

Notes to the Summary Financial Statements

1 General Information

These summary financial statements from page 92 to 102 are not the Group's statutory financial statements and they do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report.

2 Significant Accounting Policies

Basis of Preparation

These summary financial statements have been prepared from the Consolidated Financial Statements of the Group for the year ended 31 December 2009 ('the Accounts').

The principal accounting policies applied in the preparation of 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 in Note 1(h) and Note 1(w) of the Accounts in the Annual Report. 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.

2 Significant Accounting Policies *continued*

Basis of Preparation *continued*

(c) As a result of the adoption of the amendments to HKFRS 7 'Financial instruments: Disclosures', the Accounts include expanded disclosures 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.

(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.

3 Directors' Emoluments

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

<i>in HK\$ million</i> 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.

4 Fixed Assets and Properties under Development

Group

in HK\$ million	Fixed assets								Total
	Property, plant and equipment					Investment properties	Leasehold land	Properties under development	
	Self-used properties	Plant and machinery	Construction in progress	Others	Sub-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

4 Fixed Assets and Properties under Development *continued*

Group *continued*

in HK\$ million	Fixed assets								Total
	Property, plant and equipment					Investment properties	Leasehold land	Properties under development	
	Self-used properties	Plant and machinery	Construction in progress	Others	Sub-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

5 Reserves

Group

<i>in HK\$ million</i>	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 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	-	-	-	-	-	-	-	-	(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

5 Reserves *continued*

Group *continued*

<i>in HK\$ million</i>	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General reserve	Retained profits	Total
At 1 January 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	11,044	–	641	–	–	–	–	–	–	11,685
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	–	(12,687)	(12,687)
Dividends	–	–	–	–	–	–	–	–	(2,415)	(2,415)
Share repurchase	–	8	–	–	–	–	–	–	(656)	(648)
Released upon lapse of share options of a subsidiary	–	–	(1)	–	–	–	–	–	1	–
At 31 December 2008	36,467	29	958	(1,738)	238	4,781	(3,478)	986	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

6 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 Telecomunicacoes 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.

7 Comparative Figures

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