuations that were used in the compilation of this report.

Foreign exchange risk

CITIC Pacific has major operations in Hong Kong, mainland China and Australia whose functional currencies are Hong Kong dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD"). Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. CITIC Pacific 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 operations in mainland China
(5) purchases of finished products for sale by DCH, and
(6) investment in mainland China and Australia

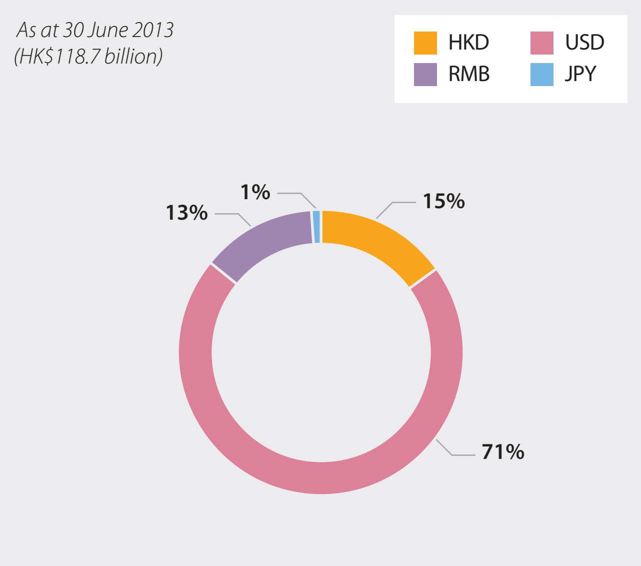
We strive to reduce currency exposures by matching assets with borrowings in the same currency to the extent possible. Our policy is to hedge transactions where value or time to execution will give rise to material currency exposure, provided that the cost of the hedging instrument is not prohibitively expensive in comparison to the underlying exposure. CITIC Pacific uses forward contracts and cross currency swaps to manage its foreign exchange risk. Hedging is only considered for firm commitments and highly probable forecast transactions.

The consolidated financial statement is presented in HKD, which is the CITIC Pacific Group's presentation currency and CITIC Pacific Limited's functional and presentation currency. Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as this is not a cash exposure.

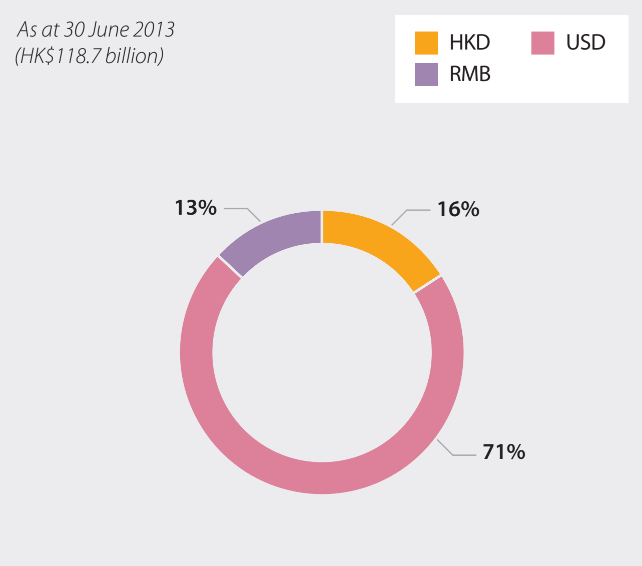
The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 30 June 2013 is summarised as follows:

	Denomination					
in HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
Total debt in original currency	17,836	83,752	15,941	623	545	**118,697**
Total debt after conversion	18,352	83,994	15,941	107	303	**118,697**
Cash and bank deposits	(1,065)	(14,710)	(17,637)	(107)	(166)	**(33,685)**
Net debt/(cash) after conversion	17,287	69,284	(1,696)	0	137	**85,012**

Total outstanding debt by currency



Outstanding debt after conversion



US Dollar (USD) – CITIC Pacific's investment in businesses whose functional currency is USD is mainly the iron ore mining business, which had USD gross assets of HK$84 billion. As at 30 June 2013, CITIC Pacific had HK$84 billion equivalent of US dollar debt, of which HK$40 billion equivalent was used to hedge the USD assets by establishing a net investment hedge.

Renminbi (RMB) – Businesses in mainland China had RMB gross assets of approximately HK$129 billion as at 30 June 2013, offset by debts and other liabilities of HK$42 billion. This gave CITIC Pacific an RMB net asset exposure of HK$87 billion at 30 June 2013. Renminbi is currently not a freely convertible currency and 'registered capital', which usually accounts for at least one third of the total investment amount for projects in mainland China, may be required to be paid in foreign currency by foreign investors such as CITIC Pacific.

Australian Dollar (AUD) – Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business, the Australian mining operation has adopted a policy to stabilise the effective exchange rate over time by entering into plain vanilla forward contracts to hedge part of its forecast future AUD expenditures. As at 30 June 2013 the Australian mining operation had plain vanilla forward contracts with a notional amount of A$66 million outstanding with maturities up to May 2014.

Japanese Yen (JPY) – CITIC Pacific issued a JPY8.1 billion bond in 2005. From an economic perspective, this JPY exposure is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge under the specific rules in HKAS 39, therefore changes in its fair value are reflected in the profit and loss account. The JPY bond is the only significant JPY exposure as at 30 June 2013.

Interest rate risk

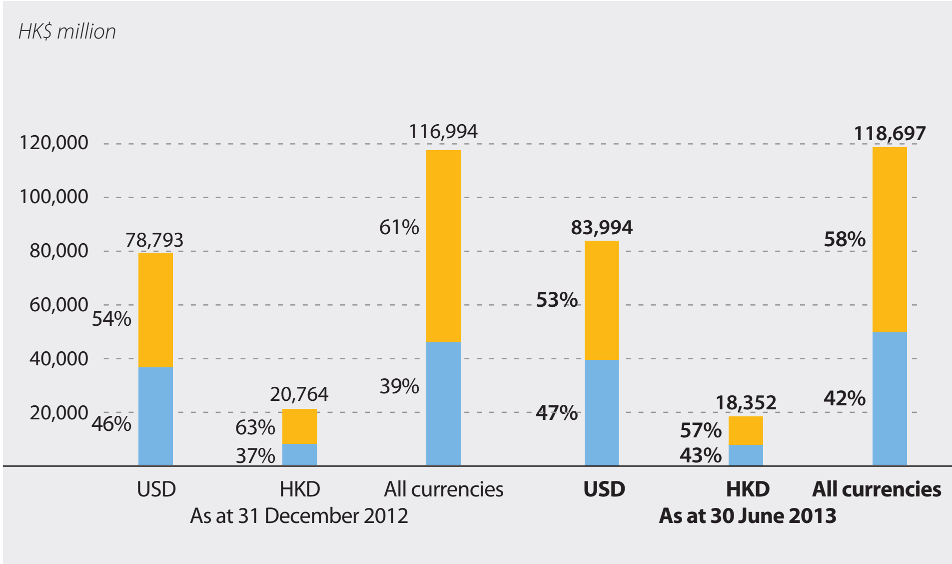
CITIC Pacific's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose CITIC Pacific to cash flow interest rate risk; whilst borrowings at fixed rates economically expose CITIC Pacific to fair value interest rate risk. In the current low interest rate environment, CITIC Pacific manages the ratio of fixed/floating debt to achieve a balance between minimising our interest expense and hedging against large interest rate movements.

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.

As at 30 June 2013, CITIC Pacific's floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK$22 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 58% of the borrowings of CITIC Pacific were linked to floating interest rates. In addition, CITIC Pacific has entered into HK$3.2 billion of forward starting swaps to lock in fixed rates for periods up to 8 years.

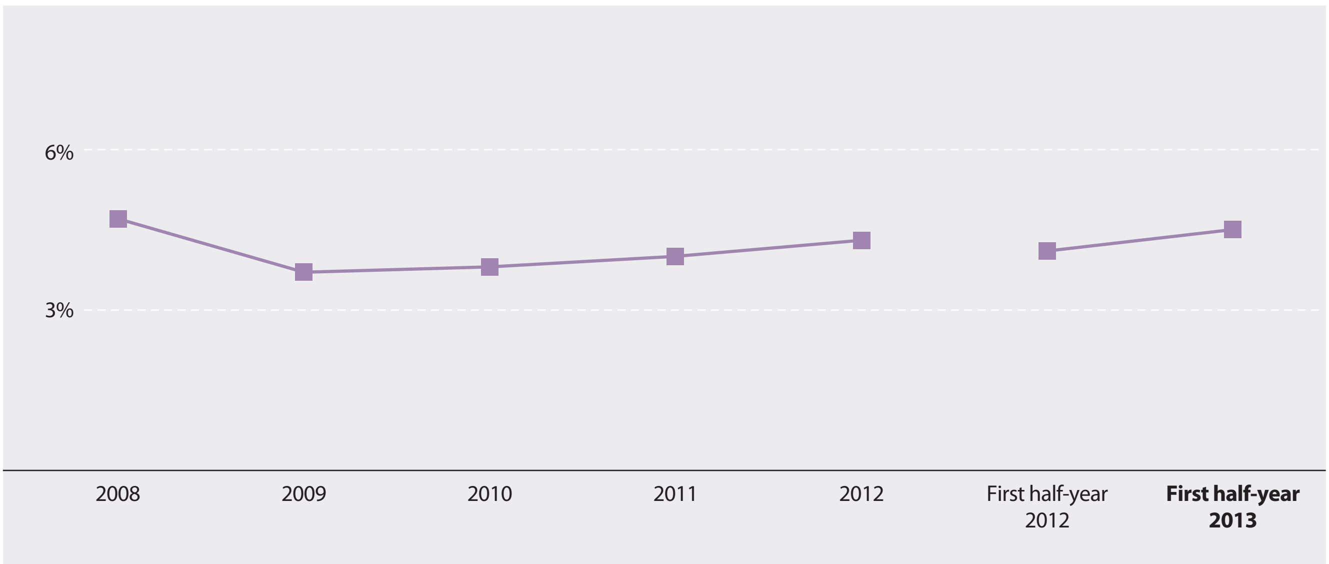
Fixed and floating interest rates



"Fixed" means that the interest rate will not change for at least one year (from 1 July 2013 to 30 June 2014) and excludes previous fixed rate debt maturing in that year.

CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for the first half of 2013 was approximately 4.5% compared with 4.1% for the same period last year. This is mainly due to the average effect of those recent long-dated bond issuances with higher interest rate cost, as a result of the general increase in the market interest rate during the period.

Average borrowing costs



The average borrowing cost is calculated after including the interest rate swaps contracts, which convert floating rate borrowings into fixed rate borrowings and the amortisation of fees.

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 delay in the commissioning of the production lines for the Australian mining operations, the projected delivery of natural gas under certain gas supply contracts for the mining operations has, in aggregate, exceeded the current needs of the project. To manage these contracts and to retain the gas for future usage, the mining operation has entered into commercial agreements to swap a portion of the excess gas in the last 20 months to other parties which will be re-delivered back to the project in the future years after year 2015 and after year 2019. Further discussions are underway with various other parties to dispose, swap and/or bank the remainder of the anticipated excess gas in order to minimise any adverse financial implications under these contracts.

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 2013, 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 A- (S&P) or A3 (Moody's). Special authorisations are given by ALCO for mainland Chinese institutions, many of which do not have international credit ratings. In great majority of cases, a maximum deposit limit is set that does not exceed the amount borrowed from the same institution.

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 treasury 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.

Other 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 primarily 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 on time and within 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 events such 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.

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.

Human Resources

The business success of CITIC Pacific depends on its competent and engaged workforce. As of the end of June 2013, CITIC Pacific employed a total of 34,364 employees at its headquarters in Hong Kong and principal subsidiaries worldwide.

At CITIC Pacific, we are an equal opportunity employer with respect to all human resources-related matters, including recruitment, appointments, career advancement, and training and development. We also maintain fair and consistent human resources policies and standards to achieve internal equality. To attract, motivate and retain talented employees, we offer competitive remuneration and benefits programmes as well as comprehensive learning and development opportunities.

People development continued to be a priority of CITIC Pacific in 2013. To support our human resources development strategies and address the identified development needs of employees, we have implemented a comprehensive training and development plan at the Group level. In the first half of the year, we completed various skills/professional training, management development programmes, and sharing and learning sessions as scheduled. In April and July of this year, we held the third cohort of the CITIC Pacific Leadership Development Programme, a well-recognised leadership development programme in partnership with the Hong Kong University of Science and Technology for grooming senior managers.

As we roll out the training and development plan for the rest of the year, we will focus on the annual conferences for practitioners from the finance and human resources functions across the Group.

Corporate Social Responsibility

CITIC Pacific continued serving the local community through participation in charitable events, including donations and volunteer works for the elderly and disadvantaged groups. In the first half of the year, we took part in annual events such as the Oxfam Rice Sale, the home visit to the elderly at the Tuen Ng Festival, and Community Chest Skip Lunch Day. This year, the Caring People Team, the volunteer group of CITIC Pacific, also gave their time to work for the *Community for the Chest* television show to raise funds. We also showed our care for the victims of the Ya'an earthquake in April 2013 by making a donation of HK$1 million to Oxfam Hong Kong in support of their emergency relief and rehabilitation work.

Consolidated Profit and Loss Account

for the six months ended 30 June 2013 – unaudited

In HK$ million	Note	**2013**	As restated 2012
Revenue	3	**41,291**	48,175
Cost of sales		**(36,295)**	(42,551)
Gross profit		**4,996**	5,624
Other income and net gains	4	**852**	2,729
Distribution and selling expenses		**(1,541)**	(1,540)
Other operating expenses		**(2,313)**	(1,948)
Change in fair value of investment properties		**599**	901
Profit from consolidated activities	3	**2,593**	5,766
Share of results of			
Joint ventures	3	**1,582**	1,078
Associated companies	3	**145**	289
Profit before net finance charges and taxation		**4,320**	7,133
Finance charges		**(1,362)**	(644)
Finance income		**258**	401
Net finance charges	6	**(1,104)**	(243)
Profit before taxation		**3,216**	6,890
Taxation	7	**(266)**	(916)
Profit for the period from continuing operations		**2,950**	5,974
Profit for the period from discontinued operations	21	**2,102**	254
Profit for the period		**5,052**	6,228
Attributable to:			
Ordinary shareholders of the Company	3	**4,463**	5,482
Holders of perpetual capital securities		**304**	230
Non-controlling interests		**285**	516
		5,052	6,228
Profit attributable to ordinary shareholders of the Company arising from:			
Continuing operations		**2,380**	5,328
Discontinued operations		**2,083**	154
		4,463	5,482
Dividends			
Proposed dividend	9	**365**	547
Earnings per share for profit attributable to ordinary shareholders of the Company during the period (HK$)	10		
Basic earnings per share from:			
Continuing operations		**0.65**	1.46
Discontinued operations		**0.57**	0.04
		1.22	1.50
Diluted earnings per share from:			
Continuing operations		**0.65**	1.46
Discontinued operations		**0.57**	0.04
		1.22	1.50

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013 – unaudited

In HK$ million	**2013**	As restated 2012
Profit for the period	**5,052**	6,228
Other comprehensive income (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of properties transferred from self-use properties to investment properties	**130**	64
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**1,291**	(815)
Fair value changes from other financial assets	**(73)**	(32)
Share of other comprehensive income of associated companies and joint ventures	**36**	(23)
Exchange translation differences	**1,012**	(767)
Transfer to profit and loss account on impairment of other financial assets	**–**	7
Reserve released on deemed disposal/disposal of an interest in a joint venture	**(206)**	(413)
Reserve released on disposal of interest in a subsidiary company	**(9)**	–
	2,051	(2,043)
Other comprehensive income for the period, net of tax	**2,181**	(1,979)
Total comprehensive income for the period	**7,233**	4,249
Total comprehensive income for the period attributable to:		
Ordinary shareholders of the Company	**6,642**	3,563
Holders of perpetual capital securities	**304**	230
Non-controlling interests	**287**	456
	7,233	4,249
Total comprehensive income for the period attributable to Ordinary shareholders of the Company arising from:		
Continuing operations	**4,559**	3,409
Discontinued operations	**2,083**	154
	6,642	3,563

Consolidated Balance Sheet

as at 30 June 2013 – unaudited

In HK$ million	Note	30 June 2013	31 December 2012
Non-current assets			
Property, plant and equipment		**107,168**	100,445
Investment properties		**17,166**	16,359
Properties under development		**10,463**	8,712
Leasehold land – operating lease		**2,499**	2,524
Joint ventures		**20,802**	20,443
Associated companies		**7,625**	7,499
Other financial assets		**278**	351
Intangible assets		**19,044**	17,253
Deferred tax assets		**2,587**	2,342
Derivative financial instruments	18	**62**	121
Non-current deposits and prepayments	11	**2,905**	1,908
		190,599	177,957
Current assets			
Properties under development		**1,061**	1,144
Properties held for sale		**4,281**	3,830
Other assets held for sale	12	**401**	379
Inventories		**12,254**	11,803
Derivative financial instruments	18	**49**	255
Debtors, accounts receivable, deposits and prepayments	13	**16,071**	15,464
Cash and bank deposits		**33,685**	32,821
		67,802	65,696
Assets of disposal group classified as held for sale	21	**–**	3,733
		67,802	69,429
Current liabilities			
Bank loans, other loans and overdrafts			
secured	15	**1,414**	1,456
unsecured	15	**17,271**	20,677
Creditors, accounts payable, deposits and accruals	14	**23,633**	24,402
Derivative financial instruments	18	**94**	201
Provisions	19	**1,943**	1,870
Provision for taxation		**936**	1,065
		45,291	49,671
Liabilities of disposal group classified as held for sale	21	**–**	1,260
		45,291	50,931
Net current assets		**22,511**	18,498
Total assets less current liabilities		**213,110**	196,455
Non-current liabilities			
Long term borrowings	15	**99,580**	94,496
Deferred tax liabilities		**3,678**	3,343
Derivative financial instruments	18	**3,002**	4,777
Provisions and deferred income	20	**2,450**	1,973
		108,710	104,589
Net assets		**104,400**	91,866

In HK$ million	Note	**30 June 2013**	31 December 2012
Equity			
Share capital		**1,460**	1,460
Perpetual capital securities	8	**13,827**	5,953
Reserves		**82,369**	76,170
Proposed dividend	9	**365**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**98,021**	84,678
Non-controlling interests in equity		**6,379**	7,188
Total equity		**104,400**	91,866

Consolidated Cash Flow Statement

for the six months ended 30 June 2013 – unaudited

In HK$ million	**2013**	As restated 2012
Cash flows from operating activities		
Profit before taxation from continuing operations	**3,216**	6,890
Profit before taxation from discontinued operations	**2,104**	288
Share of results of joint ventures and associated companies	**(1,760)**	(1,458)
Net finance charges	**1,112**	243
Net exchange (gain)/loss	**(38)**	140
Income from other financial assets	**(5)**	(4)
Depreciation and amortisation	**1,819**	1,423
Impairment losses	**3**	44
Reversal of impairment losses	**(3)**	–
Provision for gas contract	**554**	2
Share-based payment	**13**	9
Gain on disposal of property, plant and equipment	**(1)**	(6)
Change in fair value of investment properties	**(599)**	(901)
Gain on foreign exchange contracts	**(6)**	–
Net gain on remeasurement of an investment property classified as asset held for sale	**–**	(78)
Net gain from disposal of a subsidiary company	**(2,055)**	–
Net gain from deemed disposal/disposal of joint ventures	**(362)**	(2,473)
Operating profit before working capital changes	**3,992**	4,119
Decrease/(increase) in inventories	**132**	(1,638)
Decrease in properties held for sale	**438**	618
Decrease/(increase) in debtors, accounts receivable, deposits and prepayments	**882**	(778)
(Decrease)/increase in creditors, accounts payable, deposits and accruals	**(1,043)**	150
Effect of foreign exchange rate changes	**(15)**	(52)
Cash generated from operating activities	**4,386**	2,419
Income taxes paid	**(672)**	(1,176)
Cash generated from operating activities after income taxes paid	**3,714**	1,243
Interest received	**204**	341
Interest paid	**(2,764)**	(2,291)
Realised exchange gain/(loss)	**3**	(11)
Other finance charges and financial instruments	**(41)**	(168)
Net cash from/(used in) consolidated activities before increase in properties under development	**1,116**	(886)
Increase in properties under development	**(1,635)**	(882)
Net cash used in consolidated activities	**(519)**	(1,768)

In HK$ million	2013	As restated 2012
Cash flows from investing activities		
Purchase of:		
Subsidiary companies (net of cash and cash equivalents acquired)	**(874)**	(4)
Property under development for own use	**(167)**	(134)
Property, plant and equipment	**(3,762)**	(8,368)
Leasehold land – operating leases	**(5)**	(192)
Intangible assets	**(1,784)**	(1,152)
Proceeds of:		
Disposal of property, plant and equipment and investment properties	**139**	85
Deposit received on disposal of investment properties	**–**	41
Disposal of interests in a subsidiary company	**773**	–
Disposal of interests in a joint venture	**–**	4,289
Sale of other financial assets	**–**	5
Decrease/(increase) in bank deposits maturing after more than 3 months	**265**	(500)
Decrease in pledged deposits with banks	**29**	1,044
Refund of deposit received	**(741)**	–
Net payments for non-current deposits	**(617)**	(684)
Deposit paid for acquisition of interest in a subsidiary company	**–**	(54)
Investment in joint ventures and associated companies	**(773)**	(232)
Repayment in/(advance to) loans to joint ventures and associated companies	**818**	(104)
Dividend received from joint ventures and associated companies	**89**	729
Income received from other financial assets	**5**	–
Net cash used in investing activities	**(6,605)**	(5,231)
Cash flows from financing activities		
New borrowings	**24,557**	38,805
Repayment of loans	**(22,815)**	(24,770)
Distribution made to holders of perpetual capital securities	**(230)**	(230)
Decrease in non-controlling interests	**(144)**	(307)
Dividends paid to ordinary shareholders of the Company	**(1,095)**	(1,095)
Proceeds of issuing perpetual capital securities, net of transaction costs	**7,725**	–
Net cash from financing activities	**7,998**	12,403
Net increase in cash and cash equivalents	**874**	5,404
Cash and cash equivalents at 1 January	**30,610**	27,964
Effect of foreign exchange rate changes	**284**	(199)
Cash and cash equivalents at 30 June	**31,768**	33,169
Cash and cash equivalents included in assets of disposal group classified as held for sale at 30 June	**–**	(267)
Cash and cash equivalents of continuing operations at 30 June	**31,768**	32,902
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	**33,685**	35,336
Bank deposits with maturities over 3 months	**(1,479)**	(1,869)
Bank overdrafts and pledged deposits	**(438)**	(565)
	31,768	32,902

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013 – unaudited

In HK$ million	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling Interests	Total equity
	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
Balance at 1 January 2013	1,460	5,953	42,706	34,559	84,678	7,188	91,866
Profit for the period	–	304	–	4,463	4,767	285	5,052
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	123	–	123	7	130
Reserves released on disposal of interest in a subsidiary company	–	–	997	(997)	–	–	–
	–	–	1,120	(997)	123	7	130
Items that have been reclassified or may be reclassified subsequently to profit or loss:							
Share of other comprehensive income of associated companies and joint ventures	–	–	34	–	34	2	36
Fair value changes from other financial assets	–	–	(73)	–	(73)	–	(73)
Exchange translation differences	–	–	1,019	–	1,019	(7)	1,012
Cash flow hedging reserves movement from interest rate swap and foreign currency contracts	–	–	1,291	–	1,291	–	1,291
Reserve released on deemed disposal of an interest in a joint venture	–	–	(206)	–	(206)	–	(206)
Reserve released on disposal of interest in a subsidiary company	–	–	(9)	–	(9)	–	(9)
	–	–	2,056	–	2,056	(5)	2,051
Other comprehensive income for the period, net of tax	–	–	3,176	(997)	2,179	2	2,181
Total comprehensive income for the period	–	304	3,176	3,466	6,946	287	7,233
Transactions with owners							
Disposal of an interest in a subsidiary company	–	–	–	–	–	(970)	(970)
Issue of perpetual capital securities	–	7,800	–	–	7,800	–	7,800
Capital injected by non-controlling interests	–	–	–	–	–	6	6
Dividends paid to non-controlling interests	–	–	–	–	–	(141)	(141)
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,095)	(1,095)	–	(1,095)
Distribution to holders of perpetual capital securities	–	(230)	–	–	(230)	–	(230)
Share-based payment of a subsidiary company	–	–	7	–	7	6	13
Transaction costs related to issue of perpetual capital securities	–	–	–	(75)	(75)	–	(75)
Acquisition of interests from non-controlling interests	–	–	(10)	–	(10)	(9)	(19)
Acquisition of interests in a subsidiary company	–	–	–	–	–	12	12
Net transfer to profits from general and other reserves	–	–	(23)	23	–	–	–
	–	7,570	(26)	(1,147)	6,397	(1,096)	5,301
Balance at 30 June 2013	1,460	13,827	45,856	36,878	98,021	6,379	104,400

In HK$ million	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling Interests	Total equity
	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
Balance at 1 January 2012	1,460	5,951	44,068	29,479	80,958	7,055	88,013
Profit for the period	–	230	–	5,482	5,712	516	6,228
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	64	–	64	–	64
Reserves released on disposal of interest in a joint venture	–	–	179	(179)	–	–	–
	–	–	243	(179)	64	–	64
Items that have been reclassified or may be reclassified subsequently to profit or loss:							
Share of other comprehensive income of associated companies and joint ventures	–	–	13	(35)	(22)	(1)	(23)
Fair value changes from other financial assets	–	–	(32)	–	(32)	–	(32)
Exchange translation differences	–	–	(708)	–	(708)	(59)	(767)
Transfer to profit and loss account on impairment of other financial assets	–	–	7	–	7	–	7
Cash flow hedging reserves movement from interest rate swap and foreign currency contracts	–	–	(815)	–	(815)	–	(815)
Reserve released on disposal of interest in a joint venture	–	–	(413)	–	(413)	–	(413)
	–	–	(1,948)	(35)	(1,983)	(60)	(2,043)
Other comprehensive income for the period, net of tax	–	–	(1,705)	(214)	(1,919)	(60)	(1,979)
Total comprehensive income for the period	–	230	(1,705)	5,268	3,793	456	4,249
Transactions with owners							
Capital injected by non-controlling interests	–	–	–	–	–	25	25
Dividends paid to non-controlling interests	–	–	–	–	–	(348)	(348)
Dilution of interest in subsidiary companies	–	–	2	–	2	(2)	–
Distribution to non-controlling interests	–	–	–	–	–	(2)	(2)
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,095)	(1,095)	–	(1,095)
Distribution to holders of perpetual capital securities	–	(230)	–	–	(230)	–	(230)
Share-based payment of a subsidiary company	–	–	6	–	6	3	9
Reserve released upon lapse of share options of a subsidiary company	–	–	(6)	6	–	–	–
Transfer from profits to general and other reserves	–	–	4	(4)	–	–	–
	–	(230)	6	(1,093)	(1,317)	(324)	(1,641)
Balance at 30 June 2012	1,460	5,951	42,369	33,654	83,434	7,187	90,621

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 2012 other than the adoption of certain new or revised Hong Kong Financial Reporting Standards ("HKFRS") which are first effective for the current accounting period beginning on 1 January 2013, of which the most significant and relevant to the Group are as set out below.

Standard No.	**Title**
HKAS 1 (Amendment)	Presentation of financial statements
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HK (IFRIC) Int 20	Stripping costs in the production phase of a surface mine
HKFRS 7 (Amendment)	Financial instruments: disclosures – offsetting financial assets and financial liabilities
Annual Improvements 2009-2011 Cycle	

The more important changes are summarised below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the Accounts has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the presentation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

1. Significant accounting policies (continued)

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated accounts.

As a result of the adoption of HKFRS 11, the Group has reclassified the investment in jointly controlled entities to investment in joint ventures. The investment in joint ventures continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2. Critical accounting estimates and judgments

The accounting estimates and judgments required to make in preparation of the Accounts are consistent with those set out in the annual accounts for the year ended 31 December 2012 except for the following:

In relation to proceedings with Mineralogy and since the last update announcement on 22 March 2013:

(a) in respect of the Mining Right and Site Lease Agreements, by the time the matter proceeded to trial on 23 April 2013, Mineralogy had discontinued the part of the proceedings in relation to the temporary workshop on the breakwater, and agreed to abandon its demand in connection with the right to terminate the Mining Right and Site Lease Agreements and the dispute was limited to the interpretation of the royalty clause concerning the point when ore is "taken" (at which point a component of the royalty payable to Mineralogy become payable). Mineralogy originally maintained that it was entitled to such component on all material removed from its original location, including waste material. The judgment delivered on 21 May 2013 made it clear that no royalty is payable on waste material and held that magnetite ore could be "taken" at either the primary crusher or the stockpile near the crusher.

(b) CITIC Pacific's relevant subsidiaries have sought judicial review of the decision by the Office of Transport Security (the "OTS") of the Commonwealth Department of Infrastructure and Transport ("Department") to designate Mineralogy as "port operator" for the security purposes of the Port of Cape Preston under the *Maritime Transport and Offshore Facilities Security Act 2003* (Cth). Mineralogy was joined to the proceedings at the directions hearing on 26 July 2013 and had also filed an injunction in an attempt to permanently restrain CITIC Pacific's subsidiaries from continuing this judicial review. Prior to and at the first directions hearing for the judicial review matter, the Department indicated that the original designation decision was legally defective and indicated that it intended to seek an order setting aside the decision of the OTS. The Federal Court of Australia will hear the judicial review and the injunction matters commencing on 11 September 2013.

As such, there have been no entries made to the financial statements in relation to these matters.

3. Segment information

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

		Six months ended 30 June 2013									
In HK$ million	Revenue	Profit/(loss) from consolidated activities	Share of results of joint ventures	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
Special steel	20,471	1,407	128	38	(444)	1,129	(4)	1,125	(99)	(59)	967
Iron ore mining	130	(869)	–	–	(607)	(1,476)	(1)	(1,477)	423	–	(1,054)
Property											
Mainland China	1,138	300	(9)	–	66	357	5	362	(177)	33	218
Hong Kong	147	122	–	13	–	135	81	216	(17)	–	199
Energy	7	19	903	–	11	933	–	933	(61)	–	872
Tunnels	405	279	131	–	1	411	–	411	(46)	(68)	297
Dah Chong Hong	18,936	706	9	5	(98)	622	(81)	541	(157)	(167)	217
CITIC Telecom (note 21)	–	–	312	–	–	312	–	312	–	–	312
Other investments	57	9	94	6	(1)	108	–	108	12	–	120
Change in fair value of investment properties	–	599	14	83	–	696	–	696	(83)	(5)	608
Corporate											
General and administration expenses	–	(193)	–	–	–	(193)	–	(193)	(12)	–	(205)
Exchange gain	–	214	–	–	–	214	–	214	–	–	214
Net finance charges	–	–	–	–	(32)	(32)	–	(32)	(49)	–	(81)
Continuing operations total	41,291	2,593	1,582	145	(1,104)	3,216	–	3,216	(266)	(266)	2,684
Discontinued operations:											
CITIC Telecom (note 21)								2,104	(2)	(19)	2,083
Total								5,320	(268)	(285)	4,767
							Profit attributable to:				
							Holders of perpetual capital securities				(304)
											4,463

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

3. 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 2012 (as restated)									
In HK$ million	Revenue	Profit/(loss) from consolidated activities	Share of results of joint ventures	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
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	103	–	52	–	155	49	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
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 charges	–	–	–	–	93	93	–	93	(11)	–	82
Continuing operations total	48,175	5,766	1,078	289	(243)	6,890	–	6,890	(916)	(416)	5,558
Discontinued operations:											
CITIC Telecom (note 21)								288	(34)	(100)	154
Total								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.

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

	Six months ended 30 June	
In HK$ million	**2013**	2012
By geographical area		
Mainland China	**31,402**	39,101
Hong Kong	**5,495**	4,862
Other countries	**4,394**	4,212
	41,291	48,175

3. 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#		Investments in joint ventures		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 2013	31 Dec 2012	30 June 2013	31 Dec 2012	30 June 2013	31 Dec 2012	30 June 2013	31 Dec 2012	30 June 2013	31 Dec 2012	30 June 2013	31 Dec 2012	30 June 2013	30 June 2012
By principal activities														
Special steel	55,172	52,421	–	2,866	379	335	55,551	55,622	(25,168)	(26,058)	30,383	29,564	1,307	2,083
Iron ore mining	86,127	81,577	–	–	–	–	86,127	81,577	(38,465)	(40,393)	47,662	41,184	5,688	9,427
Property														
Mainland China	37,151	34,459	5,969	6,164	–	–	43,120	40,623	(9,448)	(8,466)	33,672	32,157	1,604	403
Hong Kong	9,187	8,671	–	–	6,956	6,902	16,143	15,573	(312)	(325)	15,831	15,248	–	10
Energy	3,822	2,960	6,238	6,756	–	–	10,060	9,716	(439)	(423)	9,621	9,293	–	–
Tunnels	953	942	1,238	1,266	–	–	2,191	2,208	(158)	(144)	2,033	2,064	–	–
Dah Chong Hong	19,592	19,816	266	254	258	236	20,116	20,306	(10,978)	(11,402)	9,138	8,904	654	397
CITIC Telecom (note 21)	–	–	3,826	–	–	–	3,826	–	–	–	3,826	–	–	–
Other investments	359	411	3,265	3,137	32	26	3,656	3,574	(72)	(66)	3,584	3,508	–	–
Corporate	17,611	14,454	–	–	–	–	17,611	14,454	(68,961)	(66,983)	(51,350)	(52,529)	8	5
Continuing operations total	229,974	215,711	20,802	20,443	7,625	7,499	258,401	243,653	(154,001)	(154,260)	104,400	89,393	9,261	12,325
Discontinued operations														
CITIC Telecom (note 21)	–	3,733	–	–	–	–	–	3,733	–	(1,260)	–	2,473	–	105
Segment assets/(liabilities)	229,974	219,444	20,802	20,443	7,625	7,499	258,401	247,386	(154,001)	(155,520)	104,400	91,866	9,261	12,430

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.

4. Other income and net gains

In HK$ million	Six months ended 30 June 2013	As restated 2012
Other income		
Commission income, subsidy income, rebates and others	**431**	308
Dividend income from other financial assets		
Listed shares	**5**	4
	436	312
Net gains		
Net exchange gain/(loss)	**38**	(140)
Net gain from deemed disposal/disposal of joint ventures	**362**	2,473
Others	**16**	84
	416	2,417
	852	2,729

5. Profit from consolidated activities

In HK$ million	Six months ended 30 June 2013	As restated 2012
The profit from consolidated activities is arrived at after charging:		
Continuing operations		
Cost of inventories/properties sold	**32,282**	40,827
Depreciation and amortisation	**1,794**	1,350
Impairment losses on other financial assets	**–**	7
Impairment losses on trade and other receivables	**2**	14
Impairment losses on property, plant and equipment	**1**	22
Discontinued operations		
Depreciation and amortisation	**25**	73
Impairment losses on trade and other receivables	**–**	1

6. Net finance charges

In HK$ million	Six months ended 30 June 2013	As restated 2012
Finance charges		
Interest expense	**2,813**	2,369
Amount capitalised	**(1,395)**	(1,732)
Other finance charges	**1,418**	637
Other financial instruments	**76**	69
Fair value gain	**(2)**	(8)
Ineffectiveness on cash flow hedges	**(130)**	(54)
	1,362	644
Finance income		
Interest income	**(258)**	(401)
	1,104	243

7. Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (Six months ended 30 June 2012: 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:

In HK$ million	Six months ended 30 June 2013	As restated 2012
Continuing operations		
Current taxation		
Hong Kong profits tax	**115**	114
Tax outside Hong Kong	**438**	709
Deferred taxation		
Changes in fair value of investment properties	**85**	176
Origination and reversal of other temporary differences	**(372)**	(83)
	266	916
Discontinued operations		
Current taxation		
Hong Kong profits tax	**4**	31
Tax outside Hong Kong	**–**	1
Deferred taxation		
Origination and reversal of other temporary differences	**(2)**	2
	2	34

8. Perpetual Capital Securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the 'perpetual capital securities') with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million) respectively for cash. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 30 June 2013 and 31 December 2012 included the accrued distribution payments.

9. Dividends

	Six months ended 30 June	
In HK$ million	**2013**	2012
2012 Final dividend paid: HK$0.30 (2011: HK$0.30) per share	**1,095**	1,095
2013 Interim dividend proposed: HK$0.10 (2012: HK$0.15) per share	**365**	547

10. Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to ordinary shareholders of HK$4,463 million (six months ended 30 June 2012: HK$5,482 million). The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary 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 2012: 3,649,444,160 shares in issue). The diluted earnings per share for 2013 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 2013.

11. Non-current deposits and prepayments

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

12. Other assets held for sale

As at 30 June 2013 and 31 December 2012, interests in a joint venture and certain properties mainly located in the People's Republic of China ("PRC") were classified as other assets held for sale.

13. Debtors, accounts receivable, deposits and prepayments

In HK$ million	**30 June 2013**	31 December 2012
Trade debtors and bills receivable aged:		
Within 1 year	**6,758**	6,579
Over 1 year	**53**	20
	6,811	6,599
Accounts receivable, deposits and prepayments	**9,260**	8,865
	16,071	15,464

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 that is specific to the respective business environment and market practice.

(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 joint ventures of HK$152 million (31 December 2012: HK$133 million), dividend receivable from joint ventures of HK$3,332 million (31 December 2012: HK$2,120 million), and amounts due from associated companies of HK$136 million (31 December 2012: HK$122 million), which are unsecured, interest free and recoverable on demand.

As of 30 June 2013, trade debtors of HK$446 million (31 December 2012: HK$380 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 debtors is as follows:

In HK$ million	**30 June 2013**	31 December 2012
Less than 3 months	**281**	197
3 to 6 months	**75**	66
Over 6 months	**90**	117
	446	380

13. Debtors, accounts receivable, deposits and prepayments (Continued)

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

In HK$ million	Six months ended 30 June 2013	Year ended 31 December 2012
At beginning of period/year	**99**	128
Exchange adjustments	**–**	(1)
Acquisition of interest in subsidiary companies	**1**	7
Provision for impairment loss during the period/year	**2**	16
Receivables written off during the period/year	**–**	(1)
Provision written back during the period/year	**(6)**	(8)
Transfer to assets of disposal group classified as held for sale	**–**	(42)
At the end of period/year	**96**	99

At 30 June 2013, there were certain trade debtors at a carrying amount of HK$96 million (31 December 2012: HK$99 million) which were in financial difficulties and individually determined to be impaired. Consequently, provision for such amount was recognised at balance sheet date.

14. Creditors, accounts payable, deposits and accruals

In HK$ million	30 June 2013	31 December 2012
Trade creditors and bills payable aged:		
Within 1 year	**8,937**	10,666
Over 1 year	**435**	308
	9,372	10,974
Accounts payable, deposits and accruals	**14,261**	13,428
	23,633	24,402

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

15. Borrowings

(a)

In HK$ million	30 June 2013	31 December 2012
Short term borrowings		
Bank loans		
unsecured	**10,627**	9,604
secured	**366**	441
	10,993	10,045
Other loans		
unsecured	**–**	987
secured	**172**	137
Current portion of long term borrowings	**7,520**	10,964
Total short term borrowings	**18,685**	22,133
Long term borrowings		
Bank loans		
unsecured	**65,737**	68,127
secured	**12,901**	13,340
	78,638	81,467
Other loans		
unsecured	**28,462**	23,993
Less: current portion of long term borrowings	**(7,520)**	(10,964)
Total long term borrowings	**99,580**	94,496
Total borrowings	**118,265**	116,629
Analysed into:		
unsecured	**104,826**	102,711
secured	**13,439**	13,918
	118,265	116,629

15. Borrowings (Continued)

(a) (Continued)

Note:

(i) 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 30 June 2013.

(ii) On 16 August 2010, the Company issued and sold a total of US$150 million principal amount of 6.9% notes due 2022 ("USD Notes"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the USD Notes remained outstanding at 30 June 2013.

(iii) On 15 April 2011, the Company issued and sold a total of US$500 million principal amount of 6.625% notes due 2021 ("USD Bond 1") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 8 April 2011. All of the USD Bond 1 remained outstanding at 30 June 2013.

(iv) On 3 August 2011, the Company issued and sold a total of RMB1 billion principal amount of 2.7% notes due 2016 ("RMB Bond") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 27 July 2011. All of the RMB Bond remained outstanding at 30 June 2013.

(v) On 27 February 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB800 million principal amount of 6% short term commercial paper due 2013 ("Commercial Paper") to investors. All of the Commercial Paper were fully repaid at maturity and none remained outstanding at 30 June 2013.

(vi) On 21 March and 26 April 2012, the Company issued and sold a total of US$750 million and US$350 million principal amounts of 6.875% notes due 2018 ("USD Bond 2") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreements dated 12 March 2012 and 17 April 2012 respectively. All of the USD Bond 2 remained outstanding at 30 June 2013.

(vii) On 20 June 2012, Hubei Xin Yegang Steel Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB500 million principal amount of 5.23% medium term notes due 2017 ("RMB Notes 1") to investors. All of the RMB Notes 1 remained outstanding at 30 June 2013.

(viii) On 17 October and 11 December 2012, the Company issued and sold a total of US$750 million and US$250 million principal amount of 6.8% notes due 2023 ("USD Bond 3") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 8 October and 4 December 2012 respectively. All of the USD Bond 3 remained outstanding at 30 June 2013.

(ix) On 27 November 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB200 million principal amount of 6.06% medium term notes due 2017 ("RMB Notes 2") to investors. All of the RMB Notes 2 remained outstanding at 30 June 2013.

(x) On 10 April 2013, the Company issued and sold a total of USD500 million principal amount of 6.375% notes due 2020 ("USD Bond 4") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 27 March 2013. All of the USD Bond 4 remained outstanding at 30 June 2013.

(xi) On 5 June 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB500 million principal amount of 4.93% medium term notes due 2016 ("RMB Notes 3") to investors. All of the RMB Notes 3 remained outstanding at 30 June 2013.

(xii) 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.

(xiii) As at 30 June 2013, certain of the Group's inventories, deposits, accounts receivable, and self-use properties with an aggregate carrying value of HK$0.8 billion (31 December 2012: 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$67.6 billion (31 December 2012: HK$63.3 billion) of the iron ore mining were pledged under project finance arrangement. This amount included cash and bank balances of HK$0.6 billion (31 December 2012: HK$1.1 billion). 12 ships with carrying value of HK$5.3 billion (31 December 2012: HK$5.4 billion) 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$73.7 billion (31 December 2012: HK$69.6 billion).

(xiv) Bank loans of the Group not wholly repayable within five years amounted to HK$38.6 billion (31 December 2012: HK$39.4 billion). Other loans of the Group not wholly repayable within five years amounted to HK$16.8 billion (31 December 2012: HK$21.5 billion).

15. Borrowings (Continued)

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

In HK$ million	30 June 2013	31 December 2012
Bank loans are repayable		
in the first year	**7,520**	10,964
in the second year	**20,933**	17,565
in the third to fifth years inclusive	**21,671**	23,386
after the fifth year	**28,514**	29,552
	78,638	81,467
Other loans are repayable		
in the third to fifth years inclusive	**11,790**	2,677
after the fifth year	**16,672**	21,316
	28,462	23,993
	107,100	105,460

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

In HK$ million	30 June 2013	31 December 2012
Total borrowings	**118,265**	116,629
Borrowing at fixed rates for more than one year (from balance sheet date)	**(28,274)**	(23,708)
Interest rate swaps converting floating to fixed	**(23,893)**	(26,729)
Borrowings subject to interest-rate changes	**66,098**	66,192

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

	30 June 2013	31 December 2012
Total borrowings	**4.5%**	4.3%

15. Borrowings (Continued)

(d) The fair value of borrowings is HK$114,132 million (31 December 2012: HK$115,100 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrealised gain of HK$4,133 million (31 December 2012: HK$1,529 million). This unrealised 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.

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

In HK$ million	**30 June 2013**	31 December 2012
Hong Kong dollar	**17,672**	20,019
US dollar	**83,492**	78,351
Renminbi	**15,939**	17,196
Other currencies	**1,162**	1,063
	118,265	116,629

The Group has the following undrawn borrowing facilities:

In HK$ million	**30 June 2013**	31 December 2012
Floating rate		
expiring within one year	**9,445**	10,043
expiring beyond one year	**12,358**	14,233
	21,803	24,276

16. Financial risk management and fair value estimation of financial instruments

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.

(a) Exposure to interest rate fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 30 June 2013, HK$52.2 billion (31 December 2012: HK$50.4 billion) of the Group's total borrowings were effectively paying fixed rate and the remaining were effectively paying a floating rate of interest. In addition, HK$3.2 billion forward starting swaps was outstanding that had not become effective as of 30 June 2013 (31 December 2012: HK$3.2 billion).

At 30 June 2013, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	0.5% higher		**0.5% lower**	
In HK$ million	**Hypothetical impact on profit/(loss) before tax**	**Hypothetical impact on equity increase/(decrease)**	**Hypothetical impact on profit/(loss) before tax**	**Hypothetical impact on equity increase/(decrease)**
Bank borrowings (Note)	**(295)**	**–**	**295**	**–**
Cash and bank deposits	**161**	**–**	**(161)**	**–**
Derivatives	**95**	**601**	**(94)**	**(607)**

At 31 December 2012, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(287)	–	287	–
Cash and bank deposits	163	–	(163)	–
Derivatives	45	850	(44)	(877)

Note: The hypothetical impact of bank borrowings has considered the financial impact of capitalisation of interest.

16. Financial risk management and fair value estimation of financial instruments (Continued)

Financial risk factors (Continued)

(a) Exposure to interest rate fluctuations (Continued)

The Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD66 million outstanding at 30 June 2013 (31 December 2012: AUD112 million). 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.

(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.

The future revenue 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 30 June 2013 the plain vanilla forward contracts had a notional amount of AUD66 million (2012: AUD112 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. Cross currency swaps were employed to minimise currency exposure for JPY Notes and Dah Chong Hong's AUD loan.

16. Financial risk management and fair value estimation of financial instruments (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.

	30 June 2013					
In HK$ million	**Hypothetical increase in foreign exchange rates**	**Effect on profit/(loss) before tax for 6 months**	**Effect on equity increase/ (decrease)**	**Hypothetical decrease in foreign exchange rates**	**Effect on profit/(loss) before tax for 6 months**	**Effect on equity increase/ (decrease)**
USD	**1%**	**(8)**	**(396)**	**1%**	**8**	**396**
RMB	**2%**	**131**	**–**	**2%**	**(131)**	**–**
AUD	**15%**	**–**	**70**	**15%**	**–**	**(70)**
YEN	**10%**	**(14)**	**–**	**10%**	**14**	**–**
Pound Sterling	**10%**	**(5)**	**–**	**10%**	**5**	**–**
EURO	**10%**	**(6)**	**–**	**10%**	**6**	**–**

	31 December 2012					
In HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/ (decrease)
USD	1%	(242)	(152)	1%	242	152
RMB	2%	123	–	2%	(123)	–
AUD	15%	(115)	136	15%	115	(136)
YEN	10%	(10)	–	10%	10	–
Pound Sterling	10%	1	–	10%	(1)	–
EURO	10%	(3)	–	10%	3	–

16. Financial risk management and fair value estimation of financial instruments (Continued)

Financial risk factors (Continued)

(c) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 30 June 2013, 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$9 million (31 December 2012: HK$13 million).

The Group is subject to commodity price risks such as iron ore and coal, and price risks associated with input costs and costs of goods sold. The Group has not entered into derivatives to manage such exposures.

(d) Credit exposure

The Group's credit risk is primarily related to deposits placed with banks and the continued ability of the banks to deliver on foreign exchange and derivatives. Operating businesses have trade and accounts receivables.

The Group's cash and deposits with banks are placed with major financial institutions. Counterparty limits are closely monitored for all financial institutions with whom the Group is doing business. Unless specially approved by ALCO, 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.

(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.

16. Financial risk management and fair value estimation of financial instruments (Continued)

Financial risk factors (Continued)

(e) Liquidity risk (Continued)

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At 30 June 2013, 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. In 2013 and 2014, the funding requirements of the Group are expected to continue be met through cash flows generated from operating activities, drawdown of undrawn borrowing facilities, roll-over of existing facilities as well as arrangement of new facilities. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the balance sheet date.

In HK$ million	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 30 June 2013				
Bank and other borrowings	**(23,057)**	**(24,527)**	**(41,367)**	**(59,322)**
Derivative financial instruments	**(841)**	**(799)**	**(1,262)**	**(567)**
Trade creditors, accounts and other payable	**(23,418)**	**–**	**(215)**	**–**
At 31 December 2012				
Bank and other borrowings	(26,162)	(20,791)	(33,095)	(64,485)
Derivative financial instruments	(855)	(859)	(1,985)	(1,574)
Trade creditors, accounts and other payable	(24,174)	(49)	(179)	–

16. Financial risk management and fair value estimation of financial instruments (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.

In HK$ million	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 30 June 2013				
Forward foreign exchange contracts – cash flow hedges				
outflow	**(505)**	**–**	**–**	**–**
inflow	**474**	**–**	**–**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(270)**	**(11)**	**(287)**	**(724)**
inflow	**272**	**12**	**258**	**889**

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2012				
Forward foreign exchange contracts – cash flow hedges				
outflow	(720)	–	–	–
inflow	919	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(315)	(10)	(274)	(637)
inflow	300	2	249	1,029

The foreign exchange contracts that are not qualified for hedge accounting as at 30 June 2013 consist of cross currency swap contracts and forward exchange contracts for hedging JPY Notes as well as trade flows in foreign currencies. The gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

16. Financial risk management and fair value estimation of financial instruments (Continued)

Financial risk factors (Continued)

(f) Fair value estimation

The fair value of financial derivative instrument is generated from software provided by Reval Inc. ("Reval"), a derivative risk management and hedge accounting solutions firm, which uses a discounted cashflow model with independently sourced market data to determine the fair value. The fair value generated by Reval is cross checked against price quotations obtained from major financial institutions. The fair value of the forward foreign exchange contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period. The fair value of the interest rate swap is calculated as the net present value of the estimated future cash flows discounted at the market quoted rate, taking into account the current credit worthiness of the swap counter parties and of the Group when appropriate.

The fair value of 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/earnings ratios for similar listed companies adjusted for the specific circumstances of the issuer.

The fair values of financial liabilities are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, except for the global bonds which are based on quoted market prices at the balance sheet date without any deduction for transaction cost. The Group uses the appropriate market yield curve or benchmark rate as of 30 June 2013 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt. The fair value of borrowings is disclosed in note 15(d).

The 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 carrying values less impairment provisions of trade and other receivables and trade and other payables are a reasonable approximation of their fair values.

16. Financial risk management and fair value estimation of financial instruments (Continued)

Financial risk factors (Continued)

(f) Fair value estimation (Continued)

(i) Financial instruments 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 13, *Fair value measurement,* 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

	30 June 2013				31 December 2012			
In HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	**183**	**–**	**–**	**183**	257	–	–	257
Unlisted	**–**	**–**	**82**	**82**	–	–	81	81
Derivative financial instruments								
Interest rate swaps	**–**	**107**	**–**	**107**	–	187	–	187
Forward exchange contracts	**–**	**4**	**–**	**4**	–	189	–	189
Liabilities								
Derivative financial instruments								
Interest rate swaps	**–**	**3,051**	**–**	**3,051**	–	4,969	–	4,969
Forward exchange contracts	**–**	**45**	**–**	**45**	–	9	–	9

During the period there were no significant transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3.

16. Financial risk management and fair value estimation of financial instruments (Continued)

Financial risk factors (Continued)

(f) Fair value estimation (Continued)

(i) *Financial instruments carried at fair value* (Continued)

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

In HK$ million	**Unlisted available-for-sale equity securities**
At 1 January 2013	**81**
Net unrealised gains or losses in other comprehensive income during the period	**3**
Net realised gains or losses in profit and loss account during the period	**(2)**
At 30 June 2013	**82**
Total gains or losses recognised in other comprehensive income during the period	**3**
Total gains or losses recognised in profit and loss account during the period	**(2)**
At 1 January 2012	80
Net unrealised gains or losses in other comprehensive income during the period	(1)
Net realised gains or losses in profit and loss account during the period	(1)
At 30 June 2012	78
Total gains or losses recognised in other comprehensive income during the period	(1)
Total gains or losses recognised in profit and loss account during the period	(1)

(ii) *Fair values of financial instruments carried at cost or amortised cost*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2013 and 31 December 2012 except as follows:

	30 June 2013		31 December 2012	
In HK$ million	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Bank loans	**89,801**	**86,524**	91,647	88,900
Global bonds (USD Notes/Bond)	**24,026**	**23,004**	20,150	21,111
Domestic bond (RMB Notes)	**1,507**	**1,521**	864	981
Commercial paper	**–**	**–**	987	987
Private placement (USD Notes, JPY Notes & RMB Bond)	**2,931**	**3,083**	2,981	3,121

17. 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 total ordinary shareholders' funds and perpetual capital securities, as shown in the consolidated balance sheet, plus net debt.

The leverage ratios at 30 June 2013 and at 31 December 2012 were as follows:

In HK$ million	**30 June 2013**	31 December 2012
Total borrowings	**118,265**	116,629
Less: Cash and bank deposits	**33,685**	32,821
Net debt	**84,580**	83,808
Total ordinary shareholders' funds and perpetual capital securities	**98,021**	84,678
Total capital	**182,601**	168,486
Leverage ratio	**46%**	50%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 30 June 2013 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 covenants on a regular basis and was in compliance with them as at 30 June 2013.

18. Derivative financial instruments

In HK$ million	30 June 2013 Assets	30 June 2013 Liabilities	31 December 2012 Assets	31 December 2012 Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	2,855	–	4,690
Forward foreign exchange instruments	–	39	184	–
	–	2,894	184	4,690
Not qualified for hedge accounting				
Interest-rate instruments	107	196	187	279
Forward foreign exchange instruments	4	6	5	9
	111	202	192	288
	111	3,096	376	4,978
Less: current portion				
Interest-rate instruments	46	49	66	192
Forward foreign exchange instruments	3	45	189	9
	49	94	255	201
Non-current portion	62	3,002	121	4,777

(i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments at 30 June 2013 was HK$766 million (31 December 2012: HK$1,018 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 11 months are recognised in the hedging reserve in equity as of 30 June 2013 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

(ii) Interest rate instruments

The notional amount of outstanding interest rate swap contracts at 30 June 2013 was HK$27,093 million (31 December 2012: HK$29,929 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$644 million (31 December 2012: HK$644 million). At 30 June 2013, the fixed interest rates under interest rate swaps varied from 0.56% to 5.10% per annum (31 December 2012: 0.56% to 5.10% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 30 June 2013 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).

19. Provisions

Provisions mainly consisted of mining rights liability. The Mining Right and Site Lease Agreements entered into by two subsidiary companies of the Group in connection with the Sino Iron Project in Western Australia contain a clause that, unless certain exceptions apply, each subsidiary company is to pay an amount if either of them produces less than 6 million tonnes of iron ore by March 2013. Under such clause, if the conditions for payment are met and the exceptions are not applicable, the amount payable is calculated by reference to the royalty payable on the amount of magnetite ore required to produce 6 million tonnes of iron ore concentrate. Due to changes in the iron ore market the formula for determining the amount in the contract is not capable of calculation. In the event that a liability crystallizes as a result of such clause, a provision has been made for this liability as reasonably estimated by the Group and as required by accounting standards. Therefore, the amount provided for in the accounts may differ from any eventual liability. A corresponding increase in intangible mining assets has been made in relation to this provision. The matter is currently in progress in the Supreme Court of Western Australia.

20. Provisions and deferred income

The amount consisted of provisions for site restoration and gas contract, and deferred income.

21. Discontinued operations

The Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, an ultimate holding company, on 18 December 2012 to dispose 18.55% interest in CITIC Telecom was completed on 21 February 2013. Since then, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom has no longer been consolidated with that of the Group but is accounted for by equity method.

Analysis of the profit of discontinued operations is as follows:

In HK$ million	**June 2013**	June 2012
Revenue	**523**	1,744
Expenses	**(507)**	(1,547)
Share of results of joint venture and associated company	**33**	91
Profit before tax of discontinued operations	**49**	288
Taxation	**(2)**	(34)
Profit for the period from discontinued operations	**47**	254
Net gain on disposal	**2,055**	–
	2,102	254
Profit for the period from discontinued operations attributable to:		
Ordinary shareholders of the Company	**2,083**	154
Non-controlling interests	**19**	100
	2,102	254

22. Business combinations and acquisitions

During the period ended 30 June 2013, the subsidiary companies of the Group completed several business acquisitions. The major acquisitions are as follows:

(i) In February 2013, a subsidiary company of the Group acquired 100% equity interest in Leo's Fine Food Company Limited ("Leo"). Leo is engaged in processing and trading of food products in Hong Kong.

(ii) In March 2013, a subsidiary company of the Group acquired 25% equity interest in Silver Wings Enterprises Inc ("Silver Wings") from its joint venture partner, Nippon Steel & Sumitomo Metal Corporation ("NSSMC"). Silver Wings was a joint venture of the Group prior to the acquisition to build and develop a production line with steel melting, casting and rolling facilities to produce high-end special steel. After the acquisition, Silver Wings became a wholly-owned subsidiary company of the Group.

The aggregate revenue and net profit of the acquired companies for the period from their respective dates of acquisitions to 30 June 2013 were HK$476 million and HK$33 million respectively.

If these business combinations had occurred on 1 January 2013, the Group's revenue for the period would have been increased from approximately HK$41,291 million to approximately HK$41,720 million and do not have material impact on net profit. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiary companies to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and leasehold land – operating lease had been applied from 1 January 2013, together with the consequential tax effects.

The Group did not have material acquisition during the period ended 30 June 2012.

22. Business combinations and acquisitions (Continued)

The acquisitions completed during the period ended 30 June 2013 had the following effect on the Group's assets and liabilities on their respective dates of acquisitions:

In HK$ million	
Net assets acquired	
Property, plant and equipment	3,275
Lease prepayment	37
Intangible assets	76
Inventories	445
Accounts receivable and prepayments	660
Cash and bank deposits	32
Creditors and accruals	(80)
Bank loans & other loans	(973)
Tax payable	(6)
Deferred tax liabilities	(224)
Fair value of net assets acquired	3,242
Goodwill (Note)	10
Transfer from interests in a joint venture	(2,130)
Reserve released	206
Gain on disposal of interest in a joint venture	(362)
Non-controlling interests arising from acquisitions of interest in subsidiary companies	(12)
Total consideration	954
Less: consideration payable	(48)
Consideration paid, satisfied in cash	906
Less: cash acquired	(32)
Net cash outflow	874

Note:

Goodwill arising from the acquisitions represents the control premium paid, the benefits of expected synergies to be achieved from integrating the subsidiary companies into the Group's existing businesses, future market development and the acquired workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

23. 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 one party is subject to control and another party is subject to control, joint control or significant influence both by the same third party.

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation)

CITIC Pacific Limited is controlled by CITIC Group Corporation which owns 57.5% of the Company's shares. CITIC Group Corporation 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 30 June 2013, there were derivative liabilities of HK$2,484 million (31 December 2012: HK$4,027 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 18.

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

In HK$ million	**30 June 2013**	31 December 2012
Bank balances and deposits	**17,424**	20,263
Bank loans	**66,945**	63,550

23. Material related party transactions (Continued)

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation) (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 MCC, a state-owned enterprise. 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 (approximately HK$6,513 million) to US$2,585 million (approximately HK$20,163 million) due to the changes in the cost structure of the industry.

On 30 December 2011, Sino Iron and MCC entered into a supplemental contract to increase the contract sum by US$822 million (approximately HK$6,412 million) to US$3,407 million (approximately HK$26,575 million) due to the failure by MCC to take into consideration the full impact of the increase in the construction costs related to mining projects, including labour shortages, higher costs of equipment and construction materials as well as foreign exchange volatility.

Sino Iron and MCC also agreed that the remaining works (other than the 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.

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 2012, the Group held a deposit of HK$1,288 million from MCC for the acquisition of 20% interest in Sino Iron. As at 30 June 2013, such deposit balance was reduced from HK$1,288 million to HK$547 million with the remainder being applied by MCC to the Sino Iron Project. The Company will be discussing with MCC in relation to further arrangement on the Sale and Purchase Agreement.

23. Material related party transactions (Continued)

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation) (Continued)

(iii) Transactions with China Metallurgical Group (Continued)
The Group holds 2.13% of MCC's shares acquired at MCC's initial public offering.

In HK$ million	**30 June 2013**	31 December 2012
Balances with MCC		
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(547)**	(1,288)
Transaction with MCC for the period/year ended		
Incurred costs on the Contract	**910**	6,487

(b) Transactions with CITIC Group Corporation

In HK$ million	**30 June 2013**	31 December 2012
Balances with fellow subsidiary companies within CITIC Group Corporation		
(i) Bank balances	**981**	1,058
(ii) Bank loans	**688**	740
(iii) Trade and other payable	**466**	76
(iv) Trade, other receivable and prepayment	**2**	2
Transactions with fellow subsidiary and associated companies within CITIC Group Corporation for the period/year ended		
(i) Sales	**28**	2
(ii) Service fee paid	**–**	102

24. Comparative figures

As a result of the separate presentation of the discontinued operations, certain comparative figures have been adjusted to conform to current period's presentation.

Independent Review Report

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

Introduction

We have reviewed the interim financial report set out on pages 34 to 72 which comprises the consolidated balance sheet of CITIC Pacific Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with HKAS 34.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 August 2013

Statutory Disclosure

Dividend and Closure of Register

The directors have declared an interim dividend of HK$0.10 per share (2012: HK$0.15 per share) for the year ending 31 December 2013, payable on Monday, 23 September 2013 to shareholders whose names appear on CITIC Pacific's register of members on Friday, 13 September 2013. The register of members of CITIC Pacific will be closed from Tuesday, 10 September 2013 to Friday, 13 September 2013, 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, 9 September 2013.

Share Option Plan

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific Share Incentive Plan 2000

During the period between the adoption of the CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 and its expiry on 30 May 2010, CITIC Pacific has granted six lots of share options:–

Date of grant	Number of share options	Exercise price per share (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

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share and HK$47.32 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011 and 15 October 2012 respectively. The remaining share options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

None of the share options granted under the Plan 2000 were exercised or cancelled but options for 150,000 shares have lapsed during the six months ended 30 June 2013. A summary of the movements of the share options under the Plan 2000 during the six months ended 30 June 2013 is as follows:–

A. CITIC Pacific directors

			Number of share options			
Name of director	Date of grant	Exercise price HK$	Balance as at 01.01.13	Exercised/ lapsed/ cancelled during the six months ended 30.06.13	Balance as at 30.06.13	Percentage to issued share capital
Chang Zhenming	19.11.09	22.00	600,000	–	600,000	0.016
Zhang Jijing	19.11.09	22.00	500,000	–	500,000	0.014
Vernon Francis Moore	19.11.09	22.00	500,000	–	500,000	0.014
Liu Jifu	19.11.09	22.00	500,000	–	500,000	0.014
Carl Yung Ming Jie	19.11.09	22.00	500,000	–	500,000	0.014

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 01.01.13	Exercised/ lapsed/cancelled during the six months ended 30.06.13	Balance as at 30.06.13
19.11.09	22.00	6,940,000	–	6,940,000
14.01.10	20.59	600,000	–	600,000

C. Others

		Number of share options			
Date of grant	Exercise price HK$	Balance as at 01.01.13	Exercised/ cancelled during the six months ended 30.06.13	Lapsed during the six months ended 30.06.13	Balance as at 30.06.13
19.11.09	22.00	2,590,000 (Note)	–	150,000	2,440,000
14.01.10	20.59	280,000 (Note)	–	–	280,000

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

CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of CITIC Pacific group who shall make payment of HK$1 to CITIC Pacific on acceptance. The subscription price determined by the board will be at least the higher of (i) the nominal value of CITIC Pacific's shares; (ii) the closing price of CITIC Pacific's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange") on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant. The total number of CITIC Pacific's shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of CITIC Pacific's shares in issue as at the date of adopting the Plan 2011. As at 30 June 2013, the total number of shares available for issue under the Plan 2011 is 364,944,416 shares.

No share options were granted under the Plan 2011 during the period ended 30 June 2013.

Share Option Plan Adopted by Dah Chong Hong Holdings Limited ("DCH Holdings"), a subsidiary of CITIC Pacific

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ("Post-IPO Scheme") on 28 September 2007. Since the adoption of the Post-IPO Scheme, DCH Holdings has granted the following share options:

On 7 July 2010, options to subscribe for a total of 23,400,000 shares in DCH Holdings, at the exercise price of HK$4.766 per share, were granted under the Post-IPO Scheme and all were accepted. All the 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 closing price of DCH Holdings' shares immediately before the grant on 7 July 2010 was HK$4.69 per share.

On 8 June 2012, options to subscribe for a total of 24,450,000 shares in DCH Holdings, at the exercise price of HK$7.40 per share, were granted under the Post-IPO Scheme and 24,250,000 share options were accepted and 200,000 share options were not as the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The closing price of DCH Holdings' shares immediately before the grant on 8 June 2012 was HK$7.49 per share. The share options granted are subject to a vesting scale. 25% of the share options granted will vest on the first anniversary of the date of grant. Further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant.

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

As at 1 January 2013, options for 32,540,000 DCH Holdings' shares were outstanding under the Post-IPO Scheme. During the six months ended 30 June 2013, options for 1,250,000 DCH Holdings' shares were exercised, options for 100,000 DCH Holdings' shares lapsed and none of the options were cancelled. As at 30 June 2013, options for 31,190,000 DCH Holdings' shares under the Post-IPO Scheme were exercisable.

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.

Directors' Interests in Securities

The interests of the directors in shares of CITIC Pacific or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2013 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 corporation

Name of director	Number of shares Personal interests unless otherwise stated		Percentage to issued share capital
CITIC Pacific Limited			
Vernon Francis Moore	4,200,000	(Note 1)	0.115
Liu Jifu	840,000		0.023
André Desmarais	8,145,000	(Note 2)	0.223
Carl Yung Ming Jie	300,000		0.008
Peter Kruyt (alternate director to Mr André Desmarais)	34,100		0.001
CITIC Telecom International Holdings Limited			
Vernon Francis Moore	275,000	(Note 1)	0.008

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

2. Share options in CITIC Pacific

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

3. Share options in associated corporation

CITIC Resources Holdings Limited

				Number of share options					
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.13	Granted during the six months ended 30.06.13	Exercised/ cancelled during the six months ended 30.06.13	Lapsed during the six months ended 30.06.13	Balance as at 30.06.13	Percentage to issued share capital
Zhang Jijing	02.06.05	1.018	02.06.06 – 01.06.13	10,594,315	–	–	10,594,315	–	–

Save as disclosed above, as at 30 June 2013, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Substantial Shareholders

As at 30 June 2013, the interests of the substantial shareholders, other than the directors of CITIC Pacific or their respective associate(s), in the shares of CITIC Pacific as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Interest in the shares of CITIC Pacific

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group Corporation	2,098,736,285	57.508
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC Hong Kong (Holdings) Limited ("CITIC HK")	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522

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

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

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

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

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

Accordingly,

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

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

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

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

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

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

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

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

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

Share Capital

CITIC Pacific has not redeemed any of its shares during the six months ended 30 June 2013. 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 2013.

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 affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and joint ventures.

Proforma combined balance sheet of affiliated companies

in HK$ million	CITIC Pacific Limited and its subsidiary companies' attributable interest as at 30 Jun 2013
Fixed Assets	14,183
Other financial assets	23
Intangible Assets	1,683
Other non-current assets	1,535
Net Current Assets	881
Total Assets Less Current Liabilities	18,305
Long Term Borrowings	(4,550)
Deferred Tax Liabilities	(263)
Other non-current liabilities	(475)
Loan from Shareholders	(3,186)
	9,831

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 2012 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:

- An executive committee for communicating 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 president (an executive director), and its membership includes the chief financial officer (an executive director), one other executive director, two executive vice presidents, leaders of major businesses in the group and leaders of key head office functions.

- An 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 president (an executive director), chief financial officer (an executive director) and two executive vice presidents.

- An 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 the Group's 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 chief financial officer (an executive director), the committee comprises two executive vice presidents, the group treasurer, the group financial controller, and the executives with responsibility for treasury, treasury risk management and financial control.

- An 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 financial reporting matters.

- A 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.

- A nomination committee to determine the policy for the nomination of directors and set out the nomination procedures, process and criteria to select and recommend candidates for directorships, which take into consideration all aspects of diversity. It also reviews the size, structure, composition and diversity of the board. The committee is chaired by the chairman of the board; the other two members are independent non-executive directors.

- A 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 president (an executive director), a non-executive director and an independent non-executive director.

Statutory Disclosure

The board adopted a Board Diversity Policy on 14 August 2013.

Save as disclosed below, CITIC Pacific has applied the principles and complied with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2013. In respect of code provision A.6.7 of the CG Code, two non-executive directors, Mr Carl Yung Ming Jie and Mr André Desmarais, were not able to attend the annual general meeting ("AGM") of CITIC Pacific held on 16 May 2013. Mr Carl Yung was ill, while Mr André Desmarais was 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 KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CITIC Pacific has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 to the Listing Rules. All directors complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

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

Non-executive Director

Mr Ju Weimin resigned as the chairman and a non-executive director of CITIC Resources Holdings Limited (a company listed on the Hong Kong Stock Exchange) with effect from 22 July 2013.

Independent Non-executive Director

Mr Francis Siu Wai Keung has been appointed as an independent non-executive director of Shunfeng Photovoltaic International Limited (a company listed on the Hong Kong Stock Exchange) with effect from 12 July 2013.

Definition of Terms

Terms

Total debt	Short-term and long-term loans, notes and bonds
Net debt	Total debt less cash less bank deposits
Total capital	Total ordinary shareholders' funds and perpetual capital securities plus net debt
Cash inflows	Cash inflows represent cash generated from business operations after income taxes paid, and other cash inflows which principally include dividends from associated companies, joint ventures and other financial assets, interest received, 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 3 to the accounts on page 44

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 Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205 or by fax at +852 2522 5259 or by email at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register:	10 September 2013 to 13 September 2013
Interim Dividend payment:	23 September 2013

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

Shareholders may choose to receive the Half-Year Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrar.

Shareholders having difficulty in gaining access to the Half-Year Report will promptly be sent printed copies free of charge upon request to CITIC Pacific's Share Registrar.

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

32nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Tel +852 2820 2111
Fax +852 2877 2771

www.citicpacific.com

Stock code 00267