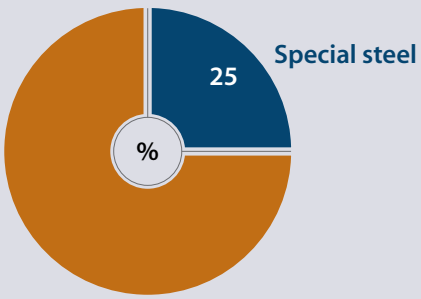
Special Steel

HK$ million	**2010**	2009	Change
Turnover	**30,478**	19,079	60%
Profit contribution	**2,102**	1,415	49%
Assets	**48,351**	38,710	25%
Liabilities	**23,409**	18,146	29%
Cash inflow from operations	**2,083**	1,370	52%
Capital expenditure	**6,271**	7,611	(18)%

Assets



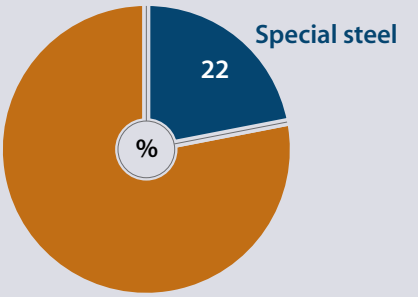
Review of 2010

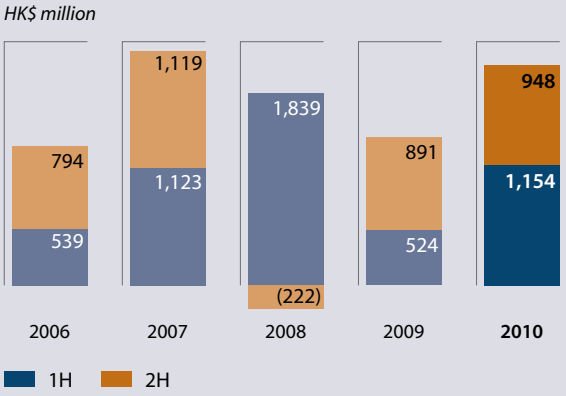
Profit contribution from CITIC Pacific Special Steel increased 49% from 2009. This was due to an improved market for special steel, increased production volumes made possible by the completion of new production lines, as well as increased product prices driven partially by the higher price of raw materials. We sold our 65% interest in Shijiazhuang Steel in 2010 so its profit contribution only accounted for the first three months of the year which amounted to HK$3 million.

In 2010, we focused on expanding production capacity and improving product quality at Xingcheng Special Steel and Xin Yegang, which resulted in increased contributions from these two steel plants of 50% and 24%.

Compared with 2009, the year under review was relatively steady for our special steel business. Strong demand for steel products carried over from the second half of 2009 till the end of April 2010. Starting in May, the government policies aimed at moderating the rapid increase in property prices and the cancellation of the export tax credit on certain steel products caused the price of steel products to decline. In July 2010, the government began to limit the consumption of electricity by heavy industries, which resulted in some steel plants in China ceasing or reducing production. This led to a reduced supply of special steel and a return

Profit contribution





to higher prices. On average, for the year 2010 prices for our special steel products saw an increase of 18% from 2009.

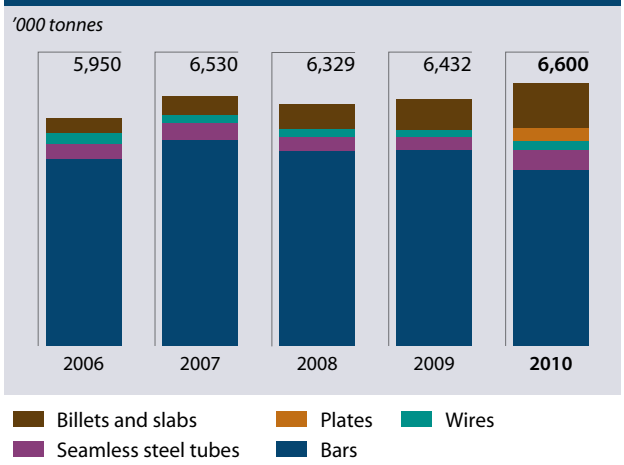
Production and Sales

In 2010, total production of special steel by CITIC Pacific Special Steel was 6.6 million tonnes, 4% more than that of 2009. This included 480,000 tonnes produced in the first three months by Shijiazhuang Steel. Sales volume was about the same, as our production was based on orders. During the year, the utilisation rate at our two steel plants averaged around 95%.

CITIC Pacific Special Steel embarked on an expansion programme about three years ago, with the construction of a 3,200 cubic metre blast furnace, two 150-tonne converters and two special steel plate lines at Xingcheng Special Steel. This expansion will provide another three million tonnes per annum of special steel products to the plant. The new plate lines will further broaden Xingcheng's existing product portfolio. Construction of the 3500mm line was completed in the first half of 2010, and the 4300mm line is expected to be completed in the first half of 2011.

At Xin Yegang, a 1,780 cubic metre blast furnace and one 120-tonne converter are being constructed with completion expected in the middle of 2011. This will add one million tonnes of steel producing capacity to Xin Yegang, bringing its total annual special steel production capacity to three million tonnes.

Annual sales volume by product



Monthly sales volume

Products

Key products of CITIC Pacific Special Steel

Product	Sales ('000 tonnes)*	Market share 2010*	2009
Gear steel	860	32%	45%
Bearing steel	850	29%	42%
Alloy spring steel	390	23%	36%
Alloy structural steel	1,489	19%	23%
Seamless steel tubes	523	9%	6%

Statistics are from the China Special Steel Enterprises Association and include only registered enterprises

** Does not include Shijiazhuang Steel*

High value-added products with greater technology content command better prices and accounted for 37% of total production in 2010, as compared with 26% in 2009.

As plates are new to CITIC Pacific Steel, we are in the process of developing a customer base for these products and having them certified. Margins on plates are currently lower than those of more established bar products.

Customers

CITIC Pacific Special Steel's primary market is mainland China, where we had approximately 2,800 customers in 2010 compared with 3,500 customers in 2009. The change in the number of customers was primarily due to the sale of our interest in Shijiazhuang Steel. Our top ten customers accounted for approximately 16% of sales revenue in 2010, which reduces our reliance on

any one single customer, thereby minimising the potential impact on sales and profit.

In 2010, 71% of our products were sold directly to customers, a major characteristic of CITIC Pacific's special steel business. This provides more stability in terms of both volume and the price of products. It also enables us to understand the needs of our customers and the market better. For 2010, about 77% of sales of our bar products were to customers with whom we have long-term relationships.

Products are manufactured and delivered according to customers' requirements. Typically, delivery periods range from one to three months after the order is placed by the customer, with the majority being less than two months.

Our products are sold to these industries

Industry	2010 sales ('000 tonnes)*	Percentage of total sales 2010*	2009
Auto components	2,115	34%	44%
Machinery manufacturing	1,025	17%	22%
Shipbuilding	677	11%	2%
Power generation	619	10%	7%
Oil and petrochemical	604	10%	5%
Metal works	570	9%	11%
Railway	156	3%	3%
Others	356	6%	6%
Total	**6,122**	**100%**	**100%**

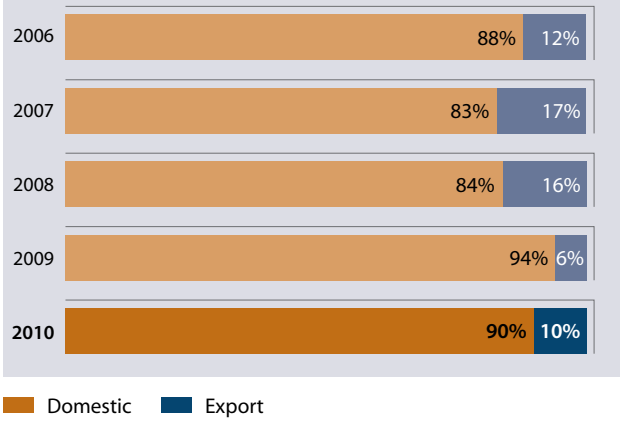
** Does not include Shijiazhuang Steel*

Auto components remain an important segment of our special steel business. Benefiting from the Chinese government's stimulus plan, auto sales increased significantly in 2009, which in turn pushed up demand for special steel. This trend continued into 2010.

In 2010, 34% of CITIC Pacific Special Steel's products were sold to auto component manufacturers. This compares with 44% in 2009. The change was due to the sale of Shijiazhuang Steel. In addition, our existing bar steel production lines were operating near full capacity, therefore, further production increase from these lines will be difficult. Many buyers of our products are producers affiliated with or contracted to manufacturers in the auto, machinery manufacturing, oil and petrochemical industries. Our end users include Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and SKF.

With the addition of our new special steel plate production lines, our customer mix will therefore change, and this is already taking place. In 2010, sales to the shipbuilding industry were 11% compared with 2% a year ago. For 2011, with the 3500mm special steel plate line entering regular production and the completion of the 4300mm line we will be able to develop new markets and expand into supplying the shipbuilding, machinery manufacturing, petrochemical and other specialised industries.

Domestic vs. export sales



Monthly export volume

Our products are exported to these regions and countries

Region/ country	Amount ('000 tonnes)	Percentage of total exports	Percentage change from 2009
Asia	410	68%	41%
Korea	*229*	*38%*	*97%*
India	*44*	*7%*	*44%*
Thailand	*28*	*5%*	*(38)%*
Indonesia	*28*	*5%*	*(26)%*
Others	*81*	*13%*	*33%*
Middle East & others	35	6%	46%
Americas	83	13%	190%
Europe	79	13%	67%
Total	**607**	**100%**	**51%**

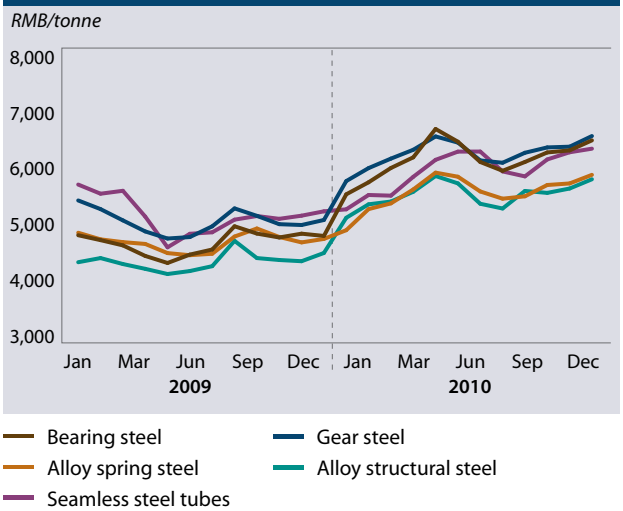
In 2010, demand for special steel in the overseas market improved, particularly in sectors such as the auto, heavy machinery and mining industries. At the same time, the increase in the price of raw materials drove up the price of our special steel products.

Product Pricing

Pricing of special steel products is mainly driven by two factors: demand and the cost of raw materials. As approximately 81% of our steel plants' production cost is raw materials, changes in the price of raw materials are a very important factor in determining the selling price of our products. Typically, at the end of each year agreements are reached with long-term customers on their annual volume requirements, and this makes up approximately 50% of our annual sales volume. Pricing is not fixed until firm orders are placed or before products are delivered, thus reflecting changes in the market and our production costs.

Historically, in a market where demand and supply are in balance increases in the price of raw materials can usually be absorbed by increasing the price of the products. But when market supply exceeds demand, it is difficult to raise the price of products even though the cost of raw materials has increased. Our steel plants, however, operate on the principle of production based on orders. The short product delivery time to a certain degree reduces the impact brought about by increases in the cost of raw materials and changes in the market.

Price of major products

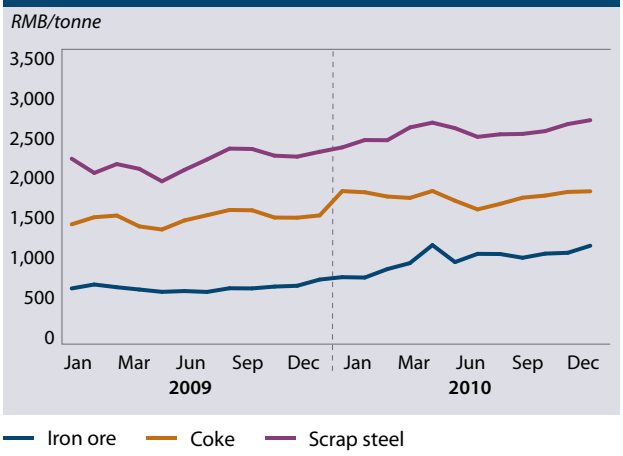


Raw Materials

Major raw materials used

Type	2010 ('000 tonnes)	Percentage of total raw material cost	Percentage of production cost
Iron ore	8,790	33%	29%
Coal	4,160	19%	17%
Scrap steel	1,660	17%	15%
Coke	1,170	9%	8%
Alloy	240	13%	12%
Total	**16,070**	**91%**	**81%**

Price of major raw materials



Iron Ore

Country	Percentage of total	Main suppliers
Australia	43%	Hamersley
China	21%	Mines in Northeast China and Hebei Province
Brazil	16%	Vale
India	3%	Noble
Others	17%	Asia Energy, Minmetals, Mineral Enterprises

Of the total 8.8 million tonnes of iron ore purchased in 2010, approximately 45% was sourced through supply contracts. The rest was purchased on the spot market. The change in the conventional annual iron ore pricing system to quarterly pricing in 2010 meant that contract iron ore pricing is edging closer to spot market pricing, which makes it more difficult for steel plants to manage their input costs.

When CITIC Pacific's iron ore mine in Australia is in full production, it will be able to meet our need for high quality concentrates.

Coking Coal

In 2010, approximately half of CITIC Pacific Special Steel's requirement was met by our own coking coal plants and the rest from other domestic Chinese producers.

Scrap Steel

In 2010, 98% of the scrap steel used was sourced domestically, with only 2% from overseas.

Alloy

The main alloys used in special steel production are ferrosilicon, ferrochrome, ferromanganese, molybdenum, nickel and vanadium.

The Environment

Our steel plants continued to focus on reducing emissions and saving energy as this not only supports the sustainable development of the business but also reflects our commitment to social responsibility.

- Our energy controlling centre is responsible for managing energy usage by both steel plants, and planning for and dealing with contingencies. The centre helps reduce energy consumption by lowering the gas and oxygen releasing rate, while increasing the water recycling rate.
- Our research centre for energy conservation and emission reduction works closely with universities and research institutes in China to jointly develop new methods and new technology to improve existing production techniques.
- We treat pollutants discharged from the production process, such as fumes and dust, and recycle and treat waste water, gas and other waste residuals. The methods used are shown in the table below:

Major pollutant	Measures
Industrial fumes and dust	Cloth filter de-dusting and electric de-dusting
Sewage water	Cooling water recycling; small quantity treated in sewage treatment station before discharging
Waste residual	Recovered and recycled
Noise	Sound-proof coverage used for all large noise generating equipment; factories located away from residential area
Sulphur dioxide (SO_2)	Treated with wet de-sulphurising device

Health and Safety

Creating a safe and healthy working environment for employees is one of the top priorities for the management of our steel plants. It is also important for employees to comply fully with the comprehensive management and operation regulations at the plants.

At CITIC Pacific, each steel plant has secured official certification from the central government for its occupational health and safety management system and has implemented various management systems to specify the responsibilities of management and production lines at every level. Employees have received guidance and manuals on safety and health and are required to comply with relevant regulations and procedures. Every year, Safety Production Month Activities provide specific learning content for employees. In 2010, we organised seminars on gas safety and protection, a conference for the distribution of the corporate safety manual, a case analysis on specific accidents and a touring photo exhibition on production safety. All these activities were conducted to make sure employees have a clear understanding of the safety and health regulations at the plants. Management also promotes a culture in which employees are actively involved in safety awareness, and the company frequently reviews its comprehensive emergency response system.

In addition to creating a safe and healthy working environment, every steel plant regularly holds various kinds of recreational activities and cultural events with the aim of creating a collegial atmosphere at the plant, improving physical fitness and providing culture enrichment for our staff.

The effectiveness of senior managers in promoting health and safety is one of the most important measures of their performance.

Facts and Statistics

CITIC Pacific Special Steel

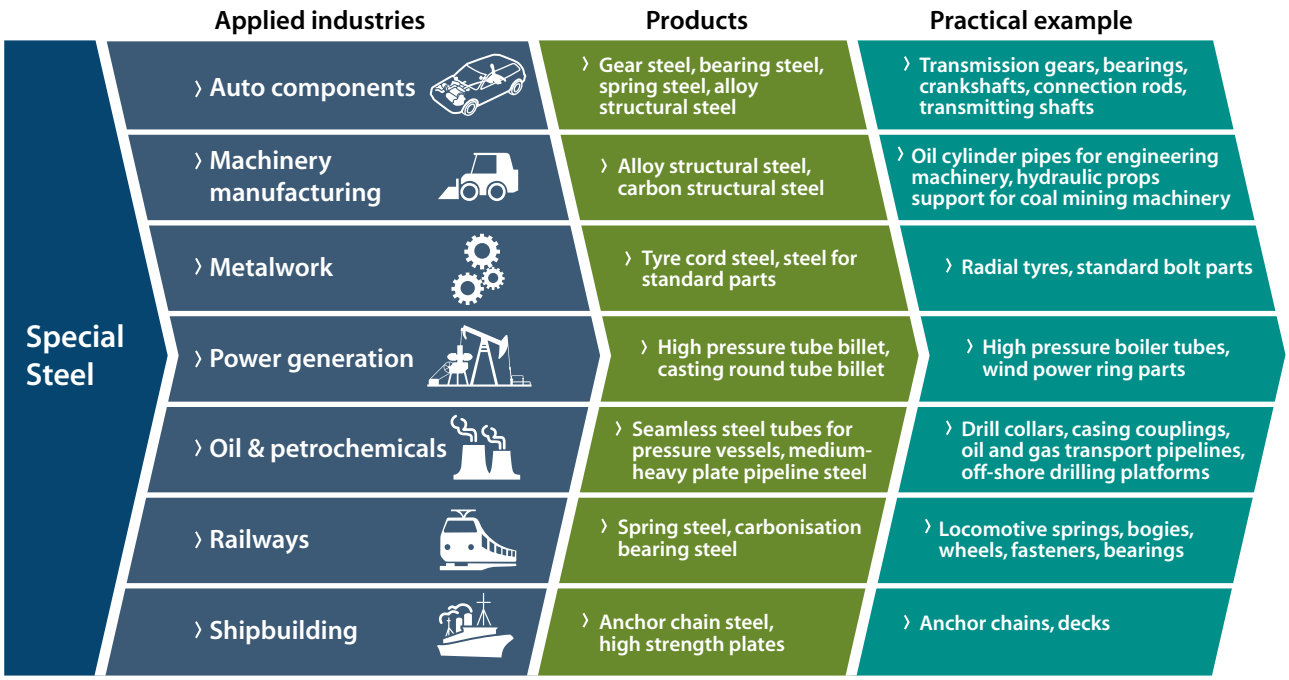
CITIC Pacific Special Steel is the largest manufacturer dedicated to the production of special steel in China with two operating steel plants – Xingcheng Special Steel and Xin Yegang. Through expansion, the company's annual steel producing capacity increased to eight million tonnes at the end of 2010. This will grow to nine million tonnes by the end of 2011.

The two steel plants are ideally located to cover the main markets for special steel in eastern and central China. Major products include the following categories: bar steel, wire steel, mid to thick wall seamless steel tubes, special steel plates and special forging steel. These are widely used in various industries, including auto components, machinery manufacturing, oil and petrochemicals, transportation, energy, railways and shipbuilding.

What Is Special Steel?

Special steel refers to steel produced using special techniques and have special characteristics and for special purposes. Categorised by shape, special steel includes bar steel, plate, strip steel, tube steel and wire steel. These products are sold to manufacturers for making products such as gears, bearings and springs.

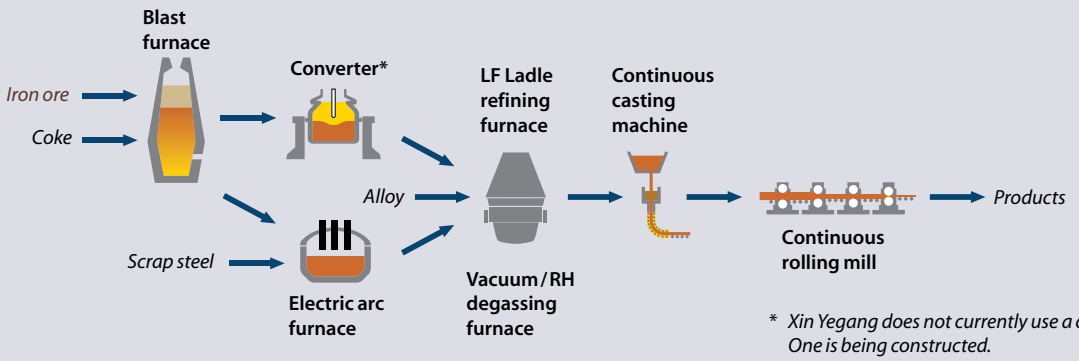
Industries and major products used



Special Steel Production Process

Our special steel plants employ two different technologies: long and short processes. The long process uses iron ore and coke as raw materials, while the short process uses scrap steel, pig iron or molten iron. During the next phase of both the long and short processes, alloys are added to the molten steel produced. Through a ladle-refining furnace, an 'RH' or vacuum degassing furnace and a continuous casting and rolling process, steel billets and slabs are produced and shaped to various specifications according to customers' specific requirements. The management teams at the plants are focused on cost efficiency and product quality and will therefore choose whichever process has the lowest raw material input costs.

Special steel manufacturing process



* *Xin Yegang does not currently use a converter. One is being constructed.*

Xingcheng Special Steel

www.jyxc.com

Owned by CITIC Pacific since November 1993, Xingcheng Special Steel is located in Jiangsu Province in the eastern part of China and is a leading manufacturer of special steel in the country. Total annual steel producing capacity reached six million tonnes by the end of 2010. Its main products include bearing steel, gear steel, spring steel and special steel plates. These products are used in industries such as auto components, machinery manufacturing, energy and shipbuilding. Customers include Toyota, Honda, General Motors, Volkswagen and Citroën. Xingcheng Special Steel is also the first and only plant in China capable of producing casting round tube billet with a diameter of 900mm for use in machinery manufacturing.

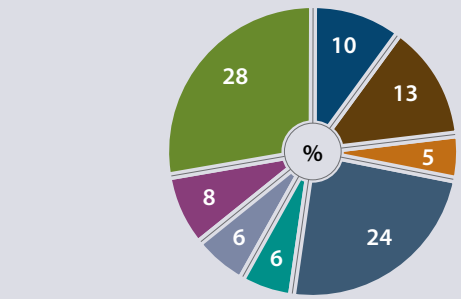
The plant embarked on an expansion programme three years ago with the construction of a 3,200 cubic metre blast furnace and two converters of 150 tonnes each, which provide another 3 million tonnes of steel to the plant. The 3500mm line was completed in the first half of 2010, and the 4300mm line is expected to be completed in the first half of 2011. Main products from these two lines include shipbuilding steel plate, engineering mechanism steel, petroleum pipeline steel and pressure vessel steel.

Xingcheng Special Steel is strategically situated next to the Yangtze River and has a 50,000 tonne wharf providing efficient transport of its raw materials and finished products. The wharf has been expanded to accommodate the 115,000DWT ships ordered by CITIC Pacific.

Production line	Design capacity ('000 tonne)	Product type
Phase I	1,650	Bar steel Wire steel Bright bar
Phase II (JV with Sumitomo Metals)	1,750	Bar (higher-end) Casting round tube billet
Phase III	2,600	Special steel plates
3500mm plate line	*1,300*	
*4300mm plate line**	*1,300*	
Total	**6,000**	

** Under construction, with completion expected in the middle of 2011*

Xingcheng's products



Type of product	Certification
Bearing steel	SKF, FAG, DELPHI, SNR bearings, KOYO, NSK
Gear steel and non-quenched & tempered steel for vehicles	Daimler-Benz, Volkswagen, ZF, Eaton, ArvinMeritor, Peugeot, Volvo
Spring steel	GM, Russini, NHK, FAW, Dongfeng Auto, China Heavy Duty Truck Group, SAIC Group, China Ministry of Railways
Alloy tube steel	American Petroleum Institute
Wire (Steel cord thread)	Bekaert

Xin Yegang Steel

www.xinyegang.com

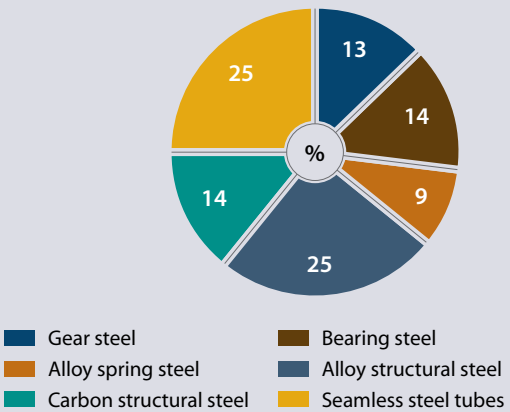
At the end of 2010, Xin Yegang had an annual special steel production capacity of two million tonnes, including the capacity of Daye Special Steel, an A-share listed company in which CITIC Pacific indirectly holds a 58% interest. Xin Yegang's products include bearing steel, gear steel, carbon structural steel, tool and die steel, anchor and mooring chain steel, high pressure boiler tube and seamless steel tubes. These products are used in the aviation, aerospace, petrochemical, engineering machinery, auto, military and new energy sectors.

A new 1,780 cubic metre blast furnace and a 120-tonne converter are being constructed, with completion expected in the middle of 2011, which will supply additional steel to the production lines. By the end of 2011, total annual special steel production capacity will reach three million tonnes.

Production line	Design capacity ('000 tonne)	Product type
Plant I, II and III	1,770	Bar and flat bar Bright bar
Seamless steel tubes	1,100	Seamless tube
Forging steel*	130	Tools and die steel, large modules
Total	**3,000**	

** Under construction, with completion expected in the middle of 2011*

Xin Yegang's products



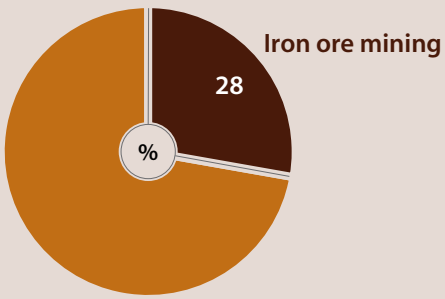
Xin Yegang is located in the city of Huangshi next to the Yangtze River, with two 5,000 tonne and one 10,000 tonne wharfs that provide annual transportation capacity of five million tonnes. In the future, CITIC Pacific's mini-cape sized ships will transport the iron ore from various sources to ports on the Yangtze River, where it will be transshipped to Xin Yegang and unloaded at its wharfs. As a result, transshipment costs should be reduced.

Type of product	Certification
Bearing steel	SKF, FAG
Forgings	FOMAS Group
Seamless steel tubes (gas cylinder & pressure vessel), structural steel tube	EU
Gear steel	Caterpillar worldwide supplier and bronze supplier certificate

Iron Ore Mining

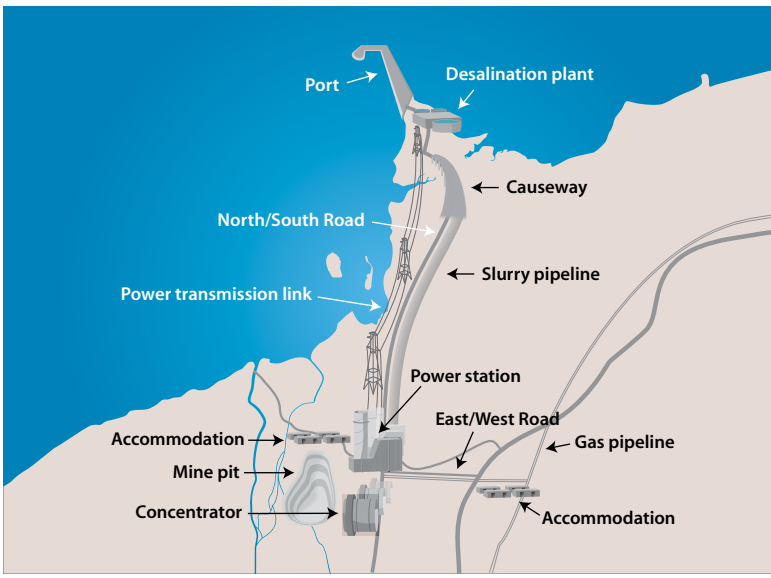
HK$ million	2010	2009	Change
Assets	53,397	36,026	48%
Iron ore mining	48,922	31,830	54%
Ships	4,475	4,196	7%
Liabilities	38,678	25,977	49%
Iron ore mining	36,581	23,885	53%
Ships	2,097	2,092	0%
Capital expenditure			
Iron ore mining	17,635	9,742	81%
Ships	274	291	(6)%

Assets



There has been steady progress on the Sino Iron project throughout the year, and all efforts remained focused on commissioning the first integrated production line. Construction activity continued at a solid pace with our employees, senior management and all construction contractors working diligently to reach the first production milestone.

While the main focus is on achieving production for the first mill line, planning continues in earnest to complete all six mill lines by the end of 2012. Throughout the year, equipment was manufactured in China and other parts of the world then shipped to site to allow remaining infrastructure to be completed. The power station is undergoing commissioning and the desalination plant is undergoing final site installation. Other infrastructure such as the first mill line and transshipment fleet is nearing the commissioning phase. In a competitive labour environment, the company's workforce and that of contractor companies continued to increase.



Progress

At a glance

Project area	Status
Mine development	More than 87 million tonnes of waste removed from mine pit About 830,000 tonnes of magnetite stockpiled
Concentrator	About 80% of concentrator civil works completed 4 of 12 grinding mills placed on foundations Thickeners installed as well as the magnetic separators for the first production line Tailing Storage Facility civil works finished 220KV power transmission line nearing completion
Power station	Gas pipeline and ancillary facilities commissioned GT1 undergoing commissioning
Port Area	Major earthworks completed Breakwater finished with Core-Loc units installed Stacker and reclaimer installation nearly completed Conveyor system undergoing installation Barge loader delivered
Desalination plant	All modules delivered to site from China and final onsite connections in process of being completed Seawater supply pipeline and return water pipeline nearing completion
Accommodation	Permanent village for 1,750 people built Total current accommodation for 3,750 people
Transportation/service corridors	All major roads and corridors finished

Mine Development

- *Mining infrastructure design, procurement and construction*
- *Crusher slots*
- *In-pit crushers*
- *Conveyor system*

More than 87 million tonnes of waste material has now been removed from the mine pit in order to access the magnetite ore body. This work was undertaken by a fleet of some of the biggest and most powerful heavy mining machinery available, maximising efficiency and lowering operating costs per tonne of ore mined. In addition to the waste material mined, about 830,000 tonnes of magnetite ore was mined and stockpiled for testing on the first grinding mill line. The first two of four crusher pocket slots are now in place, and the first in-pit crusher is being installed. These units are where

the first or primary crushing of the ore will take place. Work on the conveyor system that will transport ore from the mine pit is well underway.

An updated five-year mining plan has been prepared and is continually updated. Geotechnical design issues such as dewatering and the mine pit boundary should be completed by June. The mine pit is being developed to make additional mining area for in-pit blending of the iron ore available. However, current capacity is sufficient to meet our required stripping and mining needs for 2011.

Concentrator

- *Grinding mills*
- *Concentrate thickener*
- *Slurry pipeline*
- *Dewatering plant*
- *Tailings storage facility*

The magnetite concentrator area is the project's centrepiece. It is now home to 4 of the 12 giant grinding mills that will transform millions of tonnes of crushed magnetite ore into a fine concentrate. The second set of mills – a ball mill and Autogenous Grinding (AG) mill – arrived from China in November. Developed by Chinese and Australian engineering and design teams, and built by CITIC Heavy Industries in Luoyang China, these enormous mills are the most powerful in the world. In a careful operation, the mills made the 30-kilometre journey from the port to the concentrator area before being placed on their foundations.

Other equipment that will work with the mills to separate the magnetite product, such as the cyclone and magnetic separator systems, were also completed. The Chinese-fabricated concentrate thickeners – the 45-metre diameter steel tank-like objects used to remove water and thicken the concentrate – were assembled on site. Once these are operational, thickened concentrate will be pumped through the 29-kilometre slurry pipeline, which is undergoing welding before being buried. The waste material or 'tailings' from processing will then be pumped via a pipeline to the Tailings Storage Facility. The civil works for this first stage of the tailings disposal infrastructure have been completed. At the Cape area, the dewatering plant's mechanical equipment is being installed. Its job is to reduce the concentrate's water content before the concentrated final product is stockpiled and shipped.

Power Station

- *Power station*
- *High voltage transmission lines*

The 450 megawatt gas fired power plant that will provide power to the project, especially the massive grinding mills, is in the process of being commissioned. The power station's energy efficiency is maximised as it is a combined cycle plant. This means the waste energy from the gas turbines is not lost through the generation process but instead converted into steam to power the steam turbines. Gas Turbine 1 is undergoing commissioning. Once the concentrator is finished, the power station's energy load can be utilised.

All but 2 of the 89 high voltage transmission towers have been erected to supply electricity to the port area, including the desalination plant, dewatering plant and other equipment.

In October, CITIC Pacific Mining (CPM) terminated its contract with the Australian subsidiary of Austrian Energy and Environment (AE&E), the company managing the engineering, procurement and construction of the power station. This decision was taken because AE&E failed to meet its material obligations under its contract. Since that time, AE&E Australia has gone into administration. Following the contract termination, all of the sub-contractors employed under AE&E returned to work on the plant under new employment arrangements with CPM. In January, diversified services company UGL Limited was engaged to manage the remaining construction and commissioning of the power station together with any residual engineering.

Port

- *Bulk earthworks for Cape area*
- *Breakwater*
- *Port stockyard and conveyor system*
- *Transshipment fleet*

The coastal element of the Sino Iron project was completed during the year with the finalisation of the major earthworks and the construction of several major pieces of infrastructure. Construction of the 2.6-kilometre port breakwater was finished with the placement of 3.6 million cubic metres of rock and 10,500 individual Core-Loc armour units. These units are designed to form an armour barrier to protect the breakwater from the impact of the ocean, especially in the event of a cyclone. The completion of the breakwater and the associated off-loading facilities also allows the delivery of key infrastructure modules directly to site. Construction was almost completed on the project's concentrate stacker, the giant apparatus for stockpiling the concentrate once it reaches the port, as well as the reclaimer, a machine with 10 big buckets attached to a wheel that scoops ore from the product stockpile.

From the stockpiles, concentrate will be moved along the breakwater by conveyor, the foundations of which are now being laid. The conveyor will deliver material to barges moored within the breakwater. Once loaded, the barges will be towed by tugs about 20 kilometres offshore where two massive transshippers will transfer concentrate from barges to CITIC Pacific's own purpose-built vessels. In January, CITIC Pacific took delivery of the first of its twelve 115,000 tonne vessels, which will be used to transport the concentrate from Cape Preston to the company's steel mills in China.

Desalination Plant

- *Desalination plant*
- *Water and return water pipeline*

Final installation work is occurring on the 51-gigalitre desalination plant, which arrived at the port from China in massive pre-assembled modules. The desalination plant will supply water for a variety of uses, including the production and subsequent transportation of concentrate product along the 29-kilometre slurry pipeline. Because of the scarcity of water in the Pilbara region, most of the water will be re-used, which is both efficient and environmentally beneficial. Water recovered from the dewatering process at the port will be diverted back to the concentrator area via a return water pipeline that is under installation.

Accommodation

- *Eramurra Village*
- *123 Village*
- *Fortescue River Village*

A total of 3,750 beds is now available on site spread across three villages, including Eramurra Village which is a 1,750-person permanent village for CPM personnel who will reside on site once the project is in operation. The other two villages in use are Village 123 and the Fortescue River Village, which make up the remaining 2,000 beds. Village 124 – the project's original accommodation camp – has been decommissioned as it was within the area of development for the mine pit.

Transportation and Service Corridors

- *East-West Road*

The East-West road was officially opened during the year, providing an essential road link between the North West Coastal Highway and the mine site.

People

The number of construction employees on site has continued to grow over the past 12 months. There are now more than 3,500 contractor employees involved in building the project, most of whom reside on site on a fly-in fly-out basis. CITIC Pacific Mining directly employs about 650 people. The Western Australian job market is expected to be extremely competitive throughout 2011, and a national advertising recruitment campaign is continuing to ensure the highest calibre employees are attracted to the project. Employees are the greatest asset of the company, and retaining them is of critical importance to management.

Safety

The project has continued to improve in the area of safety. In the last two quarters of 2010, there was a significant reduction in our Recordable Case Frequency Rate (RCFR), which is broadly accepted as the best measure of safety performance in the Australian resources industry. Much of this aligns with a new push on safety management and better integration between CPM and its business partners. CPM continues to strengthen its team responsible for safety across the projects and operations sections.

With the introduction of a Safety Trainer and the implementation of a formalised practical permit-to-work system, there have been improvements in the way tasks are managed. Training will be a key focus as we continue working to improve our safety performance.

Environment

During the year, we continued to monitor the environment in accordance with our project's environmental approvals. Monitoring of groundwater, corals, turtles, shore birds, dust, noise, coastal stability and mangroves has shown results in accordance with our approvals. We have also undergone regulatory site audits by key state government agencies with no significant project risks identified. Our Environmental Management Systems and rehabilitation plans continued to evolve and improve in preparedness for first production.

To help preserve the local environment surrounding the project and inform employees and contractors of their responsibilities, CPM is working with non-profit organisation Leave No Trace to develop a Workforce Recreation Management Plan. Once implemented, this plan will require all employees and contractors to undertake education on protecting the environment.

Heritage

Throughout 2010, the heritage team undertook a number of archaeological and ethnographic surveys across the project site and gained all relevant Ministerial approvals to clear and develop the land. This, along with the salvage and relocation of heritage material, enabled us to gain access to remaining areas so that construction could progress unimpeded. The current focus is on annual compliance with the Aboriginal Heritage Act and Ministerial conditions. The team also fulfilled obligations under our Indigenous Land Access Agreements to ensure relationships remain strong with the indigenous people where our project operates.

Minerals Resource Rent Tax (MRRT)

In 2010, the Australian Government announced it would seek to introduce a Resource Super Profits Tax (RSPT) aimed at returning to Australian taxpayers a greater share of Australia's extracted mineral wealth. In July, under new Prime Minister Julia Gillard, the RSPT was abandoned in favour of a Minerals Resource Rent Tax (MRRT) to come into effect on 1 July 2012. It is planned to apply to iron ore and coal.

The Government established a Policy Transition Group (PTG) to consult with industry on the detailed design of the tax. CPM attended consultation sessions with the PTG on its own and in conjunction with the Magnetite Network (MagNet) industry group. CPM also provided a detailed written submission outlining our deep concerns and calling for magnetite to be excluded from the proposed tax.

In December 2010, the PTG released its report to government, recommending that magnetite be included in the MRRT. CPM will continue to advocate exclusion of magnetite from the draft MRRT legislation, expected in 2011. However if magnetite is included, CPM will seek to ensure that the very low value of unprocessed magnetite is recognised in the MRRT valuation method.

Carbon Emissions

On 24 February 2011, the Federal Government announced plans to introduce a fixed price on carbon from 1 July 2012, before transitioning to an emissions trading scheme in three to five years. The government is yet to announce the starting carbon price or industry assistance measures. This has the potential to negatively affect the project if the government's ultimate policy does not recognise the significant

greenhouse benefits of magnetite production compared to other forms of iron ore. We will continue to lobby the government strongly to explain the environmental benefits of magnetite in the global iron and steelmaking process. In addition to explaining our lower greenhouse emission benefits, we will also demonstrate our continuous efforts to minimise our broader environmental footprint.

Community and Partnerships

CPM is committed to being a good corporate citizen and providing long lasting benefits to the communities in which it operates. In 2010, it continued to partner with not-for-profit organisations to deliver quality community programmes in the arts, indigenous capacity building, education, environment and health.

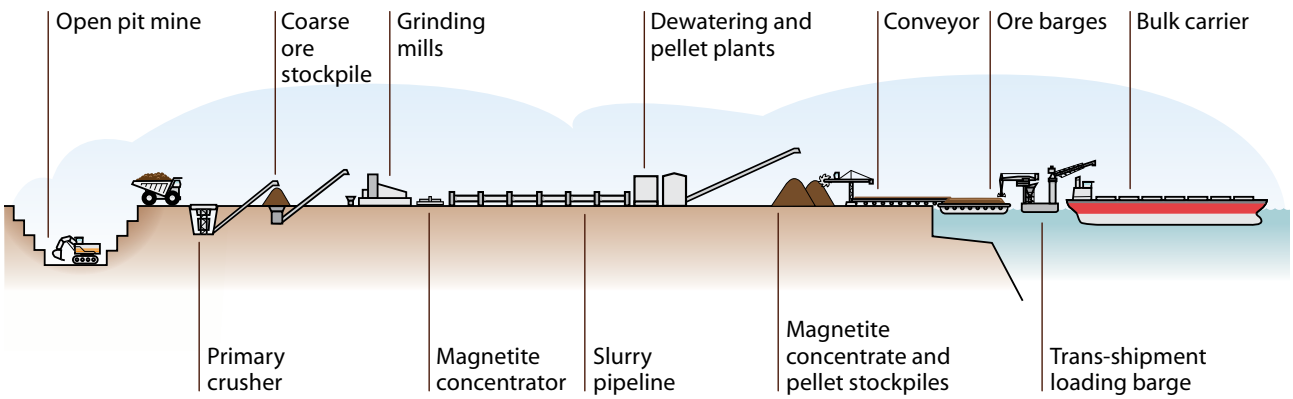
Most recently, CPM has joined with KULCHA Multicultural Arts of Western Australia in a three-year corporate partnership to promote cultural diversity through the arts. KULCHA works with musicians, dancers, visual artists and performers from many different cultures to enhance the vibrancy of Western Australia and offers multicultural arts events and activities that enrich the lives of many people. KULCHA's celebration of a wide range of cultures is important to CPM, which actively embraces cultural diversity. The partnership will promote the growing diversity in our society and encourage greater social inclusion, cultural appreciation, respect and harmony in the community. Under the arrangement, a number of events will be held to recognise important Chinese cultural events such as Chinese New Year.

CPM's commitment to the local Aboriginal Traditional Owner groups in the Cape Preston area has seen continuing work in implementing training, employment, business and community development programmes. CPM's work with these three groups includes the implementation of Work Ready programmes, training and employment programmes. In addition, the company has developed a partnership with the Many Rivers Opportunities organisation to provide small business development support to local indigenous people. CPM continues its successful involvement with the Clontarf Foundation, which uses Australian Rules Football as an incentive to help young Aboriginal men in areas of personal development, education and employment.

Looking Ahead to First Production

The size and complexity of the project, together with the large number of diverse contractors, will always present challenges. However, the combined experience of our committed employees, contractors and

Magnetite process flowchart

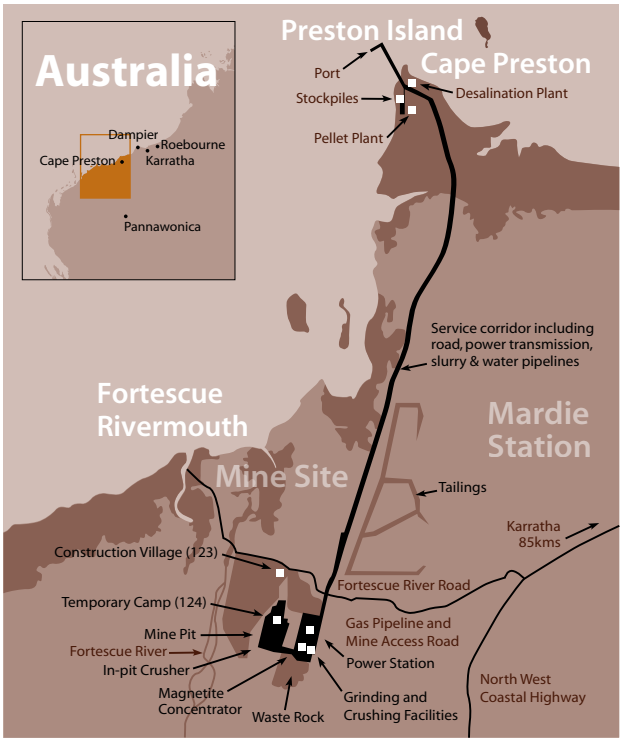


internationally-experienced management team is placing us in an optimal position to ensure the successful start of operations. The target for the completion of the first production line will be followed by the on-going production ramp-up of subsequent mill lines.

The past year has witnessed some issues on the manufacture of component parts in China, specifically e-houses, which provide power to the different parts of the project. Delivery of these vitally important components was delayed due primarily to design changes on some units, which affected their manufacturing schedule. Importantly, all e-houses relating to Mill Line One are expected to be installed by the end of July 2011.

To achieve commissioning on schedule, the project will need to ensure that the highest quality employees remain employed on the project. This is a challenge given the project's significant personnel requirements and the fiercely competitive labour environment facing Western Australian resources projects. A continuing increase in the number of resources projects coming on line has led to dire predictions about shortfalls of available labour to service the demand. To ensure we have the best chance of meeting our large workforce needs, our national recruitment campaign will aim to attract and retain employees of the highest calibre.

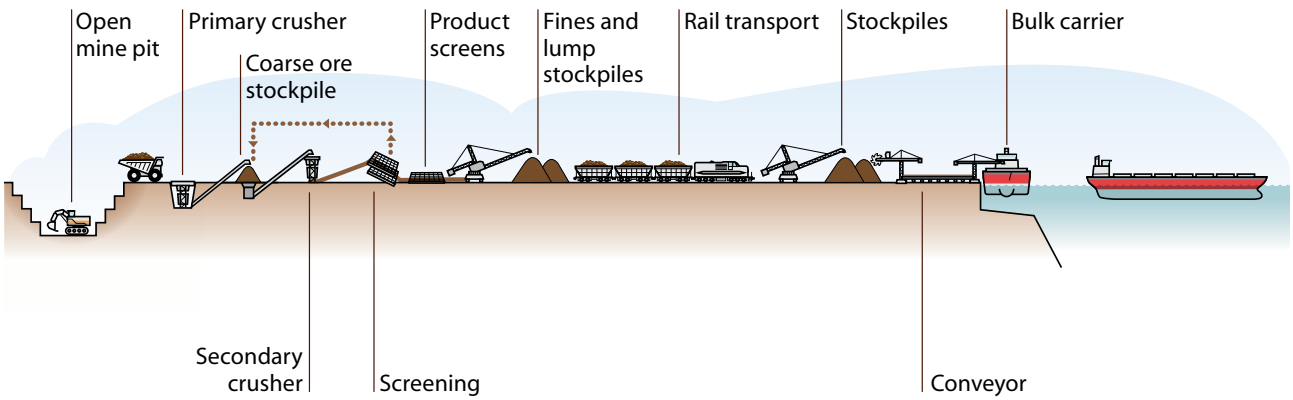
Facts



Project Overview

The Sino Iron project is being developed by CITIC Pacific Mining, a wholly-owned subsidiary of CITIC Pacific. It is located at Cape Preston, 100 kilometres southwest of Karratha on the coast of Western Australia's North Western region of the Pilbara.

Haematite process flowchart



The Sino Iron project will mine magnetite iron ore rather than the haematite iron ore that is traditionally mined in Western Australia. Magnetite requires significant processing before it can be exported for use in the steelmaking process, where it is a desirable quality product for steel mills, including those of CITIC Pacific in China.

CITIC Pacific has rights to extract two billion tonnes of magnetite resources from its mine at Cape Preston, which has a mine life of 25 years. There will be six production lines with a total designed production capacity of 24 million tonnes a year. Actual production volume will depend on the characteristics of the rocks being mined. Contractually, no more than 27.6 million tonnes can be exported annually. The company also has rights to acquire an additional four billion tonnes of magnetite resource.

Because of the onshore downstream processing required prior to export of magnetite, the project features significant investment in dedicated infrastructure, including concentrate processing, pelletising, a 51 gigalitre desalination plant and new port facility, as well as a 450 MW combined cycle gas fired power station.

CPM is headquartered in Perth and has a representative office in Beijing. At peak construction, about 4,000 people will be employed on the project, most of them living on site. When the mine is in operation, we will employ more than 800 people.

Key Contractors

Mobile equipment	Bacyrus
Desalination plant	IDE Technologies; PJOE; UGL Limited
Grinding mills	CITIC Heavy Industries
Stackers, reclaimers	Dalian Heavy Industries; ThyssenKrupp
Power station	New contractor to be appointed
Crushers	ThyssenKrupp
Dewatering Plant	Metso

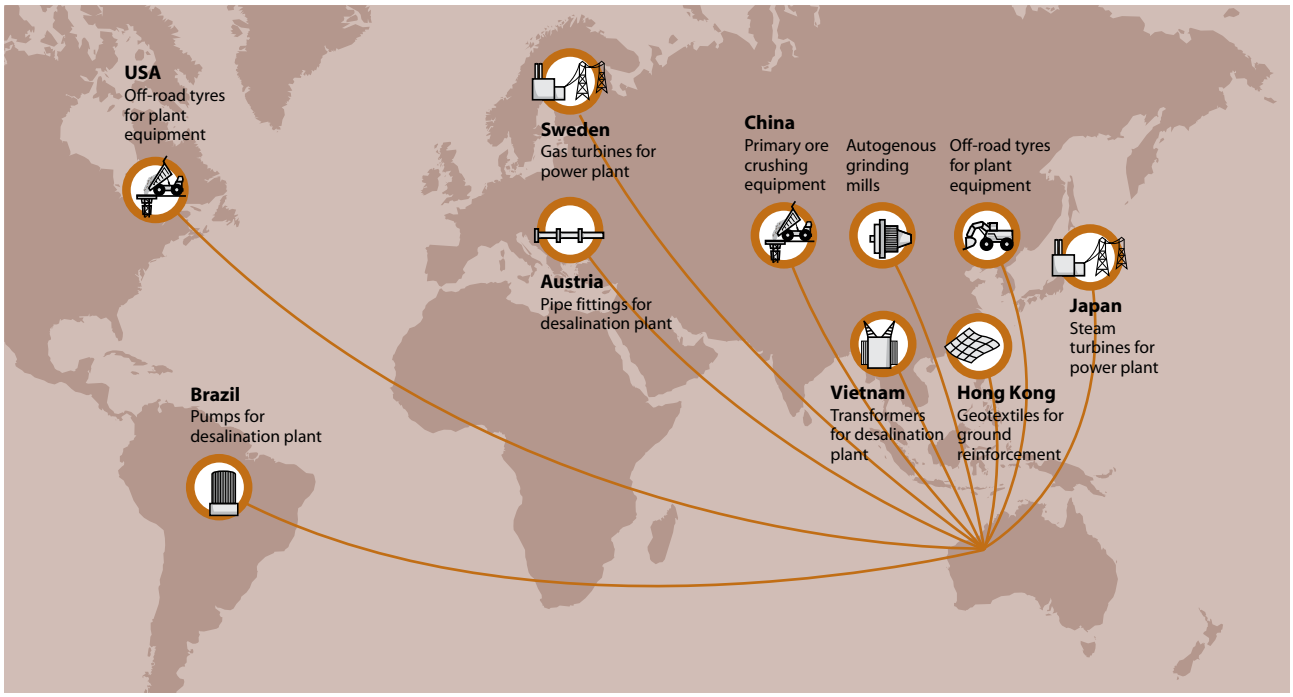
Products

The Sino Iron project will help satisfy demand from China's steelmaking industry by providing a reliable source of high quality iron concentrate. The products from the Sino Iron project will not only be used in CITIC Pacific's special steel mills in China, but also in other Chinese steel mills. One of the advantages of magnetite concentrate is its high iron content and low impurities compared to traditional iron ore products. Our research and marketing has shown this product will be strongly welcomed by Chinese steel mills. Subject to final plant design, the concentrate is expected to have an iron content of about 67 per cent.

Mineral Resource Estimate

CPM currently has rights to mine two billion tonnes of magnetite ore. The latest mineral resource estimation has identified resources in excess of two billion tonnes. This will allow the most efficient extraction of the highest quality material. This information would also be used in considering whether further mining rights are exercised in the future. CPM has rights to acquire an additional four billion tonnes of magnetite ore.

Global procurement



Total Joffre resource

Classification	2010 results Million tonnes	Magnetic Fe (%)	Total Fe (%)	2009 results Million tonnes
*Measured	806	22.64	32.46	466
*Indicated	1,489	22.94	31.90	1,158
*Inferred	2,793	23.52	31.51	2,881
Total	**5,089**	**23.21**	**31.77**	**4,504**

Note: 'Mineral Resource' estimates are based on assay data from drill holes at 19 April 2010. Model released by Golder Associates in October 2010. A 'Mineral Resource' is a concentration or occurrence of material of economic interest in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. 'Joffre' is a member of the Brockman Iron Formation, the main ore body for the project. The MagFe cut-off grade is 17%.

* *The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves:*

Measured Mineral Resource
A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource
An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

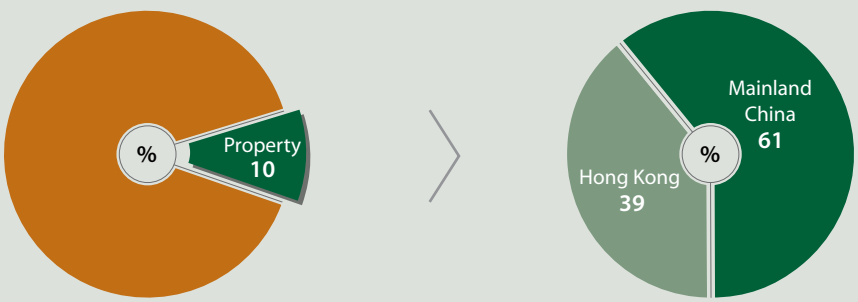
Inferred Mineral Resource
An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Property

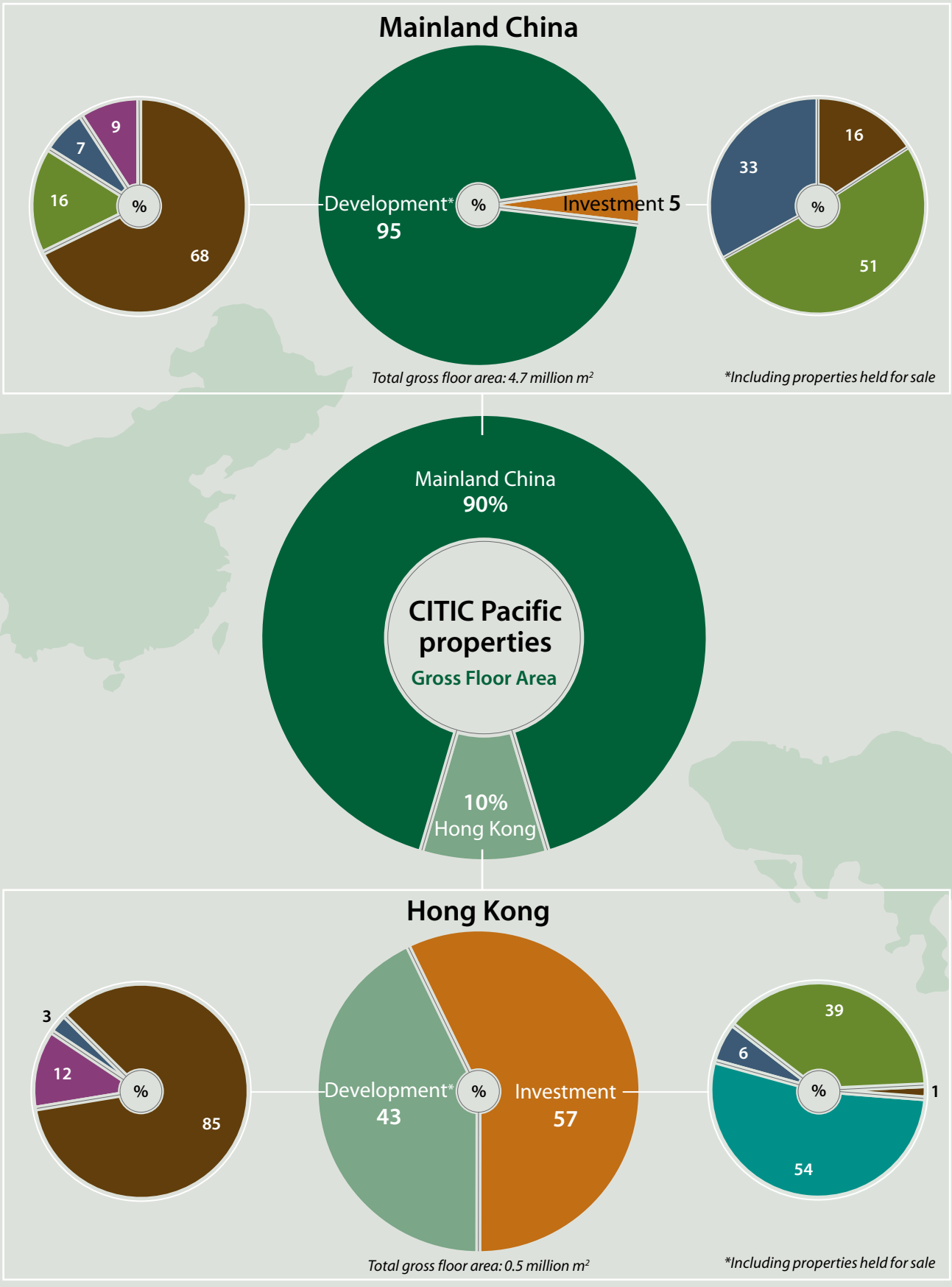
HK$ million	2010	2009	Change
Turnover	4,049	1,647	146%
Profit contribution			
Mainland China	583	524	11%
Hong Kong	377	397	(5)%
Assets			
Mainland China	37,455	29,728	26%
Hong Kong	12,215	11,093	10%
Liabilities			
Mainland China	9,897	7,158	38%
Hong Kong	534	473	13%
Cash inflow from operations	5,602	3,620	55%
Capital expenditure	3,602	3,381	7%

Assets

Profit contribution

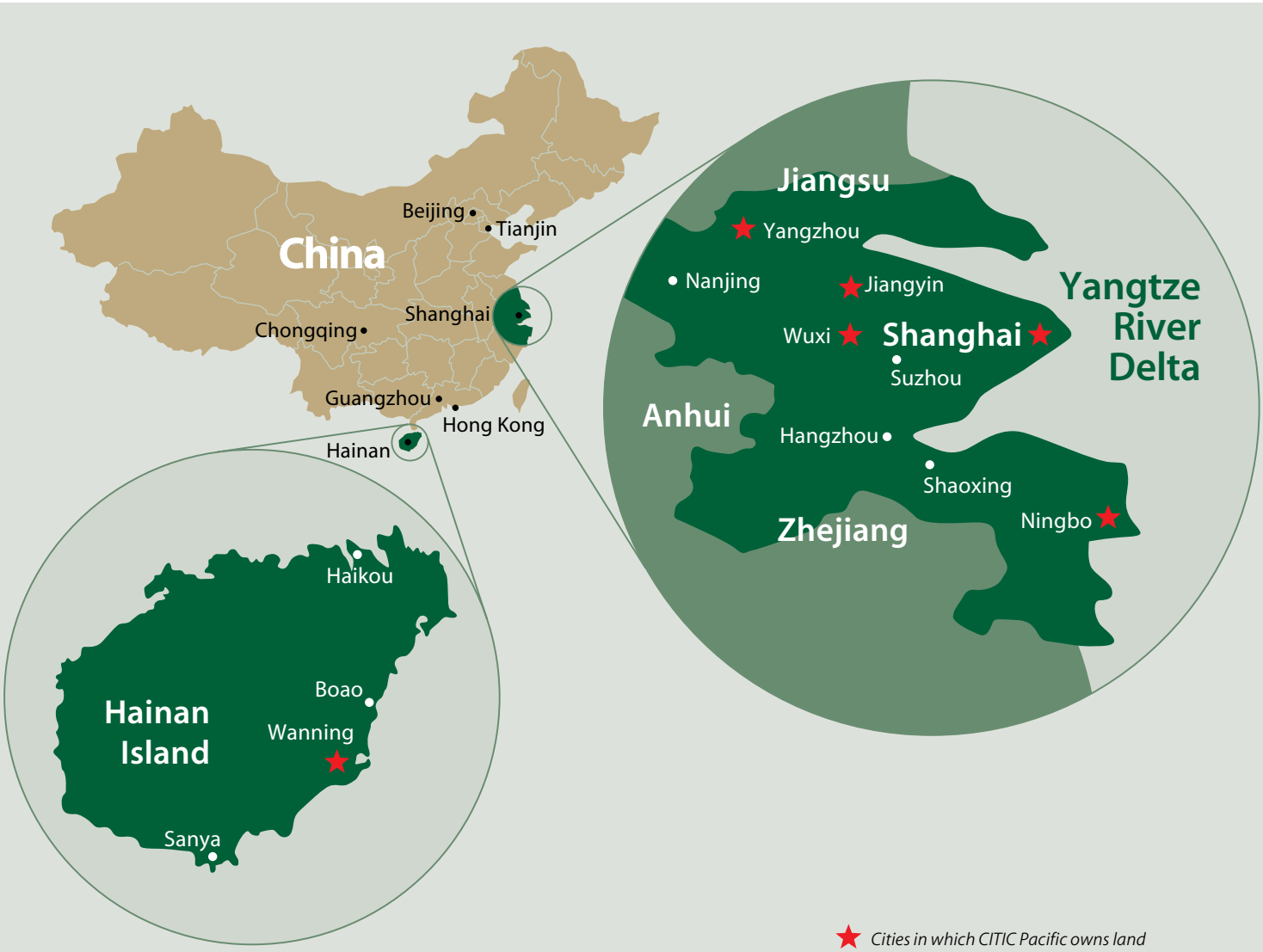


By gross floor area



Mainland China

- **Focus on Shanghai and major cities in the Yangtze River Delta area, as well as the Shenzhou Peninsula on Hainan Island**
- **Approximately 300,000 m^2 GFA sold in 2010**



Most of CITIC Pacific's properties are large-scale projects with excellent locations in mainland China. These include Shanghai's Lu Jia Zui New Financial District project, the Sichuan Beilu Station and The Centre in Jiading, which form part of the city's new railway transport system. Zhujiajiao New Town in Shanghai and Noble Manor in Yangzhou are large-scale residential developments offering comprehensive community facilities. Our Shenzhou Peninsula project on Hainan Island will benefit from the government's plan to promote the island as an international tourism destination.

In 2010, residential units from six property projects went on sale, including The Centre in Jiading, Zhujiajiao New Town in Shanghai, Noble Manor in Yangzhou, Taihu Jinyuan in Wuxi, Xingcheng Jinyuan in Jiangyin, and The Sunbury at the Shenzhou Peninsula project in Hainan.

Major Development Properties

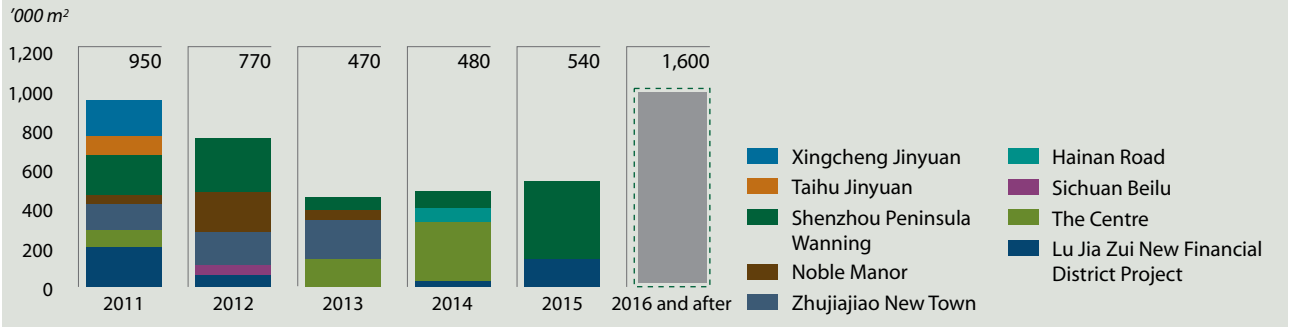
Project	Usage	Ownership	Approx. GFA* (m^2)	Expected completion
Shanghai				
New Westgate Garden Phase II	Residential, retail	100%	137,000	2017
Zhujiajiao New Town, Qingpu	Residential, hotel, retail	100%	506,000	In phases from 2009 onwards (approx. 69,000 m^2 completed)
Lu Jia Zui New Financial District Project	Office, hotel, residential, retail	50%	647,000	In phases from January 2011 onwards (approx. 200,000 m^2 completed)
Site at Sichuan Beilu Station of Metro Line No. 10, Hongkou	Office, retail	100%	53,000	2011 to 2012
No.10, Hainan Rd., Hongkou	Office, retail	100%	66,000	2014
The Centre, Jiading	Office, hotel, residential, retail	100%	538,000	In phases from 2011 onwards
Jiangsu Province				
Noble Manor, Yangzhou	Residential, retail	100%	304,000	In phases from 2009 onwards (approx. 133,000 m^2 completed)
Xingcheng Jinyuan, Jiangyin	Retail	70%	18,000	In phases from January 2011 onwards (approx. 160,000 m^2 completed)
Taihu Jinyuan, Wuxi	Residential	70%	96,000	In phases from 2010 onwards (approx. 160,000 m^2 completed)
Hainan Island				
Shenzhou Peninsula, Wanning	Hotel, retail, residential	80% – 99.9%†	2,084,000	In phases from 2011 onwards
Total			**4,449,000**	

Figures are as of the end of January 2011

** GFA = gross floor area, i.e. the total area of permitted construction above ground. Completed GFA was deducted from the above table.*

† As per the cooperative agreement, the profit after deduction of development cost will be distributed 80:20 between CITIC Pacific and our partner.

Projected completion schedule



The Centre, Jiading *100% owned*

Site area	**156,000 m²**
Gross floor area	**538,000 m²** **Phase I – approx. 93,000 m²** **Other phases – approx. 445,000 m²**
Usage	**Office, retail, hotel and residential**
Expected completion	**In phases from 2011 onwards**
Current Status	**Construction in progress**

Located in northwest Shanghai, Jiading District is the gateway to neighbouring economic regions such as Suzhou, Kunshan and Taicang in Jiangsu Province. As the first satellite city of Shanghai, Jiading is well known as a base for the science and automobile industries. This project is situated above the Jiading New City Station of the new Metro Line No.11, which started operation in April 2010 and provides convenient transportation links between Jiading, Putuo, Changning, Xuhui and Pudong New District.

The development will be integrated with a transport interchange incorporating the city's metro lines and other public transport under a comprehensive plan providing residential districts, business centres, sports and recreational facilities as well as scientific research districts in the surrounding area.

The first phase of the residential towers has been topped out, and completion is scheduled for the end of 2011.

Since commencement of pre-sales in July 2010 and up to the end of December 2010, 724 residential units (64,200 m² GFA) were sold at an average selling price of RMB13,200/m².

Zhujiajiao New Town, Qingpu *100% owned*

Site area	**796,800 m²**
Gross floor area	**575,000 m²**
Completed	**69,000 m² (GFA)**
Usage	**Low density residential, retail and hotel**
Expected completion	**In phases from 2009 onwards**

Located at the junction of Zhejiang Province, Jiangsu Province and Shanghai, Qingpu District is the gateway to and focus of development in the western part of Shanghai.

Next to scenic Dadian and Dianshan lakes, the Zhujiajiao New Town will take full advantage of the cultural traditions and history of the area, creating a unique living environment in the core district of Zhujiajiao.

In 2010, 414 residential units (42,500 m² GFA) were sold, of which 375 units were apartments and the remainder were low-rise houses with average selling prices of RMB12,700/m² and RMB15,000/m² respectively.

Sichuan Beilu Station of Metro Line No. 10 Project, Hongkou *100% owned*

Site area	**13,300 m²**
Gross floor area	**53,000 m²**
Usage	**Office and retail**
Expected completion	**2011 to 2012**
Current Status	**Superstructure construction in progress**

The site is situated above the Sichuan Beilu Metro Station of Metro Line No. 10, which has been in operation since mid-2010. The project, comprising office and retail space with a retail basement connected to the Metro Station, will benefit from the pedestrian flow generated by the metro line and the overall geographical advantages offered by Hongkou.

No. 10, Hainan Road Project, Hongkou

100% owned

Site area	**16,400 m²**
Gross floor area	**66,000 m²**
Usage	**Office and retail**
Expected completion	**2014**
Current Status	**Design in progress**

Acquired in December 2007, the site is situated on the east side of our Sichuan Beilu Station project. It will be designed and developed into a high-end commercial centre for office, shopping and leisure activities.

Lu Jia Zui New Financial District Project

50% owned

Site area	**249,400 m²**
Gross floor area	**847,000 m²**
Completed	**200,000 m² (GFA)**
Usage	**Office, hotel, residential and retail**
Expected completion	**In phases from January 2011 onwards**

The site of the Lu Jia Zui New Financial District project, previously used as a shipyard by Shanghai Shipyard Co., is the last prime development area on the south shore of the Huangpu River in central Shanghai. Jointly developed by CITIC Pacific and the China State Shipbuilding Corporation, this project will comprise Grade A office buildings, retail premises, apartments and a hotel. With riverside views and convenient transport links, it is being developed in phases under a comprehensive master plan. The project has already become a prominent landmark in the Lu Jia Zui Financial District along the Huangpu River.

Phase I comprises two Grade A office buildings and a five star hotel with serviced apartments, which will be managed by the Mandarin Oriental Hotel Group. The two office towers, which are being fitted out, have been sold to China Construction Bank and Agricultural Bank of China as their Shanghai headquarters. Handover to the bank is expected to be within 2011.

Phase II, which will comprise a Grade A office building, is under design development.

New Westgate Garden *100% owned*

Phase II

Site area	**35,300 m²**
Gross floor area	**Approx. 137,000 m² (subject to government authority approval)**
Usage	**Residential and retail**
Expected completion	**2017**
Current Status	**Re-settlement in progress**

Located in the Huangpu District of Shanghai at Xizang Nanlu and Jianguo Donglu roads, this premium residential development is within walking distance of the Lao Xi Men subway station on Metro Line No. 8. It comprises residential towers and retail shops with a basement car park.

ZHEJIANG PROVINCE

Pacific Plaza, Ningbo *100% owned*

Site area	**39,500 m²**
Gross floor area	**98,000 m²**
Completed	**98,000 m² (GFA)**
Usage	**Office and retail**
Completion	**October 2009**
Current Status	**Sale and leasing underway**

Pacific Plaza is located in Jiangdong District of Ningbo, the economic provincial capital of Zhejiang Province. The site is close to Ningbo Eastern New City, the future political and economic heart of Ningbo. Pacific Plaza comprises two Grade A office towers and a shopping mall. Strata-title sales of one office tower and leasing of another office tower and its retail podium are currently underway.

Up to the end of December 2010, the shopping mall (approx. 27,000 m² GFA) and 91% of the office space (approx. 18,300 m² GFA) had been sold.

JIANGSU PROVINCE

Noble Manor, Yangzhou *100% owned*

Site area	**328,600 m²**
Gross floor area	**437,000 m²**
Completed	**133,000 m² (GFA)**
Usage	**Residential and retail**
Expected completion	**In phases from 2009 onwards**

Located in the western part of the city centre, this project has been designed to blend in harmoniously with the area's historical character and the neighbouring environment of Yangzhou. A variety of residential units in low-rise, mid-rise and high-rise buildings will be provided.

In 2010, 481 residential units (69,000 m² GFA) were sold with an average selling price of RMB8,000/m²

JIANGSU PROVINCE

Taihu Jinyuan, Wuxi *70% owned*

Site area	**1,479,000 m²**
Gross floor area	**256,000 m²**
Completed	**160,000 m² (GFA)**
Usage	**Residential and retail**
Expected completion	**In phases from 2010 onwards**

CITIC Pacific, together with the Wuxi Guolian Group, is jointly developing this residential and commercial property in the Binhu District of Wuxi. The site is located in front of scenic Tai Lake and is about 15 minutes' drive from the city centre. Developed in phases with villas, townhouses and low-rise and mid-rise residential buildings, the project will take advantage of picturesque views of the landscape, golf course and Tai Lake.

In 2010, 232 residential units (36,000 m² GFA) were sold, of which 226 units were apartments and the remainder were low-rise houses with average selling prices of RMB14,600/m² and RMB46,800/m² respectively.

JIANGSU PROVINCE

Xingcheng Jinyuan, Jiangyin *70% owned*

Site area	**91,300 m²**
Gross floor area	**178,000 m²**
Completed	**160,000 m² (GFA)**
Usage	**Residential and retail**
Expected completion	**In phases from January 2011 onwards**

In Jiangyin, one of the fastest-growing cities in Jiangsu Province, CITIC Pacific and the Wuxi Guolian Group are co-developing the Jiangyin Xingcheng's old steel mill site in the eastern city centre into a residential and commercial property.

In 2010, 191 residential units (31,300 m² GFA) were sold with an average selling price of RMB10,500/m². The apartment buildings have been completed and are being handed over to purchasers. The construction of the retail portion is expected to be completed in 2011.

HAINAN PROVINCE

Shenzhou Peninsula, Wanning

80% - 99.9% owned

Site area	**7,419,900 m²**
Gross floor area	**2,084,000 m²**
Usage	**Residential, hotel, retail and recreation**
Expected completion	**In phases from 2011 onwards**
Current Status	**Phase I development is well underway Design of Phase II development is underway**

CITIC Pacific is developing a resort on the Shenzhou Peninsula of Hainan Island and is responsible for the project's overall planning and infrastructure construction. This project will benefit from the government's recent plan to promote the island as an international tourism destination.

The project will also benefit from the newly completed express railway line running along the east coast of Hainan Island connecting the cities of Haikou and Sanya. This railway has a station at Wanning city located approximately six kilometres from the Shenzhou Peninsula site, further improving its accessibility from the international airports of Haikou and Sanya. This new express railway commenced operation on 30 December 2010.

The construction of roads and bridges is substantially completed, and interior fitting out of the two hotels is in progress. The hotels, which will be managed and operated by Starwood Hotels Group as 'Sheraton Shenzhou Peninsula Resort' and 'Four Points By Sheraton Shenzhou Peninsula', are scheduled to open around the middle of 2011. The superstructure of a residential project, The Sunbury, has been finished, with completion scheduled for the second half of 2011. Pre-sales, which began in October 2010, have made satisfactory progress.

In 2010, 181 apartment units (21,000 m² GFA) were sold with an average selling price of RMB15,400/m².

Sales Progress of Residential Projects

Project	Approx. GFA (m^2)	Sales launched	Available for sale (units & GFA)	Sold (up to end January 2011) %=sold/available	Average selling price (RMB/m^2)
Zhujiajiao New Town, Qingpu	575,000	In phases from September 2007	1,206 units (138,000 m^2)	990 units (110,000 m^2) (80%)	10,400 (apartment) 14,500 (low-rise house)
The Centre, Jiading	538,000	In phases from July 2010	921 units (87,000 m^2)	823 units (75,000 m^2) (86%)	13,500 (apartment)
Noble Manor, Yangzhou	437,000	In phases from September 2007	1,538 units (194,000 m^2)	1,510 units (191,000 m^2) (98%)	6,700 (apartment)
Taihu Jinyuan, Wuxi	256,000	In phases from May 2009	923 units (163,000 m^2)	618 units (108,000 m^2) (66%)	13,500 (apartment) 31,800 (low-rise house)
Xingcheng Jinyuan, Jiangyin	178,000	In phases from December 2008	928 units (149,000 m^2)	918 units (146,000 m^2) (98%)	8,900 (apartment)
Shenzhou Peninsula, Wanning	2,084,000	In phases from October 2010	445 units (52,000 m^2)	264 units (31,000 m^2) (59%)	15,900 (apartment)
Total			**5,961 units (783,000 m^2)**	**5,123 units (661,000 m^2)**	

Investment Properties

Project	Usage	Ownership	Approx. GFA (m^2)
CITIC Square, *Shanghai*	Office, retail	100%	114,000
Royal Pavilion, *Shanghai*	Serviced Apt.	100%	35,000
New Westgate Garden, Retail Portion (phase I), *Shanghai*	Retail	100%	23,000
Tower A, Pacific Plaza, Ningbo, *Jiangsu Province*	Office, retail	100%	49,000
Total			**221,000**

CITIC Pacific's investment properties in mainland China continue to enjoy steady rental income, with an overall occupancy of about 85% as of the end of 2010, when the occupancy rate of Pacific Plaza in Ningbo (completed at the end of 2009) gradually improved. The main contribution of rental income came from CITIC Square, located at Nanjing Xilu, Shanghai, with an occupancy rate of nearly 100%.

Hong Kong

- **Continued development of 216,000 m² of gross floor area in Discovery Bay.**
- **Major investment properties include CITIC Tower (the Group's headquarters) and DCH Commercial Centre. The portfolio enjoys a stable rental income with an overall average occupancy of approximately 88% as of the end of 2010.**

Development Properties

Discovery Bay

Discovery Bay, which is 50% owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. Since its launch in 1973, Discovery Bay has evolved into a fully integrated suburban multinational residential community. Situated on the coast of northeast Lantau Island next to the Disney Theme Park, Discovery Bay is endowed with open space and recreational and leisure facilities such as a private beach, central park, scenic promenade, golf course and marina.

The current Yi Pak Bay development is located in the northern part of Discovery Bay. Covering a gross floor area of approximately 141,000 m², it has been developed into low-rise and mid-rise residential units at Siena One (Phase 11), Siena Two (Phase 12) and Chianti (Phase 13).

Construction of Phase 14 (a mid-rise development of approximately 16,000 m² GFA) and Phase 15 (a low-rise development of approximately 17,000 m² GFA) is in progress, with expected completion in the first quarter of 2011 with pre-sales in the same year. The interior fitting out of the hotel development (approximately 26,000 m² GFA) began in December 2010, and the hotel is expected to commence operation in 2012.

Investment Properties

Major properties	Usage	Ownership	Approx. GFA (m²)
CITIC Tower	Office, retail	40%	52,000
DCH Commercial Centre	Office, retail	100%	36,000
Wyler Centre I	Industrial	100%	37,000
CITIC Telecom Tower	Industrial	100%	21,000

Energy

HK$ million	**2010**	2009	Change
Profit contribution			
Power generation	**532**	748	(29)%
Coal	**513**	138	272%
Proportion of total contribution	**11%**	13%	(2)%
Assets	**7,840**	6,868	14%
Liabilities	**101**	52	94%

In 2010, the combination of high prices for thermal coal and unchanged on-grid tariffs put pressure on all power producers in China. Despite an increase in total electricity 6% and heat 18% generated by all power plants in which CITIC Pacific has an interest, profit from power generation decreased 29%.

High coal prices, on the other hand, benefited the coalmine in Shandong Province in which CITIC Pacific has a 30% interest. This mine produced 4.6 million tonnes of coal in 2010, leading to an increased profit contribution of 272% compared with last year. At full production, six million tonnes of coal can be produced annually from this coalmine.

There are now 14 vessels with a total carry capacity of 440,000 tonnes transporting coal to the power plants. To support the future growth of the energy business, two 50,000 tonne wharves will be built at Ligang Power Station, and the management will continue to focus on improving operating efficiency and reducing costs.

CITIC Pacific's power plants

Power plant	Location (province)	Installed capacity (MW)	Ownership	Type	Utilisation hours	Electricity generated 2010 (m kWh)	Electricity generated 2009 (m kWh)	Electricity generated Change	Heat generated 2010 (kGJ)	Heat generated 2009 (kGJ)	Heat generated Change
Ligang	Jiangsu			Coal fired							
I & II		1,440	65%		5,783	8,328	7,723	8%	892	NA	NA
III & IV		2,460	71.4%		4,426	10,887	10,502	4%	NA	NA	NA
Hanfeng	Hebei	1,320	15%	Coal fired	5,533	7,303	6,848	7%	NA	NA	NA
Huaibei	Anhui	640	12.5%	Coal fired	5,094	3,260	3,063	6%	NA	NA	NA
Zhengzhou	Henan	1,000	50%	Co-generation	5,958	5,958	5,327	12%	7,307	6,863	6%
Hohhot	Inner Mongolia	400	35%	Co-generation	4,979	1,992	2,087	-5%	3,336	2,871	16%
Chenming	Shandong	18	49%	Co-generation	6,174	111	104	7%	3,021	2,611	16%
Total		**7,278**				**37,839**	**35,654**	**6%**	**14,556**	**12,345**	**18%**

Tunnels

	Location	Ownership	Franchise till
Eastern Harbour Tunnel (Road)	Hong Kong	71%	2016
Western Harbour Tunnel	Hong Kong	35%	2023

HK$ million	**2010**	2009	Change
Profit contribution	**502**	437	15%
Proportion of total contribution	**5%**	7%	(2)%
Assets	**1,963**	1,928	2%
Liabilities	**181**	194	(7)%

The Eastern Harbour Tunnel

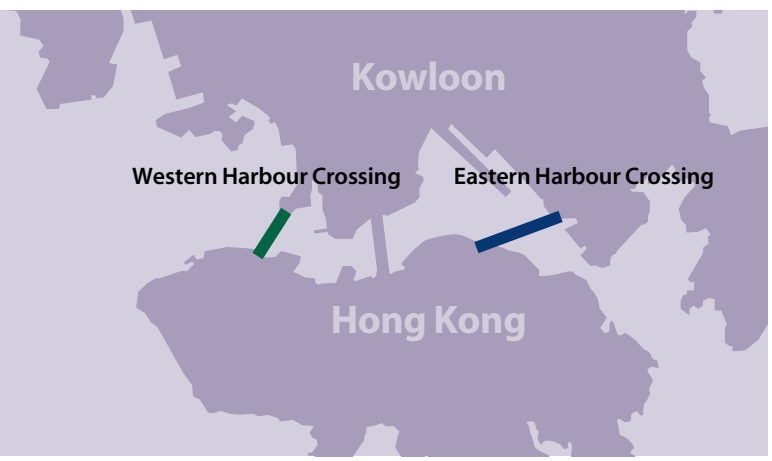
www.easternharbourtunnel.com.hk

The Eastern Harbour Tunnel registered average daily traffic of 67,530 vehicles in 2010, an increase of 7% from 2009. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 28% market share of total traffic in 2010.

The Western Harbour Tunnel

www.westernharbourtunnel.com

The Western Harbour Tunnel is a key section of the Route 3 highway connecting Hong Kong Island with mainland China and Chek Lap Kok Airport. In 2010, average daily traffic was 53,580 vehicles, up 11% from 2009. A toll increase was implemented on 1 August 2010. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 22% market share of total traffic in 2010.



Dah Chong Hong

www.dch.com.hk

56.1% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01828

HK$ million	2010	2009	Change
Profit contribution	775	402	93%
Proportion of total contribution	8%	6%	2%
Assets	14,717	11,460	28%
Liabilities	7,606	5,704	33%

Dah Chong Hong is engaged in the sales of motor vehicles and related business and services, sales of consumer and food products, as well as logistics services. The company has well-established networks in Hong Kong, Macau and mainland China, as well as operations in Japan, Singapore, Taiwan and Canada. Dah Chong Hong was a wholly-owned subsidiary of CITIC Pacific until its listing in October 2007.

CITIC Telecom International

www.citictel.com

60.6% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01883

HK$ million	2010	2009	Change
Profit contribution	248	196	27%
Proportion of total contribution	3%	3%	0%
Assets	3,060	2,532	21%
Liabilities	1,131	749	51%

CITIC Telecom International (CITIC Telecom) is Asia's leading hub-based service provider. Its main businesses include voice, SMS, mobile VAS, VPN and data services. CITIC Telecom owns and operates an independent telecoms hub that provides interoperability and interconnections services to 537 telecoms operators in 69 countries and regions.

CITIC Telecom holds a 20% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L., the first and only integrated telecommunication service provider in Macau.

In November 2010, CITIC Telecom entered into an agreement to acquire a 49% interest in China Enterprise Communications Ltd., a VPN operator in China. The transaction is subject to approval by the relevant government authorities. When completed, CITIC Telecom's existing VPN related services will be further expanded.