Notes to the Financial Statements

1 Significant Accounting Policies

a Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated accounts ('the Accounts') of CITIC Pacific Limited (the 'Company') and its subsidiary companies (together the 'Group') are set out below. These policies have been consistently applied to each of the years presented, other than the adoption of new or revised Hong Kong Financial Reporting Standards ('HKFRS') in 2009 as set out below. The Accounts have been prepared in accordance with HKFRS, and under the historical cost convention, except as disclosed in the accounting policies below in (h) and (w). The applicable HKFRS include all applicable Hong Kong Accounting Standards ('HKAS') and Hong Kong International Financial Reporting Interpretations ('HK(IFRIC)') issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). The following standards, amendments or interpretations became effective in 2009 and are relevant to the Group.

Standard No.	Title	Effect
HKAS 1 (Revised)	Presentation of financial statements	Note (a)
HKAS 16 (Amendment)	Property, plant and equipment	Insignificant
HKAS 23 (Revised)	Borrowing costs	Insignificant
HKAS 28 (Amendment)	Investments in associates	Insignificant
HKAS 32 (Amendment)	Financial instruments: Presentation	Insignificant
HKAS 36 (Amendment)	Impairment of assets	Insignificant
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement	Insignificant
HKAS 40 (Amendment)	Investment property	Note (b)
HKFRS 7 (Amendment)	Financial instruments: Disclosures	Note (c)
HKFRS 8	Operating segments	Note (d)
HK(IFRIC) Interpretation 13	Customer loyalty programmes	Note (e)

Adoption of the above standards has not had a significant impact on these Accounts except as stated below.

(a) Under HKAS 1(Revised), entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two performance statements.

(b) As a result of amendments to HKAS 40, 'Investment property', investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the years presented.

(c) As a result of the adoption of the amendments to HKFRS 7 'Financial instruments: Disclosures', the Accounts include expanded disclosures in Note 29(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable marketable data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

1 Significant Accounting Policies *continued*

a Basis of Preparation *continued*

(d) HKFRS 8, 'Operating segments' replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of this standard did not have any effect on the Group's results of operation or financial position. The Group has determined that its operating segments are substantially the same as the business segments previously identified under HKAS 14.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee. The adoption of HKFRS 8 has resulted in a change of presentation in segment information. Comparatives for 2008 segment disclosures have been restated.

Goodwill is allocated by management to groups of cash-generating units at a segment level. The change in reportable segments has not resulted in any goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities.

(e) HK(IFRIC) Interpretation 13 'Customer loyalty programmes'. The part of revenue from initial sales transactions equal to the fair value of customer loyalty awards granted is deferred until the awards are redeemed and the related service is provided. This change in accounting treatment has had a material impact on Cathay Pacific Airways Limited, an associated company up until August 2009 and reduced the Group's share of the retained profits of that company by HK$258 million and HK$283 million as at 1 January 2008 and 2009 respectively. There is no material impact to the Group's results for the year.

HKAS 24 'Related party disclosure' (Revised) reduces the related party disclosure requirements for transactions with the government and other government related entities as well as clarifies and simplifies the definition of a related party. The Group has adopted the partial exemption in the disclosure requirements for government-related entities as permitted under HKAS 24 (Revised), which has no effect on the financial statements other than more simplified disclosures on transactions with government-related entities.

The following new standards, amendments and interpretations which have been issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') as of 31 December 2009 may impact the Group in future years but are not yet effective for the year ended 31 December 2009:

Standard No.	Title	Applicable accounting period to the Group
HKFRS 3 (revised)	Business combinations	2010
Amendment to HKAS 27	Consolidated and separate financial statements	2010
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items	2010
HK(IFRIC) 17	Distribution of non-cash assets to owners	2010
Improvement to HKFRS 2009		2010
HKAS 24	Related party disclosure (revised)	2011
HKFRS 9	Financial instruments	2013

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

1 Significant Accounting Policies *continued*

b Basis of Consolidation

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

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

c Goodwill

Positive goodwill arising on the acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Negative goodwill arising on the acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of the acquisition.

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

d Subsidiary Companies and Minority Interests

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

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interests.

Minority interests in the balance sheet comprise the outside shareholders' proportion of the net assets of subsidiary companies. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity interests to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases of equity interests from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary company, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary company subsequently reports profits, all such profits are allocated as attributable to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

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

1 Significant Accounting Policies *continued*

e Jointly Controlled Entities

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

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

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

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

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

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

f Associated Companies

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

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

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

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

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

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

1 Significant Accounting Policies *continued*

g Property, Plant and Equipment

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

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

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

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

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

Freehold land is not amortised.

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

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

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

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

h Investment Properties

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

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

1 Significant Accounting Policies *continued*

i Properties under Development

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

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

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

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

j Capitalisation of Development Costs

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

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

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

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

k Properties Held for Sale

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

l Other Assets Held for Sale

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

m Leasehold Land

Leasehold land comprises land held under operating lease arrangements and is amortised on a straight-line basis over the lease term.

1 Significant Accounting Policies *continued*

n Intangible Assets

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

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

o Mining Exploration, Evaluation and Development Expenditure

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

- it is expected that the expenditure will be recouped by future development and commercial exploitation or sale; or,
- at the balance sheet date, exploration and evaluation activities have not reached a stage, which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

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

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

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

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

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

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

1 Significant Accounting Policies *continued*

p Trade and Other Receivables

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

q Cash and Cash Equivalents

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

r Borrowings

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

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

s Provisions

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

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

i) Site restoration

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

ii) Mining rights

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

t Share Capital

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

1 Significant Accounting Policies *continued*

u Segment Reporting

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

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

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

v Revenue Recognition

i) Sales of goods

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

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

ii) Rendering of services

Commission income is recognised when the goods concerned are sold to customers. Revenue arising from the rendering of repairing services is recognised when the relevant work is completed.

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

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

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

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

iv) Toll income

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

v) Rental income

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

1 Significant Accounting Policies *continued*

v Revenue Recognition *continued*

vi) Dividend income

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

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

w Financial Instruments

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

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

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

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

i) Financial assets at fair value through profit or loss

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

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

ii) Loans and receivables

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

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

1 Significant Accounting Policies *continued*

w Financial Instruments *continued*

iii) Available-for-sale financial assets

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

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

iv) Derivative financial instruments

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

Cash flow hedges

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

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

Hedge of net investments in foreign operations

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

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

1 Significant Accounting Policies *continued*

x Operating Leases

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

y Impairment of Assets

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

z Inventories

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

aa Foreign Currencies

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

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

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

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

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

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

1 Significant Accounting Policies *continued*

bb Deferred Taxation

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

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

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

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

cc Employee Benefits

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

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

ii) Share-based payments

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

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

iii) Termination benefits

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

2 Critical Accounting Estimates and Judgements

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

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

i) Investment properties

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

ii) Impairment of goodwill

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

iii) Impairment of assets

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

Mining operation

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

2 Critical Accounting Estimates and Judgements *continued*

iii) Impairment of assets *continued*

Property, plant and equipment

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

Properties under development

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

Jointly controlled entities and associated companies

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

Debtors, accounts receivables, deposits and prepayments

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

iv) Depreciation

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

v) Provision for inventories

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

2 Critical Accounting Estimates and Judgements *continued*

vi) Fair value of derivative financial instruments

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

vii) Income taxes

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

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

3 Turnover and Revenue

The principal activities of CITIC Pacific Limited is holding its subsidiary companies, jointly controlled entities and associated companies (collectively the 'Investee Companies'), and raising finance. Revenue generating activities of the Group are conducted through the subsidiaries. The principal activities of the Investee Companies are set out in Note 43 to the financial statements.

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

	Group	
in HK$ million	**2009**	2008
Sale of goods	**40,033**	41,257
Telecommunications	**2,716**	2,486
Services rendered to customers	**1,234**	1,102
Properties sales	**911**	96
Rental income	**788**	745
Toll income	**691**	701
Others	**36**	33
	46,409	46,420

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

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

4 Other Income/(Loss) and Net Gains/(Losses)

in HK$ million	Group 2009	2008
Other income		
Commission income, subsidy income and rebates	**202**	160
Dividend income from other financial assets		
Listed shares	**3**	89
Co-operative joint ventures	**–**	7
	205	256
Gain/(loss) from leveraged foreign exchange contracts (Note i)		
net realised gain/(loss)	**84**	(12,691)
unrealised gain/(loss)	**199**	(3,200)
	283	(15,891)
Net exchange gain (Note ii)	**707**	192
Net gain from disposal of a subsidiary company	**–**	170
Net (loss)/gain from disposal/deemed disposal of jointly controlled entities	**(76)**	422
Net gain from disposal of associated companies	**1,154**	–
Net gain from sale of other financial assets, mainly listed investments	**86**	1,215
Net gain from disposal of fixed assets	**92**	–
Others	**181**	68
	1,437	1,875
	2,632	(13,568)

Notes:

i) In 2008, the Group entered into multiple Australian dollar (AUD), Euro and Renminbi (RMB) leveraged foreign exchange contracts with the intention of minimizing currency exposure of the Group's iron ore mining project. These contracts were not eligible for hedge accounting and gains and losses arising from changes in the fair market value of these contracts were reflected in the profit and loss account. The Group incurred a total loss of HK$15.9 billion in 2008 in respect of such contracts. Most of the losses arose on AUD contracts. There was a significant change in the AUD to the USD exchange rate which combined with their leveraged features resulted in the amount of AUD deliverable to the Group increasing significantly and exceeding the Group's need for AUD.

All of the leveraged foreign exchange contracts were novated to CITIC Group, terminated, or restructured into plain vanilla forward contracts (that are eligible for hedge accounting), during the period from December 2008 to May 2009, with the exception of three RMB leveraged foreign exchange contracts at a negative fair value of HK$108 million as at 31 December 2009 and which mature in 2010. A net gain of HK$283 million was recognised for the year ended 31 December 2009 in relation to leveraged foreign exchange contracts, which comprised gains and costs incurred upon termination or restructuring of outstanding AUD and Euro leveraged foreign exchange contracts, realised gains and losses on taking delivery of foreign currencies under these leveraged contracts, and unrealised gains on revaluation of the RMB leveraged foreign exchange contracts.

ii) The realised and unrealised exchange gain of HK$707 million (2008: HK$192 million) mainly represents the net exchange gain on Australian dollars bank balances received upon settlement of the forward foreign exchange contracts arising from their revaluation to the exchange rate at 31 December 2009.

5 Segment Information

a Turnover and Profit/(Loss) Attributable to Shareholders of the Company

		Year ended 31 December 2009										
in HK$ million	Turnover*	Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations†	Segment profit/(loss)	Taxation	Minority interests	Profit/(loss) attributable to shareholders of the Company
Special steel	19,079	1,591	371	29	151	(162)	1,980	–	1,980	(317)	(248)	1,415
Iron ore mining	27	484	–	–	1	–	485	–	485	(109)	–	376
Property												
Mainland China	1,390	654	–	–	40	(25)	669	4	673	(161)	12	524
Hong Kong	257	189	–	141	–	–	330	86	416	(19)	–	397
Energy	–	(65)	1,018	(16)	–	–	937	–	937	(51)	–	886
Tunnels	724	488	148	–	–	–	636	–	636	(80)	(119)	437
Dah Chong Hong	22,131	1,090	73	28	12	(112)	1,091	(90)	1,001	(252)	(347)	402
CITIC 1616	2,716	444	–	(1)	5	–	448	–	448	(75)	(177)	196
Other investments‡	85	1,060	408	411	6	–	1,885	–	1,885	7	–	1,892
Change in fair value of investment properties	–	90	–	50	–	–	140	–	140	(20)	–	120
Corporate												
General and administration expenses	–	(562)	–	–	–	–	(562)	–	(562)	(20)	–	(582)
Gain from leveraged foreign exchange contracts	–	283	–	–	–	–	283	–	283	(88)	–	195
Exchange gain	–	144	–	–	–	–	144	–	144	–	–	144
Net finance charges	–	–	–	–	98	(638)	(540)	–	(540)	88	–	(452)
Total	46,409	5,890	2,018	642	313	(937)	7,926	–	7,926	(1,097)	(879)	5,950

* Companies making up each reportable segment are set out in Note 43.
† Segment allocations arise from property leases between segments carried out at arms' length rentals.
‡ Other investments segment had included Aviation segment which comprised a profit of approximately HK$1 billion from disposal of interests in Cathay Pacific Airways Ltd.

5 Segment Information *continued*

a Turnover and Profit/(Loss) Attributable to Shareholders of the Company *continued*

		Year ended 31 December 2008 (as restated)										
in HK$ million	Turnover*	Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations†	Segment profit/(loss)	Taxation	Minority interests	Profit/(loss) attributable to shareholders of the Company
Special steel	22,758	2,147	53	–	266	(141)	2,325	–	2,325	(344)	(364)	1,617
Iron ore mining	27	(133)	–	–	1	–	(132)	–	(132)	9	–	(123)
Property												
Mainland China	544	590	16	–	57	(41)	622	4	626	(109)	6	523
Hong Kong	243	343	–	62	–	–	405	89	494	(4)	–	490
Energy	–	(358)	(243)	(507)	2	–	(1,106)	–	(1,106)	16	–	(1,090)
Tunnels	734	498	142	–	1	–	641	–	641	(74)	(124)	443
Aviation	–	402	–	(1,432)	11	–	(1,019)	–	(1,019)	–	–	(1,019)
Dah Chong Hong	19,496	919	64	(11)	27	(132)	867	(93)	774	(191)	(263)	320
CITIC 1616	2,486	393	–	(1)	21	(1)	412	–	412	(68)	(163)	181
Other investments	132	1,203	168	128	1	–	1,500	–	1,500	2	–	1,502
Change in fair value of investment properties	–	12	–	–	–	–	12	–	12	(45)	–	(33)
Corporate												
General and administration expenses	–	(348)	–	–	–	–	(348)	–	(348)	79	–	(269)
Loss from leveraged foreign exchange contracts	–	(15,891)	–	–	–	–	(15,891)	–	(15,891)	1,259	–	(14,632)
Exchange gain	–	215	–	–	–	–	215	–	215	–	–	215
Net finance charges	–	–	–	–	112	(972)	(860)	–	(860)	48	–	(812)
Total	46,420	(10,008)	200	(1,761)	499	(1,287)	(12,357)	–	(12,357)	578	(908)	(12,687)

* Companies making up each reportable segment are set out in Note 43.
† Segment allocations arise from property leases between segments carried out at arms' length rental.

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

	Group	
in HK$ million	**2009**	2008
Mainland China	**34,467**	33,125
Hong Kong	**9,891**	10,968
Other countries	**2,051**	2,327
	46,409	46,420

5 Segment Information *continued*

b Assets and Liabilities

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

in HK$ million	Segment assets 2009	Segment assets 2008	Investments in jointly controlled entities 2009	Investments in jointly controlled entities 2008	Investments in associated companies 2009	Investments in associated companies As restated 2008	Total assets 2009	Total assets As restated 2008	Segment liabilities 2009	Segment liabilities As restated 2008	Total net assets 2009	Total net assets As restated 2008	Additions of non-current assets (other than financial instruments and deferred tax assets) 2009	Additions of non-current assets (other than financial instruments and deferred tax assets) 2008
By principal activities														
Special steel	**34,271**	27,938	**4,291**	4,444	**148**	118	**38,710**	32,500	**(18,146)**	(14,572)	**20,564**	17,928	**6,296**	8,631
Iron ore mining	**36,026**	24,187	**–**	–	**–**	–	**36,026**	24,187	**(25,977)**	(16,112)	**10,049**	8,075	**10,310**	11,113
Property														
Mainland China	**24,263**	20,323	**5,465**	5,650	**–**	–	**29,728**	25,973	**(7,158)**	(4,391)	**22,570**	21,582	**3,325**	5,346
Hong Kong	**6,389**	6,425	**–**	–	**4,704**	4,696	**11,093**	11,121	**(473)**	(492)	**10,620**	10,629	**20**	6
Energy	**301**	358	**6,567**	5,632	**–**	1,775	**6,868**	7,765	**(52)**	(8)	**6,816**	7,757	**–**	2,359
Tunnels	**980**	983	**948**	900	**–**	–	**1,928**	1,883	**(194)**	(192)	**1,734**	1,691	**–**	–
Aviation	**–**	–	**–**	–	**–**	7,699	**–**	7,699	**–**	–	**–**	7,699	**15**	–
Dah Chong Hong	**11,072**	10,781	**258**	234	**130**	148	**11,460**	11,163	**(5,704)**	(5,994)	**5,756**	5,169	**524**	797
CITIC 1616	**2,532**	2,397	**–**	–	**–**	5	**2,532**	2,402	**(749)**	(819)	**1,783**	1,583	**376**	370
Other investments	**4,040**	862	**4,568**	4,280	**629**	360	**9,237**	5,502	**(113)**	(130)	**9,124**	5,372	**–**	–
Corporate	**8,159**	8,706	**–**	–	**–**	–	**8,159**	8,706	**(31,936)**	(40,467)	**(23,777)**	(31,761)	**–**	–
Segment assets/ (liabilities)	**128,033**	102,960	**22,097**	21,140	**5,611**	14,801	**155,741**	138,901	**(90,502)**	(83,177)	**65,239**	55,724	**20,866**	28,622

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.

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

in HK$ million	Group 2009	Group 2008
Mainland China	**59,132**	54,505
Hong Kong	**18,934**	24,352
Australia	**30,215**	20,166
Other countries	**860**	877
	109,141	99,900

6 Profit/(Loss) from Consolidated Activities

in HK$ million	Group 2009	2008
The profit/(loss) from consolidated activities is arrived at after crediting		
Rental income from		
investment properties		
Gross income	**788**	745
Less: direct outgoings	**(54)**	(92)
	734	653
other operating leases	**155**	124
write back of impairment loss on properties held for development	**–**	253

in HK$ million	Group 2009	2008
And after charging		
Cost of inventories	**33,566**	35,206
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses		
Staff costs	**2,668**	2,359
Depreciation of property, plant and equipment	**1,001**	940
Amortisation of leasehold land	**61**	44
Amortisation of intangible assets	**124**	107
Other operating expenses	**3,523**	3,028
Auditor's remuneration	**55**	34
Contributions to staff retirement schemes	**102**	95
Impairment losses provision on (Note)		
Other financial assets	**114**	177
Property, plant and equipment	**13**	2
Jointly controlled entities and associated companies	**339**	403
Trade and other receivable	**19**	41
Intangible assets	**2**	27
Operating lease rentals		
land and buildings	**289**	252

Note

in HK$ million	2009	2008
Impairment losses by operating segment		
Special steel (Note a)	**253**	2
Energy (Note b)	**75**	449
Dah Chong Hong	**30**	26
CITIC 1616	**–**	14
Other investments (Note c)	**129**	159
	487	650

Notes:

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

b. Certain energy businesses recorded losses in 2009. The impairment provision for the energy segment was determined by reference to values in use of the respective power plants in operation based on their estimated cashflows discounted at a rate of 10%.

c. The market value of certain listed shares were significantly below the purchase prices.

6 Profit/(Loss) from Consolidated Activities *continued*

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

in HK$ million	Group 2009	2008
Within 1 year	**701**	731
After 1 year but within 5 years	**612**	763
After 5 years	**51**	94
	1,364	1,588

7 Net Finance Charges

in HK$ million	Group 2009	2008
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	**1,240**	1,124
Bank loans not wholly repayable within five years	**947**	427
Other loans wholly repayable within five years	**268**	268
Other loans not wholly repayable within five years	**11**	14
	2,466	1,833
Amount capitalised	**(1,816)**	(1,086)
	650	747
Other finance charges	**62**	47
Other financial instruments		
Net realised loss	**155**	–
Fair value loss	**70**	493
	937	1,287
Finance income		
Interest income	**(313)**	(499)
	624	788

The capitalisation rates applied to funds borrowed are between 2.2% and 4.1% per annum (2008: 4.1% and 5.4% per annum).

8 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Overseas taxation is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

in HK$ million	Group **2009**	 2008
Current taxation		
Hong Kong profits tax	**226**	120
Overseas taxation	**553**	570
Deferred taxation (Note 32)		
Changes in fair value of investment properties	**19**	51
Origination and reversal of other temporary differences		
arising from leveraged foreign exchange contracts of an Australian subsidiary company	**88**	(1,259)
others	**210**	(27)
Effect of tax rate changes	**1**	(33)
	1,097	(578)
Aggregate current and deferred tax relating to items charged/(credited) to reserves		
Deferred tax relating to mining assets and others	**1,243**	(518)

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

in HK$ million	Group **2009**	 As restated 2008
Profit/(loss) before taxation	**7,926**	(12,357)
Less: share of results of		
jointly controlled entities	**(2,018)**	(200)
associated companies	**(642)**	1,761
	5,266	(10,796)
Calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**868**	(1,781)
Effect of different taxation rates in other jurisdictions	**54**	(657)
Effect of non-taxable income and non-deductible expenses		
arising from leveraged foreign exchange contracts	**–**	1,699
others	**(24)**	120
Utilisation of tax losses previously unrecognised and net of tax losses not recognised	**14**	65
Over provision in prior years	**(46)**	(31)
Effect of tax rate changes	**1**	(33)
Others	**230**	40
Taxation	**1,097**	(578)

9 Profit/(Loss) Attributable to Shareholders of the Company

The Group's profit/(loss) attributable to shareholders of the Company is recorded in the accounts of the Company to the extent of a profit of HK$2,247 million (2008: loss of HK$10,302 million).

10 Dividends

in HK$ million	**2009**	2008
2008 Final dividend paid: HK$Nil (2007: HK$0.80) per share	**–**	1,757
Interim		
2009 Interim dividend paid: HK$0.15 (2008: HK$0.30) per share	**547**	658
Final		
2009 Final dividend proposed: HK$0.25 (2008: HK$Nil) per share	**912**	–
	1,459	658
Dividend per share (HK$)	**0.40**	0.30

11 Earnings/(Loss) per Share

The calculation of earnings/(loss) per share is based on the consolidated profit attributable to shareholders of HK$5,950 million (2008: loss of HK$12,687 million).

The basic earnings/(loss) per share is based on the weighted average number of 3,646,765,954 shares in issue during the year (2008: 2,227,717,822 shares in issue). Diluted earnings per share for the year ended 31 December 2009 is the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of options because the exercise price was above the average market price of the Company's shares for the year ended 31 December 2009.

12 Directors' Emoluments

The remuneration of each Director for the year ended 31 December 2009 is set out below:

in HK$ million Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Share based payment	Retirement benefits	**2009** Total	2008 Total
Chang Zhenming#	0.16	–	5.00	3.198	–	**8.358**	0.20
Zhang Jijing#	0.14	–	–	2.665	–	**2.805**	–
Peter Lee Chung Hing#	0.15	2.08	18.00	2.665	0.10	**22.995**	2.35
Carl Yung Ming Jie#	0.15	1.63	8.00	2.665	0.08	**12.525**	1.86
Vernon Francis Moore#	0.15	2.05	10.00	2.665	0.01	**14.875**	2.22
Li Shilin#	0.15	0.56	–	–	–	**0.71**	0.71
Liu Jifu#	0.15	0.65	8.00	2.665	0.01	**11.475**	0.81
Milton Law Ming To#	0.15	1.76	7.50	2.665	0.08	**12.155**	2.02
Wang Ande#	0.15	1.56	8.00	2.665	–	**12.375**	1.71
Kwok Man Leung#*	0.42	1.39	10.00	2.715	0.06	**14.585**	1.52
Willie Chang	0.35	–	–	–	–	**0.35**	0.45
Hamilton Ho Hau Hay	0.20	–	–	–	–	**0.20**	0.20
Alexander Reid Hamilton	0.35	–	–	–	–	**0.35**	0.65
Hansen Loh Chung Hon	0.30	–	–	–	–	**0.30**	0.40
Norman Ho Hau Chong	0.25	–	–	–	–	**0.25**	0.25
André Desmarais	0.20	–	–	–	–	**0.20**	0.20
Ju Weimin	0.15	–	–	–	–	**0.15**	–
Yin Ke	0.02	–	–	–	–	**0.02**	–
Larry Yung Chi Kin	0.04	1.05	–	–	–	**1.09**	3.84
Henry Fan Hung Ling	0.04	1.26	–	–	–	**1.30**	3.60
Leslie Chang Li Hsien	–	–	–	–	–	**–**	1.89
Chau Chi Yin	–	–	–	–	–	**–**	1.71
	3.67	13.99	74.50	24.57	0.34	**117.07**	26.59

During the year, 4,600,000 share options were granted (2008: Nil) to directors of the Company.

Mr Chang Zhenming was appointed as executive director and chairman on 8 April 2009. He was a non-executive director before the change.

Mr Zhang Jijing was appointed as a non-executive director on 1 April 2009 and re-designated as executive director and appointed as managing director on 18 November 2009.

Mr Ju Weimin was appointed as non-executive director on 1 April 2009.

Mr Yin Ke was appointed as non-executive director on 18 November 2009.

Mr Larry Yung Chi Kin and Henry Fan Hung Ling resigned during the year.

Mr Leslie Chang Li Hsien and Mr Chau Chi Yin resigned during 2008.

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

* Included fees of HK$0.27 million and share based payment of HK$0.05 million from listed subsidiary companies of the Group.

13 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, four (2008: none) are directors whose emoluments are disclosed in Note 12.

The aggregate emoluments in respect of the other individual (2008: five) are as follows:

in HK$ million	**2009**	2008
Salaries and other emoluments	**8.31**	17.90
Discretionary bonuses	**11.85**	15.11
Retirement Scheme Contribution	**0.01**	0.49
Share based payment	**1.60**	–
	21.77	33.50

The number of these individuals with emoluments within the following bands were:

	2009	2008
HK$5,000,001 – HK$6,000,000	**–**	1
HK$6,000,001 – HK$7,000,000	**–**	2
HK$7,000,001 – HK$8,000,000	**–**	2
HK$21,000,001 – HK$22,000,000	**1**	–

14 Retirement Benefits

Hong Kong employees are offered the option to enrol in one of the MPF Master Trust Schemes under the CITIC Group MPF Scheme – the Fidelity Retirement Master Trust, the Hang Seng Mandatory Provident Fund and the RCM Mandatory Provident Fund. All these master trust schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in mainland China and other locations are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities and contributions are made according to the local mandatory requirements.

15 Fixed Assets and Properties under Development

a Group

in HK$ million	Fixed assets: Property, plant and equipment: Self-used properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 1 January 2009	**5,558**	**9,515**	**11,259**	**3,182**	**29,514**	**11,230**	**2,686**	**8,791**	**52,221**
Exchange adjustments	**33**	**38**	**19**	**35**	**125**	**14**	**6**	**31**	**176**
Additions	**73**	**73**	**16,541**	**361**	**17,048**	**–**	**73**	**3,134**	**20,255**
Acquisition of subsidiary companies	**9**	**–**	**198**	**24**	**231**	**–**	**6**	**–**	**237**
Disposals	**(73)**	**(92)**	**(21)**	**(345)**	**(531)**	**(85)**	**(4)**	**(270)**	**(890)**
Change in fair value of investment properties	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**–**	**90**
Transfer to current assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,172)**	**(2,172)**
Transfer upon completion	**2,058**	**4,295**	**(6,336)**	**185**	**202**	**–**	**(1)**	**(201)**	**–**
Reclassification	**110**	**(5)**	**78**	**(58)**	**125**	**(85)**	**37**	**(77)**	**–**
At 31 December 2009	**7,768**	**13,824**	**21,738**	**3,384**	**46,714**	**11,164**	**2,803**	**9,236**	**69,917**
Accumulated depreciation, amortisation and impairment									
At 1 January 2009	**1,174**	**3,233**	**23**	**2,056**	**6,486**	**–**	**366**	**161**	**7,013**
Exchange adjustments	**5**	**13**	**–**	**11**	**29**	**–**	**–**	**1**	**30**
Charge for the year	**181**	**475**	**1**	**335**	**992**	**–**	**61**	**9**	**1,062**
Depreciation capitalised to construction in progress	**3**	**288**	**–**	**28**	**319**	**–**	**4**	**–**	**323**
Written back on disposals	**(27)**	**(69)**	**–**	**(265)**	**(361)**	**–**	**(5)**	**–**	**(366)**
Impairment loss	**6**	**2**	**–**	**5**	**13**	**–**	**–**	**–**	**13**
Reclassification	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
At 31 December 2009	**1,342**	**3,941**	**24**	**2,171**	**7,478**	**–**	**426**	**171**	**8,075**
Net book value									
At 31 December 2009	**6,426**	**9,883**	**21,714**	**1,213**	**39,236**	**11,164**	**2,377**	**9,065**	**61,842**
Represented by									
Cost	**7,768**	**13,824**	**21,738**	**3,384**	**46,714**	**–**	**2,803**	**9,236**	**58,753**
Valuation	**–**	**–**	**–**	**–**	**–**	**11,164**	**–**	**–**	**11,164**
	7,768	**13,824**	**21,738**	**3,384**	**46,714**	**11,164**	**2,803**	**9,236**	**69,917**

15 Fixed Assets and Properties under Development *continued*

a Group *continued*

in HK$ million	Fixed assets: Property, plant and equipment: Self-used properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 1 January 2008	4,869	7,658	2,484	2,640	17,651	10,895	1,959	4,656	35,161
Exchange adjustments	193	425	49	28	695	364	56	233	1,348
Additions	188	547	10,141	462	11,338	5	402	5,369	17,114
Acquisition of subsidiary companies	422	65	6	220	713	36	96	–	845
Disposals	(301)	(453)	(44)	(185)	(983)	(1)	(42)	(15)	(1,041)
Change in fair value of investment properties	–	–	–	–	–	12	–	–	12
Reclassification	12	5	(19)	1	(1)	–	173	(172)	–
Transfer to self-used properties/ leasehold land	101	–	–	–	101	(143)	42	–	–
Transfer to current assets	–	–	–	–	–	–	–	(1,218)	(1,218)
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	2,686	8,791	52,221
Accumulated depreciation, amortisation and impairment									
At 1 January 2008	977	2,647	90	1,783	5,497	–	318	411	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)	–	(3)	(1)	(488)
Impairment loss	1	1	–	–	2	–	–	–	2
Written back impairment loss	–	–	–	–	–	–	–	(253)	(253)
Reclassification	(10)	46	(36)	(1)	(1)	–	1	–	–
At 31 December 2008	1,174	3,233	23	2,056	6,486	–	366	161	7,013
Net book value									
At 31 December 2008	4,384	6,282	11,236	1,126	23,028	11,230	2,320	8,630	45,208
Represented by									
Cost	5,558	9,515	11,259	3,182	29,514	–	2,686	8,791	40,991
Valuation	–	–	–	–	–	11,230	–	–	11,230
	5,558	9,515	11,259	3,182	29,514	11,230	2,686	8,791	52,221

15 Fixed Assets and Properties under Development *continued*

a Group *continued*

Notes:

i) During the year, interest capitalised in properties under development and construction in progress amounts to HK$401 million (2008: HK$242 million) and HK$394 million (2008: HK$221 million) respectively.

ii) As at 31 December 2009, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$15,779 million (2008: HK$7,845 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

iii) Construction in progress comprises the development of an iron ore mine in Western Australia amounting to HK$14,745 million (2008: HK$6,480 million), and expansion of the Group's special steel mills amounting to HK$6,819 million (2008: HK$4,670 million) and others of HK$174 million (2008: HK$109 million).

iv) Other property, plant and equipment comprise traffic equipment, cargo lighters, computer installations, telecommunications equipment, motor vehicles and furniture, fixtures and equipment.

v) As at 31 December 2009, certain of the Group's properties under development are in the process of applying for certificates of land use rights in the PRC.

vi) Capital commitments of the Group in respect of fixed assets and properties under development:

in HK$ million	**2009**	2008
Authorised but not contracted for		
property, plant and equipment, properties under development and leasehold land	**3,040**	263
Contracted but not provided for		
property, plant and equipment, properties under development and leasehold land	**18,311**	23,955

	Group	
in HK$ million	**2009**	2008
Additions to fixed assets and properties under development by operating segment		
Special steel	**8,032**	5,235
Iron ore mining	**8,531**	6,045
Property	**3,160**	5,257
Tunnels	**14**	7
Dah Chong Hong	**404**	438
CITIC 1616	**112**	124
Other investments	**2**	8
	20,255	17,114
Additions to fixed assets and properties under development by geographical area		
Mainland China	**11,190**	10,487
Hong Kong	**534**	582
Overseas	**8,531**	6,045
	20,255	17,114
Depreciation and amortisation by segment		
Special steel	**644**	619
Property	**64**	73
Tunnels	**6**	4
Dah Chong Hong	**235**	183
CITIC 1616	**106**	99
Other investments	**7**	6
	1,062	984

15 Fixed Assets and Properties under Development *continued*

b Company

in HK$ million	Motor vehicles, equipment, furniture and fixtures 2009	2008
Cost		
At 1 January	**109**	106
Additions	**2**	3
Disposals	**(6)**	–
At 31 December	**105**	109
Accumulated depreciation		
At 1 January	**93**	87
Charge for the year	**5**	6
Written back on disposals	**(3)**	–
At 31 December	**95**	93
Net book value, at cost		
At 31 December	**10**	16

c The tenure of the properties of the Group is as follows:

	Self-used properties		Investment properties		Properties under development*		Leasehold land		Total	
in HK$ million	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Leasehold properties held										
In Hong Kong										
Leases of over 50 years	**23**	23	**849**	852	**–**	–	**–**	–	**872**	875
Leases of between 10 to 50 years	**1,007**	1,046	**3,879**	3,929	**24**	81	**1,151**	1,114	**6,061**	6,170
Leases of less than 10 years	**12**	16	**–**	–	**–**	–	**–**	–	**12**	16
In mainland China										
Leases of over 50 years	**247**	141	**1,545**	1,499	**3,337**	4,759	**23**	–	**5,152**	6,399
Leases of between 10 to 50 years	**6,182**	4,087	**4,470**	4,479	**5,875**	3,951	**1,608**	1,572	**18,135**	14,089
Leases of less than 10 years	**76**	26	**–**	–	**–**	–	**21**	–	**97**	26
Properties held overseas										
Freehold	**221**	219	**421**	471	**–**	–	**–**	–	**642**	690
	7,768	5,558	**11,164**	11,230	**9,236**	8,791	**2,803**	2,686	**30,971**	28,265

* Amount includes properties under development for sale classified as non-current assets of HK$7,577 million (2008: HK$7,505 million).

15 Fixed Assets and Properties under Development *continued*

d Property Valuation

Investment properties were revalued at 31 December 2009 by the following independent, professionally qualified valuers.

Properties located in	Valuers
Hong Kong and Shanghai	Knight Frank Petty Limited
Japan	Tekko Building Co., Limited

e Fixed assets and properties held for sale under current assets of the Group let under operating leases to generate rental income are as follows:

in HK$ million	Investment properties	Self-used properties	Other fixed assets	Fixed assets total	Properties held for sale
Cost or valuation	**11,164**	**25**	**217**	**11,406**	**310**
Accumulated depreciation/impairment	**–**	**(10)**	**(130)**	**(140)**	**(67)**
Net book value at 31 December 2009	**11,164**	**15**	**87**	**11,266**	**243**
Depreciation charges/amortisation charges for the year	**–**	**–**	**33**	**33**	**3**
Cost or valuation	11,230	6	217	11,453	310
Accumulated depreciation/amortisation	–	(2)	(123)	(125)	(64)
Net book value at 31 December 2008	11,230	4	94	11,328	246
Depreciation charges/amortisation charges for the year	–	–	34	34	3

16 Subsidiary Companies

	Company	
in HK$ million	**2009**	2008
Non-current		
Unlisted shares, at cost less impairment losses	**1,363**	1,101
Amounts due by subsidiary companies (Note)	**59,880**	63,925
	61,243	65,026
Current		
Amounts due from subsidiary companies (Note)*	**1,467**	1,577
Amounts due to subsidiary companies (Note)*	**(9,288)**	(9,801)
	(7,821)	(8,224)

Particulars of the principal subsidiary companies are shown in Note 43.

Note: Amounts due by subsidiary companies and amounts due to subsidiary companies are interest bearing at market rates except for amounts due by subsidiary companies of approximately HK$40,166 million (2008: HK$41,137 million) and amounts due to subsidiary companies of approximately HK$5,796 million (2008: HK$6,304 million), which are non-interest bearing. These loans have no fixed repayment terms and were not in default or impaired except for a provision for impairment loss of HK$879 million which was made in 2009 (2008: HK$1,198 million).

* These amounts approximate fair value.

17 Jointly Controlled Entities

in HK$ million	Group 2009	2008
Share of net assets	**15,909**	14,333
Goodwill and intangible assets		
At 1 January	**2,219**	512
Additions (Note a)	**–**	1,574
Disposal	**(28)**	–
Amortisation	**(13)**	(4)
Exchange differences	**6**	137
At 31 December	**2,184**	2,219
	18,093	16,552
Loans due from jointly controlled entities (Note c)	**4,005**	4,589
Loans due to jointly controlled entities (Note c)	**(1)**	(1)
	22,097	21,140

in HK$ million	Company 2009	2008
Unlisted shares, at cost	**4,244**	4,244
Loans due from jointly controlled entities	**858**	1,061
	5,102	5,305

Note:

a. During 2008, the Group acquired a 30% interest in a jointly controlled entity, Shangdong Xin Ju Long Energy Co. Ltd. which owns a coal mine in Shangdong Province, China, for a consideration of RMB1.56 billion, equivalent to approximately HK$1,766 million.

b. Jointly controlled entities include the Western Harbour Tunnel Company Limited ('WHTCL') whose year end is 31 July which is not coterminous with the Group's year end. The results of certain jointly controlled entities (including WHTCL) have been equity accounted for based on their unaudited accounts for the years ended 31 December 2008 and 2009.

c. Loans due from jointly controlled entities and loans due to jointly controlled entities are interest bearing at market rates except for loans to jointly controlled entities of approximately HK$1,567million (2008: HK$1,423 million), which are non-interest bearing. These loans have no fixed repayment terms and were not in default or impaired, and the carrying amounts approximate their fair value.

17 Jointly Controlled Entities *continued*

d. The following amounts represent the Group's share of the assets and liabilities, and revenue and results of jointly controlled entities and are included in the consolidated balance sheet and the consolidated profit and loss account using the equity method and after adjusting for goodwill and amortisation:

in HK$ million	**2009**	2008
Assets		
Non-current assets	**22,809**	23,087
Current assets	**19,916**	18,399
	42,725	41,486
Liabilities		
Non-current liabilities	**(12,104)**	(13,335)
Current liabilities	**(14,434)**	(13,583)
	(26,538)	(26,918)
Net assets	**16,187**	14,568
Revenue	**18,394**	20,524
Expenses	**(15,908)**	(20,254)
	2,486	270
Taxation	**(407)**	(97)
Profit for the year	**2,079**	173
Share of jointly controlled entities' capital commitments (Note i)		
authorised but not contracted for	**22**	–
contracted but not provided for	**1,191**	1,285

Note:

i) The Group has fully contributed its attributable portion of capital and loans to the respective jointly controlled entities.

ii) There are no material contingent liabilities for 2009 and 2008 to be shared by the Group.

e. Particulars of the principal jointly controlled entities are shown in Note 43.

18 Associated Companies

in HK$ million	2009	Group As restated 31 December 2008	As restated 1 January 2008
Share of net assets	**3,433**	10,997	13,510
Goodwill			
At 1 January	**1,439**	1,439	1,444
Disposal	**(1,374)**	(1)	(5)
Exchange differences	**–**	1	–
At 31 December	**65**	1,439	1,439
Loans due from associated companies (Note b)	**2,122**	2,375	2,746
Loans due to associated companies (Note b)	**(9)**	(10)	(12)
	5,611	14,801	17,683
Investment at cost			
Unlisted shares	**2,673**	5,051	4,744
Shares listed in Hong Kong	**–**	6,247	6,252
	2,673	11,298	10,996
Market value of listed shares	**–**	5,998	14,033

in HK$ million	Company 2009	2008
Investment at cost		
Unlisted shares	**303**	2,197
Shares listed in Hong Kong	**–**	931
	303	3,128
Loans due from associated companies	**2,250**	2,432
Loans due to associated companies	**(9)**	(9)
	2,544	5,551
Market value of listed shares	**–**	624

18 Associated Companies *continued*

Dividend income from associated companies during the year is as follows:

in HK$ million	Group 2009	2008
Listed associated companies	**–**	426
Unlisted associated companies	**268**	349
	268	775

Note:

a. Associated companies include the Hong Kong Resort Company Limited ('HKR') whose year end is 31 March which is not coterminous with the Group's year end. The results of certain associated companies including HKR have been equity accounted for based on their unaudited management accounts for the years ended 31 December 2008 and 2009.

b. Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for loans due to associated companies of approximately HK$9million (2008: HK$9 million), which are non-interest bearing. These loans have no fixed repayment terms and were not in default or impaired except for a provision for impairment loss of HK$24 million made in 2007 for the loans due from an associated company. The carrying amounts of the loans approximate their fair value.

c. Particulars of the principal associated companies are shown in Note 43.

Summarised financial information of the associated companies on a gross basis:

in HK$ million	Group 2009	As restated 2008
Assets	**19,616**	208,489
Liabilities	**14,000**	151,385
Revenue	**7,843**	110,001
Profit/(loss)	**1,753**	(10,373)
Capital commitments		
authorised but not contracted for	**99**	58
contracted but not provided for	**1,002**	653
Contingent liabilities	**199**	214

19 Other Financial Assets

in HK$ million	Group 2009	2008
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	**2,174**	683
Shares listed overseas	**–**	3
	2,174	686
Others		
Unlisted investments		
Shares, at cost	**11**	11
Investment fund, at fair value	**13**	–
Loans receivable	**–**	366
	2,198	1,063

Other financial assets are denominated in the following currencies:

in HK$ million	Group 2009	2008
Hong Kong dollars	**2,185**	690
Renminbi	**–**	370
Other currencies	**13**	3
	2,198	1,063

20 Intangible Assets

in HK$ million	Goodwill	Intangible assets: Mining assets	Intangible assets: Vehicular tunnel	Intangible assets: Others	Total
Cost					
At 1 January 2009	**966**	**6,898**	**2,000**	**265**	**10,129**
Exchange adjustment	**2**	**10**	**–**	**–**	**12**
Additions	**191**	**1,703**	**–**	**26**	**1,920**
Acquisition of subsidiaries	**90**	**–**	**–**	**38**	**128**
At 31 December 2009	**1,249**	**8,611**	**2,000**	**329**	**12,189**
Accumulated amortisation and impairment losses					
At 1 January 2009	**25**	**21**	**1,098**	**6**	**1,150**
Charge for the year	**–**	**–**	**106**	**18**	**124**
Impairment loss	**–**	**–**	**–**	**2**	**2**
At 31 December 2009	**25**	**21**	**1,204**	**26**	**1,276**
Net book value					
At 31 December 2009	**1,224**	**8,590***	**796**	**303**	**10,913**
Cost					
At 1 January 2008	639	2,984	2,000	–	5,623
Exchange adjustment	9	(10)	–	1	–
Additions	–	3,924	–	42	3,966
Acquisition of subsidiaries	318	–	–	222	540
At 31 December 2008	966	6,898	2,000	265	10,129
Accumulated amortisation and impairment losses					
At 1 January 2008	25	–	996	–	1,021
Exchange adjustment	–	(5)	–	–	(5)
Charge for the year	–	–	102	5	107
Impairment loss	–	26	–	1	27
At 31 December 2008	25	21	1,098	6	1,150
Net book value					
At 31 December 2008	941	6,877*	902	259	8,979

* Including site restoration and mining rights provisions of HK$807 million (2008: HK$734 million). For details see Note 33.

The amortisation charge for the year is included in 'other operating expenses' in the consolidated profit and loss account.

As at 31 December 2009, the remaining amortisation period of the vehicle tunnel is 7 years, whilst the mining assets are currently under construction and will be amortised on a unit of production basis on completion of construction and when the mine is in production. The Group estimates that it will mine a total of 2 billion tones of iron ore over a period of approximately 25 years.

20 Intangible Assets *continued*

Analysed by:

in HK$ million	2009 Goodwill	2009 Intangible assets Mining assets (Note a)	2009 Intangible assets Vehicular tunnel (Note b)	2009 Intangible assets Others	2008 Goodwill	2008 Intangible assets Mining assets	2008 Intangible assets Vehicular tunnel	2008 Intangible assets Others
Special steel	**231**	**–**	**–**	**–**	66	–	–	–
Iron ore mining	**25**	**8,590**	**–**	**–**	–	6,877	–	–
Property								
Mainland China	**323**	**–**	**–**	**–**	297	–	–	–
Tunnels	**7**	**–**	**796**	**–**	7	–	902	–
Dah Chong Hong	**287**	**–**	**–**	**263**	283	–	–	241
CITIC 1616	**351**	**–**	**–**	**40**	288	–	–	18
	1,224	**8,590**	**796**	**303**	941	6,877	902	259

Note:

a. Current year addition to goodwill mainly represents expected increases in value of group synergy by the acquisition of the remaining minority interest in Jiangyin Xincheng Steel Mills.

b. The vehicular tunnel rights represent a franchise to operate a vehicular tunnel for the period ending 7 August 2016. At the end of the franchise period, the assets of the franchise will be vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise.

21 Non-Current Deposits

in HK$ million	Group **2009**	Group 2008
Non-current deposits represent deposit payments for		
Construction of cargo ships	**3,847**	3,754
Land acquisitions	**156**	339
Acquisition and construction of other property, plant and equipment mainly in relation to the Group's steel plant new phases and the Australian iron ore mining project	**2,477**	4,616
	6,480	8,709

22 Other Assets Held for Sale

As at 31 December 2009, an interest in an associated company, North United Power Corporation was presented as an asset held for sale as a sale contract has been entered into with a state-owned enterprise in PRC (see Note 38 for definition) during the year. This disposal is expected to be completed in 2010.

23 Inventories

in HK$ million	Group 2009	2008
Raw materials	**2,540**	1,350
Work-in-progress	**892**	676
Finished goods	**3,265**	3,407
Others	**286**	172
	6,983	5,605

An amount of HK$35 million (2008: HK$353 million) for write-down and HK$387 million (2008: HK$25 million) for reversal of write-down of inventories to net realisable value have been included in cost of sales in the profit and loss account.

24 Debtors, Accounts Receivable, Deposits and Prepayments

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Trade debtors and bills receivable aged				
Within 1 year	**5,322**	5,281	**–**	–
Over 1 year	**134**	56	**–**	–
	5,456	5,337	**–**	–
Accounts receivable, deposits and prepayments	**5,626**	4,594	**129**	190
	11,082	9,931	**129**	190

Note:

i) Trade debtors are net of provision and the ageing is classified based on invoice date.

ii) Each business unit has its own defined credit policy.

iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair value.

iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$183 million (2008: HK$181 million), which are unsecured, interest free and recoverable on demand, except for an amount of HK$Nil (2008: HK$1.3 million) which is interest bearing, and amounts due from associated companies of HK$27 million (2008: HK$27 million) which are unsecured, interest free and recoverable on demand.

As of 31 December 2009, trade receivables of HK$104 million (2008: HK$166 million) were past due but not impaired. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

in HK$ million	**2009**	2008
Less than 3 months	**84**	–
3 to 6 months	**17**	131
Over 6 months	**3**	35
	104	166

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

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

in HK$ million	**2009**	2008
At 1 January	**141**	83
Exchange adjustments	**–**	6
Provision for impairment loss	**19**	41
Receivables written off during the year	**(14)**	(4)
Unused amounts reversed	**(20)**	–
Impairment loss written back	**(9)**	–
Through acquisition of a subsidiary company	**10**	15
At 31 December	**127**	141

The creation and release of provision for impairment losses has been included in other operating expenses in the consolidated profit and loss account. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

As of 31 December 2009, trade receivables of HK$125 million (2008: HK$162 million) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which are in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific provision for impairment loss of HK$78 million (2008: HK$91 million) was recognised against the receivables. The Group does not hold any collateral over these balances.

Accounts receivable, deposits and prepayments do not contain impaired assets.

25 Creditors, Accounts Payable, Deposits and Accruals

	Group		Company	
in HK$ million	**2009**	2008	**2009**	2008
Trade creditors and bills payable aged				
Within 1 year	**6,983**	5,517	**–**	–
Over 1 year	**482**	424	**–**	–
	7,465	5,941	**–**	–
Accounts payable, deposits and accruals	**12,527**	7,559	**143**	300
	19,992	13,500	**143**	300

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

Financial Statements

26 Share Capital

	Number of shares of HK$0.40 each	HK$ million
Authorised		
At 31 December 2008 and 2009	6,000,000,000	2,400
Issued and fully paid		
At 1 January 2008	2,212,127,160	885
Issue of shares during the year	1,453,468,000	581
Repurchased during the year	(19,321,000)	(8)
At 31 December 2008	3,646,274,160	1,458
At 1 January 2009	3,646,274,160	1,458
Issue of shares pursuant to the Plan	2,414,000	1
At 31 December 2009	3,648,688,160	1,459

Changes during the year:

During 2009, the Company issued and allotted a total of 2,364,000 shares at HK$19.90 per share and 50,000 shares at HK$22.10 per share upon the exercise of share options which were granted under the Plan.

Share Option Plan:

Under the CITIC Pacific Share Incentive Plan 2000 ('the Plan') adopted on 31 May 2000, the Board may invite any director, executive or employee of the Company or any of its subsidiary companies to subscribe for options over the Company's shares on payment of HK$1 per acceptance. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of the Company from time to time or (ii) the issued share capital of the Company as at the date of adopting the Plan, whichever is the lower.

Since the adoption of the Plan and up to the year ended 31 December 2009, the Company has granted five lots of share options:

					Outstanding balance	
Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	At 31 December 2009	At 31 December 2008
28 May 2002	11,550,000	0.32%	18.20	18.10	–	–
1 November 2004	12,780,000	0.35%	19.90	19.90	–	4,914,000
20 June 2006	15,930,000	0.44%	22.10	22.50	6,346,000	7,996,000
16 October 2007	18,500,000	0.51%	47.32	47.65	13,250,000	16,850,000
19 November 2009	13,890,000	0.38%	22.00	21.40	13,890,000	–

Subsequent to the year end, the Company has granted 880,000 share options on 14 January 2010 at the exercise price of HK$20.59 per share.

All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant.

Other than the Plan, certain of the Company's subsidiary companies have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

26 Share Capital *continued*

a Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009 Average exercise price in HK$ per share	**2009** Options	2008 Average exercise price in HK$ per share	2008 Options
At 1 January		**29,760,000**		30,153,000
Granted	**22.00**	**13,890,000**	–	–
Exercised	**19.95**	**(2,414,000)**	22.10	(343,000)
Lapsed	**33.09**	**(7,750,000)**	47.32	(50,000)
At 31 December		**33,486,000**		29,760,000
Weighted average remaining contractual life		**3.41 years**		2.95 years

Details of share options exercised during the year:

Exercise price HK$	Number of shares **2009**	Number of shares 2008
19.90	**2,364,000**	–
22.10	**50,000**	343,000
	2,414,000	343,000

The related weighted average share price at the time of exercise was HK$20.63 (2008: HK$35.19) per share.

b Fair Value of Share Options and Assumptions

The fair value of an option on one CITIC Pacific share granted in the year ended 31 December 2009 measured as at the grant date of 19 November 2009 was HK$5.33 based on the following data and assumptions using the Binomial Lattice Model ('Model'):

- The share price at the grant date is HK$21.55
- The exercise price is HK$22.00
- The option's contractual life is 5 years
- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 2.75 years
- Expected volatility of CITIC Pacific's share price at 50% per annum (based on historical movements of share prices and the trend of the volatility rate in recent years)
- Expected annual dividend yield of 4% (based on historical dividend payments)
- Rate of eligible grantees leaving service assumed at 7% per annum
- Early exercise assumption for option holders to exercise their options when the share price is at least 150% of the exercise price
- Risk-free interest rate of 0.65% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at grant date)

The result of the valuation can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to the Model and assumptions adopted.

All the options forfeited before expiry of the Plan will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Plan.

The total expense recognised in the Company's profit and loss account for the year ended 31 December 2009 in respect of the grant of the aforesaid 13,890,000 options was HK$74,033,700 (2008: Nil).

27 Reserves

a Group

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2009, as previously reported	36,467	29	958	(1,738)	238	4,781	(3,478)	986	10,270	48,513
Share of retained earnings of an associated company on the adoption of HK(IFRIC)-13	–	–	–	–	–	–	–	–	(283)	(283)
At 1 January 2009, as restated	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230
Share of reserves of associated companies	–	–	10	–	2	–	31	–	(6)	37
Share of reserves of jointly controlled entities	–	–	8	–	6	(16)	9	1	–	8
Exchange translation differences	–	–	–	–	–	235	–	–	–	235
Reserves released on deemed disposal of jointly controlled entities	–	–	(19)	–	–	(8)	–	–	–	(27)
Reserves released on disposal of associated companies	–	–	(10)	–	(112)	133	39	–	–	50
Cash flow hedges										
Fair value gain in the year	–	–	–	–	–	–	5,676	–	–	5,676
Transfer to construction in progress	–	–	–	–	–	–	(501)	–	–	(501)
Transfer to net finance charges	–	–	–	–	–	–	380	–	–	380
Tax effect	–	–	–	–	–	–	(1,243)	–	–	(1,243)
	–	–	–	–	–	–	4,312	–	–	4,312
Fair value gain on other financial assets	–	–	–	–	509	–	–	–	–	509
Fair value released on disposal of financial assets	–	–	–	–	(80)	–	–	–	–	(80)
Transfer from profits	–	–	–	–	–	–	–	160	(160)	–
Issue of shares pursuant to the Plan	48	–	–	–	–	–	–	–	–	48
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	5,950	5,950
Dividends (Note 10)	–	–	–	–	–	–	–	–	(547)	(547)
Share-based payment	–	–	75	–	–	–	–	–	–	75
At 31 December 2009	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Representing										
At 31 December 2009 after proposed final dividend										57,888
2009 Final dividend proposed										912
										58,800
Retained by										
Company and subsidiary companies	36,515	29	898	(1,738)	541	4,634	923	1,130	9,836	52,768
Jointly controlled entities	–	–	93	–	22	108	(10)	17	4,088	4,318
Associated companies	–	–	3	–	–	–	–	–	1,300	1,303
Non-current assets held for sale	–	–	28	–	–	383	–	–	–	411
	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800

27 Reserves *continued*

a Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 2008, as previously reported	25,415	21	240	(1,738)	4,756	3,016	185	765	26,248	58,908
Share of retained earnings of an associated company on the adoption of HK(IFRIC)-13	–	–	–	–	–	–	–	–	(258)	(258)
At 1 January 2008, as restated	25,415	21	240	(1,738)	4,756	3,016	185	765	25,990	58,650
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)
Cash flow hedges										
Fair value loss in the year	–	–	–	–	–	–	(4,069)	–	–	(4,069)
Transfer to net finance charges	–	–	–	–	–	–	92	–	–	92
Tax effect	–	–	–	–	–	–	518	–	–	518
	–	–	–	–	–	–	(3,459)	–	–	(3,459)
Fair value loss on other financial assets	–	–	–	–	(453)	–	–	–	–	(453)
Fair value released on disposal of financial assets	–	–	–	–	(4,095)	–	–	–	–	(4,095)
Transfer to the 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 (Notes 26)	11,044	–	641	–	–	–	–	–	–	11,685
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	–	(12,687)	(12,687)
Dividends (Note 10)	–	–	–	–	–	–	–	–	(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	9,987	48,230
Retained by										
Company and subsidiary companies	36,467	29	823	(1,738)	112	4,782	(3,390)	970	6,139	44,194
Jointly controlled entities	–	–	103	–	16	132	(19)	16	2,160	2,408
Associated companies	–	–	32	–	110	(133)	(69)	–	1,688	1,628
	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230

27 Reserves *continued*

b Company

in HK$ million	Capital redemption reserve	Capital reserve	Hedging reserve	Share premium	Retained profits	Total
At 1 January 2009	**29**	**804**	**(2,297)**	**36,467**	**3,409**	**38,412**
Share-based payment	**–**	**74**	**–**	**–**	**–**	**74**
Issue of shares pursuant to the Plan	**–**	**–**	**–**	**48**	**–**	**48**
Cash flow hedges						
Fair value gain in the year	**–**	**–**	**1,046**	**–**	**–**	**1,046**
Transfer to net finance charges	**–**	**–**	**365**	**–**	**–**	**365**
	–	**–**	**1,411**	**–**	**–**	**1,411**
Profit attributable to shareholders of the Company (Note 9)	**–**	**–**	**–**	**–**	**2,247**	**2,247**
Dividends (Note 10)	**–**	**–**	**–**	**–**	**(547)**	**(547)**
At 31 December 2009	**29**	**878**	**(886)**	**36,515**	**5,109**	**41,645**
Representing						
At 31 December 2009 after proposed final dividend						**40,733**
2009 Final dividend proposed						**912**
						41,645
At 1 January 2008	21	164	(50)	25,415	16,782	42,332
Issue of shares pursuant to the Plan	–	(1)	–	8	–	7
Cash flow hedges						
Fair value loss in the year	–	–	(2,339)	–	–	(2,339)
Transfer to net finance charges	–	–	92	–	–	92
	–	–	(2,247)	–	–	(2,247)
Premium on shares issued	–	641	–	11,044	–	11,685
Loss attributable to shareholders of the Company (Note 9)	–	–	–	–	(10,302)	(10,302)
Dividends (Note 10)	–	–	–	–	(2,415)	(2,415)
Share repurchase	8	–	–	–	(656)	(648)
At 31 December 2008	29	804	(2,297)	36,467	3,409	38,412

27 Reserves *continued*

c Nature and Purpose of Reserves

i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

ii) Capital reserve

The capital reserve comprises the following:

- the portion of the grant date fair value of unexercised share options granted to employees
- the amount allocated to the unexercised equity component of convertible notes issued

iii) Goodwill

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

iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

vii) Distributable reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance was HK$5,109 million (2008: HK$3,409 million).

28 Borrowings

a

in HK$ million	Group **2009**	Group 2008	Company **2009**	Company 2008
Short term borrowings				
Bank loans				
unsecured	**2,652**	6,704	**–**	3,355
secured	**49**	324	**–**	–
	2,701	7,028	**–**	3,355
Other loans				
unsecured	**–**	6	**–**	–
secured	**56**	105	**–**	–
	56	111	**–**	–
Current portion of long term borrowings	**1,600**	2,243	**700**	1,246
Total short term borrowing	**4,357**	9,382	**700**	4,601
Long term borrowings				
Bank loans				
unsecured	**46,819**	37,577	**26,534**	28,483
secured	**12,059**	8,478	**–**	–
	58,878	46,055	**26,534**	28,483
Other loans				
unsecured	**4,040**	4,040	**–**	–
Less: current portion of long term borrowings	**(1,600)**	(2,243)	**(700)**	(1,246)
Total long term borrowings	**61,318**	47,852	**25,834**	27,237
Total borrowings	**65,675**	57,234	**26,534**	31,838
Analysed into				
unsecured	**53,511**	48,327	**26,534**	31,838
secured	**12,164**	8,907	**–**	–
	65,675	57,234	**26,534**	31,838

Note:

i) On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of the Company and for general corporate purposes, to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at 31 December 2009.

ii) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. All of the JPY Notes remained outstanding at 31 December 2009.

iii) 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.

iv) As at 31 December 2009, certain of the Group's inventories, deposits, accounts receivable, properties under development and self-used properties with an aggregate carrying value of HK$903 million (2008: HK$746 million) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$23.5 billion (2008: HK$15.1 billion) of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$1.1 billion. Shipbuilding contracts of HK$5.1 billion (2008: HK$5.1 billion) for the 12 ships being built to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$29.5 billion (2008: HK$20.9 billion).

28 Borrowings *continued*

b The maturity of the Group's and the Company's long term borrowings is as follows:

in HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Bank loans are repayable				
in the first year	**1,599**	2,242	**700**	1,246
in the second year	**11,114**	5,625	**5,984**	2,992
in the third to fifth years inclusive	**20,862**	21,867	**13,230**	15,975
after the fifth year	**25,303**	16,321	**6,620**	8,270
	58,878	46,055	**26,534**	28,483
Other loans are repayable				
in the first year	**1**	1	**–**	–
in the second year	**3,510**	–	**–**	–
in the third to fifth years inclusive	**–**	3,510	**–**	–
after the fifth year	**529**	529	**–**	–
	4,040	4,040	**–**	–
	62,918	50,095	**26,534**	28,483

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

in HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Total borrowings	**65,675**	57,234	**26,534**	31,838
Borrowing at fixed rates for more than one year (from balance sheet date)	**(3,815)**	(3,984)	**(78)**	(78)
Interest rate swaps converting floating to fixed	**(21,096)**	(8,044)	**(14,166)**	(7,744)
Borrowings subject to interest-rate changes	**40,764**	45,206	**12,290**	24,016

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

	Group 2009	Group 2008	Company 2009	Company 2008
Total borrowings	**3.7%**	4.7%	**3.3%**	4.2%

d The fair value of borrowings is HK$64,371 million (2008: HK$53,033 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrecognised gain of HK$1,304 million (2008: HK$4,201 million). This unrecognised gain has not been recorded in the accounts as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

28 Borrowings *continued*

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

in HK$ million	Group 2009	2008	Company 2009	2008
Hong Kong dollar	**11,405**	14,886	**10,547**	13,983
US dollar	**40,834**	30,165	**15,987**	17,298
Renminbi	**12,805**	10,970	**–**	–
Other currencies	**631**	1,213	**–**	557
	65,675	57,234	**26,534**	31,838

The Group has the following undrawn borrowing facilities:

in HK$ million	Group 2009	2008	Company 2009	2008
Floating rate				
expiring within one year	**2,058**	3,032	**823**	1,862
expiring beyond one year	**14,570**	17,285	**12,545**	3,809
	16,628	20,317	**13,368**	5,671

29 Financial Risk Management and Fair Values

Financial Risk Factors

The Group is exposed to a variety of financial risks and manages them through a combination of financial instruments.

An Asset and Liability Management Committee ('ALCO') was set up by the board in October 2008 to oversee and monitor the exposures of the Group and it meets on a monthly basis.

Management of raising finance and financial exposures is centralised at head office but specific responsibilities are delegated to business units as appropriate.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 31 December 2009, HK$24.9 billion (2008: HK$12 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$1.9 billion of forward starting swaps were outstanding that had not become effective as of 31 December 2009.

At 31 December 2009, if interest rates had been 1% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	Group			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	**(260)**	**–**	**260**	**–**
Cash and bank deposits	**213**	**–**	**(213)**	**–**
Derivatives	**132**	**1,568**	**(148)**	**(1,765)**

	Company			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	**(124)**	**–**	**124**	**–**
Cash and bank deposits	**78**	**–**	**(78)**	**–**
Derivatives	**95**	**871**	**(107)**	**(976)**

At 31 December 2008, if interest rates had been 1% higher/lower, with all other variables held constant, the hypothetical impact would have been:

	Group			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(190)	–	190	–
Cash and bank deposits	157	–	(157)	–
Derivatives	82	2,113	(89)	(2,375)

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations *continued*

	Company			
	1% higher		1% lower	
in HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(240)	–	240	–
Cash and bank deposits	73	–	(73)	–
Derivatives	82	1,185	(89)	(1,315)

As described in Note 4(i), the Group completed the restructuring of its leveraged AUD/USD contracts into plain vanilla forward contracts with an aggregate notional amount of AUD2 billion outstanding at 31 December 2009. Since restructuring, these derivatives qualify and are accounted for as hedges against movements in the AUD/USD spot exchange rate. Therefore changes in the fair value of the derivatives as a result of movements in the AUD/USD spot exchange rate are recognised in the hedging reserve whilst the residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates are recorded in the profit and loss. At 31 December 2009, a 1% increase/(decrease) in the differential between Australian and US interest rates could give rise to a hypothetical impact of approximately HK$212 million (decrease)/increase on profit.

b Exposure to Foreign Currency Fluctuations

CITIC Pacific is based in Hong Kong and has determined that its functional currency is the Hong Kong Dollar. CITIC Pacific conducts its business mainly in Hong Kong, mainland China and Australia. Therefore it is subject to the risk of changes in the foreign exchange rates of the US Dollar, Renminbi and Australian Dollar and to a lesser extent, Japanese Yen, Euro and Swedish Krona. To recognise 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 no less than 25% of the total investment amount, for projects in mainland China to be paid in foreign currency. As the Group's investment in mainland China expands, CITIC Pacific has an increasing exposure to the Renminbi.

The future net cash flow of 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 the project infrastructure/pre-completion operating expenditure is, and will be, denominated in Australian Dollars and other non-USD currencies, as will the operating expenditure once the mine is completed.

The Group entered into multiple leveraged AUD foreign exchange contracts mainly in the second half of 2008 to meet AUD requirements of the Australian mining operations. Leveraged foreign exchange contracts with maximum deliverable amount of AUD 5.3 billion were novated to the CITIC Group in December 2008, and AUD 2.9 billion remained for restructuring into plain vanilla forward contracts that qualify as accounting hedges, as their maturity matches the needs of the business. These contracts were all restructured into plain vanilla forward contracts from December 2008 to May 2009. No leveraged AUD foreign exchange contracts remain as at 31 December 2009.

As of 31 December 2009 these plain vanilla forward contracts had a notional amount of AUD 1,993 million (2008: AUD 911 million).

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

One Euro dual currency leveraged foreign exchange contract was terminated in January 2009. At 31 December 2009, there are no Euro leveraged foreign exchange contracts remaining in the Group's portfolio. As at 31 December 2009, three RMB target redemption contracts with maximum notional amount of RMB943 million were held by the Group to hedge its RMB exposures. These non deliverable forward contracts are not eligible for hedge accounting and gains and losses in the fair market value of these contracts are reflected in the profit and loss account. Two RMB target redemption contracts matured in January 2010 with the remaining contract due to mature in July 2010.

CITIC Pacific has funded the iron ore mining project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore mining project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. USD/HKD foreign exchange forward contracts, cross currency swaps and USD net investment hedges are employed to hedge 73% of the currency exposure arising from other USD loans and a JPY/HKD cross currency swap was employed to minimise currency exposure for a JPY Bond.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) and equity arising from financial assets and liabilities in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date, and that all other variables, in particular interest rates, remain constant.

	Group					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)
2009						
USD	**1%**	**(108)**	**(1)**	**1%**	**107**	**2**
RMB	**5%**	**218**	**–**	**5%**	**(213)**	**–**
AUD*	**5%**	**(55)**	**698**	**5%**	**55**	**(698)**
YEN	**10%**	**25**	**–**	**10%**	**(22)**	**–**
SEK	**2%**	**–**	**–**	**2%**	**–**	**–**
EURO	**5%**	**–**	**–**	**5%**	**–**	**–**

	Company					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)
2009						
USD	**1%**	**(78)**	**(1)**	**1%**	**77**	**2**
RMB	**5%**	**75**	**–**	**5%**	**(70)**	**–**
AUD*	**5%**	**–**	**–**	**5%**	**–**	**–**
YEN	**10%**	**–**	**–**	**10%**	**–**	**–**
SEK	**2%**	**–**	**–**	**2%**	**–**	**–**
EURO	**5%**	**–**	**–**	**5%**	**–**	**–**

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

	Group					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2008						
USD	1%	(83)	–	1%	83	–
RMB	2%	171	–	2%	(128)	–
AUD*	10%	1,264	473	10%	(1,264)	(473)
YEN	10%	(51)	2	10%	51	(2)
SEK	15%	–	33	15%	–	(33)
EURO	5%	2	–	5%	(3)	–

	Company					
in HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
2008						
USD	1%	(62)	–	1%	62	–
RMB	2%	171	–	2%	(127)	–
AUD*	10%	166	–	10%	(166)	–
YEN	10%	(55)	–	10%	55	–
SEK	15%	–	–	15%	–	–
EURO	5%	–	–	5%	–	–

* During the year ended 31 December 2009, the Group completed restructuring of all its leveraged AUD contracts to plain vanilla forward contracts which qualify as and are accounted for as hedges. Therefore, changes in such contracts due to movements in AUD/USD spot rates only impact equity in the 31 December 2009 sensitivity table above. However, there may be residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates that are recorded in the profit and loss account. As at 31 December 2008, leveraged AUD contracts with a substantial notional amount were outstanding and had yet to be restructured and the sensitivity table as at 31 December 2008 above reflected the fact that hypothetical changes in AUD/USD spot rates could impact profit and loss account for such contracts.

c Price Risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 31 December 2009, 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$109 million (2008: HK$34 million).

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

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

d Credit Exposure

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

The Group's cash and deposits with banks are placed with major financial institutions. Counterparty limits are closely monitored for all financial institutions with whom the Group is doing business. The Group only deals with international financial institutions with an investment grade credit rating except for leading PRC financial institutions that do not have an international credit rating. The amount of counterparties' lending exposure to the Group is an important consideration as a means to control credit risk.

Trade receivables are presented net of allowances for bad and doubtful debts. Credit risk in respect of trade and accounts receivables is dispersed since the customers are large in number and spread across different industries and geographical areas. Accordingly, the Group has no significant concentration of such credit risk. Each core operating business has a policy of credit control in place under which credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each financial asset, including derivative financial instruments, in the balance sheet after deducting any impairment allowance. None of the financial assets that are fully performing has been renegotiated in the current period.

e Liquidity Risk

Liquidity risk is managed by maintaining substantial undrawn committed credit facilities, money market lines and cash deposits so as to avoid over reliance on any one source of funds. Refinancing is allocated such that there is a reasonable amount coming due in any one period. In addition, the Company has established co-operative agreements with major PRC banks.

The Group's liquidity management procedures involve regularly projecting cashflows in major currencies, and considering the level of liquid assets and new financings necessary to meet these cash flow requirements.

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At the end of 2009 CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other countries. 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.

The table below analyses the Group's financial assets/liabilities and net-settled derivative financial assets/liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their maturity date. Financial assets are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. 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.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

For derivative financial assets/liabilities the methodology has been changed in 2009 from using a benchmark rate to utilising the relevant forward curve to determine inflows and outflows.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Bank borrowings	**(6,154)**	**(16,319)**	**(27,942)**	**(35,198)**
Derivative financial assets/liabilities	**(953)**	**(583)**	**(450)**	**484**
Trade creditors and accounts payable	**(19,169)**	**(463)**	**(219)**	**(141)**
At 31 December 2008				
Bank borrowings	(10,720)	(6,772)	(27,473)	(20,683)
Derivative financial liabilities	(666)	(780)	(1,893)	(4,677)
Trade creditors and accounts payable	(12,985)	(507)	(8)	–

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Bank borrowings	**(1,369)**	**(6,568)**	**(14,156)**	**(8,412)**
Derivative financial assets/liabilities	**(645)**	**(351)**	**(239)**	**248**
Trade creditors and accounts payable	**(130)**	**–**	**(5)**	**(8)**
Financial guarantee (Note)	**–**	**(5,764)**	**(18,893)**	**(1,101)**
At 31 December 2008				
Bank borrowings	(5,353)	(3,648)	(17,219)	(10,278)
Derivative financial liabilities	(571)	(550)	(1,168)	(2,493)
Trade creditors and accounts payable	(300)	–	–	–

Note: These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised, however based on the operating results, the Company does not expect them to be crystalised.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on interest or exchange rates (where applicable) prevailing at the balance sheet date.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Forward foreign exchange contracts – cash flow hedges				
outflow	**(4,355)**	**(4,332)**	**(5,042)**	**–**
inflow	**4,042**	**4,015**	**4,681**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(5,335)**	**(1,122)**	**(53)**	**(837)**
inflow	**5,380**	**1,125**	**17**	**1,052**

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Forward foreign exchange contracts – cash flow hedges				
outflow	**–**	**–**	**–**	**–**
inflow	**–**	**–**	**–**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(4,210)**	**(1,113)**	**–**	**–**
inflow	**4,276**	**1,122**	**–**	**–**

The majority of foreign exchange forward contracts that are not qualified for hedge accounting as at 31 December 2009 consist of USD/HKD forward exchange contracts and gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

	Group			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2008				
Forward foreign exchange contracts – cash flow hedges				
outflow	(2,275)	(1,334)	(2,561)	–
inflow	2,012	1,136	2,105	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(11,207)	(9,788)	(334)	(601)
inflow	10,019	8,695	339	823

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

	Company			
in HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2008				
Forward foreign exchange contracts – cash flow hedges				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(3,505)	(4,214)	(313)	–
inflow	3,540	4,250	321	–

f Fair Value Estimation

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

The fair values of borrowings are disclosed in Note 28(d). Their fair values are also estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ii) The carrying values less impairment provisions of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

iii) Certain financial instruments that fail to demonstrate, either at inception or throughout the life of the hedge, that the hedge is highly effective, do not meet hedging requirements and are evaluated at fair values at period ends with movements thereon dealt with in the profit and loss account.

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

iv) Financial instruments are carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Group				Company			
in HK$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2009								
Assets								
Available-for-sale financial assets								
Listed	2,174	–	–	2,174	–	–	–	–
Unlisted	–	–	13	13	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	40	178	218	–	40	–	40
Forward exchange contracts	–	622	–	622	–	364	–	364
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	1,621	–	1,621	–	1,041	–	1,041
Forward exchange contracts	–	273	–	273	–	437	–	437

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

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

	Group	
in HK$ million	Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
At 1 January 2009	–	154
Payment for purchases	13	–
Net gains or losses recognised in profit and loss account during the period	–	24
At 31 December 2009	13	178
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	–	24

29 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

v) Fair values of financial instruments carried at other than fair value

The carrying amounts of the group's and the company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

in HK$ million	**2009** Carrying amount	Fair value	2008 Carrying amount	Fair value
The Group				
Bank loans	**61,636**	**60,189**	53,195	49,472
Global bonds (USD Bond)	**3,510**	**3,687**	3,510	3,276
Private placement (JPY Bond)	**529**	**495**	529	285
The Company				
Bank loans	**26,534**	**25,230**	31,838	29,791

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

vi) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

vii) Derivatives

Forward exchange contracts are valued by Reval using a Discounted Cashflow model with independently sourced market data. Forward rates are used to convert future cashflows back to the functional currency. These cashflows are then discounted back to the valuation date to arrive at the fair market value.

Interest rate swap agreements are valued using a Discounted Cashflow model mainly based on independently sourced market data. Future cashflows for floating rate indices are implied from market curves. All future cashflows are then discounted back to the valuation date to arrive at the fair market value.

viii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ix) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2009 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

30 Capital Risk Management

The Group's primary objective when managing capital is to safeguard the Group's ability to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong shareholders' equity position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is the equity attributable to shareholders of the Company, as shown in the consolidated balance sheet, plus net debt.

The leverage ratios at 31 December 2009 and 2008 were as follows:

in HK$ million	**2009**	As restated 2008
Total borrowings	**65,675**	57,234
Less: cash and bank deposits	**21,553**	18,296
Net debt	**44,122**	38,938
Equity attributable to the shareholders of the Company	**60,259**	49,688
Total capital	**104,381**	88,626
Leverage ratio	**42%**	44%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 31 December 2009, are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these ratios on a regular basis and was in compliance with all loan covenants as at 31 December 2009.

31 Derivative Financial Instruments

	Group			
	2009		2008	
in HK$ million	Assets	Liabilities	Assets	Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	**–**	**1,470**	–	4,150
Forward foreign exchange instruments	**585**	**148**	21	990
	585	**1,618**	21	5,140
Not qualified for hedge accounting				
Interest-rate instruments	**218**	**151**	222	458
Forward foreign exchange instruments	**37**	**125**	1,008	4,127
	255	**276**	1,230	4,585
	840	**1,894**	1,251	9,725
Less: current portion				
Interest-rate instruments	**58**	**40**	50	63
Forward foreign exchange instruments	**34**	**127**	966	2,980
	92	**167**	1,016	3,043
	748	**1,727**	235	6,682

31 Derivative Financial Instruments *continued*

	Company			
	2009		2008	
in HK$ million	Assets	Liabilities	Assets	Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	**–**	**890**	–	2,380
Forward foreign exchange instruments	**329**	**329**	1,011	1,011
	329	**1,219**	1,011	3,391
Not qualified for hedge accounting				
Interest-rate instruments	**40**	**151**	68	393
Forward foreign exchange instruments	**35**	**108**	1,410	1,850
	75	**259**	1,478	2,243
	404	**1,478**	2,489	5,634
			(Note)	(Note)
Less: current portion				
Interest-rate instruments	**28**	**40**	28	63
Forward foreign exchange instruments	**34**	**110**	1,348	1,686
	62	**150**	1,376	1,749
	342	**1,328**	1,113	3,885

Note:
As at 31 December 2008, there was one leveraged foreign exchange contract which had been economically but not yet legally transferred to CITIC Group. As a result, the underlying derivative liability of this contract amounting to HK$944 million was recorded as a contractual obligation of the Company, and a related derivative asset of HK$944 million, reflecting the economic effect of the transfer of the contract to CITIC Group was also recorded. The derivative asset was first recorded at the time of economic transfer of the liability to CITIC Group. From the date of economic transfer, changes in fair value of the underlying derivative liability reflected in profit and loss account were fully off-set by equal but opposite changes in the fair value of the derivative asset. This contract was subsequently legally transferred to CITIC Group in March 2009.

i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments at 31 December 2009 was HK$19,527 million (2008: HK$34,513 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 40 months are recognised in the hedging reserve in equity as of 31 December 2009 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

ii) Interest rate instruments

The notional amount of outstanding interest rate swap contracts at 31 December 2009 was HK$28,426 million (2008: HK$29,626 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$1,195 million (2008: HK$1,195 million). At 31 December 2009, the fixed interest rates under interest rate swaps varied from 3% to 7.23% per annum (2008: 3% to 7.23% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 31 December 2009 are recognised in the hedging reserve in equity and are released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

32 Deferred Taxation

a Group

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2008: 16.5%). The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation		Losses		Revaluation of investment properties and valuation of other properties		Mining assets and others		Total	
in HK$ million	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Deferred tax arising from										
At 1 January	**(526)**	(504)	**935**	239	**(1,153)**	(1,083)	**1,001**	(139)	**257**	(1,487)
Exchange adjustment	**–**	(5)	**6**	(4)	**(2)**	(61)	**(6)**	6	**(2)**	(64)
Charged to reserve	**–**	–	**–**	–	**–**	–	**(1,243)**	518	**(1,243)**	518
Effect of tax rate change	**–**	30	**–**	(9)	**–**	12	**(1)**	–	**(1)**	33
(Charged)/credited to consolidated profit and loss account	**13**	(15)	**1,035***	634	**(19)**	(51)	**(1,346)***	667	**(317)**	1,235
Others	**(6)**	(32)	**(1)**	75	**–**	30	**(24)**	(51)	**(31)**	22
At 31 December	**(519)**	(526)	**1,975**	935	**(1,174)**	(1,153)	**(1,619)**	1,001	**(1,337)**	257

* In 2009, the tax losses were mainly due to realisation of losses upon restructuring of certain leveraged foreign exchange contracts giving rise to a reclassification of a deferred tax asset from 'mining assets and others' to 'losses'.

	Group	
in HK$ million	**2009**	2008
Net deferred tax assets recognised on the consolidated balance sheet	**554**	1,967
Net deferred tax liabilities recognised on the consolidated balance sheet	**(1,891)**	(1,710)
	(1,337)	257

b Deferred Tax Assets Unrecognised

The Group has not recognised deferred tax assets in respect of the following items:

	Group	
in HK$ million	**2009**	2008
Deductible temporary differences	**35**	42
Tax losses	**3,125**	2,962
Taxable temporary differences	**(204)**	(92)
	2,956	2,912

	Company	
in HK$ million	**2009**	2008
Deductible temporary differences	**21**	20
Tax losses	**594**	543
	615	563

Note:
Deductible temporary differences and tax losses in certain tax jurisdictions of HK$254 million (2008: HK$167 million) will expire within the next five years. The remaining amounts do not expire under current tax legislation.

32 Deferred Taxation *continued*

c Deferred Tax Liabilities not Recognised

At 31 December 2009, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$767 million (2008: HK$808 million). Deferred tax liabilities of HK$153 million (2008: HK$162 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

33 Provisions

in HK$ million	Site restoration	Mining assets Mining rights	Total
Balance at 1 January 2009	**54**	**680**	**734**
Provisions made during the year	**47**	**26**	**73**
Balance at 31 December 2009	**101**	**706**	**807**
Balance at 1 January 2008	–	–	–
Provisions made during the year	54	680	734
Balance at 31 December 2008	54	680	734

Site restoration

A provision of HK$47 million (2008: HK$54 million) was made during the year ended 31 December 2009 in respect of a subsidiary's obligation to rectify environmental damage with a corresponding increase in intangible mining assets. Amortisation of this asset will occur from the production date, using a units of production method.

Mining rights

In accordance with the mining right/lease agreements entered into by two subsidiary companies of the Group, the Group is committed to pay a defined royalty if either of the two subsidiary companies' production is less than 6 million tonnes by March 2013. A provision has been made for this commitment with a corresponding increase in intangible mining assets. Amortisation of this asset will occur from the production date, using the units of production method.

34 Capital Commitments

in HK$ million	Group 2009	2008
Authorised but not contracted for (Note a)	**3,040**	277
Contracted but not provided for (Note b)	**20,064**	25,565

in HK$ million	Company 2009	2008
Contracted but not provided for	**–**	459

Note a

in HK$ million	Group 2009	2008
Authorised but not contracted for		
Analysis by operating segment		
Special Steel	**2,772**	–
Dah Chong Hong	**258**	263
CITIC 1616	**10**	14
	3,040	277

Note b

in HK$ million	Group 2009	2008
Contracted but not yet paid nor accrued		
Analysis by operating segment		
Special steel	**4,193**	7,954
Iron ore mining	**12,561**	14,765
Property		
Mainland China	**3,022**	2,698
Hong Kong	**8**	13
Dah Chong Hong	**190**	101
CITIC 1616	**29**	4
Other investments	**61**	30
	20,064	25,565

35 Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

in HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Properties commitments				
Within 1 year	**295**	261	**61**	61
After 1 year but within 5 years	**486**	404	**20**	81
After 5 years	**307**	220	**–**	–
	1,088	885	**81**	142
Other commitments				
Within 1 year	**69**	35	**–**	–
After 1 year but within 5 years	**216**	142	**–**	–
After 5 years	**365**	350	**–**	–
	650	527	**–**	–
	1,738	1,412	**81**	142

36 Business Combinations, Acquisitions and Disposals

a Purchase of Subsidiary Companies and Minority Interests

In 2009 the Group acquired a 100% equity interest in Loreto Maritime Pte. Ltd., a company which is currently constructing transshipment barges and will undertake the transshipment of iron ore to ocean going vessels on completion of the construction.

In 2009 a listed subsidiary group of the Company CITIC1616 acquired the remaining 51% equity interest in CM Tel (USA) LLC (renamed as ComNet (USA) LLC in July 2009) and a 100% equity interest in Macquarie Telecom Pte. Ltd (renamed as ComNet Communications (Singapore) Pte. Ltd.).

In 2008 the two listed subsidiary groups of the Company, Dah Chong Hong and CITIC 1616, acquired certain subsidiaries in their respective lines of businesses.

The aggregate fair value of the net assets acquired in 2009 as at the dates of acquisition was HK$175 million. Since acquisition these businesses contributed aggregate revenues of HK$403 million and aggregate net profit of HK$7 million. The aggregate revenue and net profit of the acquired companies computed as though the acquisitions had been at the beginning of the year are HK$615 million and HK$5 million respectively.

In 2009 the Group also acquired the then remaining approximately 20% minority interests in various subsidiary companies engaging in steel manufacturing in Jiangyin. Accordingly those companies became wholly owned subsidiaries of the Group.

36 Business Combinations, Acquisitions and Disposals *continued*

a Purchase of Subsidiary Companies and Minority Interests *continued*

in HK$ million	Acquiree's carrying amount before combination 2009	2008
Net assets acquired		
Property, plant and equipment	**231**	469
Leasehold land	**6**	39
Intangible assets	**38**	204
Interest in associated company	**–**	3
Inventories	**36**	504
Debtors, accounts receivable, deposits and prepayments	**82**	530
Cash and bank deposits	**19**	196
Deferred tax assets	**–**	28
Assets	**412**	1,973
Bank loans and other loans	**(108)**	(529)
Creditors, accounts payable, deposits and accruals	**(116)**	(1,140)
Provision for taxation	**–**	(2)
Deferred tax liabilities	**–**	(3)
Liabilities	**(224)**	(1,674)
	188	299
Fair value adjustments	**20**	223
Fair value of net assets acquired	**208**	522
Share of net assets immediately prior to purchase	**(37)**	–
Gain on acquisitions	**–**	(3)
Minority interests	**–**	(174)
Goodwill	**90**	318
	261	663
Satisfied by		
Cash	**257**	663
Consideration payable	**4**	–
	261	663

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary companies

in HK$ million	2009	2008
Cash consideration	**257**	663
Cash and bank deposits acquired	**(17)**	(196)
Repayment of debt	**–**	(75)
	240	392

36 Business Combinations, Acquisitions and Disposals *continued*

b Proceeds on Disposal of Interests in Subsidiary Companies

in HK$ million	**2009**	2008
Net assets disposed of		
Property, plant and equipment	–	25
Leasehold land	–	330
	–	355
Profit on disposal	–	170
	–	525
Satisfied by		
Cash	–	525

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

in HK$ million	**2009**	2008
Cash consideration	–	525

During 2008, a subsidiary engaging in property business was disposed of.

37 Contingent Liabilities

	Company	
in HK$ million	**2009**	2008
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies (Note i)	**29,450**	29,041
Jointly controlled entity	**27**	27
Other performance guarantees and potential penalties		
Subsidiary companies (Note ii)	**4,831**	851
Jointly controlled entity	–	250
	34,308	30,169

Note:

i) The Company has provided guarantees to its subsidiary companies to support derivative transactions entered into by subsidiaries.

ii) The Company has provided guarantees to its subsidiary companies to support their performance or obligations under construction or procurement contracts.

iii) In the normal course of the Group's business, there are a number of claims now outstanding by or against the Group. While the outcome of such claims cannot be readily predicted, management believes that they will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the Group.

iv) The Group is subject to ever stricter environmental laws and regulations concerning its operations and products. These laws may require the Group to take remedial action and rehabilitation works to reduce the effects on the environment of previous actions by the Group. The ultimate requirement for remedial action and rehabilitation works and its cost are inherently difficult to predict but the estimated cost of undisputed environmental obligations has been provided for in these accounts. Whilst the amount of future costs could be significant and material to the Group's results in the period they are recognised, it is not possible to estimate the amounts involved, although management does not expect these costs to have a material adverse financial effect on the consolidated financial position or liquidity of the Group.

v) Following CITIC Pacific's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission ('SFC') announced that it had commenced a formal investigation into the affairs of CITIC Pacific. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of alleged offences related to the same matter.

On 18 November 2009, the Acting Secretary for the Financial Services and the Treasury said that the SFC's investigation has been completed while the Police's investigation is still underway.

In the absence of the findings of these investigations being made available to CITIC Pacific and due to the inherent difficulties involved in attempting to predict the outcome of such regulatory matters and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

38 Material Related Party Transactions

Where one party has the ability to control the other party or exercise significant influence in making financial and operating decisions of another party, they are considered to be related. Parties are also considered to be related if they are subject to common control.

a Transactions with State-Owned Enterprises (Other than Companies within the CITIC Group)

Since 24 December 2008, CITIC Pacific Limited has been controlled by CITIC Group which owns 57.6% of the Company's shares as at 31 December 2009. CITIC Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the People's Republic of China ('PRC') (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises have been regarded as related party transactions from 24 December 2008 onward.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. The Group has certain transactions with other state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities, acquisition of property interests, depositing and borrowing money and entering into derivative financial instruments. In the ordinary course of the Group's businesses, transactions occur with state-owned enterprises.

The more significant transactions with state-owned enterprises are as follows:

i) As at 31 December 2009, there were derivative liabilities of HK$913 million (2008: HK$5,815 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 31.

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

in HK$ million	**2009**	2008
Bank balances and deposits	**14,159**	7,903
Bank loans	**45,093**	32,222

38 Material Related Party Transactions *continued*

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

iii) Transactions with China Metallurgical Group

On 24 January 2007, Sino Iron Pty Ltd., a wholly owned subsidiary of the Company, ('Sino Iron') entered into a general construction contract ('the Contract') with China Metallurgical Group Corp., a state-owned enterprise ('MCC'). Pursuant to the Contract, MCC is responsible for the procurement of mining equipment, design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities ('the Works to be conducted by MCC') at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works to be conducted by MCC is capped and no increase to the contract sum can be made unless otherwise agreed by both parties. On 20 August 2007, Sino Iron entered into supplemental agreements with MCC in relation to, amongst other things, the adjustment to the scope of the works to be conducted by MCC to extend to the second 1 billion tonnes of iron ore to be extracted and the revision of the contract sum to US$1,750 million (approximately HK$13,650 million).

Sino Iron and MCC also agreed that the remaining works (other than works to be conducted by MCC) shall be contracted out to third parties directly by Sino Iron and such works shall be managed by MCC. Sino Iron agreed to pay 1% of the relevant contract price (excluding any fee for training, interest, transportation, insurance and tax expenses) to MCC as management fees for the MCC managed works.

During the year, the Group has acquired 2.13% of MCC at HK$391 million via subscription for shares in MCC at its initial public offering.

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

in HK$ million	**2009**	2008
Asset/(liability)		
Trade, other receivables and prepayment	**2,574**	1,654
Trade payable and other payable to MCC	**(629)**	(821)
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(2,130)**	–
Incurred costs on General Construction Contract	**2,060**	–

iv) Sale of interest in Cathay Pacific Airways Limited to Air China

During the year, the Group disposed of 12.5% interest in Cathay Pacific Airways Limited (formerly an associated company of the Group) to Air China Limited, a state-owned enterprise, for a consideration of HK$6.3 billion which resulted in a gain of approximately HK$849 million.

38 Material Related Party Transactions *continued*

b Transactions with Other Related Parties

The Group also had the following significant transactions and balances with other related parties:

in HK$ million	**2009**	2008
Transactions with CITIC Group		
(i) Non-recurring transactions		
Consideration received from issue of shares	**–**	11,625
Consideration paid for transferring certain leveraged foreign exchange contracts	**–**	(9,155)
	–	2,470
Transactions with jointly controlled entities		
(i) Recurring transactions		
Interest income	**58**	56
Dividend income	**21**	314
Sales	**49**	38
Service income	**46**	–
	174	408
Purchases	**803**	–
Service charges	**98**	–
	901	–
Transactions with associated companies		
(i) Recurring transactions		
Interest income	**23**	68
Dividend income	**268**	775
Sales	**235**	199
Service income	**76**	61
	602	1,103
Purchases	**9**	62
Rental charge	**85**	69
Service charge	**23**	21
	117	152
(ii) Non-recurring transactions		
Consideration paid for acquisition of a subsidiary and a debt	**–**	142
Balances with fellow subsidiary companies within CITIC Group, ultimate holding company of the Company		
(i) Bank balances	**58**	1,754
(ii) Bank loans and other loans	**454**	734

39 Ultimate Holding Company

The Directors regard CITIC Group, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company.

40 Post Balance Sheet Events

On 11 February 2010 the Company entered into a Sale and Purchase Agreement with its 52.57% held Hong Kong listed subsidiary, CITIC 1616 Holdings Limited ('CITIC 1616'), in which the Company conditionally agreed to sell its entire 20% in Companhia de Telecommunicacoes de Macau ('CTM') to CITIC 1616 for a consideration of approximately HK$1.4 billion made up of HK$467 million in cash and the remainder by approximately 406 million new shares in CITIC 1616. The sale is subject to the reporting, announcement and approval requirements of CITIC 1616 under the Listing Rules and the relevant governmental authorities in Macau. The sale is expected to complete within 2010.

Upon Completion of the sale, the Group's effective interests in CITIC 1616 will be increased to 60.65% while its holding in CTM via the 60.65% held CITIC 1616 will continue to be accounted for as an associated company.

41 Comparative Figures

Certain comparative figures for 2008 have been adjusted to conform with the current accounting standards described in Note 1 to the Accounts.

42 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 10 March 2010.

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies

The following are the principal subsidiary companies, jointly controlled entities and associated companies which in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of all companies would in the opinion of the directors result in particulars of excessive length.

			Interest in equity shares held by		Particulars of issued shares†		
Name	Place of incorporation / principal place of operation kind of legal entity*	Attributable to the Group %	Company %	Subsidiary %	No. of shares	Par value	Principal activities
Special Steel							
Subsidiary companies							
Daye Special Steel Co., Ltd.	People's Republic of China Sino-foreign joint stock limited company*	58.13	–	58.13	449,408,480	RMB1	Steel making
Hubei Xin Yegang Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangsu CP Xingcheng Special Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin CP Xingcheng By-products Recycling Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Processing and recycling of metal slag and sale of its related recycled products
Jiangyin CP Xingcheng Industry Gas Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of oxygen, liquefied oxygen, nitrogen and argon
Jiangyin Xingcheng Metalwork Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Developing and production of alloy and metal hardware
Jiangyin Xingcheng Special Steel Works Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Loading and unloading business

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation / principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Tongling Xin Yaxing Coking & Chemical Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	92.485	–	92.485	N/A	N/A	Production and sale of coal gas, coke and chemical related products
Wuxi Xingcheng Steel Products Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of ferrous metal materials
中信泰富特鋼經貿有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Wholesale, retail and import/export of steel products, relevant materials and technology
江陰泰富興澄特種材料有限公司	People's Republic of China Sino-foreign equity joint venture*	100	–	100	N/A	N/A	Production and sale of hot iron and the related products
江陰澄東爐料有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	General sales of scrip steel, alloys and coke
湖北中特新化能科技有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
湖北新冶鋼特種鋼管有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Production of seamless steel tube
銅陵新亞星港務有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Port construction, operation and related service
Jointly controlled entities#							
Shijiazhuang Iron & Steel Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	65	–	65	–	–	Production and sale of special steel and related products
中信泰富工程技術(上海)有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Engineering service for metallurgy and mining

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Iron Ore Mining							
Subsidiary companies							
Korean Steel Pty Ltd	Australia	100	–	100	10,000	N/A	Mining extraction and processing of magnetite
Loreto Maritime Pte. Ltd.	Singapore	100	–	100	3	N/A	Build and own transshipment vessels and related facilities and equipment for iron ore product
MetaGas Pty Ltd	Australia	100	–	100	5,000,010	N/A	Gas procurement and trading
Pacific Resources Trading Pte. Ltd.	Singapore	100	–	100	1	N/A	General trading and related business
Pastoral Management Pty Ltd	Australia	100	–	100	5,000,010	N/A	Pastoral lease management
Sino Iron Pty Ltd	Australia	100	–	100	11,526	N/A	Mining extraction and processing of magnetite
Property							
People's Republic of China							
Subsidiary companies							
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Shanghai Super Property Co., Ltd.	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海中信泰富廣場有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China Sino-foreign co-operative joint venture*	100	–	100	N/A	N/A	Property development
上海珠街閣房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	84.52	15.48	N/A	N/A	Property development

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
上海利通置業有限公司	People's Republic of China Sino-foreign equity joint venture*	100	96.2	3.8	N/A	N/A	Property development
中信泰富(上海)物業管理有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property management
江陰興澄置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property development
無錫太湖景發展有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Sports related services
無錫太湖苑置業有限公司	People's Republic of China Sino-foreign equity joint venture*	70	–	70	N/A	N/A	Property investment and development
中信泰富萬寧發展有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China Limited liability company*	80	–	80	N/A	N/A	Property development
萬寧中意發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧中榮發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧中宏發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧仁和發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧百納發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧金信發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
萬寧金誠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
萬寧創遠發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
中信泰富萬寧天富發展有限公司	People's Republic of China Sino-foreign co-operative joint venture*	99.9	–	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉頤房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉逸房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海嘉諧房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
上海旭升置業有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
紀亮(上海)房地產開發有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
尊創(上海)賓館有限公司	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Property development
Jointly controlled entities#							
上海瑞明置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development
上海瑞博置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development
中船置業有限公司	People's Republic of China Sino-foreign equity joint venture*	50	50	–	–	–	Property development

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Hong Kong							
Subsidiary companies							
Borgia Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Broadway Centre Property Management Company Limited	Hong Kong	100	–	100	2	HK$1	Property management
Famous Land Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Glenridge Company Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Hang Luen Chong Investment Company, Limited	Hong Kong	100	–	100	80,000	HK$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	–	100	2	HK$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	–	100	50,000	HK$100	Property investment
Lindenford Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Neostar Investment Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Pacific Grace Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Tendo Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Associated companies							
CITIC Tower Property Management Company Limited	Hong Kong	40	–	40	–	–	Property management
Goldon Investment Limited	Hong Kong	40	–	40	–	–	Property investment
Hong Kong Resort Company Limited‡	Hong Kong	50	–	50	–	–	Property development
Konorus Investment Limited	Hong Kong	15	–	15	–	–	Property development
Shinta Limited‡	Hong Kong	20	–	20	–	–	Property investment

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Energy Generation							
Jointly controlled entities#							
Huaibei Go-On Power Company Ltd. (Formerly known as Huaibei Guoan Power Company Ltd.)	People's Republic of China Sino-foreign equity joint venture*	12.5	–	12.5	–	–	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Electric Power (Holdings) Company Limited	People's Republic of China Sino-foreign equity joint venture*	35	–	35	–	–	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China Sino-foreign equity joint venture*	56.31	–	56.31	–	–	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited	People's Republic of China Foreign investment stock company*	54.31	–	54.31	1,170,000,000	RMB1	Electric power plant construction and operation
Sunburst Energy Development Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	65	–	65	–	–	Investment holding
Widewin Investments Limited‡	British Virgin Islands	37.5	–	37.5	–	–	Investment holding
Wuxi Taihu Lake Pumped Storage Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	70	–	70	–	–	Pumped storage hydraulic power plant construction
Zhengzhou Xinli Electric Power Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Electric power plant construction and operation
Aviation							
Associated company							
Swire Aviation Limited	Hong Kong	33.3	–	33.3	–	–	Investment in Hong Kong Air Cargo Terminals Limited and HACTL Investment Holdings Limited with 10% effective interest respectively
Civil Infrastructure							
Tunnels							
Subsidiary companies							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK$10	Tunnel operation

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Jointly controlled entities#							
Hong Kong Transport, Logistics and Management Company Limited	Hong Kong	35	–	35	–	–	Management, operation and maintenance of the Cross-Harbour Tunnel
Western Harbour Tunnel Company Limited ‡	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
Environmental							
Jointly controlled entities#							
Changzhou CGE Water Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	24.01	–	24.01	–	–	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	–	50	–	–	Design, construction and operation of refuse transfer station
Bloom Country Limited	Hong Kong	50	–	50	–	–	Investment holding
Veolia Water (Kunming) Investment Limited	Hong Kong	25	–	25	–	–	Investment holding
Associated companies							
Enviropace Limited	Hong Kong	20	–	20	–	–	Design, construction, operation and management of chemical waste treatment plant
Green Valley Landfill, Limited	Hong Kong	30	–	30	–	–	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	–	30	–	–	Design, construction and operation of transfer station
上海老港生活垃圾處置有限公司	People's Republic of China Sino-foreign equity joint venture*	30	–	30	–	–	Design, construction and operation of landfill
CITIC 1616 Holdings Limited (Listed in Hong Kong) §	Hong Kong	52.57	–	52.57	1,977,731,283	HK$0.10	Investment holding
Dah Chong Hong Holdings Limited (Listed in Hong Kong) §	Hong Kong	56.67	–	56.67	1,797,833,000	HK$0.15	Investment holding

43 Principal Subsidiary Companies, Jointly Controlled Entities and Associated Companies *continued*

Name	Place of incorporation/ principal place of operation kind of legal entity*	Attributable to the Group %	Interest in equity shares held by		Particulars of issued shares†		Principal activities
			Company %	Subsidiary %	No. of shares	Par value	
Other Investments							
Subsidiary companies							
CITIC Pacific China Holdings Limited	People's Republic of China Wholly foreign-owned enterprise*	100	–	100	N/A	N/A	Investment holding
CITIC Pacific Communications Limited	Bermuda	100	–	100	100,000	HK$1	Investment holding
CITIC Pacific Finance (2001) Limited	British Virgin Islands	100	100	–	1,000	US$1	Financing
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	–	1	US$1	Financing
Dah Chong Hong (Engineering) Limited	Hong Kong	100	–	100	1,301,000	HK$100	Engineering services
Jointly controlled entities#							
CITIC Capital Holdings Limited	Hong Kong	27.5	–	27.5	–	–	Investment holding
CITIC Guoan Co., Ltd.	People's Republic of China Sino-foreign equity joint venture*	50	–	50	–	–	Investment holding
上海國睿生命科技有限公司	People's Republic of China Sino-foreign equity joint venture*	24.94	24.94	–	–	–	Research and development of tissue engineering products
山東新巨龍能源有限責任公司	People's Republic of China Sino-foreign equity joint venture*	30	–	30	N/A	N/A	Coal ores construction and sales
Associated companies							
Cheer First Limited‡	Hong Kong	40	–	40	–	–	Financing
Companhia de Telecomunicacoes de Macau, S.A.R.L.	Macau	20	20	–	–	–	Telecommunications services
Treasure Trove Limited	Hong Kong	50	–	50	–	–	Financing

Note:
† Represented ordinary shares, unless otherwise stated.
‡ Affiliates which have been given financial assistance by the company or its subsidiaries at 31 December 2009.
§ Subsidiaries separately listed on the main board of the Hong Kong Stock Exchange and including their respective group companies.
# In accordance with the Joint Venture agreement, none of the participating parties has unilateral control over the economic activity.