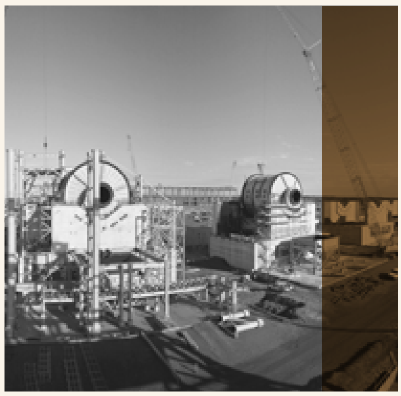
CITIC PACIFIC

Half-Year Report **2011**

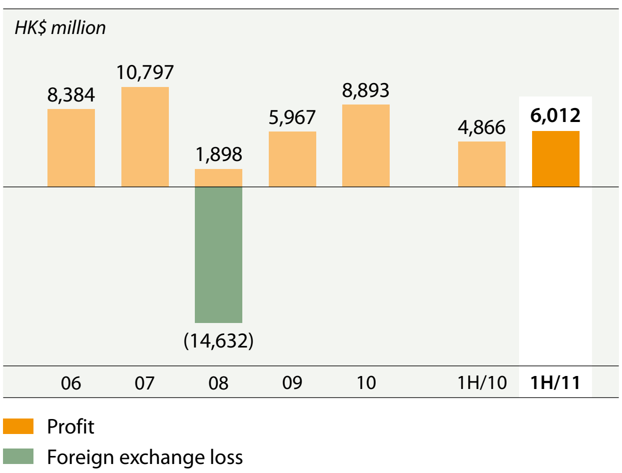


Financial Highlights

In HK$ million	1H 2011	1H 2010	Increase/ (Decrease) %
Profit attributable to ordinary shareholders	**6,012**	4,866	24
Contribution by business:			
Special steel	**1,398**	1,154	21
Iron ore mining	**(370)**	(114)	(225)
Mainland China property	**1,707**	298	473
Hong Kong property	**195**	181	8
Energy	**824**	519	59
Tunnels	**244**	241	1
Dah Chong Hong	**328**	253	30
CITIC Telecom	**152**	104	46
Contribution from gain on disposal of assets	**296**	1,774	(83)
Fair value change of investment properties	**1,328**	759	75
Cash inflows from business operations	**5,023**	3,718	35
Other cash inflows	**2,048**	4,236	(52)
Capital expenditure	**10,882**	12,299	(12)
EBITDA	**10,550**	7,781	36
Earnings per share *(HK$)*	**1.65**	1.33	24
Dividends per share *(HK$)*	**0.15**	0.15	–

In HK$ million	As at 30 June 2011	As at 31 December 2010	Increase/ (Decrease) %
Total assets	**217,461**	193,120	13
Net debt	**59,206**	59,125	–
Cash and bank deposits	**32,647**	24,558	33
Available committed banking facilities	**11,718**	18,594	(37)
Total ordinary shareholders' funds and perpetual capital securities	**79,454**	68,253	16
Net debt to total capital	**43%**	46%	

Profit attributable to ordinary shareholders



Business assets

Who we are and What we do

Based in Hong Kong, CITIC Pacific is 58% owned by CITIC Group in Beijing and has shareholders around the world.

We have a team of experienced professionals who have deep knowledge of and expertise in developing and operating businesses in China, Australia and Hong Kong.

We are a diversified company, with a primary focus on **Special Steel** manufacturing, **Iron Ore Mining** and **Property** development in mainland China. These three business areas together constituted 72% of total assets as at 30 June 2011.

Special Steel

- **25%** of assets
- **2** production plants in China
- **9 million** tonnes of annual production capacity

CITIC Pacific Special Steel is the largest manufacturer dedicated to the production of special steel in China. Special steel is used in a wide range of industries, including auto components, machinery manufacturing, transportation, energy, railways and shipping. The major products are bearing steel, gear steel, spring steel, seamless steel tubes and medium to thick plates.

Iron Ore Mining

- **28%** of assets
- **2 billion** tonnes of magnetite ore

CITIC Pacific's iron ore mine will be the largest magnetite mine in Australia. It will ensure a stable, quality supply of iron ore to CITIC Pacific's special steel plants, as well as other steel producers in China.

Property
mainland China

- **19%** of assets
- Developing **4.3 million** square metres of gross floor area

CITIC pacific focuses on developing medium and large-scale projects in mainland China. Properties are located in prime areas of Shanghai and major cities in the Yangtze River Delta area, as well as Hainan Island.

Chairman's Letter to Shareholders

Dear Shareholders,

In the first half of 2011, CITIC Pacific achieved profit attributable to ordinary shareholders of HK$6,012 million. This is 24% higher than the same period in 2010. I am pleased to report that whereas 2010's result included HK$1,774 million of one-time gains, in 2011 it was largely from our continuing business operations. On a comparable basis, contribution from operating businesses increased 73%, which demonstrated the solid performance of our businesses. The board is recommending an interim dividend of HK$0.15 per share.

Our already strong balance sheet was improved in April by the addition of USD1.25 billion raised from the capital market with maturities of 10 years and beyond. Early this month, we raised another RMB1 billion through a private placement under our newly established Medium Term Notes programme. We also agreed to sell to CITIC Group our 50% interest in CITIC Guoan, which will provide over HK$4 billion of additional cash if the transaction is approved by the shareholders and regulators. Gearing was 43% at the end of June, when we had a total of HK$44 billion of cash and available committed facilities.

We are coming to the end of a major investment period. Expansion of our special steel production capacity is complete. The property development business in mainland China requires capital but is substantially self-funding as it generates good cash flow from the sale of projects. Capital expenditure on our iron ore mine will remain high in 2011, and we look forward to the significant cash flow from the mine once it begins production.

The Sino Iron project is one of the largest overseas iron ore investments made by a Chinese company. It is significant not only to CITIC Pacific, but also CITIC Group and indeed China. I feel the pressure and the challenge of constructing this project, and I am sure some of my colleagues share this feeling. We have come so far and we remain committed to our mission of completing the project as soon as possible.

Much progress has been made this year. The power station, desalination plant and the port area are ready for integrated commissioning. Up to now, over 100 million tonnes of material have been moved from the mine pit. Other components such as crushers, grinding mills, pipelines, the dewatering plant, stockpiles and related facilities are all in various stages of completion and testing. However, we still have a lot of work ahead of us to achieve integrated commissioning and initial production.

In the progress update provided last month, we said that our target to produce and export high quality concentrate had been moved back to the first half of 2012. This is later than our plan to export at the end of this year and was due to slower progress made by our

EPC (engineering, procurement and construction) contractor, MCC, which is responsible for ore processing related facilities. Because of this delay, we are working with some vendors to ensure that supplies needed for the mine's operation are delivered at the appropriate time and to minimise liabilities. We are also negotiating with MCC regarding their proposal to increase their contract price by an additional USD900 million. Clearly, we are very disappointed by this request. The fact is that we need to complete this mine as fast as possible so that it can begin to generate profit and cash flow for our company. We believe that continuing to employ MCC to finish the project at a cost within reason is in the best interest of CITIC Pacific and our shareholders.

When the Chief Executive of Hong Kong, Mr Donald Tsang, visited our mine in June, we impressed upon him the scale and complexity of our undertaking. The Sino Iron project is the largest magnetite iron ore project under development and is also the first large-scale production facility in the world employing advanced technology to process magnetite iron ore. Since the project was conceived in 2006, the price of iron ore has risen over 260%, driven by demand from China and other developing markets. At the same time, the costs of building an iron ore mine – from labour to equipment and materials – have increased significantly. The appreciation of the Australian Dollar has also contributed to this rise in construction costs expressed in USD and HKD. Looking at all of these factors objectively, I don't think it is inaccurate to say that building a similar mine today would cost much more. We are encouraged by the fact that the industrialisation and urbanisation of China and other emerging markets are expected to drive demand for steel, which in turn will keep the price of iron ore at a firm level.

The project today, which is the most advanced among similar but smaller magnetite mines in Australia, is nearing initial production. Completing construction and preparing for operation is our top priority. I am happy to see that we have built a solid management team in Australia composed of experienced Australian and Chinese managers. They are very committed to successfully completing the project, doing all they can to control costs, and to operating the mine.

In June, the Australian government released draft legislation for the proposed Minerals Resource Rent Tax ('MRRT'). According to the draft, magnetite iron ore will be subject to the MRRT. The tax is set prior to the first point of processing, which in our case will be the primary crusher when the value of the material is low. No details have been given on how the resource is valued; therefore, it is uncertain what impact the MRRT will have on our project. We strongly believe that magnetite projects should be excluded from the MRRT as the Australian Government's stated intention is to tax the resource mined, not the value created through processing. Magnetite iron ore in the ground has low iron content and requires extensive downstream processing to produce a saleable product. We continue to lobby the government and work with other producers in the industry to make our voice heard.

The Australian government has also announced its plan to tax companies with high carbon emissions. Unfortunately, the proposal only considers emissions in Australia and not the global effect of products made in Australia. Sino Iron is a case in point. Magnetite iron ore produces more carbon in Australia but less when used in steel making; therefore, there is a net reduction in carbon emissions in the overall mine-to-steel value chain. We are working closely with other magnetite iron ore producers to lobby the government for an appropriate level of assistance that recognises the benefits of this new and upcoming industry in terms of creating jobs in Australia and producing carbon savings across the globe.

Reviewing the performance of our other businesses, I am proud to say that they continued to do well in increasingly competitive markets. Our colleagues in the special steel business have proved again that they are experts at their trade. Profit contribution from our two special steel plants rose 21% compared with the first half of 2010 to reach HK$1,398 million. This far exceeded the average growth in profit of domestic special steel companies. Sales volume increased 14%, due primarily to new capacity. The expansion programme that we embarked upon three years ago is now complete. With nine million tonnes of annual steel producing capacity and new special steel plates, which further broadens our portfolio of products, we are in an excellent position to continue serving our customers and capturing the long-term growth opportunities the China market presents.

Although we achieved good results in special steel, we do note the recent weakness in steel demand, particularly from the auto sector. Currently about 25% of the special steel products we sell are to this sector. Despite the slower than previous growth in motor vehicle sales, the auto sector remains an important one for our steel business as its long-term growth is undeniable. We will continue to raise the quality of our products and explore opportunities in downstream product manufacturing. At the same time, our increasingly diverse portfolio of products will help lessen our reliance on some industries. I strongly believe that our expertise, solid customer base and excellent product quality will continue to solidify our leading position in special steel manufacturing in China.

Profit contribution from the mainland property business rose over four times compared with the same period last year mainly due to delivery of completed properties. The twin office towers in Shanghai's Lujiazui area were handed over to the two buyers – Agricultural Bank of China and China Construction Bank – early in the year. We still have about 4.3 million square metres of gross floor area for development in the next seven to eight years. Sales of residential projects in the first half of 2011 were slow as a result of the measures put in place by the government to moderate the rapid rise of property prices. Looking at the rest of the year, sales will likely continue to be sluggish. In our view, however, these measures are beneficial to the long-term and sustainable growth of a healthy property market.

While our focus is on the three main businesses, our other businesses of energy, tunnels in Hong Kong, Dah Chong Hong and CITIC Telecom, representing 28% of the assets of our company, are all well managed and operating well. Their solid performance not only contributes profit and cash flow to CITIC Pacific but also allows us to spend much of our time and energy focusing on bringing the iron ore mine into production.

As you know, in May we bid farewell to five retiring directors and welcomed two new independent non-executive directors to our board. In these few short months, we have already benefited from their expertise and fresh perspectives. One of them was recently appointed to the committee of the board that is handling matters related to the foreign exchange incident of 2008, responding to the suggestion by shareholders that an independent director join that committee.

I feel privileged to have the support of our board and so many of our shareholders. Everything we do and every decision we make is driven by our goal of creating value and generating superior returns for our shareholders. Together, we can create a better future for CITIC Pacific.

I would like to thank our employees, shareholders and lenders for their hard work, understanding and support, which are essential to the success of CITIC Pacific.

Chang Zhenming
Chairman
Hong Kong, 19 August 2011

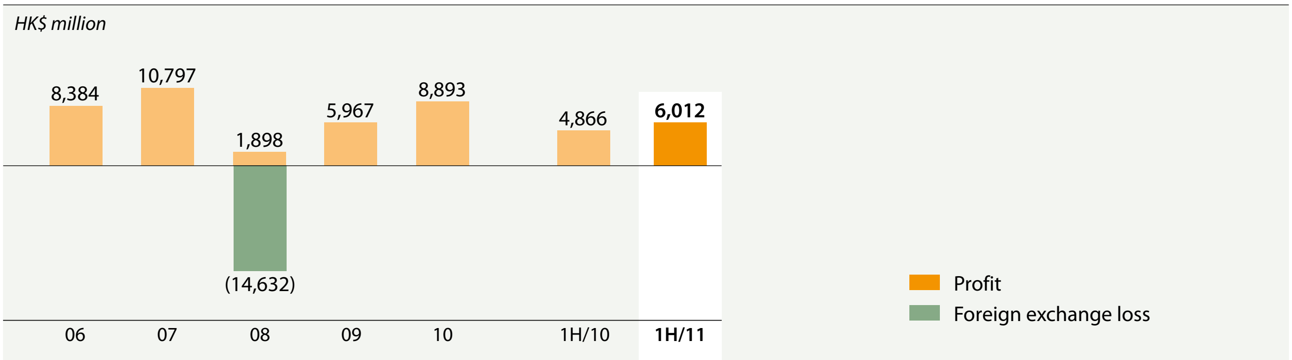
Financial Review

The financial review provides key profit and loss, balance sheet and cashflow items as viewed from an operating perspective. Hence, the presentation of results from the various businesses may differ from those in the financial statements.

Summary of First Half 2011

A net profit of HK$6,012 million was attributable to ordinary shareholders for the first half of 2011. The first half results were driven by improved profitability in our underlying businesses, along with HK$1,328 million arising from an upward revaluation in our investment properties. This compared with a net profit of HK$4,866 million for the first half of 2010, which included a one-time gain of HK$1,774 million from the disposal of non-core assets. Our continuing business operations contribution increased from HK$2,673 million to HK$4,626 million, a 73% increase from the same period in the previous year.

Profit attributable to ordinary shareholders



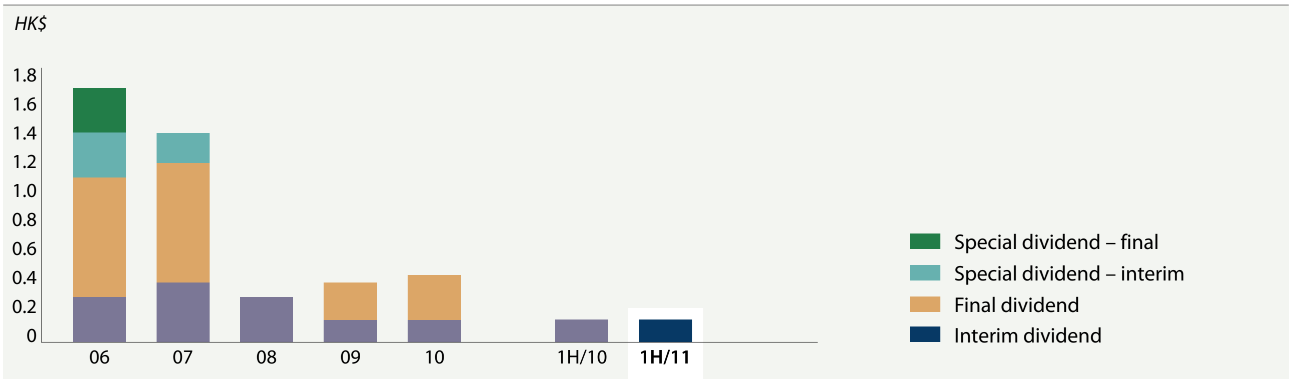
Earnings per Share

Earnings per share were HK$1.65 in the first half of 2011 compared with HK$1.33 in the first half of 2010, an increase of 24%. The number of shares outstanding increased by 756,000 to 3,649,444,160 at 30 June 2011.

Dividends

An interim dividend of HK$0.15 per share has been declared for the first half of 2011 which was the same as for 2010. This equates to an aggregate cash distribution of HK$547 million.

Dividend per share

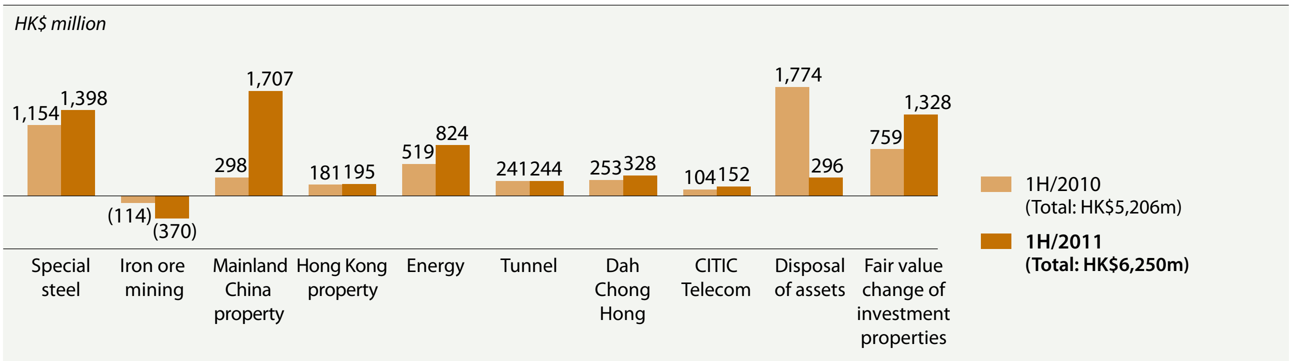


Contribution and Assets by Business

In order to present a fairer picture of our operating businesses, in the table below the business segments have been adjusted to separate the gains on disposal of assets from the performance of the underlying business operations.

In HK$ million	Contribution 1H 2011	Contribution 1H 2010	Assets as at 30 June 2011	Assets as at 31 December 2010
Special steel	1,398	1,154	53,426	48,351
Iron ore mining	(370)	(114)	60,674	53,397
Mainland China property	1,707	298	40,569	37,410
Sub-total	**2,735**	**1,338**	**154,669**	**139,158**
Hong Kong property	195	181	13,322	12,444
Energy	824	519	9,145	7,840
Tunnels	244	241	2,058	1,963
Dah Chong Hong	328	253	16,961	14,717
CITIC Telecom	152	104	2,855	3,060
Others	148	37	5,817	5,624
Disposal of assets	296	1,774	–	–
Fair value change of investment properties	1,328	759	–	–
Total	**6,250**	**5,206**	**204,827**	**184,806**

Contribution by business



Special Steel The contribution for the first half of 2011 was HK$1,398 million compared with HK$1,154 million for the same period last year, an increase of 21%. The volume of special steel products sold was around 3.5 million tonnes during the first half of the year, an increase of 14% for the same period in the previous year after adjusting for the sale of Shijiazhuang in 2010. Exports totalled 467,000 tonnes, accounting for approximately 14% of our sales. The steady growth is driven by both the newly added capacity as well as an increase in profit per tonne.

Iron Ore Mining Construction of the iron ore mine in Australia continued, with the commissioning of the first production line and export of ore expected in the first half of 2012. A loss of HK$370 million was recorded, which was mainly due to a provision made for a mismatch between the supply of gas under the current contract and the revised timetable for the completion of the iron ore mine, applying the same principles as at 31 December 2010. The loss in the first half of 2010 was due to revaluation of currency held in Australia.

Mainland China Property Net contribution increased to HK$1,707 million in the first half of 2011 compared with HK$298 million in the first half of 2010 owing to the completed sale of two towers of our Lujiazui property in Shanghai and from the delivery of residential units in Qingpu in Shanghai, Wuxi and Yangzhou and strata office units in Ningbo, sold in the previous year. Our investment properties CITIC Square and Westgate were fully leased, and Royal Pavilion and Ningbo Pacific Plaza had occupancy rates of 80% at the end of 30 June 2011.

In HK$ million	**1H 2011**	1H 2010
Sales	**1,532**	173
Leasing	**216**	165
Properties under development	**(41)**	(40)
Total	**1,707**	298

Hong Kong Property Profits from leasing decreased slightly to HK$177 million in the first half of 2011 compared with HK$178 million in the first half of 2010, mainly attributable to lower occupancy rates, particularly in CITIC Tower where a major new tenant is due to take up residence in the second half of 2011. The average occupancy rate of the properties in Hong Kong remains high. Property sales contribution was mainly from property in Discovery Bay in our associated company, Hong Kong Resorts. A non-recurring gain was made by the sale of Honest Motors Building.

In HK$ million	**1H 2011**	1H 2010
Sales	**18**	3
Leasing	**177**	178
Disposal of investment property	**296**	–
Total	**491**	181

Energy The energy division showed a HK$824 million profit contribution compared with HK$519 million in the first half of 2010. The power generation business contributed HK$423 million in the first half of 2011, compared with HK$249 million in the first half of 2010 due to an overall increase in power generated and a small increase in tariffs. The coal mine in Shandong increased production over the same period from approximately 360,000 tonnes/month to 475,000 tonnes/month and also benefited from higher coal prices.

In HK$ million	**1H 2011**	1H 2010
Power generation	**423**	249
Coal	**401**	270
Total	**824**	519

Tunnels A profit contribution of HK$244 million in the first half of 2011 was achieved compared with HK$241 million in the first half of 2010. This was due to increased traffic flow between Hong Kong and Kowloon and an increase in the average toll for the Western Harbour Tunnel of about 10% which came into effect on 1 August 2010. Average daily traffic for the Eastern and Western Harbour Tunnels increased 4% and 5% respectively as compared to the first half of 2010. The first half of 2010 included a one-off HK$6 million compensation payment from the Hong Kong government.

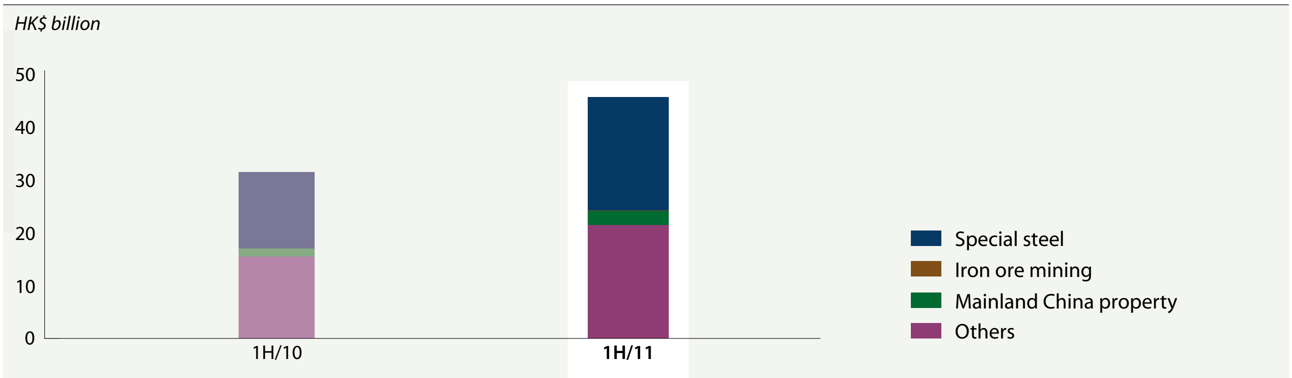
Dah Chong Hong CITIC Pacific's share of DCH's business profit was HK$328 million in the first half of 2011 compared with HK$253 million in the first half of 2010. The 30% increase in contribution was mostly driven by the strong growth of the luxury car and commercial vehicle sales in mainland China; the improvement of the logistics business in Hong Kong and mainland China with the provision of more value-added services to customers and a gain on revaluation of investment properties.

CITIC Telecom CITIC Pacific's share of CITIC Telecom's profit was HK$152 million in the first half of 2011 compared with HK$104 million in the first half of 2010. This increase was due to improved business operations and the contribution from its interest in Companhia de Telecomunicações de Macau, which was acquired in May 2010.

Turnover

Turnover increased from HK$31,873 million in the first half of 2010 to HK$45,940 million in the first half of 2011. Special Steel and Dah Chong Hong accounted for the majority of the consolidated turnover of CITIC Pacific in 2011. Turnover of CITIC Pacific includes the total invoiced value of goods supplied net of government taxes where applicable (Special Steel and DCH); charges for telecommunication services and fees from services rendered to customers (CITIC Telecom); gross proceeds from the sale of properties and gross property rental (Property); and toll income (Tunnels).

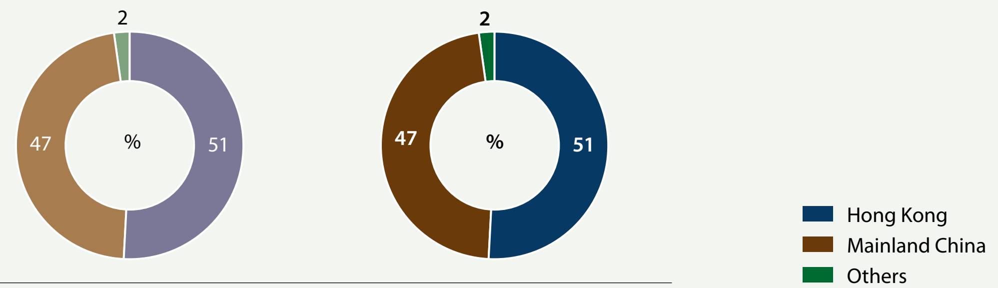
Turnover at Special Steel increased 49% while turnover at Dah Chong Hong increased 40% in the first half of 2011.



In HK$ million	**1H 2011**	1H 2010
Special steel	**21,448**	14,372
Iron ore mining	**28**	13
Mainland China property	**2,580**	1,527
Sub-total	**24,056**	15,912
Hong Kong property	**129**	127
Tunnels	**388**	376
Dah Chong Hong	**19,814**	14,117
CITIC Telecom	**1,492**	1,291
Energy	**10**	–
Others	**51**	50
Total	**45,940**	31,873

Change in the Fair Value of Investment Properties

The fair value of investment properties increased by HK$1,328 million in the first half of 2011. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong.



as at 31 December 2010
(Total: HK$16,425m)

as at 30 June 2011
(Total: HK$17,910m)

Interest Expense

CITIC Pacific's interest charged to the profit and loss account increased from HK$360 million in the first half 2010 to HK$393 million in the first half of 2011. This was offset by HK$253 million of interest income compared with HK$142 million in the first half of 2010.

The weighted average cost of debt (including both interest capitalised and expensed) increased from 3.8% in the first half of 2010 to 4.0% in the first half of 2011. This was due to the increase in the People's Bank of China lending rate and an increase in fixed rate USD borrowings. Interest rates in Hong Kong and the United States continued to be low.

Capitalised interest of HK$1,473 million was mainly attributable to the development of our mining operations in Australia (1H2010: HK$1,026 million).

Taxation

CITIC Pacific adopted amendments to HKAS12 'Income Taxes – Deferred Tax: Recovery of Underlying Assets' in 2011. As a result, deferred tax in respect of its investment properties is measured with reference to the tax consequences that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, deferred tax of these properties was measured using the tax rate that would apply as a result of recovery of assets' value through use. The total ordinary shareholders' funds and perpetual capital securities of CITIC Pacific as at 1 January 2011 decreased by HK$29 million while the profit attributable to ordinary shareholders for the first half of 2011 and 2010 increased by HK$19 million and decreased by HK$18 million respectively.

Taxation in first half of 2011 increased to HK$1,422 million from HK$983 million in the first half of 2010 mainly due to the increased profits from operations and the deferred taxation provision for the revaluation surplus of investment properties in mainland China.

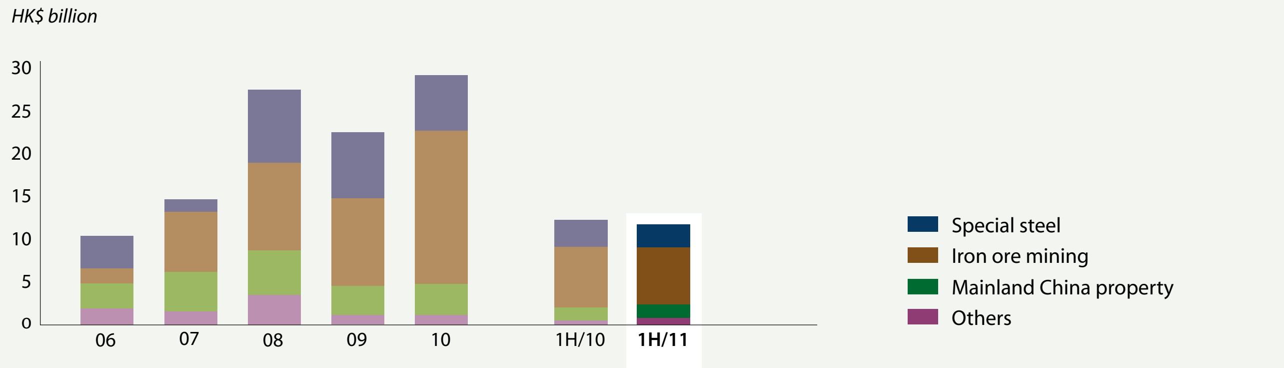
Cash Inflows

Consolidated cash inflows totalled HK$7,071 million in first half of 2011 compared with HK$7,954 million in first half of 2010. Cash inflows principally represent cash generated from operating activities after income taxes, dividends from associated companies and jointly controlled entities and sales of fixed assets and investment properties.

In HK$ million	**1H 2011**	1H 2010
Cash inflows/(outflows) from business operations		
Special steel	**2,579**	1,183
Iron ore mining	**(55)**	197
Mainland China property	**1,170**	2,162
Sub-total	**3,694**	3,542
Hong Kong property	**113**	159
Energy	**15**	–
Tunnels	**292**	294
Dah Chong Hong	**954**	17
CITIC Telecom	**193**	222
Others	**(238)**	(516)
	5,023	3,718
Other cash inflows		
Divestments of businesses	**–**	3,543
Dividends from associated companies & jointly controlled entities	**188**	299
Sale of fixed assets & investment properties	**610**	42
Others	**1,250**	352
	2,048	4,236
Total	**7,071**	7,954

Capital Expenditure

Investment in iron ore mining accounted for the largest share of capital expenditure in the last three years and continued to account for the bulk of expenditures for the first half of 2011. The capital investment in special steel mainly comprised the contracted payments for completion of the phase III expansion at Xingcheng in April of 2011.



In HK$ million	**1H 2011**	1H 2010
Special steel	**2,516**	3,141
Iron ore mining	**6,030**	7,154
Mainland China property	**1,591**	1,532
Sub-total	**10,137**	11,827
Hong Kong property	**–**	–
Others	**745**	472
Total	**10,882**	12,299

Capital expenditure presented in the above table includes expenditure to acquire fixed assets, develop properties, acquire businesses and pay for mining rights and related development costs including capitalised interest.

CITIC Pacific has maintained its focus on its major businesses. Our investments in special steel, Australian iron ore mining and property development in mainland China represent 93% of the total capital expenditure of CITIC Pacific for the first half of 2011.

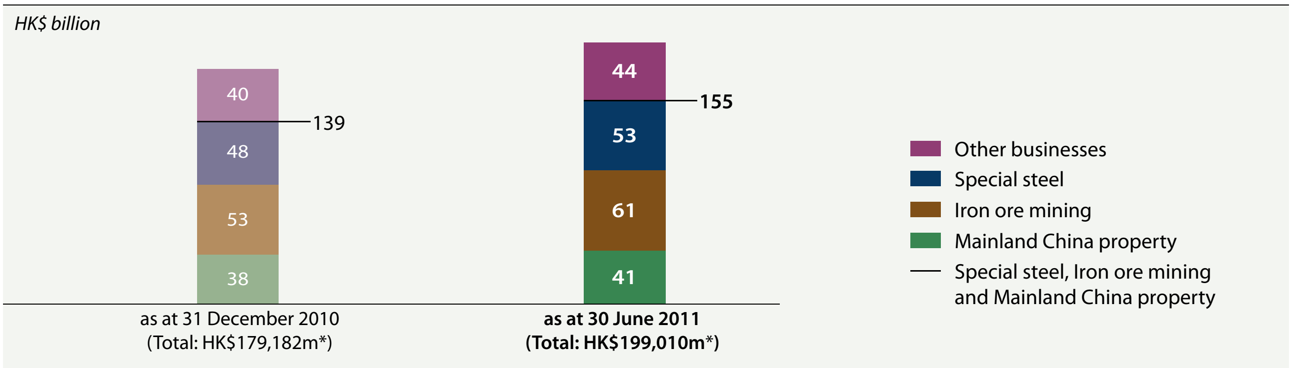
As at 30 June 2011, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were HK$11 billion.

The future capital expenditure will be funded by the Group's cash and deposits and available credit facilities. Page 19 describes the HK$32.6 billion of cash and deposits held by the Group and HK$11.7 billion of available committed facilities at 30 June 2011.

Assets

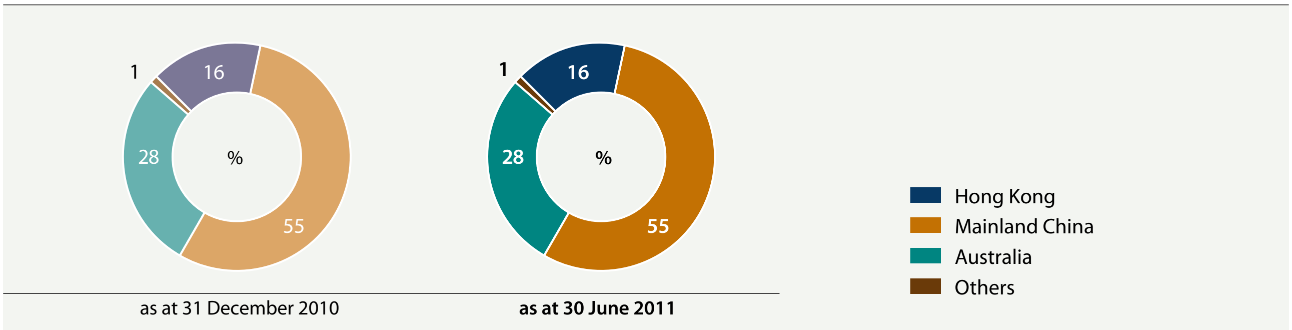
Total assets increased from HK$193,120 million at the end of 2010 to HK$217,461 million at the end of the first half of 2011. Iron ore mining assets which include HK$4.6 billion for ships that will be used to transport iron ore, capital expansion of the steel plants and development of our properties in mainland China were the main drivers of an increase in business asset.

By business



* Excludes corporate level cash and assets and other investments

By geography

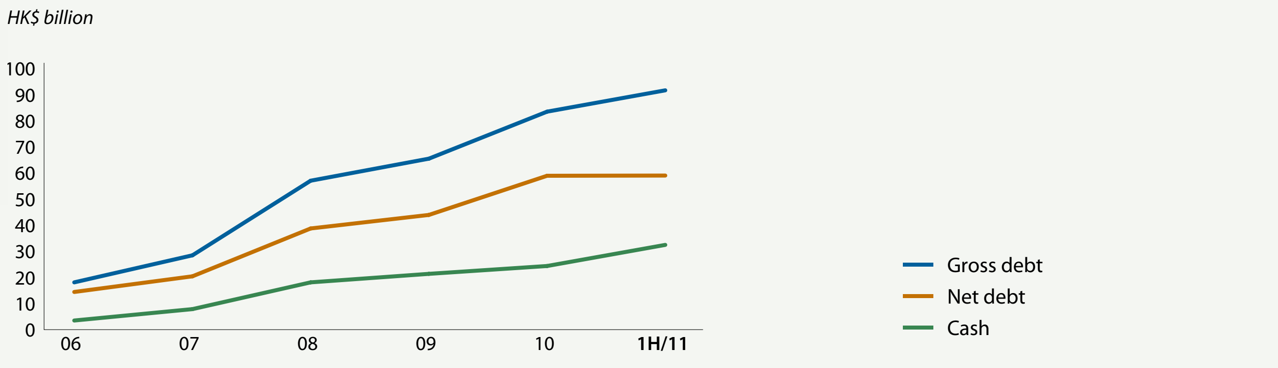


Current Assets and Liabilities

Current assets for CITIC Pacific were HK$70,419 million as compared to HK$54,340 million for the end of 2010, of which HK$32,647 million was cash and deposits. Current liabilities were HK$52,792 million at the end of the first half of 2011 as compared to HK$43,129 million at the end of 2010, of which HK$21,219 million was bank loans, loans and overdrafts. For CITIC Pacific's policy for the management of liquidity please see page 18.

Net Debt

Net debt remained unchanged from the previous period, while gross debt increased 10% to fund the planned expansion of our businesses. Net debt remained unchanged due to the increase in cash reserves from the issuance of US$750 million perpetual capital securities. CITIC Pacific expects net debt to increase until major fixed asset investments in the special steel and iron ore mining businesses come into production and property developments are sold.



Total Ordinary Shareholders' Funds and Perpetual Capital Securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$68,253 million at 31 December 2010 to HK$79,454 million at 30 June 2011 due to profit for first half of 2011, the issuance of US$750 million of perpetual capital securities, adjustments in the reserves for exchange translations and movements in the hedging reserve for interest rate and foreign exchange contracts.

Derivatives Contracts

As at 30 June 2011, CITIC Pacific had gross outstanding derivative instruments of HK$38,840 million, compared with gross outstanding derivative instruments of HK$43,955 million as at 31 December 2010.

	Notional Amount		Fair Value as at	
In HK$ million	**30 Jun 11**	31 Dec 10	**30 Jun 11**	31 Dec 10
Forward foreign exchange contracts	**9,755**	10,409	**1,744**	1,633
Interest rate swaps	**27,890**	32,351	**(2,914)**	(2,539)
Cross currency swaps	**1,195**	1,195	**237**	235
	38,840	43,955	**(933)**	(671)

All the above derivative instruments were entered into to manage interest rate and foreign currency exposure in economic terms. As at 30 June 2011, derivative instruments with a total notional amount of HK$31,426 million (31 December 2010: HK$33,576 million) and a negative fair value of HK$798 million (31 December 2010: HK$711 million) are qualified for hedge accounting, where the effective portion of gains and losses on such instruments are recognised in the hedging reserve in equity.

Derivative instruments that are not qualified for hedge accounting include forward exchange contracts and cross currency swaps to economically hedge USD debt and a JPY note and foreign exchange contracts for economic hedging of short term trade flows.

Risk Management

Each day, every business faces numerous risks, and one of the essential elements of both corporate governance and management is to ensure that these risks are both appropriate and controlled.

Many parts of this report refer directly or indirectly to risks faced by our businesses, but in this section the key financial and commercial risks are brought together.

The management of risk starts with the board of directors. At each meeting the board receives a report of the financial results and the financial position of the group, both current and projected. At every meeting, written reports are provided on all businesses in a form similar to those reviewed by management at the executive committee.

The board has established audit, asset and liability management, executive, investment and remuneration committees whose activities are important parts of the overall control of risk.

Treasury Risk Management

Financial risks are inherent in any business. Systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and commodity risks arising from the activities of our existing and proposed businesses. Many of the current systems have a significant manual component, and an automated treasury management system is currently being installed.

Treasury policies are established by the Asset and Liability Management Committee ('ALCO') and reported to the board. The group finance department, headed by the group treasurer, is responsible for implementing treasury policies, disseminating them to operating units, monitoring adherence to them, and preparing reports of the actual situation to be presented to ALCO, the executive committee and the board.

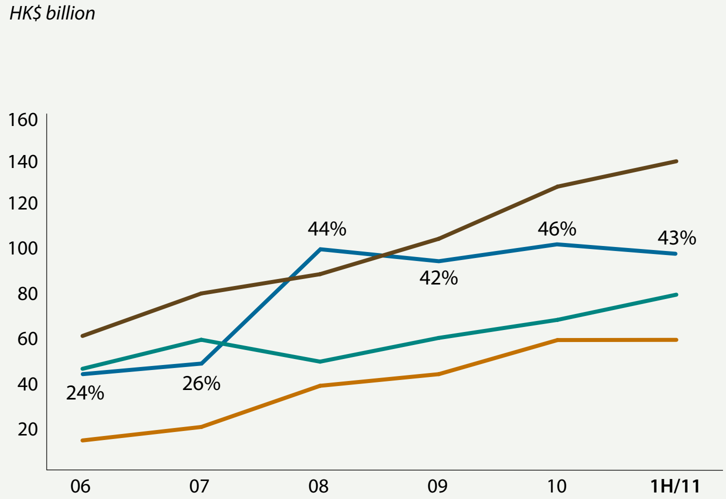
All business units, whether they are subsidiaries, associates or jointly controlled entities are responsible for managing their liquidity, interest rate, foreign exchange and commodity risks within the confines of the overall ALCO policies and specific delegations. They are responsible for identifying areas of risk within their organisations and reporting them to ALCO on a timely basis.

Listed subsidiaries CITIC Telecom International, Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs themselves within the framework of the group's treasury policies.

Balance Sheet Management

CITIC Pacific's business is financed by a mixture of debt and equity. As at 30 June 2011 the net debt was HK$59.4 billion and the total ordinary shareholders' funds and perpetual capital securities were HK$79.5 billion. The net debt divided by total capital is a measure of our leverage. This ratio fell to 43% at the end of June 2011 due to the issuance of perpetual capital securities which increased the total ordinary shareholders' funds and perpetual capital securities.

Leverage



Definitions

Debt is money lent to CITIC Pacific or its consolidated businesses; ***Net debt*** is debt less cash and bank deposits. ***Total debt*** is all money owed. ***Total ordinary shareholders' funds and perpetual capital securities*** consists of the consideration paid to the company for issuing ordinary shares, plus retained profits, perpetual capital securities and other reserves, less non-controlling interests in equity. ***Total capital*** is net debt plus total ordinary shareholders' funds and perpetual capital securities.

The debt of CITIC Pacific as at 30 June 2011 as compared with 31 December 2010 and 30 June 2010 is as follows:

In HK$ million	**30 June 2011**	31 December 2010	30 June 2010
Total debt	**92,035**	83,857	74,771
Cash and bank deposits	**32,647**	24,558	24,711
Net debt	**59,388**	59,299	50,060

For risk management purpose, the analysis of debt is based on the principal amount of borrowings, rather than the carrying value adopted for accounts reporting in the financial statements.

Net debt increased by HK$89 million from the end of 2010 to the end of June 2011. The net debt of each business is as follows:

In HK$ million	**30 June 2011**	31 December 2010
Special steel	**9,590**	9,679
Iron ore mining	**27,595**	27,336
Property – mainland China	**(8,218)**	(7,547)
Ships	**2,129**	2,074
Dah Chong Hong	**1,492**	1,311
CITIC Pacific Limited	**27,623**	27,102
Others	**(823)**	(656)
Total	**59,388**	59,299

Total Debt

Total debt increased by HK$8,178 million during the first half of 2011. Facilities totalling HK$13 billion were established or renewed (HK$5 billion by CITIC Pacific Limited and HK$8 billion by consolidated entities). The new facilities included a 10-year US$500 million bond issued under a newly established medium term note programme. In the first half of 2011, CITIC Pacific repaid US$450 million 10-year notes issued in 2001.

CITIC Pacific issued US$750 million in perpetual capital securities in the first half of 2011. These securities are considered to be equity instruments and are not included in the total debt calculations for CITIC Pacific.

Subsequent to 30 June 2011, CITIC Pacific issued RMB 1 billion notes under the medium term note programme and an additional HK$4 billion of committed banking facilities have been established by CITIC Pacific and its subsidiaries.

As at the end of June 2011, CITIC Pacific maintained borrowing relationships with over 30 major financial institutions based in Hong Kong, mainland China and other countries. Our policy is to diversify the sources of funding as much as possible through bank borrowings and capital markets, and to maintain a mix of staggered maturities to minimise refinancing risk.

Liquidity Management

The objective of liquidity management is to ensure that CITIC Pacific always has enough money available to meet its liabilities. Every month, cash flow projections for three years are reviewed and revised by business units and ALCO, and financing actions are taken accordingly. Every day, the group finance department manages the cash flows and plans for the next few months. The primary guarantee of liquidity is a substantial amount of available deposits with banks and undrawn committed credit facilities. In addition, the group has available uncommitted money market lines.

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. The maturing banking facilities have to be renewed. The funding programme is planned so that the amount maturing in any given year will not exceed the company's ability to raise new funds in that year.

How is the Australian mining development financed?

Since 2006, CITIC Pacific's subsidiary Sino Iron has been building our iron ore mine in Australia.

The mine's development is being financed by three amortising loan facilities totalling US$3.8 billion with final maturities between 2028 and 2030, and by shareholder loans and equity from CITIC Pacific. The loans are in USD because they will be repaid from the sales of iron ore, which is priced in USD. Sino Iron prepares its financial statements in USD, which is its functional currency. Expenditure on equipment, civil works and operational costs may not be in USD – an example being staff salaries, which are mostly paid in AUD – resulting in currency risks, which are discussed later.

The maturity of the debt outstanding as at 30 June 2011 is:

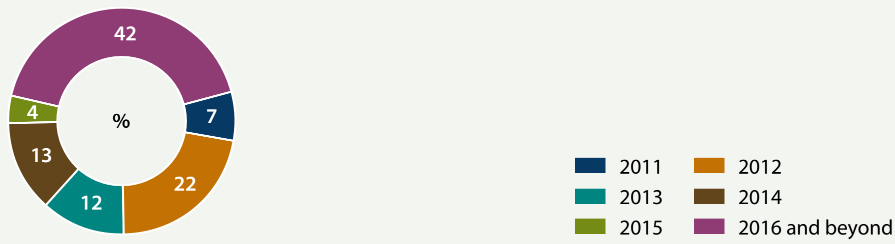
In HK$ million	Total outstanding debt	2011	2012	Maturing in these years 2013	2014	2015	2016 and beyond
CITIC Pacific Limited	40,037	1,500	12,340	5,520	7,350	1,637*	11,690
Subsidiaries	51,998	4,770	8,119	5,360	4,611	2,073	27,065
Total	92,035	6,270	20,459	10,880	11,961	3,710	38,755

* Including through wholly-owned special purpose vehicle.

As at 30 June 2011, outstanding loans that will mature by the end of 2011 amounted to HK$6,270 million, against cash and deposits totalling HK$32,647 million.

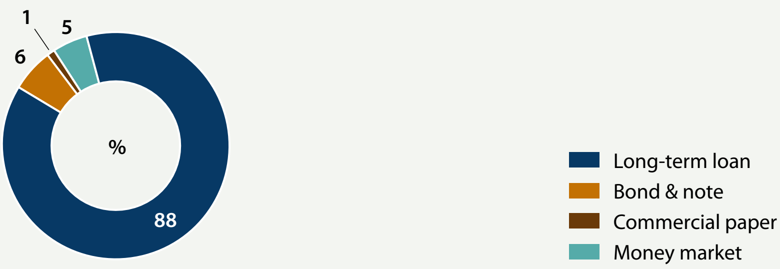
Total outstanding debt by maturity (HK$92 billion)

As at 30 June 2011



Total outstanding debt by type (HK$92 billion)

As at 30 June 2011



Available Sources of Finance

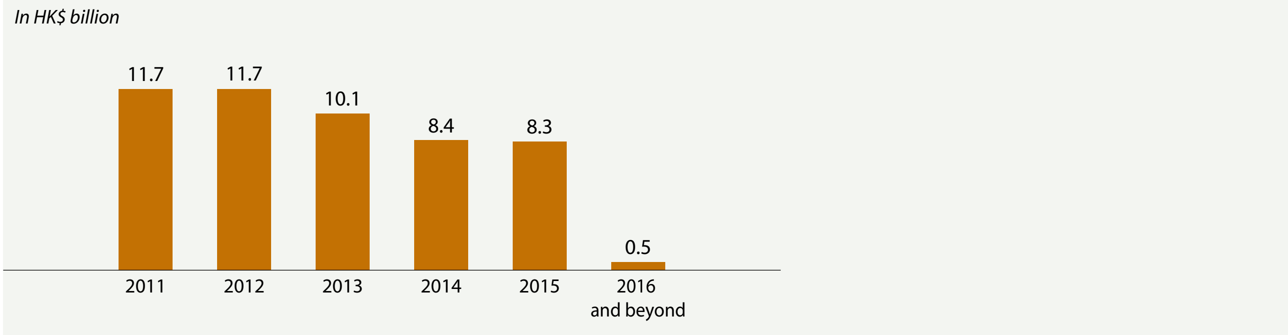
As at 30 June 2011, CITIC Pacific and its consolidated subsidiaries had cash and deposits of HK$32.6 billion, and available loan and trade facilities of HK$20 billion:

In HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage of unutilised
Committed facilities				
Term loans	91,793	80,475	11,318	57%
Short term loan	400	–	400	2%
Commercial paper (RMB commercial paper)	963	963	–	–
Global bond (USD bond)	3,900	3,900	–	–
Private placement (JPY & USD note)	1,807	1,807	–	–
Total committed facilities	98,863	87,145	11,718	59%
Uncommitted facilities				
Money market lines and short-term facilities	8,085	4,607	3,478	17%
Trade facilities	7,538	2,719	4,819	24%
Total uncommitted facilities	15,623	7,326	8,297	41%
Source of funds				
Mainland China	64,888	61,315	3,573	18%
Hong Kong	41,561	28,131	13,430	67%
Others	8,037	5,025	3,012	15%
Total facilities	114,486	94,471	20,015	100%

In addition, CITIC Pacific has established cooperative agreements with major banks in mainland China under which CITIC Pacific can apply for credit facilities for projects in mainland China. The bank's approval is required on a project-by-project basis.

CITIC Pacific had available committed facilities of HK$11.7 billion that were undrawn as at 30 June 2011. Loans can be drawn under these committed facilities before the contractual expiry dates. The available committed facilities, less the amount expiring in each year, are shown in the graph below.

Available committed banking facilities (total HK$11.7 billion as at 30 June 2011)



Pledged Assets

As at 30 June 2011, iron ore mining assets of HK$47.2 billion were pledged under its financing documents. Contracts for building 11 ships (HK$4.6 billion in aggregate) and one completed ship with carrying value of HK$438 million for transporting iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK$1,196 million (31 December 2010: HK$1,263 million) were pledged to secure banking facilities, which mainly related to Dah Chong Hong's overseas business and to a property subsidiary in mainland China.

Guarantees

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific. The major exception is for the iron ore mining project, which has not begun to generate cash flow. For this project, CITIC Pacific provides guarantees for the performance obligations under construction or procurement contracts, interest rate hedging transactions, foreign exchange hedging transactions and a total of US$3.8 billion in debt facilities.

Loan Covenants

Over the years, CITIC Pacific has developed a standard loan document, including covenants to facilitate the management of its loan portfolio and debt compliance. The financial covenants are generally as follows:

	Covenant limits	As at 30 June 2011
Minimum consolidated net worth		
Consolidated net worth	≥HK$25 billion	HK$81 billion
Gearing		
Consolidated borrowing/consolidated net worth	≤1.5	1.1
Negative pledge		
Pledged assets/consolidated total assets	≤30%	0.55%

For the purpose of the above covenant limits, as defined in the relevant borrowing agreements:

'Consolidated Net Worth' means the aggregate of shareholders' funds, goodwill from acquisitions and developments having been written off against reserves or the profit and loss account, convertible debt and subordinated debt (including perpetual debt).

'Consolidated Borrowing' means the aggregate of all consolidated indebtedness for borrowed money (includes indebtedness arising under acceptances and bills of exchange other than in respect of goods or services acquired in the ordinary course of business) and all contingent obligations in respect of indebtedness for borrowed money other than the aforesaid consolidated indebtedness for borrowed money.

'Negative Pledge' allows certain exceptions, including but not limited to any security over any asset acquired or developed, which security is created to finance or refinance the acquisition or development of such asset.

CITIC Pacific monitors these ratios on a regular basis and has been in compliance with these covenants and any others applicable to a particular facility.

Credit Ratings

History	S&P	Moody's
July 2011	BB+ (Negative)	Ba1 (Stable)
30 June 2011	BBB- (Negative)	Ba1 (Stable)
1 January 2011	BBB- (Negative)	Ba1 (Stable)

In July 2011, CITIC Pacific announced that its major contractor, China Metallurgical Group Corp ('MCC'), was seeking an upward revision of the general construction contract for its iron ore project in Western Australia due to cost escalation, design scope and work changes. Due to these additional costs and the commissioning of the first production line being pushed back towards the end of 2011, Standard and Poor's downgraded CITIC Pacific's rating from BBB- to BB+ with negative outlook. Moody's reaffirmed the stable outlook on its Ba1 rating.

The ratings reflect the agencies' expectation that the company will continue to enjoy strong support from the CITIC Group as a strategically important subsidiary.

One of CITIC Pacific's risk management objectives is to continue to improve its credit profile. The company expects that its overall operating and financial profiles will improve substantially after the iron ore mine begins operations.

Net Debt and Cash in Jointly Controlled Entities and Associated Companies

CITIC Pacific's non-consolidated businesses are classified as jointly controlled entities and associated companies. Under Hong Kong generally accepted accounting standards, they are not consolidated in CITIC Pacific's financial statements but recorded in the balance sheet as CITIC Pacific's share of their net assets. The following table shows the net debt/cash position of jointly controlled entities and associated companies by business sector as at 30 June 2011.

In HK$ million	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	66	17
Property		
Mainland China	(5,712)	(2,856)
Hong Kong and others	(603)	(297)
Energy	14,446	4,972
Tunnels	1,014	355
Dah Chong Hong	(92)	(52)
CITIC Telecom	(890)	(108)
Other investments	1,459	273
Total	**9,688**	**2,304**

The debt amounts shown in the above table were arranged by the jointly controlled entities and associated companies without recourse to their shareholders. None of these debts are guaranteed by CITIC Pacific or its subsidiaries. Certain of CITIC Pacific's associates, such as Hong Kong Resort Company Ltd which develops property projects in Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

Derivatives Policy

Financial derivatives are used to assist in the management of interest rate and exchange rate risks. To the extent possible, gains and losses of the derivatives offset the losses and gains on the assets, liabilities or transactions being hedged both in economic terms and under accounting rules.

CITIC Pacific has engaged Reval Inc., a derivative risk management and hedge accounting solutions firm, to provide software and consulting services to better monitor its derivatives portfolio and ensure compliance with accounting standards. The software provided by Reval generated the valuations that were used in the compilation of this report.

The use of financial instruments is currently restricted by ALCO to loans, bonds, deposits, interest rate swaps and plain vanilla foreign exchange contracts. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. None have been submitted for approval or are outstanding in the first half of 2011. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

Foreign Exchange Risk

The company's functional currency is Hong Kong dollar ('HKD'). CITIC Pacific has major operations in Hong Kong, mainland China and Australia and is subject to the risk of loss or profit due to changes in United States dollar ('USD'), Renminbi ('RMB') and Australian dollar ('AUD') exchange rates. There are also exposures to the Japanese Yen ('JPY') (from operations and assets related to DCH), Euro ('EUR') (from equipment and product purchases) and other currencies.

We strive to reduce currency exposures by matching assets with borrowings in the same currency to the extent possible. Our policy is to hedge transactions where value or time to execution will give rise to material currency exposure, provided that the cost of the hedging instrument is not prohibitively expensive in comparison to the underlying exposure.

CITIC Pacific's material currency exposures arise from the following:

i) capital expenditures relating to its iron ore mining operations in Australia and steel operations in mainland China

ii) purchase of raw materials by steel and property operations in mainland China

iii) USD denominated debt

iv) purchases of finished products for sale by DCH, and

v) registered capital of investment in mainland China

Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as this is a non-cash exposure.

US Dollar (USD) CITIC Pacific's investment in businesses whose functional currency is USD is mostly from the iron ore mining business, which had USD gross assets of HK$59 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 30 June 2011, CITIC Pacific had HK$57.6 billion equivalent of US dollar debt.

Renminbi (RMB) Businesses in mainland China had RMB gross assets of approximately HK$118 billion as at 30 June 2011, offset by debts and other liabilities of HK$43 billion. This gave the company an RMB net asset exposure of HK$75 billion (31 December 2010: RMB gross asset exposure of approximately HK$107 billion, offset by debt and other liabilities of HK$38 billion, with RMB net asset exposure of HK$69 billion). The Renminbi is currently not a freely convertible currency and 'registered capital', which usually accounts for at least one third of the total investment amount for projects in mainland China, is required to be paid in foreign currency by foreign investors such as CITIC Pacific. As investment in mainland China is expanding, CITIC Pacific will have an increasing exposure to the Renminbi.

Australian Dollar (AUD) Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD.

As at 30 June 2011, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$1 billion outstanding. They qualify as accounting hedges, because their maturities match the needs of the business over the next two years as well as fulfilling other relevant criteria to be considered accounting hedges. The average rate of these contracts is 0.82 USD to one AUD.

Japanese Yen (JPY) CITIC Pacific issued a JPY8 billion bond in 2005. From an economic perspective, this bond is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge, therefore changes in its value are reflected in the profit and loss account. In addition to the JPY bond, as at 30 June 2011 there were no other JPY exposures at the corporate level.

Euro (EUR) EUR exposure amounted to EUR179 million as at 30 June 2011. Most of this exposure is related to contracts for procurement and design services for the Australian mining project and equipment or finished goods purchases by the special steel business and Dah Chong Hong.

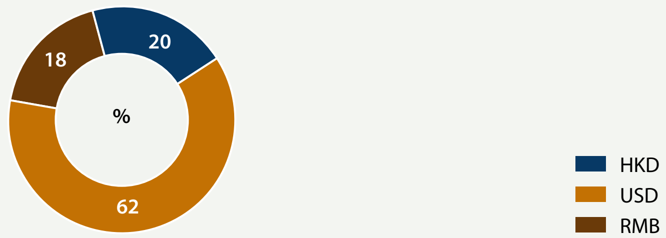
The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 30 June 2011 is summarised as follows:

In HK$ million equivalent	HK$	US$	Denomination RMB	JPY	Other	**Total**
Total debt in original currency	16,649	57,615	16,814	872	85	**92,035**
Total debt after conversion	17,886	57,015	16,814	235	85	**92,035**
Cash and bank deposits	4,322	12,167	15,499	289	370	**32,647**
Net debt / (cash) after conversion	13,564	44,848	1,315	(54)	(285)	**59,388**

CITIC Pacific uses cross currency swaps to convert the foreign currency exposure from USD and JPY financing into HKD.

Outstanding debt after conversion (HK$92 billion)

As at 30 June 2011



Interest Rate Risk

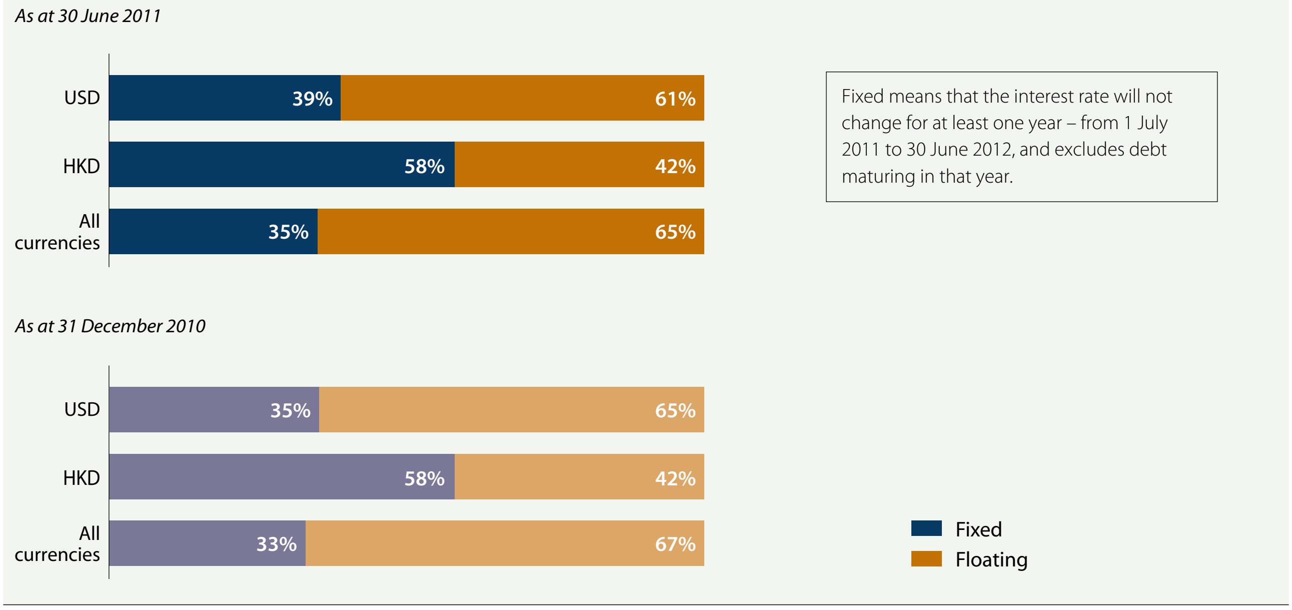
CITIC Pacific's interest rate risk arises primarily from borrowings. Borrowings with variable rates expose CITIC Pacific to cash flow interest rate risk. Borrowings with fixed rates economically expose CITIC Pacific to fair value interest rate risk.

This risk is managed by considering the portfolio of interest bearing assets and liabilities. The net desired position is then managed by borrowing fixed rate or through the use of interest rate swaps, which have the economic effect of converting floating rate borrowings into fixed rate borrowings.

The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments. During the first half of 2011, CITIC Pacific entered into HK$1.4 billion of swaps to lock in fixed rates for periods up to 5 years. In the current extremely low interest rate environment, CITIC Pacific is considering further opportunities to lock in fixed rate borrowings and reduce the impact of interest rate fluctuations. The ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 35% as at 30 June 2011.

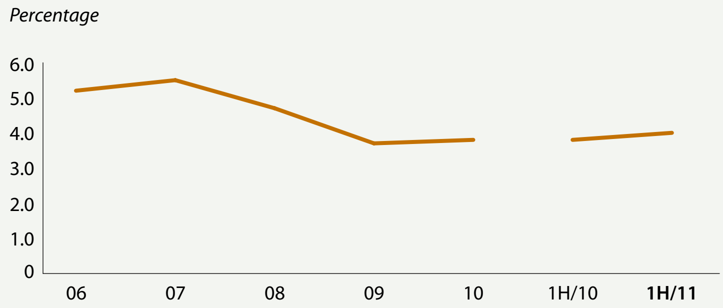
As at 30 June 2011, CITIC Pacific's portfolio of floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK$27 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 65% of the borrowings of CITIC Pacific were linked to floating interest rates.

Fixed and floating interest rates



CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs, excluding perpetual capital securities) for the first half of 2011 was approximately 4.0% compared with 3.8% for the same period last year.

Average borrowing costs



This graph reflects the conversion of floating rate borrowings into fixed rate by the use of hedging instruments.

Commodity Risk

As CITIC Pacific produces and purchases commodities across its various businesses, it has exposure to commodity price and quantity risk. To manage its raw material exposure, CITIC Pacific has entered into long term supply contracts for various inputs, such as gas for the Australian mining operations. It also hopes to achieve synergies in its businesses such as the manufacture of iron ore for its special steel operations, the ownership of ships to manage freight costs and production of coal as an adjunct to its power generation business.

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 30 June 2011, CITIC Pacific did not have any exposure to commodity derivatives. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes.

Counterparty Risk

CITIC Pacific keeps a large amount of cash deposits at financial institutions. To mitigate the risk of non-recovery of cash deposits or financial instrument gains, CITIC Pacific deals with international financial institutions with a credit rating of investment grade A- (S&P) or A3 (Moody's) and above unless special authorisation has been received from ALCO. For unrated mainland Chinese institutions, special authorisation is required from ALCO. A maximum deposit limit is set that does not exceed the amount borrowed from those institutions, unless special authorisation has been received from ALCO. Deposits are safe, liquid, interest-bearing and consistent with treasury and business purpose needs. Management monitors market developments, reviews the list of approved counterparties and closely monitors their credit quality, and revises deposit limits on an on-going basis.

The group finance department is responsible for allocating and monitoring the limits with the list of approved financial institutions. Management does not expect any losses from non-performance by our financial counterparties.

Contingent Liabilities

On 15 July 2011, CITIC Pacific announced that MCC, the iron ore mining project's engineering, procurement and construction contractor, has put forward a proposal for an additional payment of approximately US$900 million, part of which they claimed to be due to design and scope of work changes made by CITIC Pacific. CITIC Pacific is evaluating and studying the details of the proposal and preparing to negotiate with MCC.

Apart from the above, CITIC Pacific's contingent liabilities as at 30 June 2011 had not significantly changed from the position as at 31 December 2010.

Major External Risks and Uncertainties

Economic Risk

CITIC Pacific's businesses are all subject to the risks of negative developments in the economies in which they operate, which may be affected by global trends. The results of most of our businesses are closely linked to the success of the mainland Chinese economy as a whole, and in Hong Kong, Shanghai and other cities. The sales of special steel are substantially to customers in China, as are the vehicles and other products of Dah Chong Hong; the iron ore mine is expected to sell its output to steel mills in China, and our electricity is sold exclusively to users in mainland China. Our property developments are mainly in mainland China, and our infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented to affect the whole economy, or sections of it, may adversely affect our business for periods of time.

In addition to its effects on our customers, changes to the global or local economies or regulations may adversely affect our relationship banks, joint venture partners, suppliers of goods, raw materials or power, and others on which our business depends.

Competitive Markets

Some of our businesses, particularly special steel, property, telecommunications and vehicle and other product sales, operate in highly competitive markets. Failure to compete in terms of product specification, service quality, reliability or price may adversely affect us. The iron ore market price is set primarily by international supply and demand, and if a surplus of supply occurs it could adversely affect the results of our business.

Agency Relationships

Dah Chong Hong sells vehicles and other products on behalf of numerous principals. Most of these arrangements can be cancelled at relatively short notice. If the relationship cannot be maintained due to a decision of the principal or inadequate performance, the concession may be lost which may adversely affect our business.

Regulation

CITIC Pacific's business mainly operates under three different systems of law, regulation and business practice: Australia, China and Hong Kong. Each has its own characteristics and may be subject to changes of substance or interpretation that could adversely affect our business. These may include tariffs, trade barriers, licenses, approvals, health and safety and environmental regulations, emission controls, taxation, exchange controls, employment legislation, and other matters. The electric power business is subject to price regulation, and if tariffs are not permitted to rise with cost increases, our results could be adversely affected.

The special steel, iron ore mining and power businesses are inherently likely to pollute the environment and be subject to stringent licensing and regulations. Failure to adhere to these may result in penalties or in extreme cases an inability to operate. The license terms or regulations may be changed at short notice, and it may be difficult to comply in a timely fashion causing an adverse effect on our business.

Capital Expenditure

The nature of CITIC Pacific's business is capital intensive, involving the construction and commissioning of major civil works and mechanical equipment. There may be difficulties in achieving this within time and budget resulting from inherent performance, disputes with contractors or their failure to perform to specification or contract, adverse weather conditions or other events.

Natural Disasters or Events, Terrorism and Disease

Our business could be affected by such things as earthquakes, typhoons, cyclones or adverse weather conditions, or acts or threats of terrorism, or the outbreak of highly contagious disease either directly, or indirectly through reductions in the supply of essential goods or services or reduced economic activity on a local, regional or global scale.

Forward Looking Statements

The Half-Year Report contains forward looking statements with respect to the financial condition, results of operations and businesses of CITIC Pacific. These forward looking statements represent the company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

Human Resources

CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 31,622 employees as at 30 June 2011 (30 June 2010: 27,116). Of these, 82% were based in mainland China; 14.5% in Hong Kong; 2% in Australia; and 1.5% in other countries including Singapore, Japan, Taiwan and Canada.

CITIC Pacific believes that people are the most valuable asset for supporting its business growth. To this end, competitive remuneration packages and comprehensive learning and development opportunities are provided to attract, motivate and retain talented employees.

In the last six months, besides reviewing the pay policies and procedures to ensure compliance with the Minimum Wage Ordinance coming into effect in Hong Kong from May 2011, CITIC Pacific has given priority over people development to ensure its employees are equipped with required knowledge and skills to support its business objectives. In addition to regular technical knowledge, skills training and sharing sessions covering employees in mainland China and Hong Kong, CITIC Pacific has launched a series of management training programmes across the group covering employees of subsidiary companies in Hong Kong. Partnering with a prominent university in Hong Kong, CITIC Pacific will, in the 2nd half of the year, hold a customised leadership development programme for its senior managers both from the mainland and Hong Kong within the group with a view to grooming its talents for senior leaders' succession.

CITIC Pacific and its subsidiaries continue their contribution to local communities through active participation in charitable events such as donations and volunteer works for elderly and the disadvantaged groups.

Consolidated Profit and Loss Account

for the six months ended 30 June 2011 – unaudited

In HK$ million	Note	2011	As restated 2010
Revenue	2	**45,940**	31,873
Cost of sales		**(38,772)**	(26,676)
Gross profit		**7,168**	5,197
Other income and net gains	3	**683**	2,030
Distribution and selling expenses		**(1,295)**	(911)
Other operating expenses		**(2,340)**	(1,718)
Change in fair value of investment properties		**1,338**	755
Profit from consolidated activities	2	**5,554**	5,353
Share of results of			
Jointly controlled entities	2	**2,436**	851
Associated companies	2	**472**	363
Profit before net finance charges and taxation		**8,462**	6,567
Finance charges		**(318)**	(356)
Finance income		**253**	142
Net finance charges	5	**(65)**	(214)
Profit before taxation		**8,397**	6,353
Taxation	6	**(1,422)**	(983)
Profit for the period		**6,975**	5,370
Profit attributable to:			
Ordinary shareholders of the Company	2	**6,012**	4,866
Holders of perpetual capital securities		**99**	–
Non-controlling interests		**864**	504
		6,975	5,370
Dividends			
Proposed dividend	8	**(547)**	(547)
Earnings per share for profit attributable to ordinary shareholders of the Company during the period (HK$)			
Basic	9	**1.65**	1.33
Diluted	9	**1.65**	1.33

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011 – unaudited

In HK$ million	**2011**	As restated 2010
Profit for the period	**6,975**	5,370
Other comprehensive income, net of tax		
Cash flow hedging reserve movement from interest rate swaps and foreign exchange contracts	**(560)**	(2,277)
Fair value changes of other financial assets	**(3)**	75
Share of other comprehensive income of associated companies and jointly controlled entities	**45**	61
Exchange translation differences	**1,003**	625
Surplus on revaluation of properties transferred from self-use properties to investment properties	**–**	120
Reserve released on disposal of interest in associated company and non-current assets held for sale	**–**	(421)
Reserve released on disposal of a jointly controlled entity	**–**	(298)
Reserve released upon liquidation of a jointly controlled entity and subsidiary companies	**(28)**	5
Total comprehensive income for the period	**7,432**	3,260
Total comprehensive income for the period attributable to		
Ordinary shareholders of the Company	**6,399**	2,709
Holders of perpetual capital securities	**99**	–
Non-controlling interests	**934**	551
	7,432	3,260

Consolidated Balance Sheet

as at 30 June 2011 – unaudited

In HK$ million	Note	30 June 2011	As restated 31 December 2010
Non-current assets			
Property, plant and equipment		**71,461**	63,334
Investment properties		**14,769**	13,579
Properties under development		**8,509**	9,881
Leasehold land – operating leases		**1,610**	1,597
Jointly controlled entities		**20,412**	21,681
Associated companies		**6,784**	6,345
Other financial assets		**457**	448
Intangible assets		**14,471**	12,944
Deferred tax assets		**818**	714
Derivative financial instruments	17	**1,938**	1,854
Non-current deposits and prepayment	10	**5,813**	6,403
		147,042	138,780
Current assets			
Properties under development		**3,206**	2,280
Properties held for sale		**802**	1,870
Other assets held for sale	11	**4,321**	298
Inventories		**13,967**	11,191
Derivative financial instruments	17	**61**	73
Debtors, accounts receivable, deposits and prepayments	12	**15,415**	14,070
Cash and bank deposits		**32,647**	24,558
		70,419	54,340
Current liabilities			
Bank loans, other loans and overdrafts			
secured	14	**930**	598
unsecured	14	**20,289**	14,629
Creditors, accounts payable, deposits and accruals	13	**30,198**	26,911
Derivative financial instruments	17	**66**	55
Provision for taxation		**1,271**	936
Other liabilities held for sale		**38**	–
		52,792	43,129
Net current assets		**17,627**	11,211
Total assets less current liabilities		**164,669**	149,991
Non-current liabilities			
Long term borrowings	14	**70,634**	68,456
Deferred tax liabilities		**3,023**	2,613
Derivative financial instruments	17	**2,866**	2,543
Provisions and deferred income		**2,252**	2,254
		78,775	75,866
Net assets		**85,894**	74,125
Equity			
Share capital		**1,460**	1,459
Perpetual capital securities	7	**5,949**	–
Reserves		**71,498**	65,699
Proposed dividend	8	**547**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**79,454**	68,253
Non-controlling interests in equity		**6,440**	5,872
Total equity		**85,894**	74,125

Consolidated Cash Flow Statement

for the six months ended 30 June 2011 – unaudited

In HK$ million	**2011**	As restated 2010
Cash flows from operating activities		
Profit before taxation	**8,397**	6,353
Share of results of jointly controlled entities and associated companies	**(2,908)**	(1,214)
Net finance charges	**65**	214
Net exchange (gain)/loss	**(133)**	62
Income from other financial assets	**(7)**	(23)
Depreciation and amortisation	**1,027**	764
Impairment losses	**45**	114
Provision for gas contract	**313**	–
Share-based payment	**3**	9
Profit on disposal of investment properties	**(296)**	–
Gain on disposal of property, plant and equipment	**–**	(8)
Change in fair value of investment properties	**(1,338)**	(755)
Net gain from disposal of jointly controlled entities and associated companies	**(3)**	(1,835)
Operating profit before working capital changes	**5,165**	3,681
Increase in inventories	**(2,523)**	(2,993)
Decrease in properties held for sale	**1,378**	950
Increase in debtors, accounts receivable, deposits and prepayments	**(821)**	(268)
Increase in creditors, accounts payable, deposits and accruals	**2,663**	2,903
Effect of foreign exchange rate changes	**86**	(24)
Cash generated from operating activities	**5,948**	4,249
Income taxes paid	**(925)**	(531)
Cash generated from operating activities after income taxes paid	**5,023**	3,718
Payment for leveraged foreign exchange contracts	**–**	(95)
Interest received	**204**	142
Interest paid	**(1,824)**	(1,358)
Realised exchange gain/(loss)	**122**	(50)
Other finance charges and financial instruments	**(38)**	(55)
Net cash from consolidated activities before increase of properties under development	**3,487**	2,302
Increase in properties under development	**(1,027)**	(728)
Net cash generated from consolidated activities	**2,460**	1,574

In HK$ million	2011	As restated 2010
Cash flows from investing activities		
Purchase of		
Subsidiary companies (net of cash and cash equivalent received)	**65**	–
Property under development for own use	**(308)**	(641)
Property, plant and equipment	**(6,408)**	(8,528)
Leasehold land – operating leases	**–**	(16)
Intangible assets	**(1,224)**	(805)
Other financial assets	**–**	(8)
Proceeds of		
Disposal of property, plant and equipment and investment properties	**610**	42
Disposal of interests in jointly controlled entity	**850**	448
Disposal of interests in associated companies	**–**	2,797
Increase in pledged deposits with banks	**18**	92
Net payments for non-current deposits	**(415)**	(360)
Deposits received from sale of business interest	**60**	298
Investments in jointly controlled entities and associated companies	**(29)**	(166)
Repayment in loans to jointly controlled entities and associated companies	**83**	296
Dividends received from jointly controlled entities and associated companies	**181**	299
Income received from other financial assets	**7**	12
Net cash used in investing activities	**(6,510)**	(6,240)
Cash flows from financing activities		
Issue of shares pursuant to the share option plan	**16**	–
New borrowings	**26,074**	14,972
Repayment of loans	**(18,418)**	(5,876)
Decrease in non-controlling interests	**(409)**	(315)
Dividends paid to ordinary shareholders of the Company	**(1,095)**	(912)
Proceeds of issue of perpetual capital securities, net of transaction costs	**5,782**	–
Net cash from financing activities	**11,950**	7,869
Net increase in cash and cash equivalents	**7,900**	3,203
Cash and cash equivalents at 1 January	**24,237**	21,303
Effect of foreign exchange rate changes	**194**	45
Cash and cash equivalents at 30 June	**32,331**	24,551
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	**32,647**	24,711
Bank overdrafts and pledged deposits	**(316)**	(160)
	32,331	24,551

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011 – unaudited

In HK$ million	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	Total ordinary shareholders' funds and perpetual capital securities						
Balance at 1 January 2011, as previously reported	1,459	–	44,581	22,242	68,282	5,853	74,135
Impact of adoption of HKAS12 (amendment)	–	–	(102)	73	(29)	19	(10)
Balance at 1 January 2011, as restated	1,459	–	44,479	22,315	68,253	5,872	74,125
Profit for the period	–	99	–	6,012	6,111	864	6,975
Other comprehensive income, net of tax, for the period							
Share of other comprehensive income of associated companies and jointly controlled entities	–	–	84	(39)	45	–	45
Fair value changes of other financial assets	–	–	(3)	–	(3)	–	(3)
Exchange translation differences	–	–	933	–	933	70	1,003
Cash flow hedging reserve movement from interest rate swaps and foreign currency contracts	–	–	(560)	–	(560)	–	(560)
Reserve released on liquidation of a jointly controlled entity	–	–	(28)	–	(28)	–	(28)
Total comprehensive income for the period	–	99	426	5,973	6,498	934	7,432
Transactions with owners							
Acquisition of subsidiaries	–	–	–	–	–	145	145
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,095)	(1,095)	–	(1,095)
Dividends paid to non-controlling interests	–	–	–	–	–	(406)	(406)
Acquisition of interests from non-controlling interests	–	–	(8)	–	(8)	(64)	(72)
Distribution to non-controlling interests	–	–	–	–	–	(67)	(67)
Share-based payment	–	–	–	–	–	1	1
Issuance of shares pursuant to the share option plan	1	–	15	–	16	–	16
Transfer to general and other reserves	–	–	2	(2)	–	–	–
Issuance of perpetual capital securities	–	5,850	–	–	5,850	–	5,850
Capital contributed from non-controlling interest	–	–	–	–	–	28	28
Dilution/partial disposal of interest in subsidiaries	–	–	8	–	8	(3)	5
Transaction costs related to issuance of perpetual capital securities	–	–	–	(68)	(68)	–	(68)
	1	5,850	17	(1,165)	4,703	(366)	4,337
Balance at 30 June 2011	1,460	5,949	44,922	27,123	79,454	6,440	85,894

In HK$ million	Total ordinary shareholders' funds and perpetual capital securities: Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2010, as previously reported	1,459	–	43,576	15,224	60,259	4,980	65,239
Impact of adoption of HKAS12 (amendment)	–	–	(57)	81	24	14	38
Balance at 1 January 2010, as restated	1,459	–	43,519	15,305	60,283	4,994	65,277
Profit for the period	–	–	–	4,866	4,866	504	5,370
Other comprehensive income, net of tax, for the period							
Share of other comprehensive income of associated companies and jointly controlled entities	–	–	99	(38)	61	–	61
Fair value changes of other financial assets	–	–	75	–	75	–	75
Exchange translation differences	–	–	578	–	578	47	625
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	120	–	120	–	120
Cash flow hedging reserve movement from interest rate swaps and foreign currency contracts	–	–	(2,277)	–	(2,277)	–	(2,277)
Reserve released on disposal of interest in associated company and non-current assets held for sale	–	–	(338)	(83)	(421)	–	(421)
Reserve released on disposal of a jointly controlled entity	–	–	(298)	–	(298)	–	(298)
Reserve released upon liquidation of subsidiary companies	–	–	5	–	5	–	5
Total comprehensive income for the period	–	–	(2,036)	4,745	2,709	551	3,260
Transactions with owners							
Partial disposal of an associated company to non-controlling interests	–	–	(253)	–	(253)	(180)	(433)
Dividends paid to non-controlling interests	–	–	–	–	–	(268)	(268)
Acquisition of interests from non-controlling interests	–	–	1	–	1	(21)	(20)
Capital refunds to non-controlling interests	–	–	–	–	–	(26)	(26)
Dividends paid to ordinary shareholders of the Company	–	–	–	(912)	(912)	–	(912)
Share–based payment	–	–	9	–	9	4	13
Transfer to general and other reserves	–	–	70	(70)	–	–	–
	–	–	(173)	(982)	(1,155)	(491)	(1,646)
Balance at 30 June 2010	1,459	–	41,310	19,068	61,837	5,054	66,891

Notes to the Financial Statements

1 Significant Accounting Policies

These condensed unaudited consolidated interim accounts ('the Accounts') are prepared in accordance with Hong Kong Accounting Standard ('HKAS') 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Listing Rules of the Stock Exchange of Hong Kong Limited.

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2010 other than the adoption of certain new or revised Hong Kong Financial Reporting Standards ('HKFRS') in 2011, of which the most significant and relevant to the Group are as set out below.

- HKAS 24 (Revised) — Related Party Disclosures
- HKAS 12 (Amendment) — Deferred Tax: Recovery of Underlying Assets
- Improvements to HKFRS 2010

Adoption of the above revised standard and amendments do not result in a significant change of the Company's accounting policies except as stated below.

i) HKAS 24 (Revised) clarifies and simplifies the definition of a related party. See note 18 to the Accounts for disclosures of material related party transactions.

ii) HKAS 12 (Amendment) introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Previously deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use.

The Group has reassessed the measurement of deferred taxation by applying the presumption that the carrying amount of investment property will be recovered through sale.

Effect on consolidated balance sheet *In HK$ million*	**30 June 2011**	31 December 2010
Increase in deferred tax liabilities	**230**	194
Increase in associated companies	**293**	229
Increase in non-controlling interests	**36**	19
Decrease in goodwill	**45**	45
Decrease in reserves	**18**	29

Effect on consolidated profit and loss account *In HK$ million*	For the six months ended 30 June **2011**	 2010
Increase in taxation	**29**	49
Increase in share of profits less losses of associated companies	**64**	35
Increase/(decrease) in profit attributable to the Company's ordinary shareholders	**19**	(18)
Increase in profit attributable to the non-controlling interests	**16**	4
Decrease in other comprehensive income attributable to the Company's ordinary shareholders	**8**	4

Notes:

i) Adoption of the above revised standard does not have a significant impact on basic and diluted earnings per share for both periods.

ii) If the investment properties were acquired as part of a business combination which took place in prior years, the related deferred tax would be adjusted against goodwill.

2 Segment Information

Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities:

In HK$ million	Revenue	Six months ended 30 June 2011 Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Net finance income/(charges)	Group total	Segment allocations†	Segment profit/(loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to ordinary shareholders of the Company and holders of perpetual capital securities
Special steel	21,448	1,737	261	15	(139)	1,874	(3)	1,871	(314)	(159)	1,398
Iron ore mining	28	(319)	–	–	–	(319)	–	(319)	(51)	–	(370)
Property Mainland China	2,580	1,045	1,122	–	34	2,201	5	2,206	(340)	(159)	1,707
Hong Kong	129	420	–	42	–	462	43	505	(14)	–	491
Energy	10	42	821	–	6	869	–	869	(45)	–	824
Tunnels	388	268	85	–	–	353	–	353	(44)	(65)	244
Dah Chong Hong	19,814	1,012	10	–	(70)	952	(45)	907	(292)	(287)	328
CITIC Telecom	1,492	190	–	94	–	284	–	284	(33)	(99)	152
Other investments	51	4	137	10	–	151	–	151	(3)	–	148
Change in fair value of investment properties	–	1,338	–	311	–	1,649	–	1,649	(226)	(95)	1,328
Corporate General and administration expenses	–	(237)	–	–	–	(237)	–	(237)	(8)	–	(245)
Exchange gain	–	54	–	–	–	54	–	54	–	–	54
Net finance income	–	–	–	–	104	104	–	104	(52)	–	52
Total	45,940	5,554	2,436	472	(65)	8,397	–	8,397	(1,422)	(864)	6,111
Profit attributable to: Ordinary shareholders of the Company											6,012
Holders of perpetual capital securities											99
											6,111

† Segment allocations arising from property leases between segments were carried out at arms' length rentals.

2 Segment Information *continued*

Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities:

		Six months ended 30 June 2010 (as restated)									
In HK$ million	Revenue	Profit/ (loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Net finance income/ (charges)	Group total	Segment allocations†	Segment profit/ (loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to ordinary shareholders of the Company and holders of perpetual capital securities
Special steel	14,372	1,485	164	–	(82)	1,567	–	1,567	(274)	(139)	1,154
Iron ore mining	13	(78)	–	–	–	(78)	–	(78)	(36)	–	(114)
Property Mainland China	1,527	404	–	–	2	406	1	407	(122)	13	298
Hong Kong	127	103	–	50	–	153	43	196	(15)	–	181
Energy	–	920	537	–	5	1,462	–	1,462	(29)	–	1,433
Tunnels	376	262	86	–	–	348	–	348	(43)	(64)	241
Dah Chong Hong	14,117	702	43	9	(51)	703	(44)	659	(190)	(216)	253
CITIC Telecom	1,291	186	–	26	1	213	–	213	(29)	(80)	104
Other investments	50	818	21	62	–	901	–	901	(4)	–	897
Change in fair value of investment properties	–	755	–	216	–	971	–	971	(194)	(18)	759
Corporate General and administration expenses	–	(244)	–	–	–	(244)	–	(244)	(8)	–	(252)
Exchange gain	–	40	–	–	–	40	–	40	–	–	40
Net finance charges	–	–	–	–	(89)	(89)	–	(89)	(39)	–	(128)
Total	31,873	5,353	851	363	(214)	6,353	–	6,353	(983)	(504)	4,866
Profit attributable to: Ordinary shareholders of the Company											4,866
Holders of perpetual capital securities											–
											4,866

† Segment allocations arising from property leases between segments were carried out at arms' length rentals.

2 Segment Information *continued*

a Segment Revenue and Profit

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

In HK$ million	Six months ended 30 June **2011**	2010
By geographical area		
Mainland China	**36,077**	24,306
Hong Kong	**6,051**	5,401
Overseas	**3,812**	2,166
	45,940	31,873

b Assets and liabilities

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

In HK$ million	Segment assets† 30 June 2011	Segment assets† As restated 31 Dec 2010	Investments in jointly controlled entities 30 June 2011	Investments in jointly controlled entities As restated 31 Dec 2010	Investments in associated companies 30 June 2011	Investments in associated companies As restated 31 Dec 2010	Total assets 30 June 2011	Total assets As restated 31 Dec 2010	Segment liabilities† 30 June 2011	Segment liabilities† As restated 31 Dec 2010	Total net assets 30 June 2011	Total net assets As restated 31 Dec 2010	Additions of non-current assets* (other than financial instruments and deferred tax assets) Six months ended 30 June 2011	Additions of non-current assets* (other than financial instruments and deferred tax assets) Six months ended 30 June 2010
By principal activities														
Special steel	**50,337**	45,243	**2,886**	2,923	**203**	185	**53,426**	48,351	**(27,186)**	(23,409)	**26,240**	24,942	**3,280**	3,048
Iron ore mining	**60,674**	53,397	**–**	–	**–**	–	**60,674**	53,397	**(40,837)**	(38,678)	**19,837**	14,719	**6,337**	7,180
Property														
Mainland China	**33,691**	31,733	**6,878**	5,677	**–**	–	**40,569**	37,410	**(10,031)**	(10,332)	**30,538**	27,078	**811**	1,506
Hong Kong	**7,315**	6,910	**–**	–	**6,007**	5,534	**13,322**	12,444	**(358)**	(337)	**12,964**	12,107	**130**	–
Energy	**2,872**	1,181	**6,273**	6,659	**–**	–	**9,145**	7,840	**(394)**	(101)	**8,751**	7,739	**6**	–
Tunnels	**978**	972	**1,080**	991	**–**	–	**2,058**	1,963	**(194)**	(181)	**1,864**	1,782	**–**	–
Dah Chong Hong	**16,520**	14,158	**235**	356	**206**	203	**16,961**	14,717	**(9,015)**	(7,562)	**7,946**	7,155	**556**	227
CITIC Telecom	**2,510**	2,652	**–**	–	**345**	408	**2,855**	3,060	**(834)**	(1,131)	**2,021**	1,929	**66**	46
Other investments	**2,734**	534	**3,060**	5,075	**23**	15	**5,817**	5,624	**(614)**	(617)	**5,203**	5,007	**11**	8
Corporate	**12,634**	8,314	**–**	–	**–**	–	**12,634**	8,314	**(42,104)**	(36,647)	**(29,470)**	(28,333)	**6**	–
Segment assets/ (liabilities)	**190,265**	165,094	**20,412**	21,681	**6,784**	6,345	**217,461**	193,120	**(131,567)**	(118,995)	**85,894**	74,125	**11,203**	12,015

Corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the group treasury function and are not allocated to individually reportable segments.

* Non-current assets are amounts expected to be recovered more than twelve months after the period end.

† Segment assets and segment liabilities are presented with intercompany balances eliminated.

3 Other Income and Net Gains

In HK$ million	Six months ended 30 June **2011**	2010
Other income		
Commission income, subsidy income, rebates and others	**238**	239
Dividend income from other financial assets		
Listed shares	**7**	15
	245	254
Net gains		
Net exchange gain/(loss)	**133**	(62)
Net gain from liquidation/disposal of jointly controlled entities and associated companies	**3**	1,835
Net gain from disposal of investment properties	**296**	–
Others	**6**	3
	438	1,776
	683	2,030

4 Profit from Consolidated Activities

In HK$ million	Six months ended 30 June **2011**	2010
The profit from consolidated activities is arrived at after charging		
Cost of inventories/properties sold	**34,381**	24,682
Depreciation and amortisation	**1,027**	764
Impairment losses on other financial assets	**–**	74
Impairment losses on trade and other receivables	**17**	6
Impairment losses on goodwill and intangible assets	**–**	32
Impairment losses on property, plant and equipment	**28**	2

5 Net Finance Charges

In HK$ million	Six months ended 30 June **2011**	2010
Finance charges		
Interest expense	**1,866**	1,386
Amount capitalised	**(1,473)**	(1,026)
	393	360
Other finance charges	**69**	55
Other financial instruments		
Fair value loss	**35**	99
Ineffectiveness on cash flow hedges	**(179)**	(158)
	318	356
Finance income		
Interest income	**(253)**	(142)
	65	214

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (Six months ended 30 June 2010: 16.5%) on the estimated assessable profit for the period. Overseas taxation is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

In HK$ million	Six months ended 30 June **2011**	As restated 2010
Current taxation		
Hong Kong profits tax	**137**	129
Overseas taxation	**799**	501
Deferred taxation		
Changes in fair value of investment properties	**226**	194
Origination and reversal of other temporary differences	**260**	159
	1,422	983

7 Perpetual Capital Securities

In April 2011, the Company issued perpetual subordinated capital securities (the 'perpetual capital securities') with a nominal amount of US$750 million (approximately HK$5,850 million) for cash. These securities are perpetual and the coupon payments can be deferred at the discretion of the Company. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amount as at 30 June 2011 included the accrued coupon payments for the period.

8 Dividends

In HK$ million	Six months ended 30 June **2011**	2010
2010 Final dividend paid : HK$0.3 (2009: HK$0.25) per share	**1,095**	912
2011 Interim dividend proposed: HK$0.15 (2010: HK$0.15) per share	**547**	547

9 Earnings per Share

The calculation of earnings per share is based on the consolidated profit attributable to ordinary shareholders of HK$6,012 million (six months ended 30 June 2010: profit of HK$4,866 million).

The basic earnings per share is based on the weighted average number of 3,649,018,272 shares in issue during the period (six months ended 30 June 2010: 3,648,688,160 shares in issue). The diluted earnings per share for 2011 is based on 3,649,045,174 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 26,902 shares (six months ended 30 June 2010: Nil) deemed to be issued at no consideration if all outstanding options had been exercised.

10 Non-Current Deposits and Prepayment

Non-current deposits represent deposits made for construction of property, plant and equipment mainly in relation to the new phases of the Group's steel plants and the Australian iron ore mining project, and cargo ships. Prepayment was made for rental of certain telecommunication facilities.

11 Other Assets Held for Sale

As at 30 June 2011, interests in certain jointly controlled entities and certain properties located in PRC and Hong Kong were classified as other assets held for sale.

As at 31 December 2010, certain properties located in PRC and Hong Kong were classified as other assets held for sale.

12 Debtors, Accounts Receivable, Deposits and Prepayments

In HK$ million	**30 June 2011**	31 December 2010
Trade debtors and bills receivable aged		
Within 1 year	**5,614**	5,002
Over 1 year	**54**	178
	5,668	5,180
Accounts receivable, deposits and prepayments	**9,747**	8,890
	15,415	14,070

Note:

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

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

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

iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$230 million (31 December 2010: HK$227 million), which are unsecured, interest free and recoverable on demand, and amounts due from associated companies of HK$112 million (31 December 2010: HK$95 million) which are unsecured, interest free and recoverable on demand.

As of 30 June 2011, trade receivables of HK$391 million (31 December 2010: HK$182 million) were past due but not impaired. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these trade receivables is as follows:

In HK$ million	**30 June 2011**	31 December 2010
Less than 3 months	**312**	153
3 to 6 months	**60**	22
Over 6 months	**19**	7
	391	182

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

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

In HK$ million	**30 June 2011**	31 December 2010
At beginning of period/year	**123**	127
Exchange adjustments	**1**	4
Provision for impairment loss	**16**	18
Receivables written off during the period/year	**–**	(17)
Provision written back during the period/year	**(5)**	(9)
At end of period/year	**135**	123

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

As of 30 June 2011, trade receivables of HK$200 million (31 December 2010: HK$100 million) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which are in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific provision for impairment loss of HK$38 million (31 December 2010: HK$35 million) was recognised against the receivables. The Group does not hold any collateral over these balances.

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

13 Creditors, Accounts Payable, Deposits and Accruals

In HK$ million	**30 June 2011**	31 December 2010
Trade creditors and bills payable aged		
Within 1 year	**12,284**	9,744
Over 1 year	**339**	456
	12,623	10,200
Accounts payable, deposits and accruals	**17,575**	16,711
	30,198	26,911

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

14 Borrowings

a

In HK$ million	**30 June 2011**	31 December 2010
Short term borrowings		
Bank loans		
unsecured	**5,251**	4,193
secured	**391**	278
	5,642	4,471
Other loans		
secured	**211**	166
	211	166
Current portion of long term borrowings	**15,366**	10,590
Total short term borrowing	**21,219**	15,227
Long term borrowings		
Bank loans		
unsecured	**67,470**	60,830
secured	**12,864**	12,935
	80,334	73,765
Other loans		
unsecured	**5,666**	5,281
Less: current portion of long term borrowings	**(15,366)**	(10,590)
Total long term borrowings	**70,634**	68,456
Total borrowings	**91,853**	83,683
Analysed into		
unsecured	**78,387**	70,304
secured	**13,466**	13,379
	91,853	83,683

Note:

i) On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. The Guaranteed Notes were fully repaid at maturity and none remained outstanding at 30 June 2011.

ii) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding at 30 June 2011.

iii) On 16 August 2010, CITIC Pacific Limited issued and sold a total of US$150 million principal amount of 6.9% notes due 2022 ('USD Notes'), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the USD Notes remained outstanding at 30 June 2011.

iv) On 15 April 2011, CITIC Pacific Limited issued and sold a total of US$500 million principal amount of 6.625% notes due 2021 ('USD Bond') to investors under the US$2 billion medium term note programme established on 6 April 2011 pursuant to the subscription agreement dated 8 April 2011. All of the USD Bond remained outstanding at 30 June 2011.

v) Bank loans and other loans, other than the JPY Notes, are fully repayable on or before 2032 and bear interest mainly at the prevailing market rates.

vi) As at 30 June 2011, certain of the Group's inventories, deposits, accounts receivable, properties under development and self-use properties with an aggregate carrying value of HK$1.2 billion (31 December 2010: HK$1.3 billion) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$47.2 billion (31 December 2010: HK$41.6 billion) of the iron ore mining project were pledged under a project finance arrangement. This amount included cash and bank balances of HK$0.6 billion (31 December 2010: HK$0.3 billion). Shipbuilding contracts of HK$4.6 billion for the 11 ships (31 December 2010: HK$5.0 billion for the 12 ships) being built and one completed ship with carrying value of HK$438 million to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$53.4 billion (31 December 2010: HK$47.9 billion).

vii) Bank loans of the Group not wholly repayable within five years amounted to HK$39.7 billion (31 December 2010: HK$38.2 billion). Other loans of the Group not wholly repayable within five years amounted to HK$5.1 billion (31 December 2010: HK$1.2 billion).

14 Borrowings *continued*

b The maturity of the long term borrowings is as follows:

In HK$ million	30 June 2011	31 December 2010
Bank loans are repayable		
in the first year	**15,366**	7,080
in the second year	**13,343**	12,175
in the third to fifth years inclusive	**19,015**	22,315
after the fifth year	**32,610**	32,195
	80,334	73,765
Other loans are repayable		
in the first year	**–**	3,510
in the second year	**–**	–
in the third to fifth years inclusive	**616**	606
after the fifth year	**5,050**	1,165
	5,666	5,281
	86,000	79,046

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

In HK$ million	30 June 2011	31 December 2010
Total borrowings	**91,853**	83,683
Borrowings at fixed rates for more than one year (from balance sheet date)	**(5,148)**	(1,248)
Interest rate swaps converting floating to fixed	**(27,890)**	(26,891)
Borrowings subject to interest-rate changes	**58,815**	55,544

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

	30 June 2011	31 December 2010
Total borrowings	**4.0%**	3.8%

14 Borrowings *continued*

d The fair value of borrowings is HK$90,589 million (31 December 2010: HK$82,526 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrealised gain of HK$1,264 million (31 December 2010: HK$1,157 million). This unrealised gain has not been recorded in the financial statements as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

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

In HK$ million	**30 June 2011**	31 December 2010
Hong Kong dollar	**16,583**	16,323
US dollar	**57,523**	50,611
Renminbi	**16,814**	15,817
Other currencies	**933**	932
	91,853	83,683

The Group has the following undrawn borrowing facilities:

In HK$ million	**30 June 2011**	31 December 2010
Floating rate		
expiring within one year	**4,478**	2,506
expiring beyond one year	**10,718**	18,444
	15,196	20,950

15 Financial Risk Management and Fair Values

Financial Risk Factors

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

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

Financial risk management is centralised at head office level but execution and monitoring of specific risks and raising finance may be delegated to business units.

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

a Exposure to Interest Rate Fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 30 June 2011, HK$33 billion (31 December 2010: HK$28.1 billion) of the Group's total borrowings were effectively paying fixed rates and the remaining were effectively paying a floating rate of interest.

At 30 June 2011, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	**(158)**	**–**	**158**	**–**
Cash and bank deposits	**163**	**–**	**(163)**	**–**
Derivatives	**15**	**859**	**(13)**	**(887)**

At 31 December 2010, if interest rates had been 0.6% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:

	0.6% higher		0.6% lower	
In HK$ million	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(233)	–	233	–
Cash and bank deposits	147	–	(147)	–
Derivatives	12	1,045	(8)	(1,088)

As described in note 15(b), the Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD1 billion (31 December 2010: AUD1.4 billion) outstanding at 30 June 2011. These derivatives qualify and are accounted for as hedges against movements in the AUD/USD spot exchange rate. Therefore changes in the fair value of the derivatives as a result of movements in the AUD/USD spot exchange rate are recognised in the hedging reserve whilst the residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates are recorded in the profit and loss. At 30 June 2011, a 1% increase/(decrease) in the differential between Australian and US interest rates could give rise to a hypothetical impact of approximately HK$73 million (31 December 2010: HK$115 million) (decrease)/increase on profit.

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations

CITIC Pacific is based in Hong Kong and has determined that its functional currency is the Hong Kong Dollar. CITIC Pacific conducts its business mainly in Hong Kong, mainland China and Australia. Therefore it is subject to the risk of changes in the foreign exchange rates of the US Dollar, Renminbi and Australian Dollar and to a lesser extent, Japanese Yen and Euro. To minimise currency exposure, non-HK Dollar assets are usually financed by borrowings in the same currency as the asset or cash flow from it. Achieving this objective is not always possible due to limitations in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a freely convertible currency. In addition, regulations in mainland China require 'registered capital', which usually accounts for at least one third of the total investment amount for projects in mainland China to be paid in foreign currency. As the Group's investment in mainland China expands, CITIC Pacific has an increasing exposure to the Renminbi.

The future revenue from the Group's Australian iron ore mining project is denominated in USD and this is its functional currency for accounting purposes. A substantial portion of its development and operating expenditure are denominated in Australian Dollars.

As of 30 June 2011 the plain vanilla forward contracts had a notional amount of AUD1,048 million (31 December 2010: AUD1,363 million).

CITIC Pacific has funded the iron ore mining project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore mining project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. USD/HKD foreign exchange forward contracts, cross currency swaps and USD net investment hedges are employed to hedge 61% (31 December 2010: 55%) of the currency exposure arising from other USD loans and a JPY/HKD cross currency swap was employed to minimise currency exposure for JPY Notes.

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

b Exposure to Foreign Currency Fluctuations *continued*

Sensitivity analysis

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

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

Group			30 June 2011			
In HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
USD	**1%**	**(150)**	**–**	**1%**	**150**	**–**
RMB	**1%**	**18**	**38**	**1%**	**(18)**	**(38)**
AUD (note)	**15%**	**52**	**1,315**	**15%**	**(52)**	**(1,315)**
YEN	**10%**	**49**	**–**	**10%**	**(35)**	**–**
Pound Sterling	**10%**	**(172)**	**–**	**10%**	**172**	**–**
EURO	**10%**	**2**	**–**	**10%**	**(2)**	**–**

Group			31 December 2010			
In HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/ (decrease)
USD	1%	(167)	–	1%	167	–
RMB	4%	140	149	4%	(140)	(149)
AUD (note)	10%	39	599	10%	(39)	(599)
YEN	7%	34	–	7%	(28)	–
Pound Sterling	2%	(12)	–	2%	12	–
EURO	3%	2	–	3%	(2)	–

Note:
During the year ended 31 December 2009, the Group completed restructuring of all its leveraged AUD contracts to plain vanilla forward contracts which qualify as and are accounted for as hedges. Therefore, changes in such contracts due to movements in AUD/USD spot rates only impact equity in the sensitivity tables above. However, there may be residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates that are recorded in the profit and loss account.

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

c Price Risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 30 June 2011, if there had been a 5% change in the market value of available-for-sale securities with all other variables held constant, the Group's equity would have increased/(decreased) by HK$18 million (31 December 2010: HK$19 million).

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

d Credit Exposure

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

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

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

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

e Liquidity Risk

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

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

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At 30 June 2011, CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other markets. The Group diversifies its funding mix through bank borrowings and accessing the capital markets and seeks to maintain a mix of short-and long-term borrowings to stagger maturities and minimise financing risk.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the balance sheet date.

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2011				
Bank borrowings	**(23,929)**	**(15,412)**	**(25,295)**	**(52,549)**
Derivative financial instruments	**(993)**	**(831)**	**(1,061)**	**(142)**
Trade creditors and accounts payable	**(30,194)**	**(2)**	**–**	**(2)**
At 31 December 2010				
Bank borrowings	(17,682)	(14,185)	(28,437)	(48,479)
Derivative financial instruments	(957)	(813)	(854)	17
Trade creditors and accounts payable	(26,851)	(58)	–	(2)

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

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2011				
Forward foreign exchange contracts – cash flow hedges				
outflow	**(4,015)**	**(2,673)**	**–**	**–**
inflow	**5,276**	**3,502**	**–**	**–**
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	**(3,817)**	**(6)**	**(38)**	**(772)**
inflow	**3,825**	**3**	**15**	**1,155**

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

e Liquidity Risk *continued*

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2010				
Forward foreign exchange contracts – cash flow hedges				
outflow	(4,015)	(3,961)	(720)	–
inflow	5,000	4,931	889	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(2,529)	(6)	(44)	(801)
inflow	2,517	3	15	1,136

The foreign exchange forward contracts that are not qualified for hedge accounting as at 30 June 2011 consist of forward exchange contracts and cross currency swap contracts for hedging USD debt and JPY Notes as well as trade flows in foreign currencies. The gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

f Fair Value Estimation

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

The fair value of borrowings is disclosed in note 14(d). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

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

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

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

iv) Financial instruments are carried at fair value *continued*

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	30 June 2011				31 December 2010			
In HK$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	**351**	**–**	**–**	**351**	377	–	–	377
Unlisted	**–**	**–**	**92**	**92**	–	–	58	58
Derivative financial instruments								
Interest rate swaps	**–**	**237**	**–**	**237**	–	279	–	279
Forward exchange contracts	**–**	**1,762**	**–**	**1,762**	–	1,648	–	1,648
Liabilities								
Derivative financial instruments								
Interest rate swaps	**–**	**2,914**	**–**	**2,914**	–	2,583	–	2,583
Forward exchange contracts	**–**	**18**	**–**	**18**	–	15	–	15

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

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

In HK$ million	Unlisted available-for-sale equity securities
At 1 January 2011	**58**
Purchase	**11**
Net unrealised gains or losses in other comprehensive income during the period	**23**
At 30 June 2011	**92**
Total gains or losses recognised in other comprehensive income during the period	**23**

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

iv) Financial instruments are carried at fair value *continued*

In HK$ million	Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
At 1 January 2010	13	178
Purchase	7	–
Net gains or losses recognised in other comprehensive income during the period	9	–
Net gains or losses recognised in profit and loss account during the period	–	1
Transfer out of Level 3 (note)	–	(179)
At 30 June 2010	29	–
Total gains or losses for the period included in profit or loss for assets held at the balance sheet date	–	1
Total gains or losses recognised in other comprehensive income during the period	9	–

Note:
A Japanese Yen cross currency swap was transferred out of level 3 to level 2, this was due to the change in valuation methodology, which incorporated new market data on the correlation of Japanese Yen to USD, that had recently become available.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2011 and 31 December 2010 except as follows:

In HK$ million	**30 June 2011** Carrying amount	Fair value	31 December 2010 Carrying amount	Fair value
Bank loans	**86,188**	**84,913**	78,402	77,183
Global bonds (USD notes/Bond)	**3,884**	**3,885**	3,510	3,575
Private placement (USD & JPY Notes)	**1,781**	**1,791**	1,771	1,768

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

vi) Securities

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

vii) Derivatives

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

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

15 Financial Risk Management and Fair Values *continued*

Financial Risk Factors *continued*

f Fair Value Estimation *continued*

viii) Interest-bearing loans and borrowings
The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ix) Interest rates used for determining fair value
The Group uses the appropriate market yield curve or benchmark rate as of 30 June 2011 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

16 Capital Risk Management

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

The Group's leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is total ordinary shareholders' funds and perpetual capital securities, as shown in the consolidated balance sheet, plus net debt.

The leverage ratios at 30 June 2011 and at 31 December 2010 were as follows:

In HK$ million	**30 June 2011**	As restated 31 December 2010
Total borrowings	**91,853**	83,683
Less: cash and bank deposits	**32,647**	24,558
Net debt	**59,206**	59,125
Total ordinary shareholders' funds and perpetual capital securities	**79,454**	68,253
Total capital	**138,660**	127,378
Leverage ratio	**43%**	46%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 30 June 2011 are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these ratios on a regular basis and was in compliance with these loan covenants as at 30 June 2011.

17 Derivative Financial Instruments

In HK$ million	30 June 2011 Assets	30 June 2011 Liabilities	31 December 2010 Assets	31 December 2010 Liabilities
Qualified for hedge accounting – cash flow hedge				
Interest-rate instruments	–	**2,553**	33	2,379
Forward foreign exchange instruments	**1,755**	–	1,635	–
	1,755	**2,553**	1,668	2,379
Not qualified for hedge accounting				
Interest-rate instruments	**237**	**361**	246	204
Forward foreign exchange instruments	**7**	**18**	13	15
	244	**379**	259	219
	1,999	**2,932**	1,927	2,598
Less: current portion				
Interest-rate instruments	**54**	**48**	60	40
Forward foreign exchange instruments	**7**	**18**	13	15
	61	**66**	73	55
	1,938	**2,866**	1,854	2,543

i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments at 30 June 2011 was HK$9,755 million (31 December 2010: HK$10,409 million).

The effective portions of gains and losses on forward foreign exchange contracts associated with highly probable forecast underlying transactions denominated in foreign currency expected to occur at various dates within the next 22 months are recognised in the hedging reserve in equity as of 30 June 2011 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

ii) Interest rate instruments

The notional amount of outstanding interest rate swap contracts at 30 June 2011 was HK$27,890 million (31 December 2010: HK$32,351 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$1,195 million (31 December 2010: HK$1,195 million). At 30 June 2011, the fixed interest rates under interest rate swaps varied from 0.60% to 5.24% per annum (31 December 2010: 0.84% to 7.23% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 30 June 2011 are recognised in the hedging reserve in equity and are released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

18 Material Related Party Transactions

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

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

CITIC Pacific Limited is controlled by CITIC Group which owns 57.6% of the Company's shares. CITIC Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises are regarded as related party transactions.

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

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

i) As at 30 June 2011, there were derivative liabilities of HK$2,081 million (31 December 2010: HK$1,840 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 17.

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

In HK$ million	**As at 30 June 2011**	As at 31 December 2010
Bank balances and deposits	**22,474**	16,799
Bank loans	**70,457**	64,134

18 Material Related Party Transactions *continued*

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

iii) Transactions with China Metallurgical Group

On 24 January 2007, Sino Iron Pty Ltd., a wholly owned subsidiary of the Company, ('Sino Iron') entered into a general construction contract ('the Contract') with China Metallurgical Group Corp., a state-owned enterprise ('MCC'). Pursuant to the Contract, MCC is responsible for the procurement of mining equipment, design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities ('the Works to be conducted by MCC') at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works to be conducted by MCC is capped and no increase to the contract sum can be made unless otherwise agreed by both parties. On 20 August 2007, Sino Iron entered into supplemental agreements with MCC in relation to, amongst other things, the adjustment to the scope of the works to be conducted by MCC to extend to the second 1 billion tonnes of iron ore to be extracted and the revision of the contract sum to US$1,750 million (approximately HK$13,650 million). On 11 May 2010, Sino Iron and MCC entered into a supplemental contract to increase the contract sum by US$835 million to US$2,585 million due to the changes in the cost structure of the industry.

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

On 15 July 2011, the Company announced that MCC, had put forward a proposal for an additional payment of approximately US$900 million, part of which they claimed to be due to design and scope of work changes made by the Group. The Company is evaluating and studying the details of the proposal and preparing to negotiate with MCC.

In HK$ million	**As at 30 June 2011**	As at 31 December 2010
Balances with MCC		
Trade, other receivables and prepayment	**6,314**	5,895
Trade payable and other payable	**(1,690)**	(1,395)
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(2,130)**	(2,130)
Transaction with MCC for the period/year ended		
Incurred costs on the Contract	**1,979**	4,783

On 20 August 2007, a wholly owned subsidiary of the Company, and MCC entered into an agreement for MCC to purchase 20% of Sino Iron for a consideration equivalent to 20% of all the funds provided to Sino Iron by CITIC Pacific for the development of the iron ore project up to the date of completion, plus interest. As at 30 June 2011, the Group received a deposit of HK$2,130 million (31 December 2010: HK$2,130 million) from MCC for the sale of 20% interest in Sino Iron which had not been completed as at 30 June 2011.

The Group holds 2.13% of MCC shares acquired at MCC's initial public offering.

18 Material Related Party Transactions *continued*

b Transactions with CITIC Group

In HK$ million	**As at 30 June 2011**	As at 31 December 2010
Balances with fellow subsidiary companies within CITIC Group		
(i) Bank balances	**832**	305
(ii) Bank loans	**542**	474
(iii) Trade and other payable	**83**	106

On 2 September 2010, a subsidiary company of the Group proposed to acquire from CITIC Group (i) a 8.23% equity interest in China Enterprise Communications Ltd. ('CEC'), a then 53.32% owned subsidiary of CITIC Group, (ii) a 100% equity interest in China Enterprise Netcom Corporation Limited, a then wholly owned subsidiary of CEC, and (iii) the right to purchase an additional 45.09% interest in CEC. Total consideration for the proposed acquisition amounted to HK$167 million. The transaction had not yet completed as at 30 June 2011.

On 15 July 2011, a subsidiary company of the Group entered into a Sale and Purchase Agreement with a subsidiary company of CITIC Group to dispose of its 50% non-controlling interest in CITIC Guoan Co, Ltd at a profit.
The consideration for the disposal is RMB3,511 million (equivalent to approximately HK$4,213 million).

19 Comparative Figures

Certain comparative figures for 2010 have been adjusted to conform with the current accounting standards described in note 1(ii) to the Accounts.

Report on Review of Interim Financial Information

Report on Review of Interim Financial Information to the Board of Directors of CITIC Pacific Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 60, which comprises the consolidated balance sheet of CITIC Pacific Limited (the 'Company') and its subsidiaries (together, the 'Group') as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2011

Statutory Disclosure

Dividend and Closure of Register

The directors have declared an interim dividend of HK$0.15 per share (2010: HK$0.15 per share) for the year ending 31 December 2011 payable on Friday, 23 September 2011 to shareholders whose names appear on CITIC Pacific's register of members on Friday, 16 September 2011. The register of members of CITIC Pacific will be closed from Monday, 12 September 2011 to Friday, 16 September 2011, both days inclusive, during which period no share transfer will be effected. To qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 September 2011.

Share Option Plan

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific Share Incentive Plan 2000

During the period between the adoption of the CITIC Pacific Share Incentive Plan 2000 ('the Plan 2000') on 31 May 2000 and its expiry on 30 May 2010, CITIC Pacific has granted six lots of share options:

Date of grant	Number of share options	Exercise price HK$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10
16 October 2007	18,500,000	47.32
19 November 2009	13,890,000	22.00
14 January 2010	880,000	20.59

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share and HK$22.10 per share expired at the close of business on 27 May 2007, 31 October 2009 and 19 June 2011 respectively. The remaining share options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

During the six months ended 30 June 2011, none of the share options granted under the Plan 2000 were cancelled, but options for 756,000 shares were exercised and options for 4,840,000 shares have lapsed. A summary of the movements of the share options under the Plan 2000 during the six months ended 30 June 2011 is as follows:

A. CITIC Pacific directors

			Number of share options				
Name of director	Date of grant	Exercise price HK$	Balance as at 01.01.11	Exercised during the six months ended 30.06.11	Lapsed during the six months ended 30.06.11	Balance as at 30.06.11	Percentage to issued share capital
Chang Zhenming	16.10.07	47.32	500,000	–	–	500,000	
	19.11.09	22.00	600,000	–	–	600,000	
						1,100,000	0.030
Zhang Jijing	19.11.09	22.00	500,000	–	–	500,000	0.014
Carl Yung Ming Jie	20.06.06	22.10	600,000	–	600,000	–	
	16.10.07	47.32	800,000	–	–	800,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,300,000	0.036
Vernon Francis Moore	20.06.06	22.10	700,000	–	700,000	–	
	16.10.07	47.32	600,000	–	–	600,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,100,000	0.030
Liu Jifu	20.06.06	22.10	700,000	–	700,000	–	
	16.10.07	47.32	700,000	–	–	700,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,200,000	0.033
Milton Law Ming To	20.06.06	22.10	800,000	–	800,000	–	
	16.10.07	47.32	800,000	–	–	800,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,300,000	0.036
Kwok Man Leung	16.10.07	47.32	600,000	–	–	600,000	
	19.11.09	22.00	500,000	–	–	500,000	
						1,100,000	0.030
Li Shilin	16.10.07	47.32	500,000	–	–	N/A *(Note 1)*	N/A *(Note 1)*
Wang Ande	20.06.06	22.10	350,000	–	350,000	N/A	N/A
	16.10.07	47.32	800,000	–	–	*(Note 1)*	*(Note 1)*
	19.11.09	22.00	500,000	–	–		

Note:
1. Mr Li Shilin and Mr Wang Ande retired at the 2011 annual general meeting on 12 May 2011.

B. CITIC Pacific employees working under continuous contracts (as defined in the Employment Ordinance), other than the directors

		Number of share options			
Date of grant	Exercise price HK$	Balance as at 01.01.11	Exercised during the six months ended 30.06.11	Lapsed during the six months ended 30.06.11	Balance as at 30.06.11
20.06.06	22.10	1,196,000	756,000 *(Note 2)*	440,000	–
16.10.07	47.32	3,950,000	–	–	3,950,000
19.11.09	22.00	7,060,000	–	–	7,060,000
14.01.10	20.59	880,000	–	–	880,000

Note:
2. The weighted average closing price of the shares of CITIC Pacific immediately before the dates on which the share options were exercised was HK$23.46.

C. Others

		Number of share options			
Date of grant	Exercise price HK$	Balance as at 01.01.11	Exercised during the six months ended 30.06.11	Lapsed during the six months ended 30.06.11	Balance as at 30.06.11
20.06.06	22.10	1,250,000 *(Note 3)*	–	1,250,000	–
16.10.07	47.32	4,150,000 *(Note 3)*	–	–	4,150,000
19.11.09	22.00	2,140,000 *(Note 3)*	–	–	2,140,000

Note:
3. These are in respect of share options granted to former directors or employees under continuous contracts, who have subsequently retired or resigned.

CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ('the Plan 2011') on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of the Group who shall make payment of HK$1 to CITIC Pacific on acceptance. The exercise price determined by the board will be at least the higher of (i) the nominal value of CITIC Pacific's shares; (ii) the closing price of CITIC Pacific's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ('the Stock Exchange') on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Pacific's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant. The maximum number of CITIC Pacific's shares which may be issued upon exercise of all share options to be granted under the Plan 2011 must not exceed 10% of CITIC Pacific's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 30 June 2011, the maximum number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the period ended 30 June 2011.

Share Option Plans Adopted by Subsidiaries of CITIC Pacific

CITIC Telecom International Holdings Limited ('CITIC Telecom')

CITIC Telecom adopted a share option plan ('CITIC Telecom Share Option Plan') on 17 May 2007. Since the adoption of the CITIC Telecom Share Option Plan, CITIC Telecom has granted the following share options:

On 23 May 2007, options to subscribe for a total of 18,720,000 shares ('the First Lot') in CITIC Telecom were granted under the CITIC Telecom Share Option Plan and all were accepted . The exercise price is HK$3.26 per share, being the closing price of CITIC Telecom's shares on the date of grant of the First Lot. All options granted and accepted were fully vested on 23 May 2007 and are exercisable in whole or in part until 22 May 2012.

On 17 September 2009, options to subscribe for a total of 35,825,000 shares ('the Second Lot') in CITIC Telecom were granted under the CITIC Telecom Share Option Plan and all were accepted except for options for 115,000 CITIC Telecom's shares. The exercise price is HK$2.10 per share, being the closing price of CITIC Telecom's shares on the date of grant of the Second Lot. The first 50% of the Second Lot granted and accepted is exercisable in whole or in part from 17 September 2010 to 16 September 2015 and the remaining 50% of the Second Lot granted and accepted is exercisable in whole or in part from 17 September 2011 to 16 September 2016.

On 19 August 2011, options to subscribe for a total of 48,455,000 shares in CITIC Telecom were granted under the CITIC Telecom Share Option Plan. The exercise price is HK$1.54 per share, being the average closing price of CITIC Telecom's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Such offer shall remain open for acceptance by the relevant grantees for a period of 28 days from the date of the offer.The first 50% of the options granted and accepted is exercisable in whole or in part from 19 August 2012 to 18 August 2017 and the remaining 50% of the options granted and accepted is exercisable in whole or in part from 19 August 2013 to 18 August 2018.

The grantees were certain directors or employees of CITIC Telecom working under continuous contracts (as defined in the Employment Ordinance). On 17 September 2009, options for 300,000 CITIC Telecom's shares have been granted to Mr Kwok Man Leung, who is an executive director of CITIC Pacific and was formerly a director of CITIC Telecom. During the six months ended 30 June 2011, Mr Kwok has exercised his options for 150,000 CITIC Telecom's shares and the remaining options for 150,000 CITIC Telecom's shares have lapsed. The weighted average closing price of CITIC Telecom's shares immediately before the date on which the options were exercised was HK$2.69. Apart from the above, none were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

As at 1 January 2011, options for 47,258,000 CITIC Telecom's shares were outstanding under the CITIC Telecom Share Option Plan. During the six months ended 30 June 2011, options for 791,000 CITIC Telecom's shares were exercised, options for 1,480,500 CITIC Telecom's shares have lapsed and no options were cancelled. As at 30 June 2011, options for 44,986,500 CITIC Telecom's shares under the CITIC Telecom Share Option Plan were exercisable.

Dah Chong Hong Holdings Limited ('DCH Holdings')

Pre-IPO Share Option Scheme

DCH Holdings adopted the Pre-IPO Share Option Scheme ('Pre-IPO Scheme') on 28 September 2007. Before the listing of DCH Holdings, DCH Holdings has granted 18,000,000 options under the Pre-IPO Scheme at the exercise price of HK$5.88 per share. No further options can be, or have been offered or granted under the Pre-IPO Scheme after DCH Holdings' listing on 17 October 2007. All options granted and accepted were fully vested on the date of grant but have a lock-up period of 6 months from the listing of DCH Holdings and are exercisable in whole or in part within 5 years from the date of grant. The grantees were certain directors or employees of DCH Holdings working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

As at 1 January 2011, options for 7,425,000 DCH Holdings' shares were outstanding under the Pre-IPO Scheme. During the six months ended 30 June 2011, options for 2,485,000 DCH Holdings' shares were exercised and none of these options were cancelled or lapsed. As at 30 June 2011, options for 4,940,000 DCH Holdings' shares under the Pre-IPO Scheme were exercisable.

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ('Post-IPO Scheme') on 28 September 2007. Since the adoption of the Post-IPO Scheme, DCH Holdings has granted one lot of share options on 7 July 2010.

On 7 July 2010, options to subscribe for a total of 23,400,000 shares in DCH Holdings, at the exercise price of HK$4.766 per share, were granted under the Post-IPO Scheme and all were accepted. The closing price of DCH Holdings' shares immediately before the grant on 7 July 2010 was HK$4.69 per share. All options granted and accepted were fully vested on the date of grant and are exercisable in whole or in part within 5 years from the date of grant. The grantees were certain directors or employees of DCH Holdings working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

As at 1 January 2011, options for 16,100,000 DCH Holdings' shares were outstanding under the Post-IPO Scheme. During the six months ended 30 June 2011, options for 2,350,000 DCH Holdings' shares were exercised and none of these options were cancelled or lapsed. As at 30 June 2011, options for 13,750,000 DCH Holdings' shares under the Post-IPO Scheme were exercisable.

Directors' Interests in Securities

The interests of the directors in shares of CITIC Pacific or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ('SFO')) as at 30 June 2011 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in CITIC Pacific and associated corporations

	Number of shares	
Name of director	Personal interests unless otherwise stated	Percentage to issued share capital
CITIC Pacific Limited		
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000 *(Note 1)*	0.115
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
André Desmarais	8,145,000 *(Note 2)*	0.223
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC Telecom International Holdings Limited		
Vernon Francis Moore	200,000 *(Note 1)*	0.008
Kwok Man Leung	150,000	0.006

Note:

1. Trust interest
2. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares

2. Share options in CITIC Pacific

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Pacific are stated in detail in the preceding section 'Share Option Plan Adopted by CITIC Pacific'.

3. Share options in associated corporations

CITIC Telecom

				Number of share options				
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.11	Exercised during the six months ended 30.06.11	Lapsed during the six months ended 30.06.11	Balance as at 30.06.11	Percentage to issued share capital
Kwok Man Leung	17.09.09	2.10	17.09.10 – 16.09.15	150,000	150,000	–	–	–
	17.09.09	2.10	17.09.11 – 16.09.16	150,000	–	150,000	–	–

CITIC Resources Holdings Limited

				Number of share options				
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.11	Granted during the six months ended 30.06.11	Exercised/ lapsed/ cancelled during the six months ended 30.06.11	Balance as at 30.06.11	Percentage to issued share capital
Zhang Jijing	02.06.05	1.018	02.06.06 – 01.06.13	10,594,315	–	–	10,594,315	0.135

Save as disclosed above, as at 30 June 2011, none of the directors of CITIC Pacific had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations or any interests which are required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which are required to be notified to CITIC Pacific and the Stock Exchange pursuant to the model code for securities transactions by directors of listed companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('Listing Rules').

Substantial Shareholders

As at 30 June 2011, the interests of the substantial shareholders, other than the directors of CITIC Pacific or their respective associate(s), in the shares of CITIC Pacific as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Interest in the shares of CITIC Pacific

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group	2,098,736,285	57.508
CITIC Hong Kong (Holdings) Limited ('CITIC HK')	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522
Larry Yung Chi Kin	301,844,000	8.271
Earnplex Corporation	238,363,000	6.531

CITIC Group is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary company of CITIC Group	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC HK	747,486,203	20.482
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342

CITIC HK is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary company of CITIC HK	Number of shares of CITIC Pacific	Percentage to issued share capital
Affluence Limited	46,089,000	1.263
Winton Corp.	30,718,000	0.842
Westminster Investment Inc.	101,960,000	2.794
Jetway Corp.	122,336,918	3.352
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.522
Hainsworth Limited	93,136,000	2.552
Southpoint Enterprises Inc.	10,000,000	0.274
Raymondford Company Limited	2,823,000	0.077

CITIC Group is the holding company of CITIC HK, Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited. CITIC HK is the direct holding company of Heedon Corporation, Hainsworth Limited, Affluence Limited and Barnsley Investments Limited. Heedon Corporation is the direct holding company of Winton Corp., Westminster Investment Inc., Jetway Corp., Kotron Company Ltd. and Honpville Corporation. Kotron Company Ltd. is the direct holding company of Cordia Corporation. Affluence Limited is the direct holding company of Man Yick Corporation which is the direct holding company of Raymondford Company Limited. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc.

Accordingly,

i) the interests of CITIC Group in CITIC Pacific duplicate the interests of CITIC HK, Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited in CITIC Pacific;

ii) the interests of CITIC HK in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

iii) the interests of Heedon Corporation in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

iv) the interests of Kotron Company Ltd. in CITIC Pacific duplicate the interests of Cordia Corporation in CITIC Pacific;

v) the interests of Affluence Limited in CITIC Pacific duplicate the interests in CITIC Pacific of its direct and indirect subsidiary companies as described above;

vi) the interests of Man Yick Corporation in CITIC Pacific duplicate the interests of Raymondford Company Limited in CITIC Pacific; and

vii) the interests of Barnsley Investments Limited in CITIC Pacific duplicate the interests of Southpoint Enterprises Inc. in CITIC Pacific.

Mr Larry Yung Chi Kin is a substantial shareholder of CITIC Pacific and directly holds 100% interest in Earnplex Corporation. Accordingly, the interests of Mr Larry Yung Chi Kin in CITIC Pacific duplicate the interests held by Earnplex Corporation.

Share Capital

CITIC Pacific has not redeemed any of its shares during the six months ended 30 June 2011. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the six months ended 30 June 2011.

Continuing Disclosure Requirements under Rule 13.22 of the Listing Rules in Relation to Financial Assistance to Affiliated Companies

CITIC Pacific has included a proforma combined balance sheet of the relevant affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and jointly controlled entities.

Proforma combined balance sheet of affiliated companies

In HK$ million	CITIC Pacific Limited and its subsidiary companies' attributable interest as at 30 June 2011
Fixed Assets	15,167
Jointly Controlled Entities	210
Other Financial Assets	16
Intangible Assets	1,560
Other Non Current Assets	1,661
Net Current Assets	1,797
Total Assets Less Current Liabilities	20,411
Long Term Borrowings	(6,052)
Deferred Tax Liabilities	(381)
Derivative Financial Instruments	(4)
Loan from Shareholders	(4,882)
	9,092

Corporate Governance

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. Details of our corporate governance practices can be found on page 77 of the annual report 2010 and CITIC Pacific's website www.citicpacific.com. In order to ensure a high standard of corporate governance, the board has:

- Established the executive committee, which serves as a channel for communicating the direction and priorities of CITIC Pacific and for sharing information with and amongst senior executives about key developments and issues affecting the various businesses of CITIC Pacific. This committee is chaired by the managing director and its membership includes the chairman, group finance director, other executive directors, the leaders of the major businesses in the group and group functional leaders.
- Established the investment committee to consider the strategy and planning of CITIC Pacific, and to review investment proposals. The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors.
- Established the asset and liability management committee ('ALCO') to review the asset and liability balance of CITIC Pacific. ALCO monitors and sets limits on exposure in relation to asset and liability mismatches, counterparties, currencies, interest rates, commitments and contingent liabilities. It also establishes hedging policies, reviews and approves financing plans, and approves the use of new financial products. Chaired by the group finance director, the committee comprises two executive directors and a non-executive director, the group treasurer, group financial controller, the executive with responsibility for financial risk management and other finance team representatives in CITIC Pacific.
- Established the audit committee to assist the board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting obligations. The committee oversees the relationship with the external auditors and reviews and monitors the effectiveness of the internal audit function.
- Established the special committee to deal with matters relating to the investigations of CITIC Pacific by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force. With the recent addition of an independent non-executive director to the special committee, the special committee now comprises of three members. The other two members are the managing director and a non-executive director.

CITIC Pacific complied throughout the six months ended 30 June 2011 with all of the provisions in the code on corporate governance practices contained in Appendix 14 of the Listing Rules.

The audit committee of the board reviewed the Half-Year Report with management and CITIC Pacific's internal and external auditors and recommended its adoption by the board. The committee consists of three non-executive directors, two of whom are independent.

The interim financial information is prepared in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'. It has been reviewed by CITIC Pacific's independent auditor PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ('model code') contained in Appendix 10 of the Listing Rules. All directors complied with the required standard set out in the model code throughout the six months ended 30 June 2011.

Update on Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Executive Director

Mr Chang Zhenming, the managing director of CITIC HK since 2009, has been re-designated as the chairman of CITIC HK with effect from 9 May 2011. He has also resigned as a non-executive director and vice-chairman of China CITIC Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) with effect from 25 May 2011.

Mr Zhang Jijing has been appointed as a director of CITIC HK with effect from 9 May 2011.

Mr Carl Yung Ming Jie has ceased to be an independent non-executive director of China CSSC Holdings Limited (a company listed on the Shanghai Stock Exchange) with effect from 23 June 2011.

Mr Milton Law Ming To has resigned as a director of Daye Special Steel Co., Ltd. (a subsidiary of CITIC Pacific and listed on the Shenzhen Stock Exchange) with effect from 13 April 2011.

Mr Kwok Man Leung has been appointed as a director of Daye Special Steel Co., Ltd. (a subsidiary of CITIC Pacific and listed on the Shenzhen Stock Exchange) with effect from 13 April 2011.

Non-executive Director

Mr Ju Weimin has been appointed as a director of CITIC HK with effect from 9 May 2011.

Mr Yin Ke has been appointed as a non-executive director of Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust which was listed on the Hong Kong Stock Exchange in April 2011) with effect from 21 December 2010. He is also appointed as a director of Hui Xian Investment Limited with effect from 29 April 2011. Mr Yin has resigned as a non-executive director of CITIC Dameng Holdings Limited (a company listed on the Hong Kong Stock Exchange) with effect from 25 August 2011.

Independent Non-executive Director

Mr Alexander Reid Hamilton has retired as an independent non-executive director of China COSCO Holdings Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) with effect from the date of its annual general meeting on 17 May 2011 and has been appointed as an independent non-executive director of COSCO International Holdings Limited (a company listed on the Hong Kong Stock Exchange) with effect from the date of its annual general meeting on 9 June 2011.

Mr Francis Siu Wai Keung has been appointed as a member of the Special Committee of the board of CITIC Pacific with effect from 8 August 2011 and will receive an additional remuneration of HK$100,000 per annum (to be payable in proportion to the period of service if he serves for less than a year) subject to the approval of the shareholders of CITIC Pacific at the forthcoming extraordinary general meeting of CITIC Pacific.

Definition of Terms

Terms

Total debt	Short-term and long-term loans, notes and bonds
Net debt	Total debt less cash less bank deposits
Total capital	Total ordinary shareholders' funds and perpetual capital securities plus net debt
Cash inflows	Cash inflows represent *cash generated from business operations after income taxes paid, and other cash inflows* which principally include dividends from associated companies and jointly controlled entities, proceeds from divestments of businesses, sales of listed investments and sales of fixed assets and investment properties
EBITDA	Earnings before interest expense, taxation, depreciation and amortisation
Contribution by business	Segment profit/(loss) attributable to shareholders as described in Note 2 to the accounts on page 38

Ratios

Earnings per share	Profit attributable to shareholders divided by the weighted average number of shares (by days) in issue for the year
Leverage	Net debt divided by total capital

Corporate Information

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Website

www.citicpacific.com contains a description of CITIC Pacific's business, copies of both the full and summary reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, by fax at +852 2522 5259 or by email at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register:	12 September 2011 to 16 September 2011
Interim Dividend payment:	23 September 2011

The Half-Year Report is printed in English and Chinese and is available on our website at www.citicpacific.com under the 'Investors' section.

Shareholders may choose to receive the Half-Year Report in printed form in either English or Chinese or both or by electronic means. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrar.

Shareholders having difficulty in gaining access to the Half-Year Report will promptly be sent printed copies free of charge upon request to CITIC Pacific's Share Registrar.

Non-shareholders are requested to write to the Company Secretary, CITIC Pacific Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citicpacific.com.

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Stock code 00267