

# Notes to the Summary Financial Statements

## 1 General Information

These summary financial statements from page 92 to 100 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

The principal accounting policies applied in the preparation of these consolidated financial statements ('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 2010 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. The following revised standards, amendments or interpretations became effective in 2010 and are relevant to the Group.

Standard No.	Title	Effect
HKFRS 3 (revised)	Business combinations	Note (i)
HKAS 27 (revised)	Consolidated and separate financial statements	Note (ii)
HK Int 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	Insignificant
Improvements to HKFRS 2009		Note (iii)

Adoption of the above revised standards, amendments or interpretations / change in accounting policies does not have a significant impact on these Accounts except as stated below.

(i) HKFRS 3 (revised) continues to apply the acquisition method for business combinations. The major changes from the existing standard include: the immediate expensing of all acquisition related costs, the inclusion in the cost of acquisition the fair value at acquisition date of any contingent purchase consideration, the re-measurement of previously held equity interest in the acquiree at fair value with any difference from the carrying value recognised in the profit and loss accounts in a business combination achieved at stages. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

(ii) HKAS 27 (revised) provides that changes in a parent's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions and these transactions shall no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the subsidiary company is re-measured to fair value and the difference between the fair value and the carrying value is recognised in the profit and loss accounts.

(iii) HKAS 17 (amendments) is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of the title at the end of the lease term. The amendments to HKAS 17 are required to be applied retrospectively on the basis of information existing at the inception of those leases. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of certain leasehold land classified as operating leases to leasehold land classified as finance leases for the amount of HK\$677 million as at 31 December 2010, HK\$796 million as at 31 December 2009 and HK\$837 million as at 1 January 2009 respectively. Other amendments in this 2009 improvement project are immaterial to the Group.

## 2 Significant Accounting Policies *continued*

### Basis of Preparation *continued*

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 2010 may impact the Group in future years but are not yet effective for the year ended 31 December 2010:

Standard No.	Title	Applicable accounting period to the Group
HKAS 24 (Revised)	Related party disclosure (revised)	2011
HKFRS 9	Financial instruments	2013
Amendments of HKAS 12	Deferred tax: recovery of underlying assets	2012
Improvements to HKFRS 2010		2011

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 2010 is set out below:

<i>in HK\$ million</i> Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	2010 Total	2009 Total
Chang Zhenming <sup>#</sup>	0.15	1.23	2.00	–	3.38	8.36
Zhang Jijing <sup>#</sup>	0.15	1.23	5.00	–	6.38	2.81
Carl Yung Ming Jie <sup>#</sup>	0.15	1.61	7.50	0.08	9.34	12.52
Vernon Francis Moore <sup>#</sup>	0.15	2.23	12.00	0.01	14.39	14.88
Li Shilin <sup>#</sup>	0.15	0.56	–	–	0.71	0.71
Liu Jifu <sup>**</sup>	0.17	0.75	8.50	0.01	9.43	11.47
Milton Law Ming To <sup>#</sup>	0.15	1.88	11.00	0.08	13.11	12.16
Wang Ande <sup>#</sup>	0.15	2.09	9.00	–	11.24	12.37
Kwok Man Leung <sup>**</sup>	0.45	1.87	11.00	0.08	13.40	14.59
Willie Chang	0.35	–	–	–	0.35	0.35
Alexander Reid Hamilton	0.35	–	–	–	0.35	0.35
Hansen Loh Chung Hon	0.30	–	–	–	0.30	0.30
Norman Ho Hau Chong	0.25	–	–	–	0.25	0.25
André Desmarais	0.20	–	–	–	0.20	0.20
Ju Weimin	0.20	–	–	–	0.20	0.15
Yin Ke <sup>*</sup>	0.32	–	–	–	0.32	0.02
Peter Lee Chung Hing	0.04	1.24	–	0.03	1.31	22.99
Hamilton Ho Hau Hay	–	–	–	–	–	0.20
Larry Yung Chi Kin	–	–	–	–	–	1.09
Henry Fan Hung Ling	–	–	–	–	–	1.30
	3.68	14.69	66.00	0.29	84.66	117.07

Mr Peter Lee Chung Hing and Mr Hamilton Ho Hau Hay resigned during the year.

The executive directors marked <sup>##</sup> above are considered as key management personnel of the Group.

<sup>\*</sup> Included fee of HK\$0.44 million and share based payment of HK\$0.06 million paid to certain directors from listed subsidiary companies of the Group.

## 4 Fixed Assets and Properties under Development

### Group

in HK\$ million	Fixed assets								
	Property, plant and equipment					Investment properties	Leasehold land – operating leases	Properties under development	Total
	Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total				
Cost or valuation									
At 31 December 2009, as previously reported	7,768	13,824	21,738	3,384	46,714	11,164	2,803	9,236	69,917
Effect of adoption of HKAS 17 (Amendment)	1,089	–	–	–	1,089	–	(1,089)	–	–
At 1 January 2010, as restated	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
Exchange adjustments	279	545	295	76	1,195	324	70	451	2,040
Additions	170	354	23,696	541	24,761	–	–	2,935	27,696
Disposals	(51)	(266)	(52)	(153)	(522)	–	(29)	(3)	(554)
Change in fair value of investment properties	–	–	–	–	–	1,294	–	–	1,294
Transfer upon completion	2,515	4,603	(7,082)	217	253	–	14	(267)	–
Transfer to investment properties/current assets	(282)	4	–	(35)	(313)	797	–	(2,280)	(1,796)
Reclassification	(90)	145	(81)	26	–	–	–	–	–
At 31 December 2010	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Accumulated depreciation, amortisation and impairment									
At 31 December 2009, as previously reported	1,342	3,941	24	2,171	7,478	–	426	171	8,075
Effect of adoption of HKAS 17 (Amendment)	293	–	–	–	293	–	(293)	–	–
At 1 January 2010, as restated	1,635	3,941	24	2,171	7,771	–	133	171	8,075
Exchange adjustments	63	193	1	37	294	–	6	12	312
Charge for the year	290	796	–	370	1,456	–	34	8	1,498
Depreciation capitalised to construction in progress	16	143	–	88	247	–	–	–	247
Written back on disposals	(21)	(38)	–	(106)	(165)	–	(2)	–	(167)
Impairment loss	206	–	125	13	344	–	1	–	345
Transfer to investment properties/current assets	(79)	–	–	(25)	(104)	–	–	–	(104)
Reclassification	–	5	–	(5)	–	–	–	–	–
At 31 December 2010	2,110	5,040	150	2,543	9,843	–	172	191	10,206
Net book value									
At 31 December 2010	9,288	14,169	38,364	1,513	63,334	13,579	1,597	9,881	88,391
Represented by									
Cost	11,398	19,209	38,514	4,056	73,177	–	1,769	10,072	85,018
Valuation	–	–	–	–	–	13,579	–	–	13,579
	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597

## 4 Fixed Assets and Properties under Development *continued*

### Group *continued*

<i>in HK\$ million</i>	Fixed assets								
	Property, plant and equipment					Investment properties	Leasehold land – operating leases	Properties under development	Total
	Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total				
<i>Cost or valuation</i>									
At 31 December 2008, as previously reported	5,558	9,515	11,259	3,182	29,514	11,230	2,686	8,791	52,221
Effect of adoption of HKAS 17 (Amendment)	1,114	–	–	–	1,114	–	(1,114)	–	–
At 1 January 2009, as restated	6,672	9,515	11,259	3,182	30,628	11,230	1,572	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	85	(5)	78	(58)	100	(85)	62	(77)	–
At 31 December 2009	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
<i>Accumulated depreciation, amortisation and impairment</i>									
At 31 December 2008, as previously reported	1,174	3,233	23	2,056	6,486	–	366	161	7,013
Effect of adoption of HKAS 17 (Amendment)	277	–	–	–	277	–	(277)	–	–
At 1 January 2009, as restated	1,451	3,233	23	2,056	6,763	–	89	161	7,013
Exchange adjustments	5	13	–	11	29	–	–	1	30
Charge for the year	202	475	1	335	1,013	–	40	9	1,062
Depreciation capitalised to construction in progress	3	288	–	28	319	–	4	–	323
Written back on disposals	(32)	(69)	–	(265)	(366)	–	–	–	(366)
Impairment loss	6	2	–	5	13	–	–	–	13
Reclassification	–	(1)	–	1	–	–	–	–	–
At 31 December 2009, as restated	1,635	3,941	24	2,171	7,771	–	133	171	8,075
<i>Net book value</i>									
At 31 December 2009, as restated	7,222	9,883	21,714	1,213	40,032	11,164	1,581	9,065	61,842
<i>Represented by</i>									
Cost	8,857	13,824	21,738	3,384	47,803	–	1,714	9,236	58,753
Valuation	–	–	–	–	–	11,164	–	–	11,164
	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917

## 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 and other reserves	Retained profits	Total
At 1 January 2010	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Share of reserves of associated companies and jointly controlled entities	-	-	19	-	(10)	107	3	9	(72)	56
Exchange translation differences	-	-	-	-	-	2,216	-	-	-	2,216
Partial disposal of an associated company to non-controlling interests	-	-	-	-	-	-	-	(253)	-	(253)
Reserves released on disposal of a jointly controlled entity	-	-	-	-	-	(298)	-	-	-	(298)
Reserves released on disposal of associated companies and non-current assets held for sale	-	-	(28)	83	-	(393)	-	-	(83)	(421)
Reserves released upon liquidation of a subsidiary company	-	-	-	-	-	5	-	-	-	5
Surplus on revaluation of properties transferred from self-use properties to investment properties	-	-	-	-	-	-	-	116	-	116
Cash flow hedges										
Fair value gain in the year	-	-	-	-	-	-	292	-	-	292
Transfer to construction in progress	-	-	-	-	-	-	(1,116)	-	-	(1,116)
Transfer to net finance charges	-	-	-	-	-	-	285	-	-	285
Tax effect	-	-	-	-	-	-	26	-	-	26
	-	-	-	-	-	-	(513)	-	-	(513)
Fair value gain on other financial assets	-	-	-	-	835	-	-	-	-	835
Fair value released on disposal of other financial assets	-	-	-	-	(1,232)	-	-	-	-	(1,232)
Dilution of interest in a subsidiary company	-	-	-	-	-	-	-	38	-	38
Acquisition of interests from non-controlling interests	-	-	-	-	-	-	-	1	-	1
Transfer from profits to general and other reserves	-	-	-	-	-	-	-	283	(283)	-
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	-	8,915	8,915
Dividends	-	-	-	-	-	-	-	-	(1,459)	(1,459)
Share-based payment	-	-	17	-	-	-	-	-	-	17
At 31 December 2010	36,515	29	1,030	(1,655)	156	6,762	403	1,341	22,242	66,823
<i>Representing</i>										
At 31 December 2010 after proposed final dividend										65,728
2010 Final dividend proposed										1,095
										66,823
<i>Retained by</i>										
Company and subsidiary companies	36,515	29	918	(1,655)	144	6,547	409	1,315	16,461	60,683
Jointly controlled entities	-	-	112	-	12	211	(6)	26	4,616	4,971
Associated companies	-	-	-	-	-	4	-	-	1,165	1,169
	36,515	29	1,030	(1,655)	156	6,762	403	1,341	22,242	66,823

## 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 and other reserves	Retained profits	Total
At 1 January 2009	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230
Share of reserves of associated companies and jointly controlled entities	–	–	18	–	8	(16)	40	1	(6)	45
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 other financial assets	–	–	–	–	(80)	–	–	–	–	(80)
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	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
<i>Representing</i>										
At 31 December 2009 after proposed final dividend										57,888
2009 Final dividend proposed										912
										58,800
<i>Retained by</i>										
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

## 6 Comparative Figures

Certain comparative figures for 2009 have been adjusted to conform with the current accounting standards described in note 2(iii) to the Accounts. In accordance with accounting standard, HKAS1 – Presentation of Financial Statements, an additional balance sheet and the relevant notes as at the beginning of the comparative year are also presented.