

Notes to the Summary Financial Statements

1 General Information

These summary financial statements from page 82 to 90 are not the Group's statutory financial statements and they do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report.

2 Significant Accounting Policies

Basis of Preparation

These summary financial statements have been prepared from the Consolidated Financial Statements of the Group for the year ended 31 December 2008 ('the Accounts').

The accounting policies used in preparation of the accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2007 except for the adoption of certain new standards and amendments of Hong Kong Financial Reporting Standards, which were issued and became effective during the year ended 31 December 2008, and among which the following has an impact on the accounts.

- HK(IFRIC)-Int 12 'Service Concession Arrangements'

In accordance with HK(IFRIC)-Int 12, a vehicular tunnel is regarded as a service concession arrangement. As such, the Group has recognised The Eastern Harbour Tunnel as an intangible asset instead of property, plant and equipment under fixed assets with retrospective effect from 1 January 2007. The carrying amount as at 1 January 2007 of HK\$1,102 million, and as at 31 December 2007 and 1 January 2008 of HK\$1,004 million have also been restated respectively.

The adoption of the above interpretation did not result in substantial changes to the Group's accounting policies and has no effect on the Group's results reported for the year ended 31 December 2008.

With effect from 1 January 2008, the Group changed the presentation of Turnover by not including the proceeds from sale of investments. Amounts included in Turnover and Cost of sales for the year ended 31 December 2007 aggregating HK\$6,124 million and HK\$1,529 million respectively have been reclassified accordingly.

During the year, the Group revised the estimated useful lives of the property, plant and equipment in its special steel business. As a result of this, the depreciation expenses have decreased by approximately HK\$264 million for the year ended 31 December 2008.

The Group has not early adopted the amendments, new standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') that are not yet effective for the year ended 31 December 2008, and is in the process of assessing their impact on future accounting periods.

3 Directors' Emoluments

The remuneration of each Director for the year ended 31 December 2008 is set out below:

<i>in HK\$ million</i> Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	2008 Total	2007 Total
Larry Yung Chi Kin [#]	0.15	3.68	–	0.01	3.84	66.99
Henry Fan Hung Ling [#]	0.15	3.44	–	0.01	3.60	56.67
Peter Lee Chung Hing [#]	0.15	2.10	–	0.10	2.35	44.35
Carl Yung Ming Jie [#]	0.15	1.63	–	0.08	1.86	16.57
Vernon Francis Moore [#]	0.15	2.06	–	0.01	2.22	11.93
Li Shilin [#]	0.15	0.56	–	–	0.71	5.55
Liu Jifu [#]	0.15	0.65	–	0.01	0.81	13.21
Milton Law Ming To [#]	0.15	1.79	–	0.08	2.02	16.89
Wang Ande [#]	0.15	1.56	–	–	1.71	16.43
Steve Kwok Man Leung [#]	0.11	1.35	–	0.06	1.52	–
Chang Zhenming	0.20	–	–	–	0.20	4.06
Willie Chang	0.45	–	–	–	0.45	0.30
Hamilton Ho Hau Hay	0.20	–	–	–	0.20	0.15
Alexander Reid Hamilton	0.65	–	–	–	0.65	0.30
Hansen Loh Chung Hon	0.40	–	–	–	0.40	0.25
Norman Ho Hau Chong	0.25	–	–	–	0.25	0.20
André Desmarais	0.20	–	–	–	0.20	0.15
Norman Yuen Kee Tong	–	–	–	–	–	0.10
Leslie Chang Li Hsien	0.12	1.70	–	0.07	1.89	23.01
Chau Chi Yin	0.12	1.53	–	0.06	1.71	16.96
	4.05	22.05	–	0.49	26.59	294.07

None of the five highest paid individuals of the Group during the year are directors. In 2007, the five highest paid individuals were directors and their emoluments are reflected in the analysis presented above.

During the year, no share options were granted (2007: 11,100,000 share options) to directors of the Company under the CITIC Pacific Share Incentive Plan 2000.

Mr Steve Kwok Man Leung was appointed during the year.

Mr Leslie Chang Li Hsien and Mr Chau Chi Yin resigned during the year.

Mr Norman Yuen Kee Tong resigned during 2007.

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

4 Fixed Assets

Group

	Property, plant and equipment						Properties under development	Leasehold land	Total
<i>in HK\$ million</i>	Self-used properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties			
Cost or valuation									
At 1 January 2008, as restated	4,869	7,658	2,484	2,640	17,651	10,895	4,699	1,959	35,204
Exchange adjustments	193	425	49	28	695	364	233	56	1,348
Additions	188	547	10,141	462	11,338	5	5,693	402	17,438
Acquisition of subsidiary companies	422	65	6	220	713	36	–	96	845
Disposals	(301)	(453)	(44)	(185)	(983)	(1)	(15)	(42)	(1,041)
Change in fair value of investment properties	–	–	–	–	–	12	–	–	12
Transfer to properties held for sale	–	–	–	–	–	–	(367)	–	(367)
Reclassification	12	5	(19)	1	(1)	–	(172)	173	–
Transfer to self-used properties / leasehold land	101	–	–	–	101	(143)	–	42	–
Transfer upon completion	74	1,268	(1,358)	16	–	62	(62)	–	–
At 31 December 2008	5,558	9,515	11,259	3,182	29,514	11,230	10,009	2,686	53,439
<i>Accumulated depreciation, amortisation and impairment</i>									
At 1 January 2008, as restated	977	2,647	90	1,783	5,497	–	411	318	6,226
Exchange adjustments	59	167	5	16	247	–	4	4	255
Charge for the year	164	456	–	320	940	–	–	44	984
Depreciation capitalised to construction in progress	–	142	–	14	156	–	–	–	156
Acquisition of subsidiary companies	44	19	–	66	129	–	–	2	131
Written back on disposals	(61)	(245)	(36)	(142)	(484)	–	(1)	(3)	(488)
Impairment loss	1	1	–	–	2	–	–	–	2
Written back of impairment loss	–	–	–	–	–	–	(253)	–	(253)
Reclassification	(10)	46	(36)	(1)	(1)	–	–	1	–
At 31 December 2008	1,174	3,233	23	2,056	6,486	–	161	366	7,013
<i>Net book value</i>									
At 31 December 2008	4,384	6,282	11,236	1,126	23,028	11,230	9,848	2,320	46,426
<i>Represented by</i>									
Cost	5,558	9,515	11,259	3,182	29,514	–	10,009	2,686	42,209
Valuation	–	–	–	–	–	11,230	–	–	11,230
	5,558	9,515	11,259	3,182	29,514	11,230	10,009	2,686	53,439

4 Fixed Assets *continued*

Group *continued*

in HK\$ million	Property, plant and equipment						Investment properties	Properties under development	Leasehold land	As restated Total
	Self-used properties	As restated Vehicular tunnel	Plant and machinery	Construction in progress	Others	As restated Sub-total				
Cost or valuation										
At 1 January 2007, as previously reported	4,260	2,000	6,622	890	2,160	15,932	9,604	2,753	1,991	30,280
Adoption of HK(IFRIC)-Int 12	–	(2,000)	–	–	–	(2,000)	–	–	–	(2,000)
At 1 January 2007, as restated	4,260	–	6,622	890	2,160	13,932	9,604	2,753	1,991	28,280
Exchange adjustments	245	–	564	67	2	878	385	141	70	1,474
Additions others	172	–	657	2,528	137	3,494	–	1,851	358	5,703
Disposals through disposal of subsidiary companies	–	–	(15)	–	(231)	(246)	–	–	–	(246)
others	(29)	–	(132)	–	(186)	(347)	(27)	(24)	(238)	(636)
Change in fair value of investment properties	–	–	–	–	–	–	1,002	–	–	1,002
Transfer to assets held for sale	(37)	–	–	–	–	(37)	–	–	(336)	(373)
Transfer upon completion	258	–	(38)	(1,001)	758	(23)	(69)	(22)	114	–
At 31 December 2007	4,869	–	7,658	2,484	2,640	17,651	10,895	4,699	1,959	35,204
Accumulated depreciation, amortisation and impairment										
At 1 January 2007, as previously reported	770	898	1,946	71	1,654	5,339	–	41	279	5,659
Adoption of HK(IFRIC)-Int 12	–	(898)	–	–	–	(898)	–	–	–	(898)
At 1 January 2007, as restated	770	–	1,946	71	1,654	4,441	–	41	279	4,761
Exchange adjustments	56	–	206	6	15	283	–	3	4	290
Charge for the year	170	–	564	–	290	1,024	–	21	42	1,087
Disposal of subsidiary companies	–	–	(7)	–	(116)	(123)	–	–	–	(123)
Written back on disposals	(16)	–	(89)	–	(114)	(219)	–	(7)	–	(226)
Impairment loss	6	–	68	13	16	103	–	353	–	456
Transfer to other assets	(4)	–	(46)	–	38	(12)	–	–	(7)	(19)
Reclassification	(5)	–	5	–	–	–	–	–	–	–
At 31 December 2007	977	–	2,647	90	1,783	5,497	–	411	318	6,226
Net book value										
At 31 December 2007	3,892	–	5,011	2,394	857	12,154	10,895	4,288	1,641	28,978
Represented by										
Cost	4,869	–	7,658	2,484	2,640	17,651	–	4,699	1,959	24,309
Valuation	–	–	–	–	–	–	10,895	–	–	10,895
	4,869	–	7,658	2,484	2,640	17,651	10,895	4,699	1,959	35,204

5 Reserves

Group

<i>in HK\$ million</i>	Share premium	Capital redemption reserve	Capital reserve	Goodwill (Note)	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2008	25,415	21	240	(1,738)	4,756	3,016	185	765	26,248	58,908
Share of reserves of associated companies	–	–	1	–	(75)	71	(181)	–	(26)	(210)
Share of reserves of jointly controlled entities	–	–	78	–	7	86	(23)	1	–	149
Exchange translation differences	–	–	–	–	–	1,701	–	–	–	1,701
Reserves released on disposal of jointly controlled entities	–	–	–	–	–	(93)	–	–	–	(93)
Loss on cash flow hedge of financial instruments	–	–	–	–	–	–	(3,459)	–	–	(3,459)
Fair value gain on other financial assets	–	–	–	–	(453)	–	–	–	–	(453)
Fair value released on disposal of financial assets	–	–	–	–	(4,095)	–	–	–	–	(4,095)
Transfer to profit and loss account on impairment of financial assets	–	–	–	–	98	–	–	–	–	98
Transfer from retained profits	–	–	–	–	–	–	–	220	(220)	–
Issue of shares pursuant to the Plan	8	–	(1)	–	–	–	–	–	–	7
Premium on shares issued	11,044	–	641	–	–	–	–	–	–	11,685
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	–	(12,662)	(12,662)
Dividends	–	–	–	–	–	–	–	–	(2,415)	(2,415)
Share repurchase	–	8	–	–	–	–	–	–	(656)	(648)
Released upon lapse of share options of a subsidiary	–	–	(1)	–	–	–	–	–	1	–
At 31 December 2008	36,467	29	958	(1,738)	238	4,781	(3,478)	986	10,270	48,513
<i>Retained by</i>										
Company and subsidiary companies	36,467	29	823	(1,738)	112	4,782	(3,390)	970	(2,703)	35,352
Jointly controlled entities	–	–	103	–	16	132	(19)	16	3,573	3,821
Associated companies	–	–	32	–	110	(133)	(69)	–	9,400	9,340
	36,467	29	958	(1,738)	238	4,781	(3,478)	986	10,270	48,513

Note: The Goodwill reserve is as a result of goodwill arising on acquisitions prior to year 2001 which under the then prevailing Accounting Standards was reflected in reserves rather than as a separate assets.

5 Reserves *continued***Group** *continued*

<i>in HK\$ million</i>	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2007	24,956	20	73	(2,494)	1,350	806	130	465	20,326	45,632
Share of reserves of associated companies	–	–	30	–	28	24	(5)	–	–	77
Share of reserves of jointly controlled entities	–	–	6	–	9	46	3	1	–	65
Exchange translation differences	–	–	–	–	–	2,168	–	–	–	2,168
Reserves released on disposal of associated companies	–	–	6	–	–	–	–	–	–	6
Disposal of interests in subsidiary companies	–	–	(18)	756	–	(28)	–	–	(756)	(46)
Gain on cash flow hedge of financial instruments	–	–	–	–	–	–	57	–	–	57
Fair value gain on other financial assets	–	–	–	–	3,292	–	–	–	–	3,292
Transfer from profits	–	–	–	–	77	–	–	299	(299)	77
Issue of share pursuant to the Plan	459	–	(36)	–	–	–	–	–	–	423
Profit attributable to the equity holders of the Company	–	–	–	–	–	–	–	–	10,843	10,843
Dividends	–	–	–	–	–	–	–	–	(3,756)	(3,756)
Share repurchase	–	1	–	–	–	–	–	–	(110)	(109)
Share-based payment	–	–	179	–	–	–	–	–	–	179
At 31 December 2007	25,415	21	240	(1,738)	4,756	3,016	185	765	26,248	58,908
<i>Representing</i>										
At 31 December 2007 after proposed final dividend										57,138
2007 Final dividend proposed										1,770
										58,908
<i>Retained by</i>										
Company and subsidiary companies	25,415	21	181	(1,738)	4,561	3,174	69	745	11,713	44,141
Jointly controlled entities	–	–	23	–	9	46	5	17	3,373	3,473
Associated companies	–	–	36	–	186	(204)	111	3	11,162	11,294
	25,415	21	240	(1,738)	4,756	3,016	185	765	26,248	58,908

6 Post Balance Sheet Events

Sino Iron entered into a gas supply agreement on 6 January 2009 with Apache Northwest Pty Ltd and Santos Offshore Pty Limited. Under the contract, Apache and Santos will supply natural gas over seven years commencing in the second half of 2011. The gas will be sourced from the offshore Reindeer gas field being developed by Apache and Santos and delivered onshore close to the project's location. The contract carries an initial price with periodic adjustments for changes in the consumer price index in Australia. Beginning in the fourth year, the price is indexed to international oil prices. Assuming an oil price of US\$50 per barrel, the value of the contract is estimated to be US\$1.3 billion. The Gas Supply Agreement became unconditional on 5 March 2009.

7 Comparative Figures

Comparative figures have been adjusted to conform with the current presentation.