CITIC PACIFIC

Summary Financial Report 2010

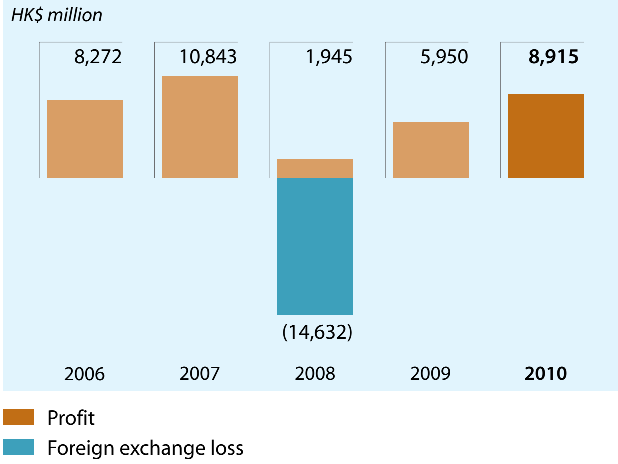
This summary financial report 2010 only gives a summary of the information and the particulars of CITIC Pacific Limited's annual report 2010 from which the summary financial report is derived. Shareholders may obtain a printed copy of the 2010 annual report free of charge by writing to the company's share registrars, Tricor Tengis Limited.

Financial Highlights

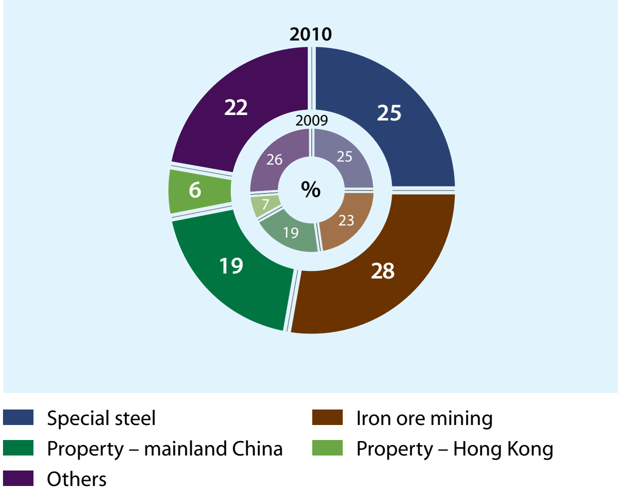
In HK$ million	**2010**	2009	Increase/ (Decrease) %
Profit attributable to shareholders	**8,915**	5,950	50
Contribution by business:			
Special steel	**2,102**	1,415	49
Iron ore mining	**(346)**	376	N/A
Property			
– Mainland China	**583**	524	11
– Hong Kong	**377**	397	(5)
Energy	**1,045**	886	18
Tunnels	**502**	437	15
Dah Chong Hong	**775**	402	93
CITIC Telecom	**248**	196	27
Gain on disposal of assets	**3,008**	1,146	162
Fair value change of investment properties	**1,320**	120	1,000
Cash inflows from business operations	**8,016**	7,227	11
Cash inflows from sales of businesses	**4,043**	9,700	(58)
Other cash inflows	**4,370**	2,045	114
Capital expenditure	**28,876**	22,104	31
EBITDA	**15,744**	10,765	46
Earnings per share *(HK$)*	**2.44**	1.63	50
Dividends per share *(HK$)*	**0.45**	0.40	13

In HK$ million	**As at 31 December 2010**	As at 31 December 2009	Increase/ (Decrease) %
Total assets	**192,936**	155,741	24
Net debt	**59,125**	44,122	34
Cash and bank deposits	**24,558**	21,553	14
Available committed banking facilities	**18,594**	14,570	28
Shareholders' funds	**68,282**	60,259	13
Net debt to total capital	**46%**	42%	

Profit attributable to shareholders



Assets



Special Steel

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 at the end of 2010.

- **25%** of assets
- **22%** of total contribution
- **2** steel plants in China
- Over **8 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.

Find out more on page 8

Iron Ore Mining

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

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.

Find out more on page 20

Property
mainland China

- **19%** of assets
- **6%** of total contribution
- Developing **4.4 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 Delta area, as well as Hainan Island.

Find out more on page 32

Chairman's Letter to Shareholders

Dear Shareholders,

CITIC Pacific achieved a profit attributable to shareholders of HK$8,915 million for the year 2010, the second highest in the history of the company. This was due both to the strong performance of our business, particularly special steel, and the sale of non-core assets, which added HK$3,008 million to our bottom line.

Return on equity improved to 14% for the year compared with 11% in 2009, and our financial position remains strong. As at the end of 2010, bank deposits and available committed facilities totalled HK$43,152 million, sufficient to meet our investment needs. As we are investing to complete our iron ore mine in Australia, finish the expansion of our special steel business and develop our property projects in mainland China, our net debt has inevitably increased, and as a result leverage was 46% at the end of 2010. This is higher than ideal but not something I am overly concerned about as CITIC Pacific is coming to the end of a major investment period. When our iron ore mine begins operation and more property projects are sold, substantial cash will be generated which will naturally reduce our leverage.

Your board recommends paying a final dividend of HK$0.30 per share, giving you a full year dividend of HK$0.45 per share. This is an increase of HK$0.05 per share compared with that of 2009. We considered a number of factors when deciding how much to pay our shareholders, including our future investment needs and our obligation to repay borrowings.

Our Businesses

For CITIC Pacific, 2010 can be characterised as a year during which we made significant progress in all our businesses, particularly our three major businesses. In this letter, I will update you on their activities so you can understand clearly why we chose to invest in these businesses, what our expectations are for them in 2011, and why we think they will transform our company. I believe CITIC Pacific has emerged from the difficulties faced two years ago and has become stronger and better positioned for the future.

Iron Ore Mining

The number one priority for our management continues to be bringing our magnetite iron ore mine in Australia into production as early as possible. During the year, we made tremendous progress towards achieving this objective, as our management team and employees in Australia have all been dedicated to ensuring the completion of the mine, which is unprecedented in scale.

In mid January, we provided a project progress update. As I write, the structures for major facilities such as the power station, four grinding mills, dewatering plant, desalination plant and port are being completed. Commissioning of the power station has begun, and the desalination plant will begin soon so the necessary power and water can be supplied to other components of the production line. Our target is to begin commissioning the first production line as an integrated system by the end of July. Export of iron ore is expected to be in the latter part of this year. By then, the second production line should also be ready for system commissioning. When the senior management of our major contractors, equipment manufacturers and suppliers met in Beijing in January, everyone expressed their strong commitment to the success of this project and the start of production according to plan.

In the business review section, you will find a detailed project report. I would like to explain here the key reasons for the schedule change. For each component, there is one – and in some cases, more than one – power supply and control system, which our engineers call 'e-houses'. These are effectively the heart of their respective components or plants. Without them, nothing can operate. There are altogether 17 of these e-houses needed for commissioning the first production line. Of these, 8 have been delivered to site and are in various stages of being installed and tested. The remaining e-houses are scheduled to arrive in mid May. Delivery of these e-houses was delayed primarily due to design changes on some units, which affected their manufacturing schedule. We also experienced some contractual disputes, which are not uncommon in such massive projects. One example was our termination in October of the company responsible for building our power station due to their breaching of the contract. This was certainly not a happy situation. However, we were able to quickly engage most of the subcontractors directly to continue their work, which minimised interruption to the construction.

Since we began this journey of building the biggest magnetite iron ore mine in Australia, we have learned a great deal despite the steep learning curve. We are now more familiar with operating conditions in Australia, better equipped to deal with issues arising, and more confident that once the mine is completed we will be able to operate it as well as any other organisation. It is no secret that the cost of building and operating a magnetite mine is higher than that of a haematite mine. Although the money we are investing is by no means a small amount, let's not forget that the price of iron ore has increased considerably since we initially committed to the investment. Personally, I believe that there will be a continuing strong demand for the type of high quality ore we will be producing, and this mine will add substantial value to your investment in CITIC Pacific.

Looking back, I have to admit that we have come through some challenging times, and the process has not been without stress. But, I am happy to see that we are making solid progress. Our goal is to complete construction of the mine as soon as possible so that it can contribute to our bottom line over its 25-year life.

Special Steel

Our special steel business recorded an impressive HK$2,102 million in profit contribution, a growth of 49% from that of 2009. It is worth noting that this was achieved by our two plants – Xingcheng Special Steel and Xin Yegang – unlike in 2009 when we also had contribution from Shijiazhuang Steel, which was subsequently sold. Over the last three years, we have expanded our production capacity. More importantly, we further broadened our portfolio of products, optimised their mix, and increased their technology content. In certain categories of special steel, we are the only producer in China. We are on track to reach our target annual steel production capacity of nine million tonnes this year. Our goal is to supply our customers not only with high quality bar steel but also new special steel plates and increased volumes of seamless steel tubes.

The market for special steel has significant potential as China continues to develop and the demand for special steel inevitably grows to become more in line with that of the industrialised countries. As the largest manufacturer dedicated to the production of special steel in China, we have the advantage and leading market position to excel. However, we cannot ignore the fact that this market has grown increasingly competitive and customers expect better quality products and more services. For this reason, the management at our steel mills have been focusing their efforts on raising product quality and expanding their customer base. The result is that we are producing an increasing percentage of very high quality products every year. These efforts are particularly important for our special steel plates, which are new to us. With one of the two plate lines entering production, our efforts are already paying off as we see improving margins in this area. Of course, there is much more to be done for our new plate products to occupy the same leading position as our well established bar products.

The first two months of this year saw good production volume at our steel mills. Product prices were firm, supported in part by the increased price of raw materials. For 2011, we should bear in mind that we are facing increased capacity in the steel industry in China, which will put pressure on all producers. However, we are comforted by the fact that supply and demand in the special steel sector is mostly balanced and the industries we sell our products to all have strong future growth potential. My colleagues in our steel business have set themselves a challenging target for this year and, as always, they will work very hard to achieve their objectives.

Property in Mainland China

Construction and sales of our property projects in mainland China are progressing apace. The twin office towers in Shanghai Pudong's Lu Jia Zui financial district are being fitted out before they are handed over to Agricultural Bank of China and China Construction Bank, which have purchased them for their Shanghai headquarters. Our residential developments in Shanghai, Wuxi, Yangzhou, Jiangyin and Hainan Island are being completed in phases.

In the past year, a number of measures were put in place by the Chinese government with the aim of moderating the rapid increases in property prices. These have clearly had an impact on our property sales. I have often been asked by investors if I was worried about this and whether we should change our property development strategy. I am a firm believer in the long-term potential of the Chinese property market. Of course, short-term fluctuations are inevitable, but CITIC Pacific is a long-term developer in this market. We have sufficient financial resources and staying power. What's more, our land banks were acquired some time ago and at relatively low prices. So we are better equipped to withstand market volatility, and temporary adjustments in the market do not worry us unduly.

The projects we are developing are large in scale and very well situated. According to our development schedule, we will be busy for the next seven to eight years. In the meantime, we will be on the lookout for attractive new sites. I would like to point out here that CITIC Pacific is not a pure property company, and therefore we are not pressured to buy land or sell completed units. We are also fortunate to have a team of highly experienced property professionals who are very good at designing and building to suit the needs of individual markets in China. This is evident in our products being well received by the market when they go on sale.

Our People and Our Organisation

As in any organisation, no matter what our strategy is and how good our assets are, the key to success is always people. In my letter of March last year, I mentioned we were looking at ways to enhance our training programmes so that our employees would be equipped with up-to-date knowledge and skills they can apply in their jobs. In 2010, we further strengthened our training efforts by adding an experienced professional to focus on senior management training. We also renewed our focus on hiring young talent through our graduate training programme and took on 12 new trainees who will be the future of our business.

With improved communication among our operations, we are a much stronger organisation. I often remind people that effective communication is essential to our success and that this is a continuous process which needs to be improved at every level. To that end, we held our second group-wide finance conference last year which was attended by senior finance personnel from all parts of our business. This conference was invaluable for ensuring that our finance policies and priorities are aligned with our overall business strategy. Similar activities are now taking place regularly in other businesses and functions.

I am proud to say that as a direct result of our improved communication and management we are able to provide our 2010 financial results to shareholders even earlier than last year, which was already a big improvement from the previous years. We are now in the forefront of leading Hong Kong listed companies disseminating timely information to shareholders and the public.

I would like to mention that five long serving directors will retire in May. I want to thank them for their many and varied contributions to CITIC Pacific's development over so many years. I am also pleased to report that two highly experienced businessmen have agreed to join our board in the middle of the year as independent directors. They will be able to provide a variety of perspectives to the board, which will benefit our company.

Our Future

In the nearly two years since I have been Chairman of CITIC Pacific, we have expanded and built our three main businesses of special steel, iron ore mining and property in mainland China. We also sold a number of assets over which we had little management control or were not a strategic part of our future. We are now much more focused, and this is clearly demonstrated by the fact that our main businesses accounted for 72% of our assets at the end of 2010. Our future emphasis will be on further developing the businesses we have so that we can become a leader in each of them. This is what I believe our shareholders and investors should focus upon. I spelled out quite clearly in my last annual letter that CITIC Pacific is, and will continue to be, a company with multiple businesses in a few industries.

In December, I was appointed Chairman of CITIC Group, the 58% shareholder of CITIC Pacific. I have spent almost my entire career with CITIC Group. Since its establishment in the late 1970s by Mr Rong Yiren, CITIC Group has grown into the largest conglomerate in China with assets of over RMB2.5 trillion and businesses ranging from banking and insurance to resources and property. I am very honoured to be given the opportunity to lead the Group, and I welcome the challenge my new position brings.

In June last year, during an interview with Caixin Media my predecessor Mr Kong Dan and I talked about the development history of CITIC Group and why we believe this is the right time for the Group to be transformed into a shareholding company. We are now at the stage of consolidating information at the CITIC Group level. Clearly, one of the benefits of the process is that it is an opportunity to take stock and develop plans to achieve greater synergies among the businesses of the whole Group. One example is the real estate business. CITIC Real Estate has a substantial property business with a focus on residential development. Moreover, it has a vast sales network. CITIC Pacific is also an experienced property developer, particularly in the development of commercial properties. The two companies are working together with the objective of leveraging off their individual strengths and utilising their resources effectively. Although they already have an agreement to work more closely together, including sharing market intelligence and sales networks, we are considering the possibility of further integration. There are likely to be other areas we identify that could serve CITIC Pacific well and benefit CITIC Group as a whole. Any significant opportunities would be reviewed carefully by the CITIC Pacific board and presented to shareholders for approval as appropriate. It is clear that CITIC Pacific is, and will continue to be, a very important part of CITIC Group.

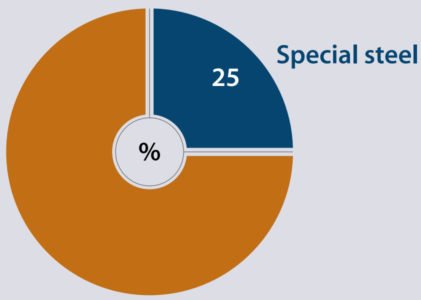
Our employees are fundamental to our success as a company, and I thank them from the bottom of my heart for their dedication and hard work. I would also like to say thank you to our board, our investors and banks for their trust and support.

Chang Zhenming
Chairman
Hong Kong, 3 March 2011

Special Steel

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

Assets



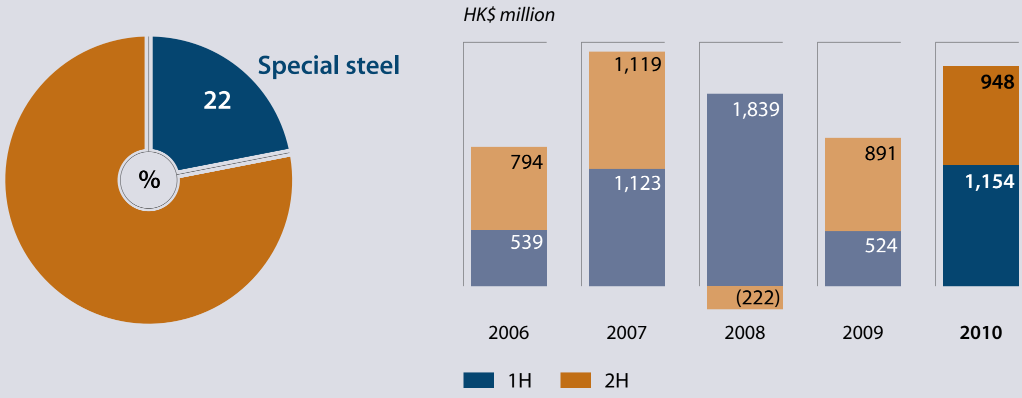
Review of 2010

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

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

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

Profit contribution



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

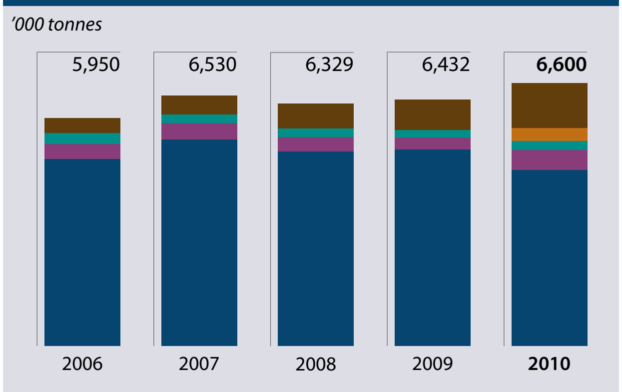
Production and Sales

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

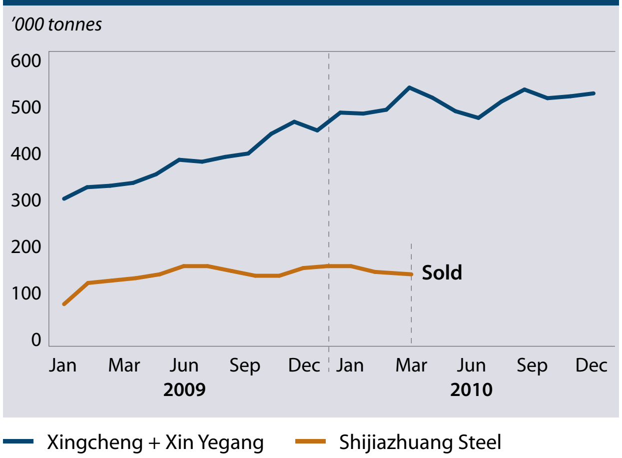
CITIC Pacific Special Steel embarked on an expansion programme about three years ago, with the construction of a 3,200 cubic metre blast furnace, two 150-tonne converters and two special steel plate lines at Xingcheng Special Steel. This expansion will provide another three million tonnes per annum of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

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

Annual sales volume by product



Monthly sales volume



Products

Key products of CITIC Pacific Special Steel

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

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

** Does not include Shijiazhuang Steel*

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

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

Customers

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

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

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

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

Our products are sold to these industries

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

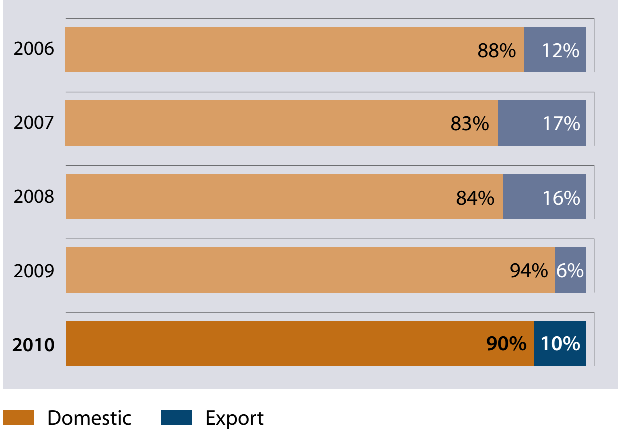
** Does not include Shijiazhuang Steel*

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

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

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

Domestic vs. export sales



Monthly export volume

Our products are exported to these regions and countries

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

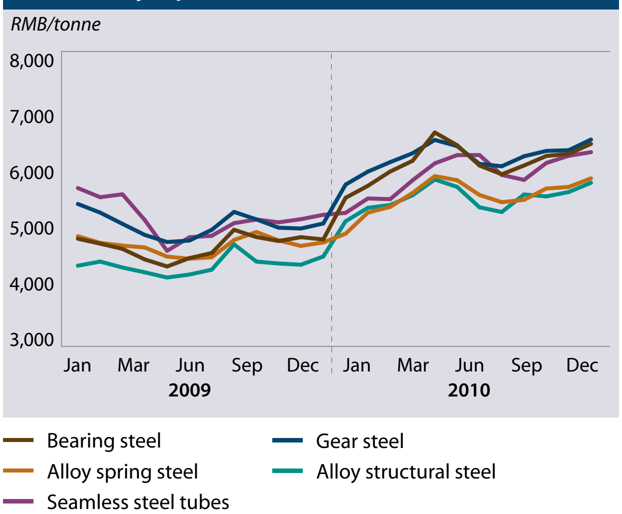
In 2010, demand for special steel in the overseas market improved, particularly in sectors such as the auto, heavy machinery and mining industries. At the same time, the increase in the price of raw materials drove up the price of our special steel products.

Product Pricing

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

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

Price of major products

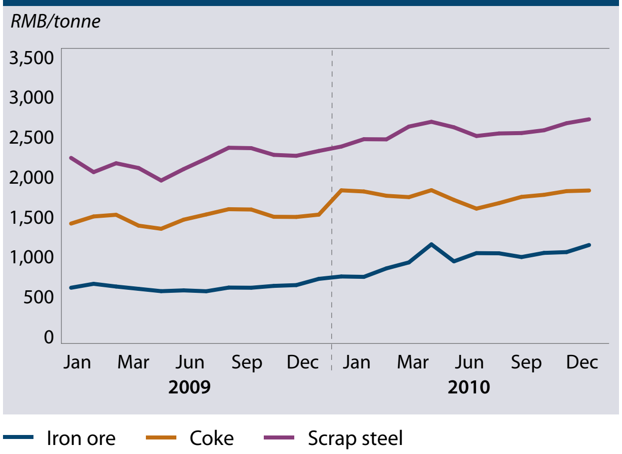


Raw Materials

Major raw materials used

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

Price of major raw materials



Iron Ore

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

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

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

Coking Coal

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

Scrap Steel

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

Alloy

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

The Environment

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

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

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

Health and Safety

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

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

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

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

Facts and Statistics

CITIC Pacific Special Steel

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

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

What Is Special Steel?

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

Industries and major products used

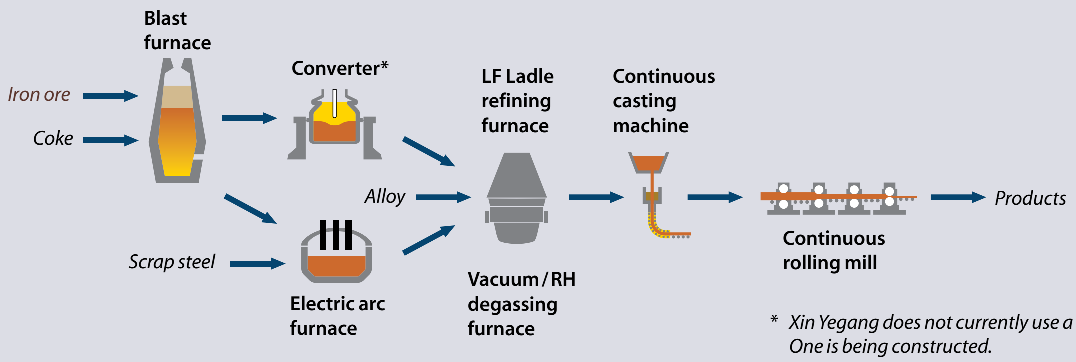
Special Steel

Applied industries	Products	Practical example
Auto components	Gear steel, bearing steel, spring steel, alloy structural steel	Transmission gears, bearings, crankshafts, connection rods, transmitting shafts
Machinery manufacturing	Alloy structural steel, carbon structural steel	Oil cylinder pipes for engineering machinery, hydraulic props support for coal mining machinery
Metalwork	Tyre cord steel, steel for standard parts	Radial tyres, standard bolt parts
Power generation	High pressure tube billet, casting round tube billet	High pressure boiler tubes, wind power ring parts
Oil & petrochemicals	Seamless steel tubes for pressure vessels, medium-heavy plate pipeline steel	Drill collars, casing couplings, oil and gas transport pipelines, off-shore drilling platforms
Railways	Spring steel, carbonisation bearing steel	Locomotive springs, bogies, wheels, fasteners, bearings
Shipbuilding	Anchor chain steel, high strength plates	Anchor chains, decks

Special Steel Production Process

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

Special steel manufacturing process



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

Xingcheng Special Steel

www.jyxc.com

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

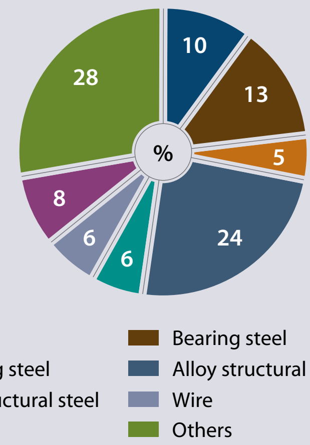
The plant embarked on an expansion programme three years ago with the construction of a 3,200 cubic metre blast furnace and two converters of 150 tonnes each, which provide another 3 million tonnes of steel to the plant. The 3500mm line was completed in the first half of 2010, and the 4300mm line is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

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

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

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

Xingcheng's products



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

Xin Yegang Steel

www.xinyegang.com

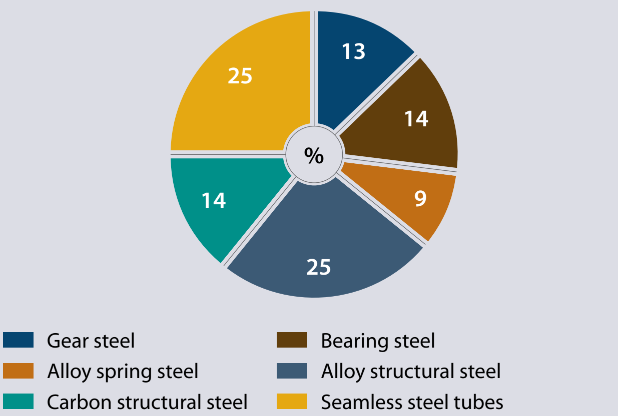
At the end of 2010, Xin Yegang had an annual special steel production capacity of two million tonnes, including the capacity of Daye Special Steel, an A-share listed company in which CITIC Pacific indirectly holds a 58% interest. Xin Yegang's products include bearing steel, gear steel, carbon structural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

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

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

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

Xin Yegang's products



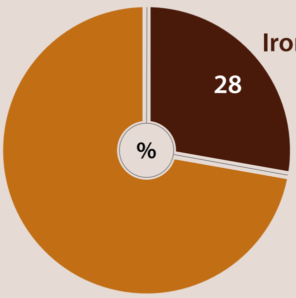
Xin Yegang is located in the city of Huangshi next to the Yangtze River, with two 5,000 tonne and one 10,000 tonne wharfs that provide annual transportation capacity of five million tonnes. In the future, CITIC Pacific's mini-cape sized ships will transport the iron ore from various sources to ports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

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

Iron Ore Mining

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

Assets



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

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

Progress

At a glance

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

Mine Development

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

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

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

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

Concentrator

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

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

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

Power Station

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

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

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

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

Port

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

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

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

Desalination Plant

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

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

Accommodation

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

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

Transportation and Service Corridors

- *East-West Road*

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

People

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

Safety

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

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

Environment

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

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

Heritage

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

Minerals Resource Rent Tax (MRRT)

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

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

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

Carbon Emissions

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

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

Community and Partnerships

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

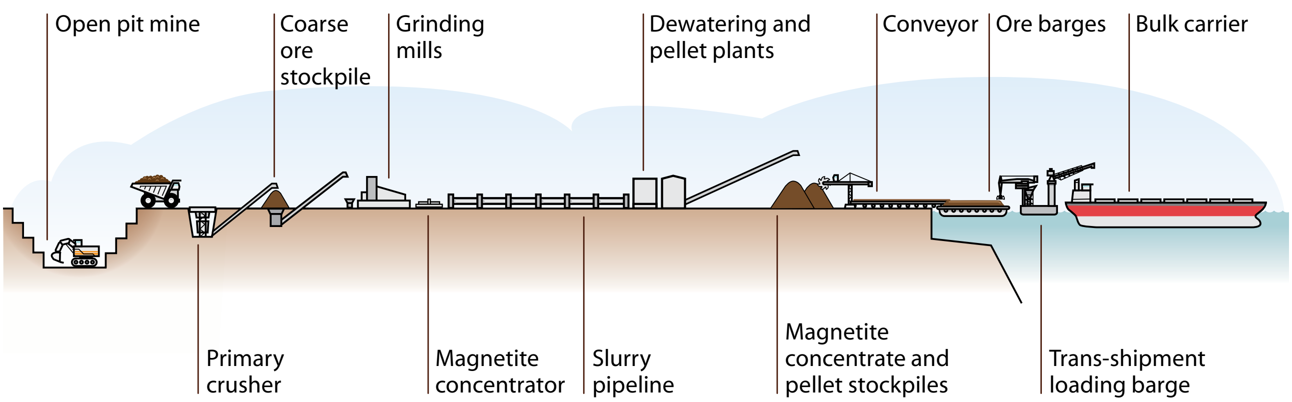
Most recently, CPM has joined with KULCHA Multicultural Arts of Western Australia in a three-year corporate partnership to promote cultural diversity through the arts. KULCHA works with musicians, dancers, visual artists and performers from many different cultures to enhance the vibrancy of Western Australia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

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

Looking Ahead to First Production

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

Magnetite process flowchart

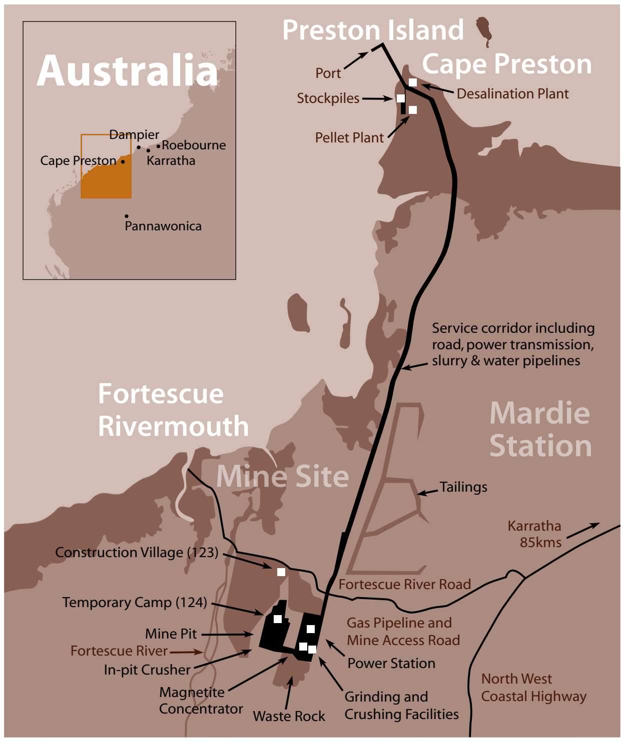


internationally-experienced management team is placing us in an optimal position to ensure the successful start of operations. The target for the completion of the first production line will be followed by the on-going production ramp-up of subsequent mill lines.

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

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

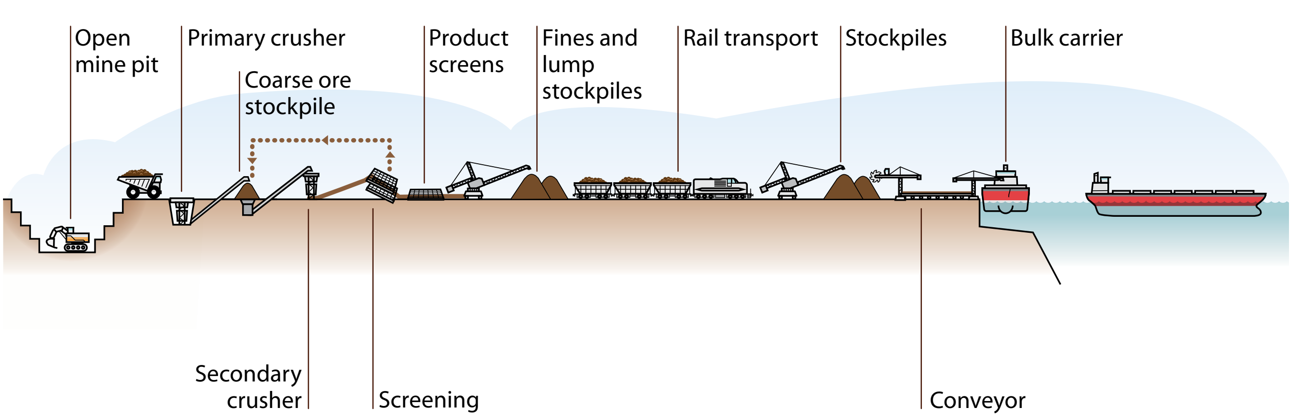
Facts



Project Overview

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

Haematite process flowchart



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

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

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

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

Key Contractors

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

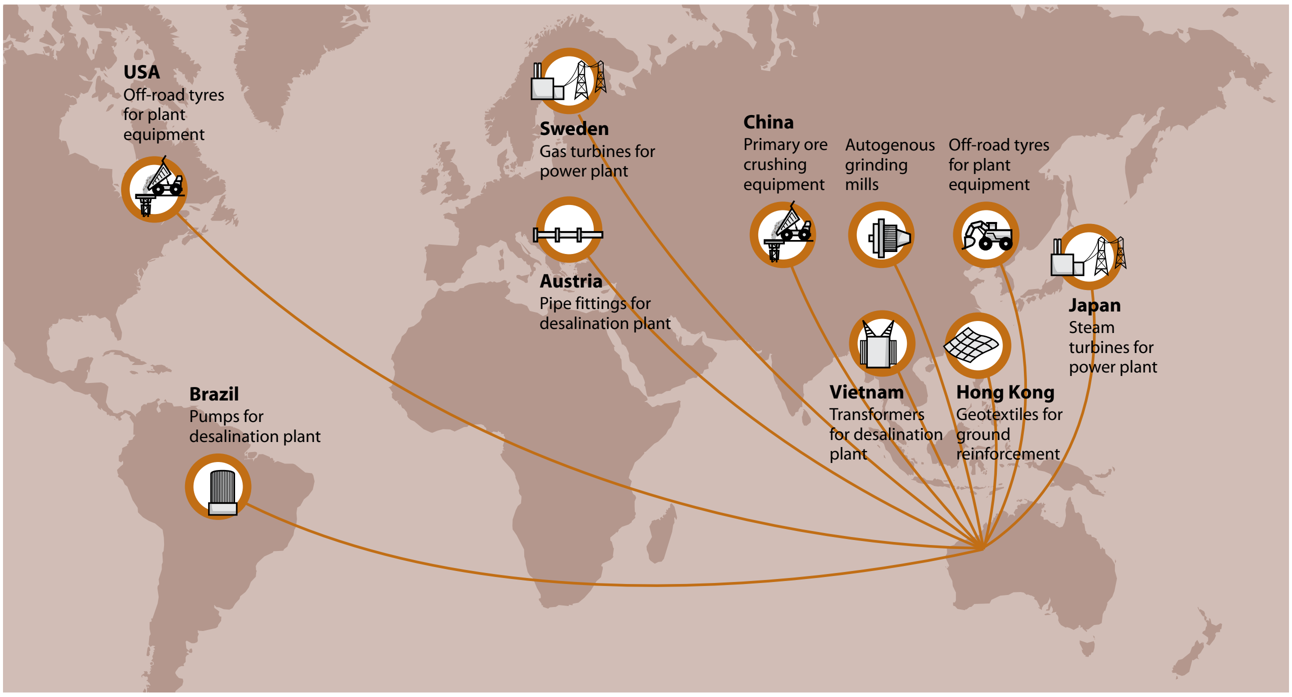
Products

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

Mineral Resource Estimate

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

Global procurement



Total Joffre resource

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

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

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

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

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

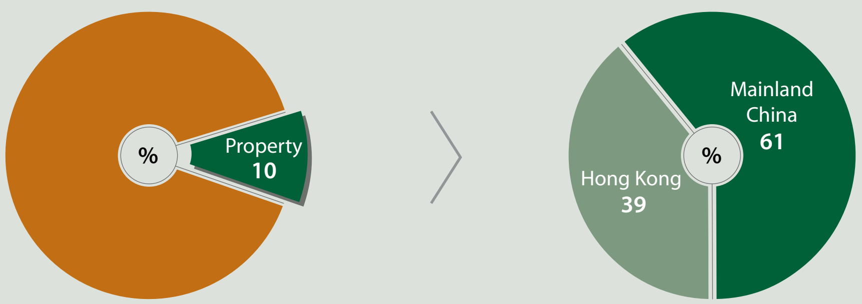
Inferred Mineral Resource
An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based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

Property

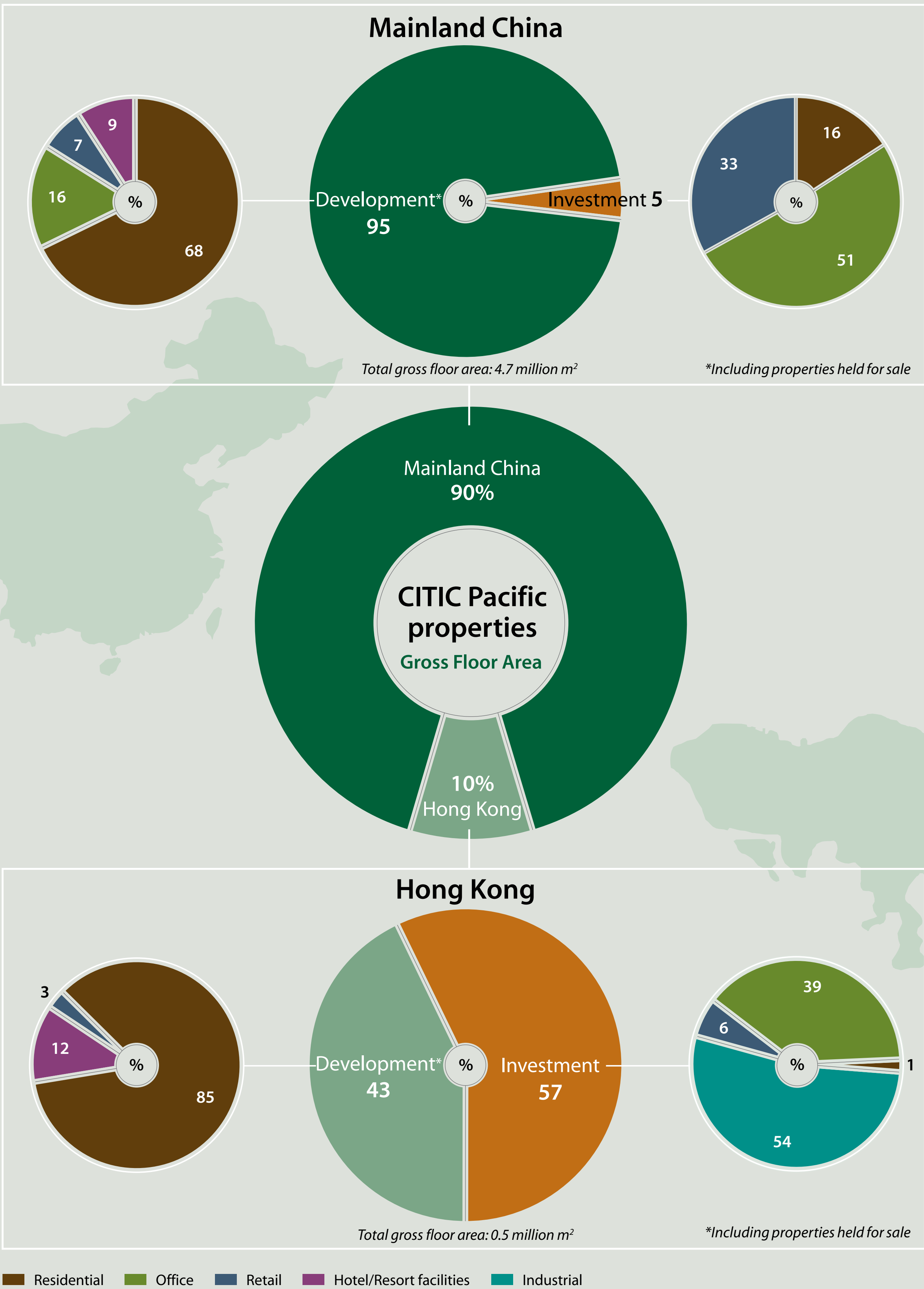
HK$ million	**2010**	2009	Change
Turnover	**4,049**	1,647	146%
Profit contribution			
Mainland China	**583**	524	11%
Hong Kong	**377**	397	(5)%
Assets			
Mainland China	**37,455**	29,728	26%
Hong Kong	**12,215**	11,093	10%
Liabilities			
Mainland China	**9,897**	7,158	38%
Hong Kong	**534**	473	13%
Cash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

Assets

Profit contribution



By gross floor area



Mainland China

- **Focus on Shanghai and major cities in the Yangtze River Delta area, as well as the Shenzhou Peninsula on Hainan Island**
- **Approximately 300,000 m² GFA sold in 2010**

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

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

Major Development Properties

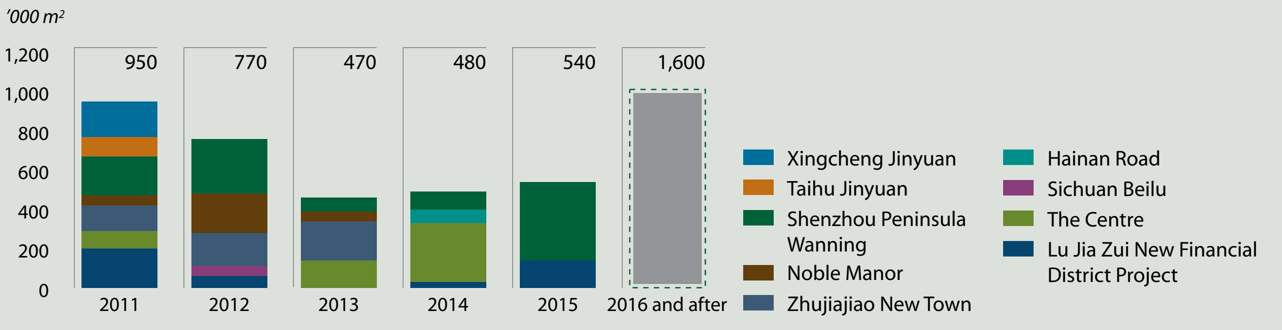
Project	Usage	Ownership	Approx. GFA* (m²)	Expected completion
Shanghai				
New Westgate Garden Phase II	Residential, retail	100%	137,000	2017
Zhujiajiao New Town, Qingpu	Residential, hotel, retail	100%	506,000	In phases from 2009 onwards (approx. 69,000 m² completed)
Lu Jia Zui New Financial District Project	Office, hotel, residential, retail	50%	647,000	In phases from January 2011 onwards (approx. 200,000 m² completed)
Site at Sichuan Beilu Station of Metro Line No. 10, Hongkou	Office, retail	100%	53,000	2011 to 2012
No.10, Hainan Rd., Hongkou	Office, retail	100%	66,000	2014
The Centre, Jiading	Office, hotel, residential, retail	100%	538,000	In phases from 2011 onwards
Jiangsu Province				
Noble Manor, Yangzhou	Residential, retail	100%	304,000	In phases from 2009 onwards (approx. 133,000 m² completed)
Xingcheng Jinyuan, Jiangyin	Retail	70%	18,000	In phases from January 2011 onwards (approx. 160,000 m² completed)
Taihu Jinyuan, Wuxi	Residential	70%	96,000	In phases from 2010 onwards (approx. 160,000 m² completed)
Hainan Island				
Shenzhou Peninsula, Wanning	Hotel, retail, residential	80% – 99.9%†	2,084,000	In phases from 2011 onwards
Total			**4,449,000**	

Figures are as of the end of January 2011

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

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

Projected completion schedule



The Centre, Jiading *100% owned*

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

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

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

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

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

Zhujiajiao New Town, Qingpu *100% owned*

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

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

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

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

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

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

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

No. 10, Hainan Road Project, Hongkou

100% owned

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

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

Lu Jia Zui New Financial District Project

50% owned

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

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

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

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

New Westgate Garden *100% owned*

Phase II

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

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

ZHEJIANG PROVINCE

Pacific Plaza, Ningbo *100% owned*

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

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

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

JIANGSU PROVINCE

Noble Manor, Yangzhou *100% owned*

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

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

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

JIANGSU PROVINCE

Taihu Jinyuan, Wuxi *70% owned*

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

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

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

JIANGSU PROVINCE

Xingcheng Jinyuan, Jiangyin *70% owned*

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

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

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

HAINAN PROVINCE

Shenzhou Peninsula, Wanning

80% - 99.9% owned

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

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

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

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

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

Sales Progress of Residential Projects

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

Investment Properties

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

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

Hong Kong

- **Continued development of 216,000 m^2 of gross floor area in Discovery Bay.**
- **Major investment properties include CITIC Tower (the Group's headquarters) and DCH Commercial Centre. The portfolio enjoys a stable rental income with an overall average occupancy of approximately 88% as of the end of 2010.**

Development Properties

Discovery Bay

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

The current Yi Pak Bay development is located in the northern part of Discovery Bay. Covering a gross floor area of approximately 141,000 m^2, it has been developed into low-rise and mid-rise residential units at Siena One (Phase 11), Siena Two (Phase 12) and Chianti (Phase 13).

Construction of Phase 14 (a mid-rise development of approximately 16,000 m^2 GFA) and Phase 15 (a low-rise development of approximately 17,000 m^2 GFA) is in progress, with expected completion in the first quarter of 2011 with pre-sales in the same year. The interior fitting out of the hotel development (approximately 26,000 m^2 GFA) began in December 2010, and the hotel is expected to commence operation in 2012.

Investment Properties

Major properties	Usage	Ownership	Approx. GFA (m^2)
CITIC Tower	Office, retail	40%	52,000
DCH Commercial Centre	Office, retail	100%	36,000
Wyler Centre I	Industrial	100%	37,000
CITIC Telecom Tower	Industrial	100%	21,000

Energy

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

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

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

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

CITIC Pacific's power plants

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

Tunnels

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

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

The Eastern Harbour Tunnel

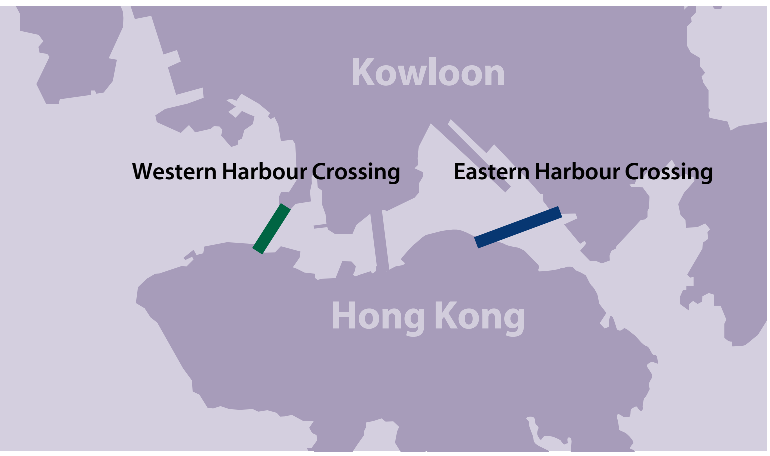
www.easternharbourtunnel.com.hk

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

The Western Harbour Tunnel

www.westernharbourtunnel.com

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



Dah Chong Hong

www.dch.com.hk

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

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

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

CITIC Telecom International

www.citictel.com

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

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

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

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

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

Financial Review

The financial review provides certain 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 the presentation in the financial statements.

Summary of 2010

A net profit of HK$8,915 million was attributable to shareholders for 2010, compared with HK$5,950 million in 2009. The special steel business performed strongly as we were able to leverage our leading market position to benefit from the strong demand for our special steel products. Our results also benefited from gains totalling HK$3,008 million from the disposal of non-core assets, mainly the sale of interests in North United Power, Hong Kong Air Cargo Terminals Limited ('HACTL'), Companhia de Telecomunicacoes de Macau ('CTM') and the sale of shares in Cathay Pacific and other listed shares.

In order to present a clear picture of our operating businesses, the business segments have been adjusted to separate the gains on disposal of assets from the performance of the underlying business operations, and these gains have been reclassified under disposal of assets.

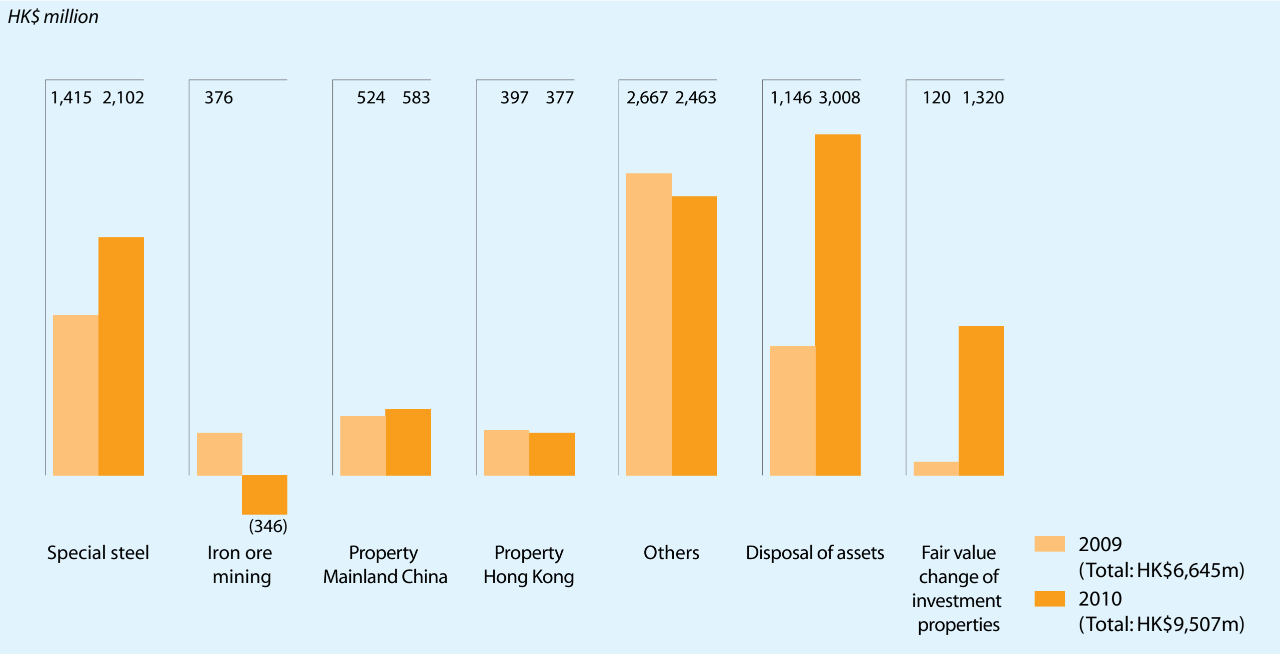
An upward revaluation of our investment properties was made following the advice of professional valuers.

Performance by Business

	Contribution		Assets as at 31 Dec		Return on assets	
In HK$ million	2010	2009	2010	2009	2010	2009
Special steel*	2,102	1,415	48,351	38,710	5%	4%
Iron ore mining†	(346)	376	53,397	36,026	(1%)	1%
Property						
Mainland China	583	524	37,455	29,728	2%	2%
Hong Kong	377	397	12,215	11,093	3%	4%
Energy	1,045	886	7,840	6,868	14%	12%
Tunnels	502	437	1,963	1,928	26%	23%
Dah Chong Hong	775	402	14,717	11,460	6%	4%
CITIC Telecom	248	196	3,060	2,532	9%	8%
Others	(107)	746	5,624	9,237	(1%)	7%
Sub-total	**5,179**	**5,379**	**184,622**	**147,582**	**3%**	**4%**
Disposal of assets	3,008	1,146	–	–	–	–
Fair value change of investment properties	1,320	120	–	–	–	–
Total	**9,507**	**6,645**	**184,622**	**147,582**	**–**	**–**

* The assets attributable to special steel in 2010 included assets for the expansion of the steel plants that were not income producing of HK$6.5 billion (2009: HK$6.8 billion). In 2010, CITIC Pacific's stake in Shijiazhuang was sold reducing assets by HK$1.8 billion.

† The assets attributable to iron ore mining include assets of HK$4.0 billion for ships under construction.



Special Steel The contribution for 2010 was HK$2,102 million compared with HK$1,415 million for 2009, an increase of 49%. The volume of special steel products sold was around 6.6 million tonnes during the year, similar to 2009. However, the price of special steel products rose 18% on average, driven by the rise in raw material prices during the period. The Shijiazhuang steel mill was disposed of in mid-March and its results were accounted up to the date of sale, with a credit of HK$49 million gained upon the disposal. Excluding such gain, Shijiazhuang's contribution was HK$3 million for 2010 (2009: HK$172 million).

Iron Ore Mining Construction of the iron ore mine in Australia continued. A loss of HK$346 million was recorded, which was mainly due to an accounting provision for a mismatch of the gas delivery with the production schedule under the existing contract. The balance of the profit and loss involves exchange gains between the AUD and USD, deferred tax credit and an impairment loss on surplus equipment.

China Property Net contribution increased to HK$583 million in 2010 compared with HK$524 million in 2009. Our investment properties, CITIC Square, Royal Pavilion and the commercial property in Ningbo had an average occupancy rate of 85% at the end of 31 December 2010. Contribution from property sales rose due to the sale of residential units in Qingpu in Shanghai, Wuxi and Yangzhou, and one of two office buildings in Ningbo.

Hong Kong Property Profits from leasing decreased slightly to HK$360 million in 2010 compared with HK$363 million in 2009, mainly attributable to the sale of part of CITIC Telecom Tower (previously known as Broadway Centre) and lower occupancy rates. Property sales contribution was mainly derived from the sale of properties in Discovery Bay by our associated company, Hong Kong Resorts.

In HK$ million	2010	2009
Mainland China		
Sales	**338**	207
Leasing	**352**	334
Property under development	**(107)**	(17)
Hong Kong		
Sales	**17**	34
Leasing	**360**	363

Energy The energy division recorded a HK$1,045 million profit contribution compared with HK$886 million in 2009. The power generation business contributed HK$532 million in 2010, compared with HK$748 million in 2009. Although there was an increase in electricity generated, the higher cost of coal resulted in a decrease in profitability. In contrast, the profitability of the coal mine in Shandong was improved by both an increase in production and the higher coal prices.

In HK$ million	2010	2009
Power generation	**532**	748
Coal	**513**	138
Total	**1,045**	886

Tunnels A profit contribution of HK$502 million in 2010 was achieved compared with HK$437 million in 2009. This was due to improving economic conditions in Hong Kong and an increase in the toll for the Western Harbour tunnel, which came into effect on 1 August 2010. Average daily traffic for the Eastern and Western Harbour Tunnels increased 7% and 11% respectively as compared with 2009.

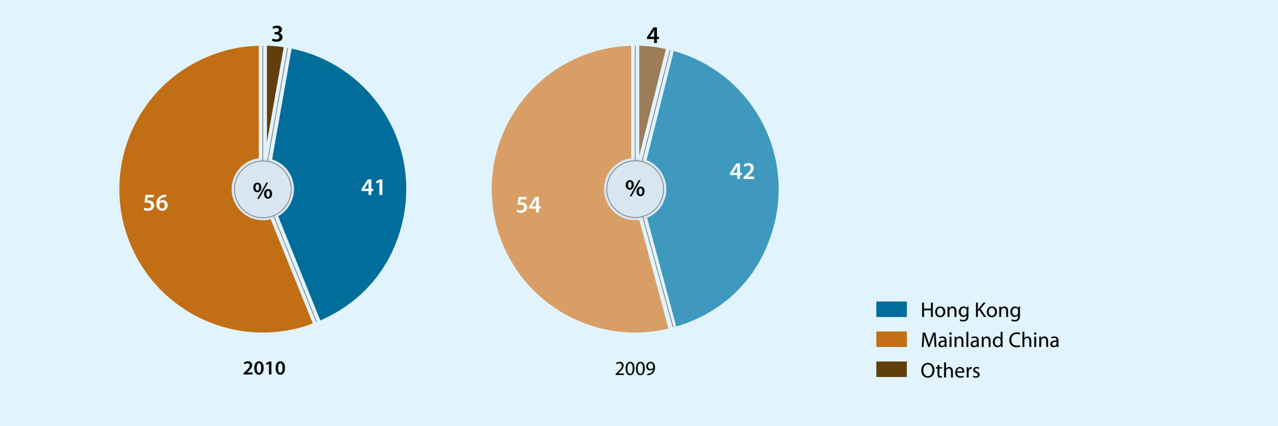
Dah Chong Hong CITIC Pacific's share of DCH's profit was HK$775 million in 2010 compared with HK$402 million in 2009. The increase in contribution was driven by the strong growth of the motor vehicle business in mainland China and the attributable share of a gain of HK$331 million from the disposal of DCH's interest in its Shiseido franchise. The performance of the food and consumer products business also improved with the increase in sales of fast moving consumer goods in the PRC. The profitability of the logistics business grew with additional facilities in Hong Kong and mainland China and the provision of more value-added services to customers, partly offset by the higher pre-operating expenses of the new facilities.

CITIC Telecom CITIC Pacific's share of CITIC Telecom's profit was HK$248 million in 2010 compared with HK$196 million in 2009. This was primarily due to an increase in our shareholding of CITIC Telecom from 52.6% to 60.6%, as a result of the sale of our interests in CTM to CITIC Telecom.

Fair Value Change of Investment Properties

The fair value change of investment properties was HK$1,320 million in 2010 as compared with HK$120 million in 2009. This was mainly due to an upward revaluation of investment properties in both mainland China and Hong Kong due to strong economic conditions. The remainder of the increase was mainly attributable to the classification of one tower of Ningbo Pacific Plaza as an investment property. The property had been previously classified as a property held for sale.

Property by geographic location



Disposal of Assets

Profit contribution on disposal of assets was HK$3,008 million as compared with HK$1,146 million in 2009. The bulk of these gains arose from the sale of 20% of North United Power, 10% of Hong Kong Air Cargo Terminals Limited ('HACTL') and 20% of Companhia de Telecomunicacoes de Macau ('CTM'), and the sale of shares in Cathay Pacific and other listed shares.

In HK$ million	2010	2009
Contributions from disposals		
HACTL	**416**	–
CTM	**433**	–
North United Power	**914**	–
Cathay Pacific	**1,202**	996
Sale of other listed shares	**22**	73
Others	**21**	77
Total	**3,008**	1,146

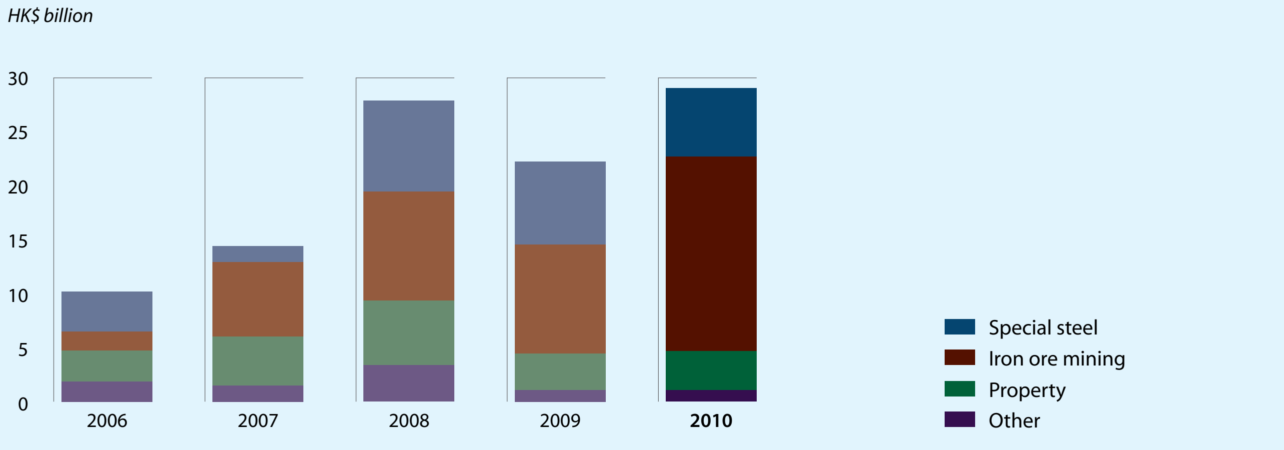
Cash Inflows

Consolidated cash inflows totalled HK$16,429 million in 2010 compared with HK$18,972 million in 2009. Cash inflows principally represent cash generated from operating activities after income taxes, dividends from associated companies and jointly controlled entities, proceeds from sales of businesses, sales of listed investments and sales of fixed assets and investment properties.

In HK$ million	2010	2009
Cash inflows/(outflows) from business operations		
Special steel	**2,083**	1,370
Iron ore mining	**(64)**	55
Property		
Mainland China	**5,381**	3,339
Hong Kong	**221**	281
Energy	**–**	32
Tunnels	**550**	521
Dah Chong Hong	**(146)**	1,200
CITIC Telecom	**341**	402
Others	**(350)**	27
	8,016	7,227
Other cash inflows		
Divestment of businesses	**4,043**	9,700
Dividends from associated companies & jointly controlled entities	**548**	299
Sales of other listed investments & other financial assets	**2,803**	599
Sales of fixed assets & investment properties	**237**	282
Others	**782**	865
	8,413	11,745
Total	**16,429**	18,972

Capital Expenditure

Investment in iron ore mining accounted for the largest share of capital expenditure in the last three years and continued to make up the bulk of expenditures in 2010. There was also continued capital investment in special steel and property in mainland China.



In HK$ million	2010	2009
Special steel	**6,271**	7,611
Iron ore mining	**17,909**	10,033
Property		
Mainland China	**3,602**	3,362
Hong Kong	**–**	19
Sub-total	**27,782**	21,025
Others	**1,094**	1,079
Total	**28,876**	22,104

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, the Australian iron ore mining project and property projects in mainland China represent 96% of the total capital expenditure of CITIC Pacific for 2010.

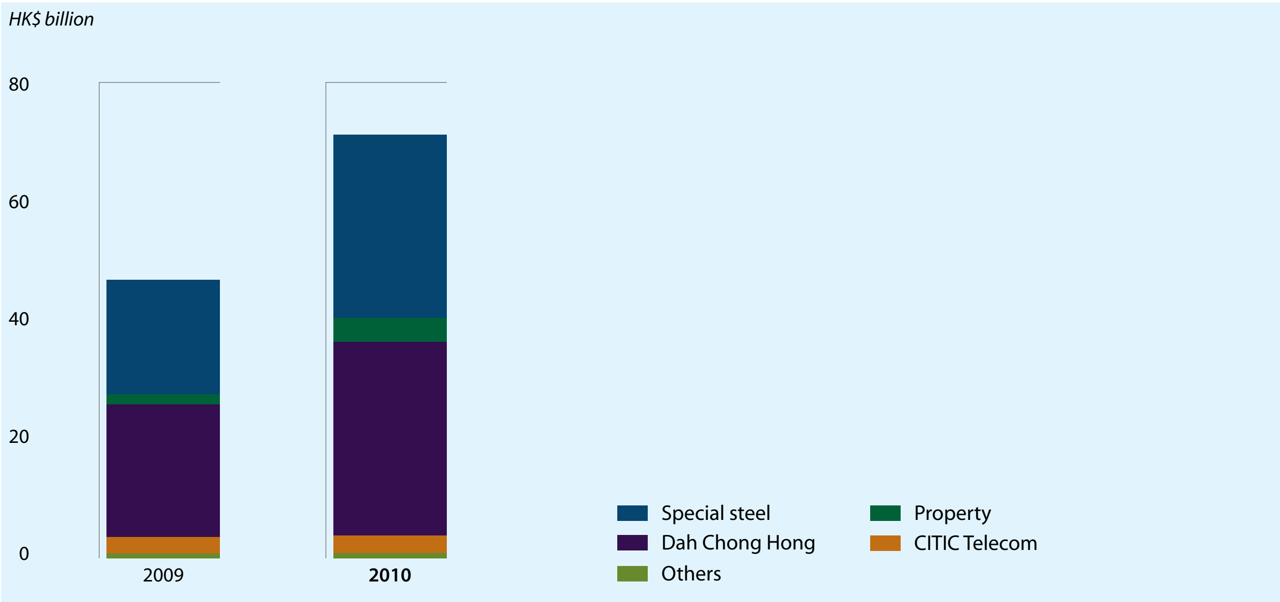
As at 31 December 2010, the contracted capital commitments of CITIC Pacific and its subsidiary companies were approximately HK$13,848 million.

The future capital expenditure will be funded by the Group's cash and deposits and available credit facilities. Page 62 sets out the HK$25 billion of cash and deposits held by the Group and HK$19 billion of available committed facilities at 31 December 2010.

Turnover

Turnover increased from HK$46,409 million in 2009 to HK$70,614 million in 2010. Special Steel and Dah Chong Hong accounted for the majority of the consolidated turnover of CITIC Pacific in 2010. Turnover of CITIC Pacific is mainly comprised of 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 sale of properties and gross property rental (Property) and toll income (Tunnels).

Turnover of Special Steel increased 60% while turnover of Dah Chong Hong increased 46% in 2010.



In HK$ million	**2010**	2009
Special steel	**30,478**	19,079
Iron ore mining	**27**	27
Property		
Mainland China	**3,791**	1,390
Hong Kong	**258**	257
Sub-total	**34,554**	20,753
Tunnels	**775**	724
Dah Chong Hong	**32,211**	22,131
CITIC Telecom	**2,966**	2,716
Others	**108**	85
Total	**70,614**	46,409

Interest Expense

CITIC Pacific's interest expense charged to the profit and loss account increased from HK$650 million in 2009 to HK$766 million in 2010. This was offset by HK$356 million of interest income, which increased from HK$313 million in 2009.

The weighted average cost of debt (including both interest capitalised and expensed) increased from 3.7% in 2009 to 3.8% in 2010. This reflected the continuing low interest rate environment in Hong Kong and the United States.

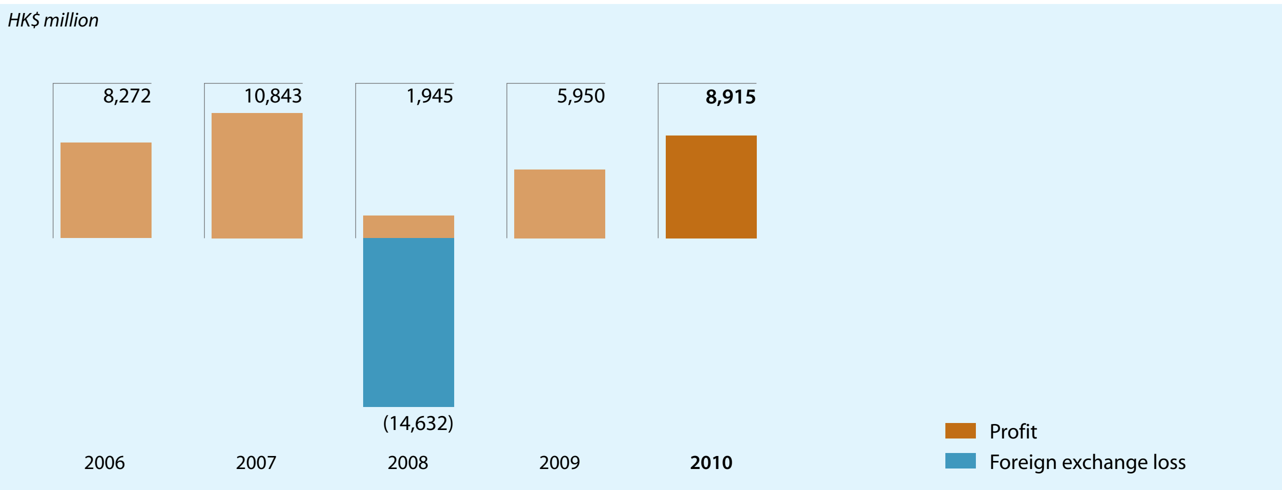
Capitalised interest of HK$2,335 million was mainly attributable to the development of our mining operations in Australia (2009: HK$1,816 million).

Taxation

Current taxation increased from HK$779 million in 2009 to HK$1,802 million in 2010 due to increased profits from operations, and overseas taxation reflected a provision in relation to a CITIC Pacific group corporate reorganisation in the PRC.

Net Profit

A net profit of HK$8,915 million was attributable to shareholders for 2010, compared with a net profit of HK$5,950 million in 2009. This was the best year since 2007 and shows a strong recovery in corporate profitability for CITIC Pacific after losses from foreign exchange contracts and the financial crisis in 2008.

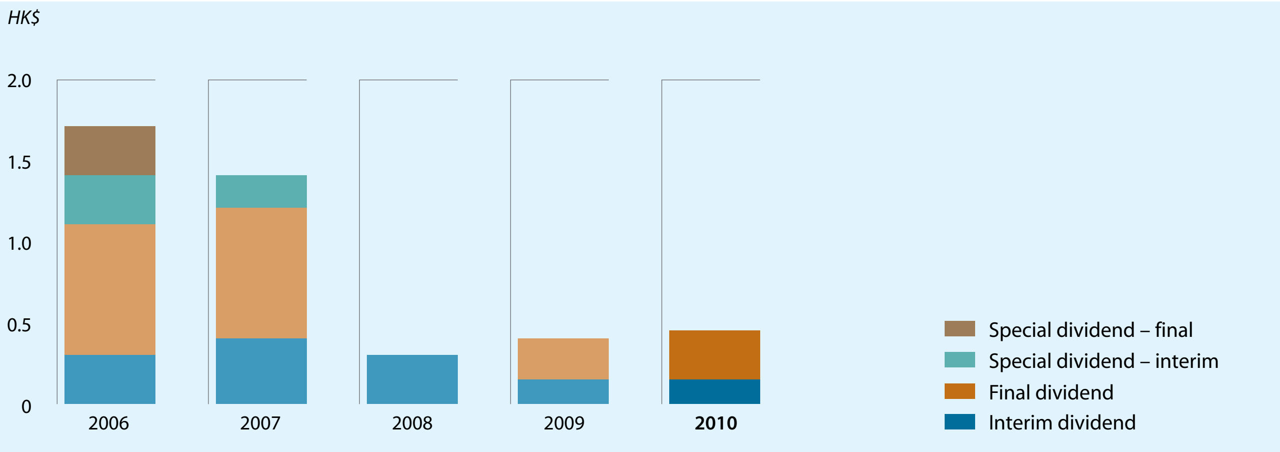


Earnings per Share

Earnings per share were HK$2.44 in 2010 compared with HK$1.63 in 2009, an increase of 50%. The number of shares outstanding was 3,648,688,160 with no shares being issued during 2010.

Dividends per Share

A final dividend of HK$0.30 per share has been recommended to shareholders for approval at the Annual General Meeting. This, together with the interim dividend of HK$0.15 per share that had been declared for the first half of 2010, represents an increase of HK$0.05 per share from last year. This equates to an aggregate cash distribution of HK$1,642 million.

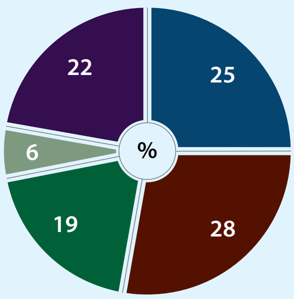


Balance Sheet Items

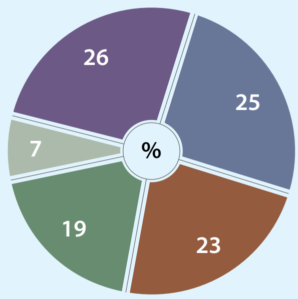
Assets

Total assets increased from HK$155,741 million to HK$192,936 million in 2010. Asset growth was mainly driven by the continued construction of the iron ore mine in Australia and continuing capital investment in the steel plants and our properties in mainland China. Other assets continued to decline as CTM and remaining interests in HACTL and North United Power were divested in 2010. Our main businesses increased their share of total assets from 67% in 2009 to 72% at 31 December 2010.

By business



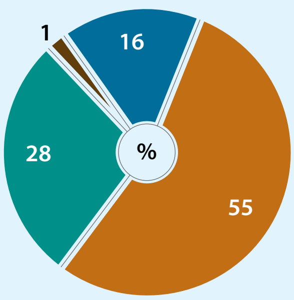
as at 31 Dec 2010
(Total: HK$192,936m)



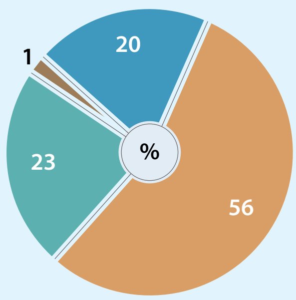
as at 31 Dec 2009
(Total: HK$155,741m)

Special steel
Iron ore mining
Property – Mainland China
Property – Hong Kong
Others

By geographic location



as at 31 Dec 2010



as at 31 Dec 2009

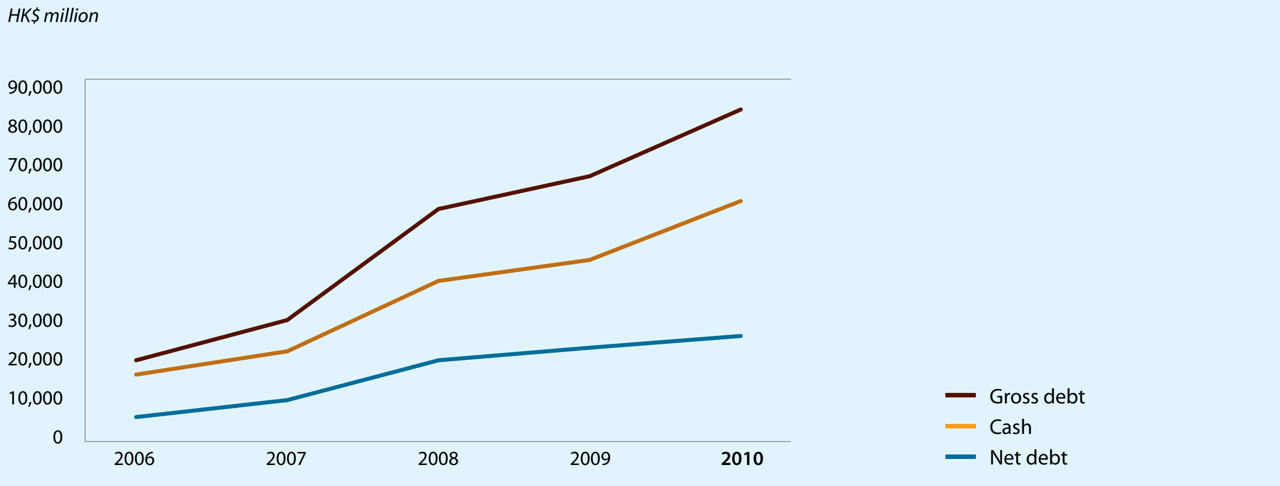
Hong Kong
Mainland China
Australia
Others

Current Assets and Liabilities

Current assets for CITIC Pacific were HK$54,340 million (2009: HK$45,298 million) of which HK$24,558 million was cash and deposits. Current liabilities were HK$43,129 million (2009: HK$24,759 million) of which HK$15,227 million was bank loans, loans and overdrafts. For CITIC Pacific's strategy for management of liquidity, please see page 61.

Net Debt

Net debt continued to grow in line with the planned expansion of businesses. 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 projects are completed.



Shareholders' Funds

Shareholders' funds increased from HK$60,259 million at 31 December 2009 to HK$68,282 million at 31 December 2010 due to profit for 2010 together with adjustments in the reserves for disposal of assets, exchange translations, movements in the hedging reserve for interest rate and foreign exchange contracts and adjustments for fair value changes from other financial assets.

Derivatives Contracts

As at 31 December 2010, CITIC Pacific had gross outstanding derivative instruments of HK$43,955 million, compared with gross outstanding derivative instruments of HK$49,148 million as at 31 December 2009.

	Notional amount		Fair value as at	
In HK$ million	**31 Dec 2010**	31 Dec 2009	**31 Dec 2010**	31 Dec 2009
Forward foreign exchange contracts	**10,409**	18,341	**1,633**	457
Leveraged foreign exchange contracts*	**–**	1,186	**–**	(108)
Interest rate swaps	**32,351**	28,426	**(2,539)**	(1,581)
Cross currency swaps	**1,195**	1,195	**235**	178
	43,955	49,148	**(671)**	(1,054)

* Maximum deliverable amount for leveraged foreign exchange contracts.

The majority of these contracts are qualified for hedge accounting purposes, and as a result most of the movement in the fair market value of these derivatives is recorded in reserves. The cash flow hedging reserves showed a HK$513 million loss for 2010, mainly due to further declines in interest rates in the US and Hong Kong impacting our interest rate swaps as compared to a HK$4,312 million gain in 2009, which had mainly been a result of a substantial appreciation in the AUD/USD exchange rate, recovering from significant declines in 2008.

Risk Management

The Broad View

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 each meeting in 2010, the board received an in-depth briefing on a business: on one occasion on special steel and on three occasions on the iron ore mining project. At every meeting, written reports are provided on all businesses in a form similar to those reviewed by management at the executive committee. At the November meeting, the board received a preliminary budget for the coming three years.

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. Their roles and membership are described beginning on page 75.

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.

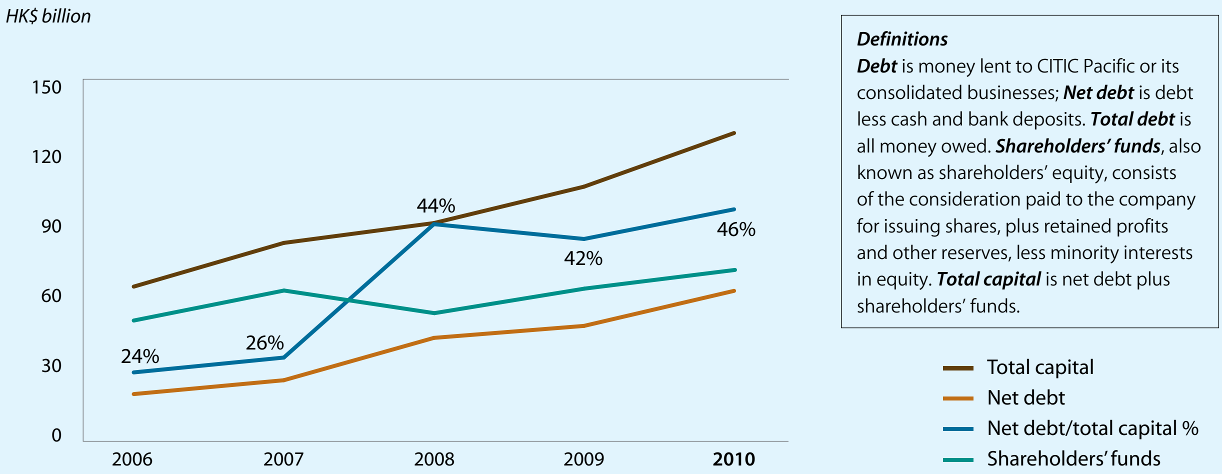
All business units, whether they are subsidiaries, associates or jointly controlled entities are responsible for managing their liquidity, interest rate, foreign exchange and commodity risks within the confines of the overall ALCO policies and specific delegations. They are responsible for identifying 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 31 December 2010 the net debt was HK$59 billion and shareholders' funds were HK$68 billion. The net debt divided by total capital is a measure of our leverage. This ratio was 46% at the year end which was below our expectation but higher than our longer term objective once the investments being made in the iron ore mine and new steel production facilities are in full operation. The graph shows how net debt has risen faster over the last five years than shareholders' funds, and as a result leverage has increased.

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. ***Shareholders' funds***, also known as shareholders' equity, consists of the consideration paid to the company for issuing shares, plus retained profits and other reserves, less minority interests in equity. ***Total capital*** is net debt plus shareholders' funds.

CITIC Pacific did not issue any new shares in 2010.

The debt of CITIC Pacific as at 31 December 2010 as compared with 31 December 2009 is as follows:

HK$ million	**2010**	2009
Total debt	**83,857**	65,675
Cash and bank deposits	**24,558**	21,553
Net debt	**59,299**	44,122

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$15,177 million from the end of 2009 to the end of 2010 mainly due to the continuing outlays for the Australian mining business and CITIC Pacific special steel and also to a lesser extent, property businesses in mainland China. The net debt of each business is as follows:

HK$ million	**2010**	2009
Special steel	**9,679**	8,300
Iron ore mining	**27,336**	14,436
Property – Mainland China	**(7,547)**	(2,991)
Ships	**2,074**	2,075
Dah Chong Hong	**1,311**	541
Parent company	**27,102**	22,816
Others	**(656)**	(1,055)
Total	**59,299**	44,122

Total Debt

Total debt increased by HK$18,182 million in 2010. Facilities (including a syndicated loan and a private placement) totalling HK$31 billion were established or renewed (HK$13 billion by CITIC Pacific Limited and HK$18 billion by consolidated entities). The new facilities included a US$1.4 billion loan to fund the Australian mining operations. In 2010, CITIC Pacific prepaid HK$4 billion of bank loans before contracted maturity dates to reduce debt and better utilise available funds.

Subsequent to 31 December 2010, an additional HK$1.2 billion of committed banking facilities have been provided to CITIC Pacific's subsidiaries.

As at the end of December 2010, 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.

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.

The maturity of the debt outstanding as at 31 December 2010 is:

HK$ million	Total outstanding debt	2011	2012	Maturing in these years 2013	2014	2015	2016 and beyond
CITIC Pacific Limited	34,900	5,460*	7,550	6,320	7,149	631*	7,790
Subsidiaries	48,957	9,767	4,634	4,482	2,385	2,058	25,631
Total	83,857	15,227	12,184	10,802	9,534	2,689	33,421

* Including through wholly-owned special purpose vehicles.

As at 31 December 2010, outstanding loans that will mature by the end of 2011 amounted to HK$15,227 million, against cash and deposits totalling HK$24,558 million.

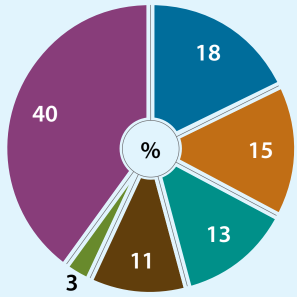
How is the Australian mining development financed?

Since 2006, CITIC Pacific's subsidiary Sino Iron has been building our iron ore mine in Australia, described from page 22.

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.

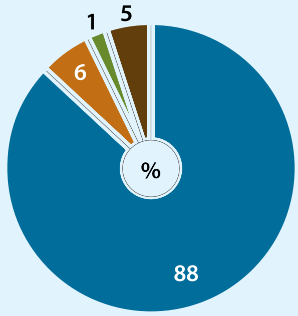
Total outstanding debt by maturity (HK$84 billion)

As at 31 December 2010



Total outstanding debt by type (HK$84 billion)

As at 31 December 2010



Available Sources of Finance

As at 31 December 2010, CITIC Pacific and its consolidated subsidiaries had cash and deposits of HK$24.6 billion, and available loan and trade facilities of HK$25.2 billion:

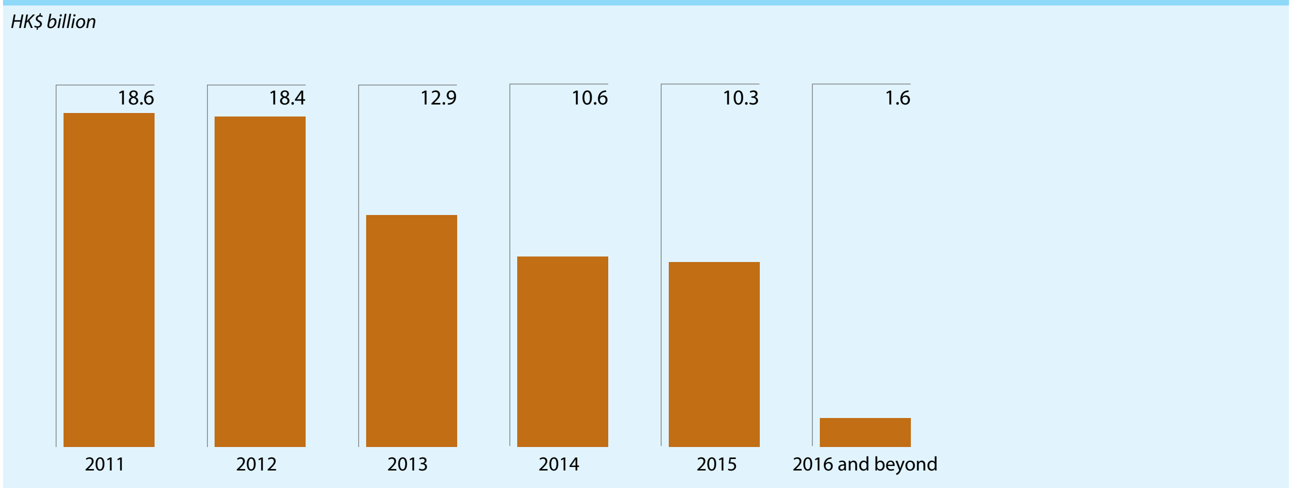
HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage
Committed facilities				
Term loans	92,502	73,908	18,594	74%
Commercial Paper (RMB paper)	947	947	–	–
Global bond (USD bond)	3,510	3,510	–	–
Private placement (JPY & USD note)	1,801	1,801	–	–
Total committed facilities	98,760	80,166	18,594	74%
Uncommitted facilities				
Money market lines and short-term facilities	5,789	3,430	2,356	9%
Trade facilities	6,623	2,379	4,244	17%
Total uncommitted facilities	12,409	5,809	6,600	26%

HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage
Source of funds				
Mainland China	51,216	47,507	3,709	15%
Hong Kong	52,393	33,819	18,574	74%
Others	7,560	4,649	2,911	11%
Total facilities	111,169	85,975	25,194	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$18.6 billion that were undrawn as at 31 December 2010. Loans can be drawn under these committed facilities before the contractual expiry date. The available committed facilities, less the amount expiring in each year, are shown in the graph below.

Available committed banking facilities (HK$18.6 billion as at 31 December 2010)



Pledged Assets

As at 31 December 2010, iron ore mining assets of HK$41.6 billion were pledged under its financing documents. Contracts for building 12 ships (HK$5 billion in aggregate) to transport iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK$1,263 million (2009: HK$903 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 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 USD3.8 billion in debt facilities.

Loan Covenants

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

	Covenant limits	Actual 2010
Minimum consolidated net worth		
Consolidated net worth	≥ HK$25 billion	HK$70 billion
Gearing		
Consolidated borrowing/consolidated net worth	≤1.5	1.2
Negative pledge		
Pledged assets/consolidated total assets	≤ 30%	0.65%

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
31 December 2010	BBB- (Negative)	Ba1 (Stable)
May 2010	BBB- (Negative)	
February 2010		Ba1 (Stable)
1 January 2010	BBB- (Stable)	Ba1 (Negative)

In May 2010, CITIC Pacific announced an upward revision of the general construction contract for its iron ore project in Western Australia due to higher labour, equipment and material costs. This upward revision in costs does not materially affect CITIC Pacific's debt coverage metrics. Standard and Poor's subsequently revised the rating outlook from stable to negative, but reaffirmed CITIC Pacific's BBB- credit rating. Moody's reaffirmed the stable outlook on its Ba1 rating. The ratings from agencies reflect the 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 upgrade its credit profile, which involves a strong focus on improving our credit metrics. 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 31 December 2010.

HK$ million	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	(73)	(39)
Property		
Mainland China	(4,511)	(2,255)
Hong Kong	(486)	(237)
Energy	15,635	6,093
Tunnels	1,475	516
Dah Chong Hong	61	34
CITIC Telecom International	(627)	(76)
Other investments	2,071	688
Total	13,545	4,724

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 is 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 approved in 2010 nor are any outstanding. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

In June 2010, CITIC Pacific, in partnership with Reval, won one of the Treasury Today Adam Smith Awards for best practices and innovation in treasury outsourcing. This is a recognition of the steps we have taken to improve our internal workflows for managing derivative risk and a testament to our commitment to global best practices for risk management.

Foreign Exchange Risk

The company's functional currency is 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.

Except in the case of RMB, 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, and

iv) purchases of finished products for sale by DCH

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$52 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 31 December 2010, CITIC Pacific had HK$51 billion equivalent of US dollar debt.

Renminbi (RMB) Businesses in mainland China had RMB gross assets of approximately HK$107 billion as at 31 December 2010, offset by debts and other liabilities of HK$38 billion. This gave the company an RMB net asset exposure of HK$69 billion (2009: RMB gross asset exposure of approximately HK$87 billion, offset by debt and other liabilities of HK$29 billion, with RMB net asset exposure of HK$58 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 31 December 2010, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$1.4 billion outstanding. They are qualified 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 31 December 2010 there were no other JPY exposures at the corporate level.

Euro (EUR) EUR exposure amounted to EUR183 million as at 31 December 2010. 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.

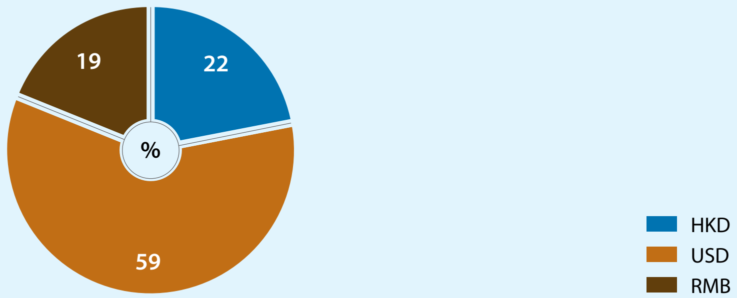
The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 31 December 2010 is summarised as follows:

			Denomination			
HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
Total debt in original currency	16,390	50,694	15,817	860	96	**83,857**
Total debt after conversion	18,011	49,704	15,817	229	96	**83,857**
Cash and bank deposits	7,467	3,984	12,645	159	303	**24,558**
Net debt/(cash) after conversion	10,544	45,720	3,172	70	(207)	**59,299**

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. CITIC Pacific uses cross currency swaps to convert USD and JPY financing, which swaps the USD and JPY cash flows into HKD.

Outstanding debt after conversion (HK$84 billion)

As at 31 December 2010



Interest Rate Risk

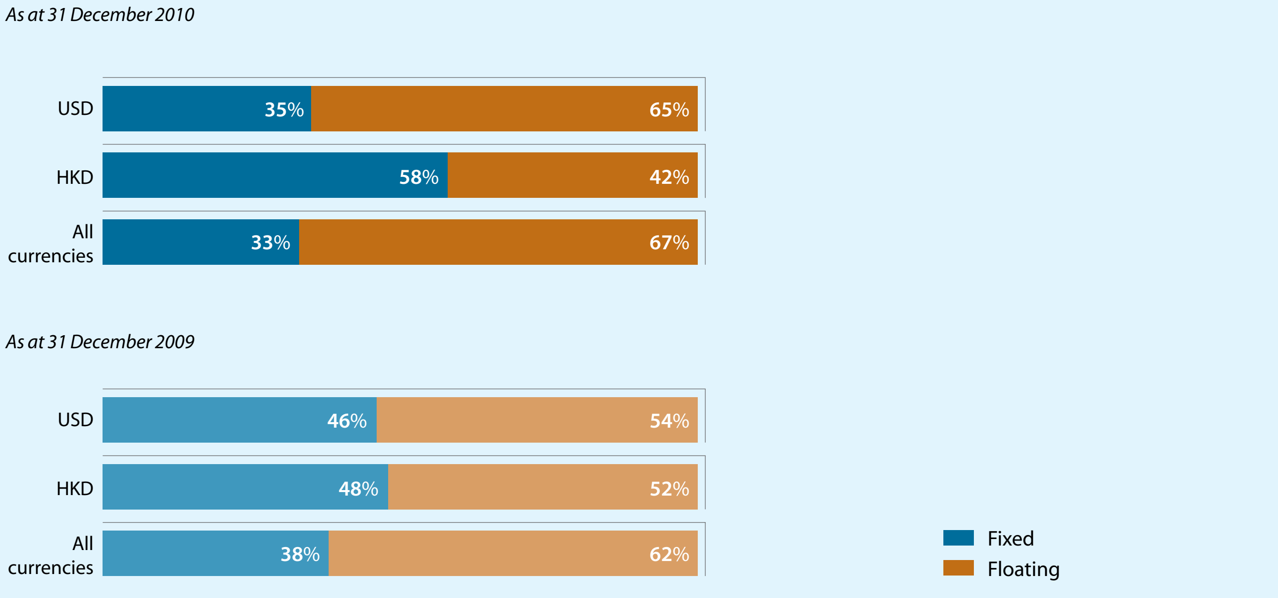
CITIC Pacific's interest rate risk arises primarily from borrowings. Borrowings subject to variable rates expose CITIC Pacific to cash flow interest rate risk. Borrowings subject to fixed rates economically expose CITIC Pacific to fair value interest rate risk.

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. In 2010, CITIC Pacific entered into HK$4.7 billion of swaps to lock in fixed rates for periods up to five years. The current extremely low interest rate environment is unlikely to persist if there are inflationary concerns, and 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 33% as at 31 December 2010.

As at 31 December 2010, CITIC Pacific's portfolio of floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK$26 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 67% of the borrowings of CITIC Pacific were linked to floating interest rates.

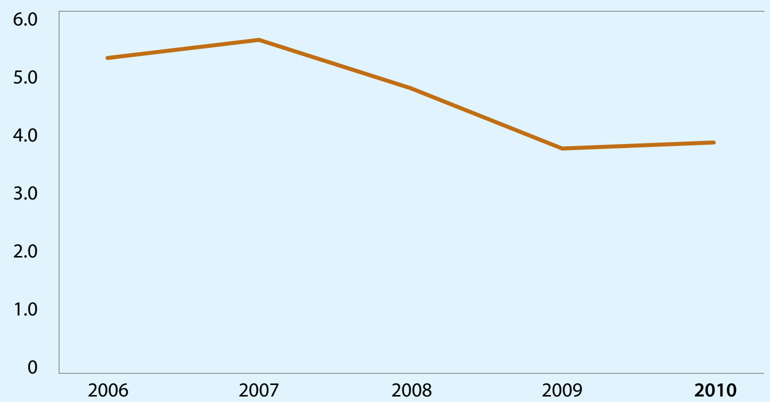
Fixed and floating interest rate borrowings



CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for 2010 was approximately 3.8% compared with 3.7% in 2009.

Average borrowing costs

Percentage



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 input costs, 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 31 December 2010, 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.

Major External Risks and Uncertainties

Economic Risks

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 all 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 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 will 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 regulation. 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

This whole 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.

Ten Year Statistics

At year end (HK$ million)	2001	2002	2003	2004	2005	2006	2007	2008	2009	**2010**
Shareholders' funds	40,781	41,742	37,848	36,921	39,103	46,510	59,535	49,688	60,259	**68,282**
per share *(HK$)*	18.62	19.07	17.29	16.84	17.83	21.18	26.91	13.63	16.52	**18.71**
Debt										
Debt	14,639	9,267	10,528	14,580	21,218	18,293	28,654	57,234	65,675	**83,683**
Bank deposits	4,631	2,545	5,511	2,417	2,579	3,679	8,045	18,296	21,553	**24,558**
Net debt/total capital	20%	14%	12%	25%	32%	24%	26%	44%	42%	**46%**
Interest cover*	6x	12x	8x	15x	11x	20x	50x	(13)x	17x	**21x**
Capital employed	55,420	51,009	48,376	51,501	60,321	64,803	88,189	106,922	125,934	**151,965**
Property, plant and equipment	6,293	4,174	4,335	6,066	8,871	9,491	12,154	23,865	40,032	**63,334**
Investment properties	5,357	8,493	7,923	8,115	8,645	9,604	10,895	11,230	11,164	**13,579**
Properties under development	460	586	679	1,672	1,849	2,712	4,288	9,848	11,237	**12,161**
Leasehold land	1,076	1,094	1,194	1,596	1,618	1,712	1,641	1,483	1,581	**1,597**
Jointly controlled entities	2,365	3,582	4,085	7,852	10,413	14,922	17,446	21,140	22,097	**21,681**
Associated companies	22,704	22,183	22,584	21,439	23,239	16,416	17,683	14,801	5,611	**6,116**
Other financial assets	8,070	7,092	1,027	1,121	929	2,819	7,502	1,063	2,198	**448**
Intangible assets	1,842	1,697	1,619	1,785	1,795	3,581	4,602	8,979	10,913	**12,989**
Stock market capitalisation	37,993	31,514	43,332	48,444	47,038	58,952	96,338	30,556	76,258	**73,704**
Number of shareholders	11,044	12,260	12,198	11,554	11,262	10,433	8,571	8,712	8,565	**8,490**
Staff	11,733	11,643	12,174	15,915	19,174	23,822	24,319	28,654	30,329	**29,886**
For the year (HK$ million)										
Net profit/(loss) after tax										
Net profit/(loss) after tax	2,084	3,835	1,148	3,534	3,989	8,272	10,843	(12,687)	5,950	**8,915**
per share *(HK$)*	0.95	1.75	0.52	1.61	1.82	3.77	4.91	(5.70)	1.63	**2.44**
Contribution by major business										
Special steel	95	126	178	438	808	1,333	2,242	1,617	1,415	**2,102**
Iron ore mining	–	–	–	–	–	–	–	(123)	376	**(346)**
Property										
Mainland China	–	103	112	125	154	308	197	523	524	**583**
Hong Kong and others	625	783	243	434	952	1,727	534	490	397	**377**
Energy	281	245	229	439	368	268	494	(1,090)	886	**1,959**
Roads and tunnels	1,318	1,174	578	276	362	411	412	443	437	**502**
Dah Chong Hong	105	234	253	284	233	297	417	320	402	**775**
CITIC Telecom	129	252	116	120	122	191	157	181	196	**248**
Other investments	549	1,857	815	1,671	992	3,520	1,469	483	1,892	**1,987**
Net gain from listing of subsidiary companies	–	–	–	–	–	–	4,552†	–	–	**–**
Fair value change of investment properties	–	–	(587)	181	755	1,077	1,217	(33)	120	**1,320**
EBITDA	3,921	5,691	3,126	5,666	6,412	11,882	15,160	(9,950)	10,765	**15,744**
Dividends per share *(HK$)*										
Regular	0.80	1.00	1.00	1.10	1.10	1.10	1.20	0.30	0.40	**0.45**
Special	–	1.00	–	–	–	0.60	0.20	–	–	**–**
Cover	1.2x	1.8x	0.5x	1.5x	1.7x	3.4x	4.1x	(19.0)x	4.1x	**5.4x**

Note:
1. 2008 & 2009 figures have been restated to reflect the group's adoption of HKAS 17 (amendments) – 'Leases'.
2. 2008 figures have been restated to reflect the group's adoption of HK(IFRIC)-Int 13 'Customer Loyalty Programmes'.
3. The adoption of HKFRS 8 'Operating segments' in year 2009 has resulted in a change of presentation in segment information, in particular aviation segment had been included in other investments segment.
4. Prior years' figures have been restated to reflect the group's adoption of Hong Kong Financial Reporting Standards except the figures have not been adjusted for years 2001 and before following the adoption of revised accounting standard of SSAP 12 'Income Tax' in year 2002.

* Interest cover represents EBITDA ÷ interest expense charged to profit and loss account.

† Includes spin-off profit from the IPO of subsidiary companies, Dah Chong Hong and CITIC Telecom in 2007.

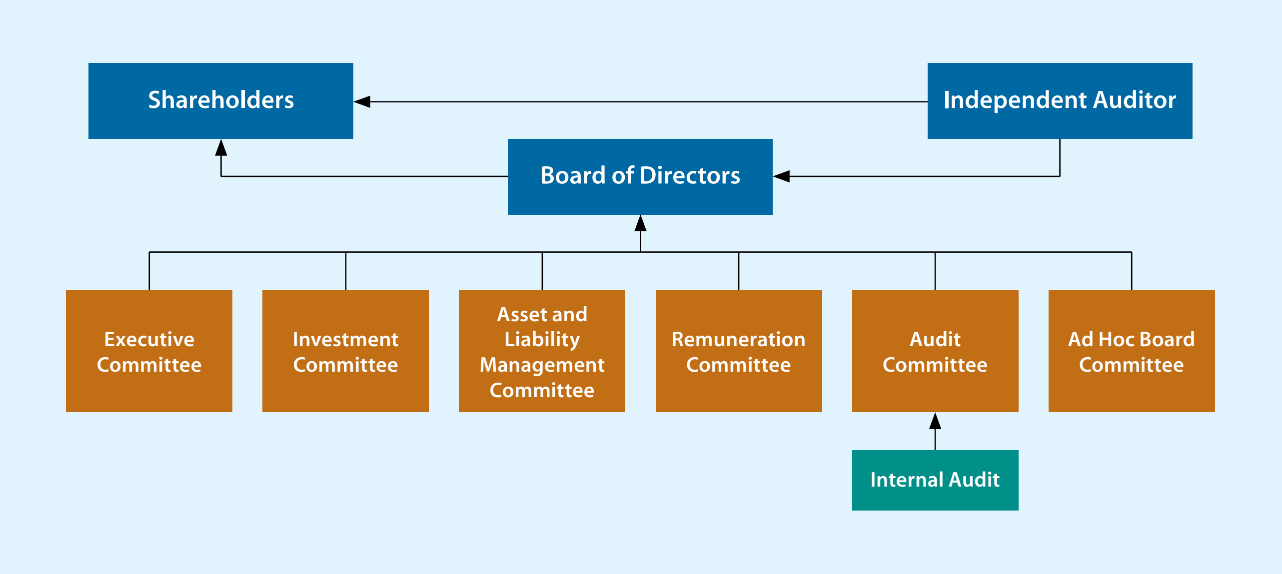
Corporate Governance

Corporate Governance Practices

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. CITIC Pacific complied throughout 2010 with all of the provisions in the code on corporate governance practices contained in Appendix 14 of the Listing Rules.

Our corporate governance framework can be expressed diagrammatically as follows:

Corporate Governance Structure



Board of Directors

Messrs Li Shilin and Wang Ande will retire as executive directors of CITIC Pacific by rotation at the forthcoming annual general meeting to be held on 12 May 2011 ('the 2011 AGM') pursuant to Article 104(A) of the articles of association of CITIC Pacific, and they have notified CITIC Pacific that as they are retiring, they will not seek for re-election. In addition, Mr Willie Chang has tendered his resignation as a non-executive director of CITIC Pacific, Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong have tendered their resignation as independent non-executive directors of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. As a result of the departure of directors referred to as above, the board has appointed Mr Gregory L. Curl and Mr Francis Siu Wai Keung as independent non-executive directors of CITIC Pacific with effect from the conclusion of the 2011 AGM.

After the above changes, the board will comprise seven executive and six non-executive directors, of whom three are independent. (The biographies of the directors, together with information about the relationships among them, are set out in the Annual Report 2010.) Non-executive directors comprise more than 46% of the board, and independent non-executive directors make up more than 23%. Three non-executive directors are not independent (as defined by the Stock Exchange), as one director is the president of a shareholder owning a stake of more than 1% in CITIC Pacific; one is a director of CITIC Group; and one is a director of a company in which CITIC Group is a substantial shareholder.

Under Article 104(A) of the articles of association of CITIC Pacific, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years.

The board determines the overall strategies of CITIC Pacific, monitors and controls operating and financial performance and sets appropriate policies to manage risk in pursuit of the strategic objectives of CITIC Pacific.

Day-to-day management of CITIC Pacific's businesses is delegated to the executive director or officer in charge of each division.

The strategic direction and planning of CITIC Pacific, including investment plans and proposed disposals or divestments as well as the annual operating and capital budgets, are reviewed by the investment committee.

The asset and liability management committee reviews, on a monthly basis, the asset and liability balance of CITIC Pacific. It monitors and sets limits on exposure in relation to asset and liability mismatches, counterparties, currencies, interest rates, commitments and contingent liabilities.

Matters reserved for the board are those affecting CITIC Pacific's overall strategic policies, finances and shareholders, including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments.

All board members have separate and independent access to senior management in order to fulfil their duties. They also have full and timely access to relevant information about CITIC Pacific and are kept abreast of the conduct, business activities and development of CITIC Pacific. Independent professional advice can be sought at CITIC Pacific's expense upon their request.

CITIC Pacific has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent.

The board meets regularly to review the financial and operating performance of CITIC Pacific and other business units and to discuss future strategy. Four board meetings were held in 2010. At these board meetings, the board reviewed matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, connected transactions. At least 14 days' notice of all regular board meetings is given to all directors and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least 3 days in advance of every regular board meeting. All minutes of the board meeting are kept by the company secretary and are available to all directors for inspection.

Individual attendance of each director at the board meetings during 2010 is set out below:

Directors	Attendance/ number of board meetings
Executive Directors	
Mr Chang Zhenming – Chairman	4/4
Mr Zhang Jijing – Managing Director	4/4
Mr Carl Yung Ming Jie	4/4
Mr Vernon Francis Moore	4/4
Mr Li Shilin*	0/4
Mr Liu Jifu	3/4
Mr Milton Law Ming To	4/4
Mr Wang Ande*	3/4
Mr Kwok Man Leung	4/4
Mr Peter Lee Chung Hing (resigned on 1 April 2010)	1/1
Independent Non-executive Directors	
Mr Alexander Reid Hamilton	3/4
Mr Hansen Loh Chung Hon*	4/4
Mr Norman Ho Hau Chong*	3/4
Non-executive Directors	
Mr Willie Chang*	4/4
Mr André Desmarais (three of the meetings were attended by his alternate)	4/4
Mr Ju Weimin	2/4
Mr Yin Ke	4/4

* (1) Messrs Li Shilin and Wang Ande will retire as executive directors by rotation at the 2011 AGM pursuant to Article 104(A) of the articles of association of CITIC Pacific, and will not seek for re-election.

(2) Mr Willie Chang will resign as a non-executive director, and Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong will resign as independent non-executive directors, all to be effective from the conclusion of the 2011 AGM.

(3) Messrs Gregory L. Curl and Francis Siu Wai Keung have been appointed as independent non-executive directors with effect from the conclusion of the 2011 AGM.

Chairman and Chief Executive Officer

Mr Chang Zhenming serves as the chairman of CITIC Pacific and Mr Zhang Jijing is the managing director of CITIC Pacific. The roles of the chairman and the managing director are segregated. The primary role of the chairman is to provide leadership for the board, to ensure that it works effectively in discharging its responsibilities and to report to the board on the strategy of CITIC Pacific. The managing director is responsible for the day-to-day management of CITIC Pacific's business. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Executive Committee

The executive committee 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's activities include:

- receiving guidance from the chairman and managing director on CITIC Pacific's business direction and priorities;
- receiving and considering reports from the group finance director on CITIC Pacific's results and forecasts;
- receiving and considering reports from leaders of CITIC Pacific's major businesses on the results, activities and outlook for those businesses; and
- receiving and considering reports from head office functional leaders when required.

The executive committee is chaired by the managing director and its membership includes the chairman, deputy managing director, group finance director, other executive directors and the leaders of the major businesses in the group. Leaders of the key head office functional departments also attend meetings. The executive committee met eleven times in 2010.

Remuneration Committee

The full terms of reference can be found on CITIC Pacific's website (http://www.citicpacific.com/eng/about/governance_remun.html).

Responsibility

The principal role of the remuneration committee is to exercise the powers of the board to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind and the terms under which they participate in any share option and other plans. The committee considers factors such as salaries paid by comparable companies; time commitment and responsibilities of the directors and senior management; employment conditions elsewhere in CITIC Pacific; and desirability of performance-based remuneration so as to align management incentives with shareholder interests.

Membership and Attendance

Members	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Norman Ho Hau Chong (Chairman)*	2/2
Mr Alexander Reid Hamilton	2/2
Non-executive Director	
Mr Willie Chang*	2/2

* Following their resignation, Mr Norman Ho Hau Chong will cease to be the chairman of remuneration committee and Mr Willie Chang will cease to be a member of the remuneration committee with effect from the conclusion of the 2011 AGM. The board has appointed Mr Francis Siu Wai Keung as the chairman of remuneration committee and Mr Gregory L. Curl as a member of the remuneration committee with effect from the conclusion of the 2011 AGM.

Work Done

The remuneration committee reviewed the applicable remuneration policies and approved the salaries and bonuses of the executive directors and senior management. No executive director took part in any discussion about his own remuneration.

Nomination of Directors

There is no nomination committee of the board. Messrs Gregory L. Curl and Francis Siu Wai Keung have been appointed as independent non-executive directors by the board with effect from the conclusion of the 2011 AGM. Both Messrs Gregory L. Curl and Francis Siu Wai Keung will be subject to re-election at the next general meeting after the 2011 AGM.

Audit Committee

The board established an audit committee in March 1995. The full terms of reference can be found on CITIC Pacific's website (http://www.citicpacific.com/eng/about/governance_audit.html).

Responsibility

The audit committee assists the board in meeting its responsibilities for ensuring an adequate system of internal control and compliance, and in meeting its external financial reporting obligations. The audit committee oversees the relationship with the external auditors and reviews and monitors the effectiveness of the internal audit function.

Membership and Attendance

The audit committee members have a wide range of experience in different industries and its chairman has appropriate professional qualifications and experience in accounting matters. The audit committee meets at least four times a year together with the group finance director, group financial controller and the external and internal auditors. Other executive directors do not attend the meeting unless by invitation. During 2010, the audit committee held four meetings.

Members	Attendance/ number of meetings
Independent Non-executive Directors	
Mr Alexander Reid Hamilton (Chairman)	4/4
Mr Hansen Loh Chung Hon*	4/4
Non-executive Director	
Mr Willie Chang*	4/4

* Following their resignation, Messrs Hansen Loh Chung Hon and Willie Chang will cease to be members of the audit committee with effect from the conclusion of the 2011 AGM. The board has appointed Messrs Francis Siu Wai Keung and Yin Ke as members of the audit committee with effect from the conclusion of the 2011 AGM.

Work Done

The audit committee reviewed the half-year and annual financial statements and recommended the board to adopt the half-year and annual reports for 2010. The audit committee reviewed and approved the internal audit plan for the year and considered the internal audit findings and management's response. The audit committee discussed with the external auditors their independence and the nature and scope of the audit of the annual financial statements and the review of the half-year financial statements and the submission of the auditor's report to the committee upon completion of the review and audit as appropriate. The committee also considered reports from the auditors following their review of the half-year financial statements and audit of the annual financial statements. The committee also considered the external auditors' fees. The audit committee considered the whistleblowing policy which was adopted by CITIC Pacific on 1 June 2010. The committee considered the terms of reference for the committee and minor amendments were adopted to allow the committee unrestricted access to their own legal advice if required. The committee also reviewed a report on a special review conducted on a certain operation of CITIC Pacific.

Investment Committee

The investment committee was set up in May 2009 to provide advice to the chairman, the managing director and the board on:

- investment plans, feasibility studies and proposed disposals or divestments initiated by the businesses in the group or the committee itself;
- the strategy and planning of CITIC Pacific; and
- the annual operating and capital budgets and business plans of CITIC Pacific and businesses in the group, amendments to approved budgets and unbudgeted capital expenditure.

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.

The committee meets on an 'as required' basis. In 2010, there were seven discussions of the committee covering various topics.

Asset and Liability Management Committee

The responsibilities of the asset and liability management committee are to:

- review regularly the asset and liability balance of CITIC Pacific in aggregate and at subsidiary/affiliate level;
- set limits on exposure at group, subsidiary or business unit level in relation to
  - asset and liability mismatches
  - counterparties
  - currencies
  - interest rates
  - commitments and contingent liabilities;
- review and approve financing plans;
- approve the use of new financial products; and
- establish hedging policies.

The committee is chaired by the group finance director. Other members include 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. The chief financial officers of major business units attend and report at the meetings of the asset and liability management committee from time to time. The committee met eleven times during 2010 to consider the matters within its terms of reference.

Special Committee to Deal with Matters Relating to Investigations of CITIC Pacific

A special committee to deal with matters relating to the investigations of CITIC Pacific was established since April 2009 to:

- approve communications between CITIC Pacific and any relevant authorities or third parties in relation to the investigations by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force;
- consider the issue of legal professional privilege and to make decisions on behalf of CITIC Pacific in connection therewith; and
- seek legal and professional advice on behalf of CITIC Pacific as well as approve their fees.

The committee comprises two members, namely, Mr Zhang Jijing and Mr Ju Weimin.

On 18 March 2011, the court handed down judgment ruling that privilege had been lost in respect of six documents. CITIC Pacific is carefully considering the judgment and taking legal advice on its position.

Auditor's Remuneration

PwC has been CITIC Pacific's independent auditor since 1989. The audit engagement partner is changed every seven years to ensure independence; the current audit partner was first appointed for the audit of the 2006 accounts. During the year, PwC's fees for its services were approximately as follows:

Statutory audit fee: HK$25 million (2009: HK$28 million)

Fees for other services, including advisory services relating to user requirements for the new financial accounting consolidation system, review of systems of internal control, review of the half-year financial statements and tax compliance: HK$24 million (2009: HK$16 million)

Other audit firms provided recurring audit services to subsidiaries at a fee of approximately HK$28 million (2009: HK$27 million) and provided other services for fees of HK$10 million (2009: HK$12 million)

Internal Controls

The board has overall responsibility for maintaining a sound and effective system of internal control.

Internal controls are designed to provide reasonable assurance with respect to the achievement of CITIC Pacific's objectives in the following areas:

- the effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets;
- the reliability of financial and operating information, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations.

CITIC Pacific has put and continues to place considerable emphasis on enhancing its systems of internal control.

On behalf of the board the audit committee has reviewed the effectiveness of CITIC Pacific's internal control system and has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programme and budget.

In conducting these reviews, the following were considered:

- a self-assessment by the management of major subsidiaries and business units of their material controls and risk management activities undertaken with reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. This process has been expanded this year to include self assessments by the principal head office functional departments. The documentation supporting the self assessments was subjected to review by group internal audit. The results of the self assessment were consolidated and reviewed by the audit committee. Whilst no material deficiencies were identified, the subsidiaries and businesses and head office functions have indicated some areas of internal control which they intend to enhance;
- letters of representation from executive management of business units confirming that their self assessments remain correct and that their accounts are prepared in accordance with the group's accounting policies;
- the reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee, which reviews the findings at each committee meeting and reports to the board on such reviews where appropriate; and
- self assessments by business units, group financial control, group finance and group internal audit of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes. The main conclusions are that:
  - the resources in the finance function are adequate and CITIC Pacific has taken steps to address matters which had been identified as requiring attention including clarification of roles and responsibilities, improvement in lines of communication and enhancement of its performance management;
  - the qualifications and experience of the staff of the accounting and finance functions are satisfactory overall; and
  - the training activities and budgets have been given considerable attention during the year and are satisfactory.

Internal Audit

CITIC Pacific regards group internal audit as a very important part of the board and audit committee's oversight function, including:

- the audit plan and audit work for the year are developed using a risk assessment methodology;
- the scope of reviews includes coverage of both group businesses and head office functions;
- the skill sets of group internal audit staff include appropriate industry and information systems auditing expertise;
- internal audit teams are established in head office, Shanghai and Perth to provide dedicated audit services to various business units and functions;
- the information technology ('IT') audit function within group internal audit addresses the increasing IT governance needs among different operations and process automation;
- internal audit oversees the whistle-blowing channels established in June 2010; investigations into reported cases are conducted where appropriate;
- the head of group internal audit attends the monthly meetings of the executive committee to ensure that he is aware of all significant developments in the group; and
- a training and development programme for group internal audit staff is prepared and reviewed by the audit committee.

Group internal audit reports to the audit committee, which reviews and approves the annual internal audit plan. Under the internal audit charter, group internal audit has unrestricted access to information, properties and all levels of management to facilitate the execution of its work. Reports are prepared after audit visits and summarized for review at each audit committee meeting. A quarterly follow-up review is undertaken by group internal audit to establish the extent of any required remedial action taken by management, and the results of this review are considered by the audit committee. Group internal audit also conducts ad hoc reviews or investigations of particular incidents or circumstances when required.

Codes

To ensure the highest standard of integrity and professionalism in its businesses, CITIC Pacific has adopted a Code of Conduct defining the ethical standards to which all employees are required to adhere. Employees are well informed and aware of the rules and ethical standards set out in the Code of Conduct upon joining CITIC Pacific. The audit committee receives report on the execution of the Code of Conduct and its compliance at least once a year for monitoring purposes.

CITIC Pacific has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legal compliant, non-discriminatory and professional employment practices are implemented.

Directors' Securities Transactions

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 2010.

Notifiable Transactions, Connected Transactions, Annual Reports and Half-Year Reports

During 2010, CITIC Pacific issued press announcements in respect of a number of notifiable transactions and connected transactions, which can be viewed on CITIC Pacific's website (http://www.citicpacific.com/eng/inv/announce/announce_index.php).

The annual and half-year reports of CITIC Pacific can also be viewed on the group's website.

Communication with Shareholders

CITIC Pacific's annual general meeting ('AGM') is one of the principal channels of communication with its shareholders. Separate resolutions are proposed for each substantially separate issue at the AGM. The group also maintains a website at http://www.citicpacific.com where CITIC Pacific's announcements, business developments and operations, financial information, corporate governance practices and other information are posted.

Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings and the poll results will be posted on the websites of the Stock Exchange and CITIC Pacific respectively on the same day of the shareholders' meeting.

Fair Disclosure and Investor Relations

CITIC Pacific uses its best endeavours to distribute material information about the group to all interested parties as widely as possible. When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

CITIC Pacific recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are regularly received and visited to explain the group's businesses. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that no price sensitive information was disclosed selectively.

Information about CITIC Pacific can be found on the group's website, which includes descriptions of each business and the annual reports for the last ten years.

Financial Reporting

The directors acknowledge their responsibility for preparing accounts that give a true and fair view of the group's affairs and of its results and cash flows for the year in accordance with Hong Kong Financial Reporting Standards. The directors endeavour to ensure a balanced, clear and understandable assessment of CITIC Pacific's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made are prudent and reasonable. The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the accounts except for those disclosed in Note 2 on pages 95 to 96.

The responsibilities of the external auditors with respect to the accounts for the year ended 31 December 2010 are set out in the Report of the Independent Auditor on the Summary Financial Report on page 101.

Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2010.

Principal Activities

The principal activity of CITIC Pacific is to hold the subsidiaries, associates and joint ventures through which its business operations are carried out, employing staff and raising finance. Their major areas of operation are set out in the Business Review on pages 8 to 47.

Dividends

The directors declared an interim dividend of HK$0.15 per share for the year ended 31 December 2010 which was paid on 22 September 2010. The directors are recommending, to shareholders at the forthcoming annual general meeting, the payment of a final divided of HK$0.30 per share in respect of the year ended 31 December 2010 payable on 20 May 2011 to shareholders on the Register of Members at the close of business on 12 May 2011. This represents a total distribution for the year of HK$1,642 million.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 5 to the summary financial statements.

Donations

Donations made by CITIC Pacific and its subsidiary companies during the year amounted to HK$23 million.

Fixed Assets

Movements of fixed assets are set out in the summary financial statements on pages 97 to 98.

Issue of Debt Securities

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly-owned subsidiary of CITIC Pacific, 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. All of the Guaranteed Notes remained outstanding at 31 December 2010.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly-owned subsidiary of CITIC Pacific, 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 31 December 2010.

On 8 June 2010, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly-owned subsidiary of CITIC Pacific, issued and sold a total of RMB800 million principal amount of 3.27% short term commercial paper due 2011 ('Commercial Paper') to investors. All of the Commercial Paper remained outstanding at 31 December 2010.

On 16 August 2010, CITIC Pacific issued and sold a total of US$150 million principal amount of 6.9% notes due 2022 ('Notes'), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the Notes remained outstanding at 31 December 2010.

Directors

The directors of CITIC Pacific in office during the financial year ended 31 December 2010 were:

Mr Chang Zhenming
Mr Zhang Jijing
Mr Carl Yung Ming Jie
Mr Vernon Francis Moore
Mr Li Shilin
Mr Liu Jifu
Mr Milton Law Ming To
Mr Wang Ande
Mr Kwok Man Leung
Mr Willie Chang
Mr Alexander Reid Hamilton
Mr Hansen Loh Chung Hon
Mr Norman Ho Hau Chong
Mr André Desmarais
Mr Ju Weimin
Mr Yin Ke
Mr Peter Kruyt (alternate director to Mr André Desmarais)
Mr Hamilton Ho Hau Hay, resigned on 1 January 2010
Mr Peter Lee Chung Hing, resigned on 1 April 2010

Pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Carl Yung Ming Jie, Li Shilin, Wang Ande, Kwok Man Leung and André Desmarais shall retire by rotation in the forthcoming annual general meeting to be held on 12 May 2011 ('the 2011 AGM'). Messrs Carl Yung Ming Jie, Kwok Man Leung and André Desmarais, being eligible, offer themselves for re-election at the 2011 AGM. Messrs Li Shilin and Wang Ande have notified CITIC Pacific that as they are retiring, they will not seek for re-election at the 2011 AGM. In addition, Mr Willie Chang has tendered his resignation as a non-executive director of CITIC Pacific, Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong have tendered their resignation as independent non-executive directors of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. Accordingly, Mr Willie Chang will cease to be a member of both the audit committee and the remuneration committee of CITIC Pacific, Mr Hansen Loh Chung Hon will cease to be a member of the audit committee of CITIC Pacific and Mr Norman Ho Hau Chong will cease to be the chairman of the remuneration committee of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM.

As a result of the departure of directors referred to as above, all of whom have provided long service to CITIC Pacific and whose dedication are sincerely appreciated, the board has appointed Mr Gregory L. Curl as an independent non-executive director and a member of the remuneration committee of CITIC Pacific, and Mr Francis Siu Wai Keung as an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. In addition, Mr Yin Ke, a non-executive director of CITIC Pacific, has been appointed as a member of the audit committee of CITIC Pacific with effect from the conclusion of the 2011 AGM.

Management Contract

CITIC Pacific entered into a management agreement with CITIC Hong Kong (Holdings) Limited ('CITIC HK') on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to CITIC Pacific and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Chang Zhenming and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the annual general meeting of CITIC Pacific to be held on 12 May 2011.

Directors' Interests in Contracts of Significance

None of the directors of CITIC Pacific has, or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies, which was significant in relation to the business of CITIC Pacific, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Competing Interests

Mr Zhang Jijing is a non-executive director of CITIC Resources Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange. CITIC Resources Holdings Limited is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production. Further details of its nature, scope and size of its business as well as its management can be found in the latest annual report of CITIC Resources Holdings Limited. In the event that there are transactions between CITIC Resources Holdings Limited and CITIC Pacific, Mr Zhang will abstain from voting. Save as disclosed above, Mr Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of CITIC Pacific.

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000 which ended on 30 May 2010.

Since the adoption of the Plan and up to 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

All options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of grant. The closing price of CITIC Pacific's shares immediately before the grant on 14 January 2010 was HK$19.98.

The share options at the exercise price of HK$18.20 per share and HK$19.90 per share expired at the close of business on 27 May 2007 and 31 October 2009 respectively.

None of the share options granted under the Plan were exercised or cancelled, but options for 2,990,000 shares have lapsed during the year ended 31 December 2010. A summary of the movements of the share options during the year ended 31 December 2010 is as follows:

A. CITIC Pacific directors

Name of director	Date of grant	Exercise price HK$	Number of share options: Balance as at 01.01.10	Number of share options: Exercised/ lapsed/cancelled during the year ended 31.12.10	Number of share options: Balance as at 31.12.10	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	
					1,900,000	0.052
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	
					1,800,000	0.049
Li Shilin	16.10.07	47.32	500,000	–	500,000	0.014
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	
					1,900,000	0.052
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	
					2,100,000	0.058
Wang Ande	20.06.06	22.10	350,000	–	350,000	
	16.10.07	47.32	800,000	–	800,000	
	19.11.09	22.00	500,000	–	500,000	
					1,650,000	0.045
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
Peter Lee Chung Hing	20.06.06	22.10	1,200,000	–	N/A	N/A
	16.10.07	47.32	1,200,000	–	*(Note 1)*	*(Note1)*
	19.11.09	22.00	500,000	–		

Note:
1. Mr Peter Lee Chung Hing resigned with effect from 1 April 2010 as he retired from CITIC Pacific Group.

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 01.01.10	Granted during the year ended 31.12.10	Exercised/lapsed/ cancelled during the year ended 31.12.10	Balance as at 31.12.10
20.06.06	22.10	1,196,000	–	–	1,196,000
16.10.07	47.32	4,350,000	–	–	4,350,000
19.11.09	22.00	7,600,000	–	–	7,600,000
14.01.10	20.59	–	880,000	–	880,000

C. Others

		Number of share options				
Date of grant	Exercise price HK$	Balance as at 01.01.10	Granted during the year ended 31.12.10	Exercised/ cancelled during the year ended 31.12.10	Lapsed during the year ended 31.12.10	Balance as at 31.12.10
20.06.06	22.10	2,000,000 *(Note 2)*	–	–	750,000	1,250,000
16.10.07	47.32	3,600,000 *(Note 2)*	–	–	1,150,000	2,450,000
19.11.09	22.00	2,190,000 *(Note 2)*	–	–	1,090,000	1,100,000

Note:
2. These are in respect of options granted to a former director or employees under continuous contracts, who have subsequently retired or resigned.

Share Option Plans Adopted by Subsidiaries of CITIC Pacific

CITIC Telecom International Holdings Limited ('CITIC Telecom', formerly CITIC 1616 Holdings Limited)

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 two lots of share options:

Date of grant	Number of share options	Exercise period	Exercise price HK$
23.05.07	18,720,000	23.05.07 – 22.05.12	3.26
17.09.09	17,912,500	17.09.10 – 16.09.15	2.10
17.09.09	17,912,500	17.09.11 – 16.09.16	2.10

All options granted were accepted except for options for 115,000 CITIC Telecom Shares granted on 17 September 2009. Options for 1,644,500 CITIC Telecom Shares were exercised, options for 1,672,500 CITIC Telecom Shares have lapsed and no options were cancelled during the year ended 31 December 2010. The grantees were CITIC Telecom Directors or CITIC Telecom Employees. On 17 September 2009, options for 300,000 CITIC Telecom Shares have been granted to Mr Kwok Man Leung, an executive director of CITIC Pacific and such options were not exercised, cancelled or lapsed up till 31 December 2010. Mr Kwok has resigned as director of CITIC Telecom with effect from 18 November 2010. Save as aforesaid, none were granted to the directors, chief executive or substantial shareholders of CITIC Pacific.

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.

Since the adoption of the Pre-IPO Scheme, DCH Holdings has granted one lot of share options before its listing:

Date of grant	Number of share options	Exercise period	Exercise price HK$
03.10.07	18,000,000	17.04.08 – 02.10.12	5.88

All share 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 then exercisable in whole or in part within 5 years from the date of grant.

The grantees were directors or employees of the DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

A summary of the movements of share options under the Pre-IPO Scheme during the year ended 31 December 2010 is as follows:

	Number of share options				
Balance as at 01.01.10	Granted during the year ended 31.12.10	Lapsed during the year ended 31.12.10	Cancelled during the year ended 31.12.10	Exercised during the year ended 31.12.10	Balance as at 31.12.10
16,900,000	–	100,000	–	9,375,000*	7,425,000

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$8.73.

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:

Date of grant	Number of share options	Exercise period	Exercise price HK$
07.07.10	23,400,000	07.07.10 – 06.07.15	4.766

The closing price of DCH Holdings' shares immediately before the grant on 7 July 2010 was HK$4.69 per DCH Holdings' share. All share options granted were accepted.

All share options granted and accepted were fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant.

The grantees were directors or employees of DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

A summary of the movements of share options under the Post-IPO Scheme during the year ended 31 December 2010 is as follows:

	Number of share options			
Balance as at 01.01.10	Granted during the year ended 31.12.10	Lapsed/cancelled during the year ended 31.12.10	Exercised during the year ended 31.12.10	Balance as at 31.12.10
–	23,400,000	–	7,300,000*	16,100,000

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK$8.72.

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 31 December 2010 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

Name of director	Number of shares 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
Li Shilin	300,000	0.008
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
Wang Ande	400,000	0.011
Hansen Loh Chung Hon	1,550,000 *(Note 2)*	0.042
André Desmarais	8,145,000 *(Note 3)*	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
Dah Chong Hong Holdings Limited		
Li Shilin	12,000	0.001
Hansen Loh Chung Hon	62,000 *(Note 4)*	0.003
CITIC Guoan Information Industry Co., Ltd.		
Li Shilin	92,466	0.006

Note:

1. Trust interest
2. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other
3. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares
4. Corporate interest in respect of 20,000 shares and joint interest in respect of 42,000 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

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

CITIC Resources Holdings Limited

				Number of share options				
Name of director	Date of grant	Exercise price HK$	Exercise period	Balance as at 01.01.10	Granted during the year ended 31.12.10	Exercised/ lapsed/ cancelled during the year ended 31.12.10	Balance as at 31.12.10	Percentage to issued share capital
Zhang Jijing	02.06.05	1.077	02.06.06 – 01.06.13	10,000,000	–	–	10,000,000	0.165

Save as disclosed above, as at 31 December 2010, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year were there any subsisting agreements enabling the directors of CITIC Pacific to acquire benefits by means of acquisition of shares in, or debentures of, CITIC Pacific or any other corporate, which at the relevant time, CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies was a party.

Substantial Shareholders

As at 31 December 2010, 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

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group	2,098,736,285	57.520
CITIC HK	747,486,203	20.486
Heedon Corporation	598,261,203	16.397
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345
Honpville Corporation	310,988,221	8.523
Larry Yung Chi Kin	301,844,000	8.273
Earnplex Corporation	238,363,000	6.533

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	20.486
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345

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	3.353
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.523
Hainsworth Limited	93,136,000	2.553
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 year ended 31 December 2010. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the year ended 31 December 2010.

Auditors

The accounts for the year have been audited by PricewaterhouseCoopers who shall retire and, being eligible, shall offer themselves for re-appointment.

By Order of the Board,
Chang Zhenming *Chairman*
Hong Kong, 3 March 2011

Consolidated Profit and Loss Account

for the year ended 31 December 2010

in HK$ million	2010	2009
Revenue	**70,614**	46,409
Cost of sales	**(59,662)**	(38,248)
Gross profit	**10,952**	8,161
Other income and net gains	**4,395**	2,632
Distribution and selling expenses	**(2,084)**	(1,470)
Other operating expenses	**(4,472)**	(3,523)
Change in fair value of investment properties	**1,294**	90
Profit from consolidated activities	**10,085**	5,890
Share of results of		
Jointly controlled entities	**2,000**	2,018
Associated companies	**630**	642
Profit before net finance charges and taxation	**12,715**	8,550
Finance charges	**(704)**	(937)
Finance income	**356**	313
Net finance charges	**(348)**	(624)
Profit before taxation	**12,367**	7,926
Taxation	**(2,178)**	(1,097)
Profit for the year	**10,189**	6,829
Attributable to:		
Shareholders of the Company	**8,915**	5,950
Non-controlling interests	**1,274**	879
	10,189	6,829
Dividends	**(1,642)**	(1,459)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)		
Basic	**2.44**	1.63
Diluted	**2.44**	1.63

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

in HK$ million	2010	2009
Profit for the year	**10,189**	6,829
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**(513)**	4,312
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	**(1,232)**	(80)
Fair value changes from other financial assets	**835**	509
Revaluation gain recognised upon transfer from property held for own use to investment properties	**116**	–
Share of other comprehensive income of associated companies and jointly controlled entities	**56**	51
Exchange translation differences	**2,391**	246
Reserve released on disposal/dilution of interest in jointly controlled entities	**(298)**	(27)
Reserve released on disposal of interest in associated companies and non-current assets held for sale	**(421)**	50
Reserve released upon liquidation of subsidiary companies	**5**	–
Total comprehensive income for the year	**11,128**	11,890
Total comprehensive income for the year attributable to		
Shareholders of the Company	**9,679**	11,000
Non-controlling interests	**1,449**	890
	11,128	11,890

Consolidated Balance Sheet

as at 31 December 2010

in HK$ million	Note	2010	As restated 31 December 2009	As restated 1 January 2009
Non-current assets				
Property, plant and equipment	4	**63,334**	40,032	23,865
Investment properties	4	**13,579**	11,164	11,230
Properties under development	4	**9,881**	9,065	8,630
Leasehold land – operating leases	4	**1,597**	1,581	1,483
Jointly controlled entities		**21,681**	22,097	21,140
Associated companies		**6,116**	5,611	14,801
Other financial assets		**448**	2,198	1,063
Intangible assets		**12,989**	10,913	8,979
Deferred tax assets		**714**	554	1,967
Derivative financial instruments		**1,854**	748	235
Non-current deposits and prepayment		**6,403**	6,480	8,709
		138,596	110,443	102,102
Current assets				
Properties under development	4	**2,280**	2,172	1,218
Properties held for sale		**1,870**	1,651	733
Other assets held for sale		**298**	1,765	–
Inventories		**11,191**	6,983	5,605
Derivative financial instruments		**73**	92	1,016
Debtors, accounts receivable, deposits and prepayments		**14,070**	11,082	9,931
Cash and bank deposits		**24,558**	21,553	18,296
		54,340	45,298	36,799
Current liabilities				
Bank loans, other loans and overdrafts				
secured		**598**	105	490
unsecured		**14,629**	4,252	8,892
Creditors, accounts payable, deposits and accruals		**26,911**	19,992	13,500
Derivative financial instruments		**55**	167	3,043
Provision for taxation		**936**	243	274
		43,129	24,759	26,199
Net current assets		**11,211**	20,539	10,600
Total assets less current liabilities		**149,807**	130,982	112,702
Non-current liabilities				
Long term borrowings		**68,456**	61,318	47,852
Deferred tax liabilities		**2,419**	1,891	1,710
Derivative financial instruments		**2,543**	1,727	6,682
Provisions and deferred income		**2,254**	807	734
		75,672	65,743	56,978
Net assets		**74,135**	65,239	55,724
Equity				
Share capital		**1,459**	1,459	1,458
Reserves	5	**65,728**	57,888	48,230
Proposed dividend		**1,095**	912	–
Equity attributable to shareholders of the Company		**68,282**	60,259	49,688
Non-controlling interests in equity		**5,853**	4,980	6,036
Total equity		**74,135**	65,239	55,724

Zhang Jijing
Managing Director

Vernon F. Moore
Group Finance Director

Notes to the Summary Financial Statements

1 General Information

These summary financial statements from page 92 to 100 are not the Group's statutory financial statements and they do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full Annual Report.

2 Significant Accounting Policies

Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements ('the Accounts') of CITIC Pacific Limited (the 'Company') and its subsidiary companies (together the 'Group') are set out below. These policies have been consistently applied to each of the years presented, other than the adoption of new or revised Hong Kong Financial Reporting Standards ('HKFRS') in 2010 as set out below. The Accounts have been prepared in accordance with HKFRS, and under the historical cost convention, except as disclosed in the accounting policies. The following revised standards, amendments or interpretations became effective in 2010 and are relevant to the Group.

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

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

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

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

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

2 Significant Accounting Policies *continued*

Basis of Preparation *continued*

The following new standards, amendments and interpretations which have been issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA') as of 31 December 2010 may impact the Group in future years but are not yet effective for the year ended 31 December 2010:

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

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

3 Directors' Emoluments

The remuneration of each director for the year ended 31 December 2010 is set out below:

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

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

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

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

4 Fixed Assets and Properties under Development

Group

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

4 Fixed Assets and Properties under Development *continued*

Group *continued*

	Fixed assets								
	Property, plant and equipment								
in HK$ million	Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties	Leasehold land – operating leases	Properties under development	Total
Cost or valuation									
At 31 December 2008, as previously reported	5,558	9,515	11,259	3,182	29,514	11,230	2,686	8,791	52,221
Effect of adoption of HKAS 17 (Amendment)	1,114	–	–	–	1,114	–	(1,114)	–	–
At 1 January 2009, as restated	6,672	9,515	11,259	3,182	30,628	11,230	1,572	8,791	52,221
Exchange adjustments	33	38	19	35	125	14	6	31	176
Additions	73	73	16,541	361	17,048	–	73	3,134	20,255
Acquisition of subsidiary companies	9	–	198	24	231	–	6	–	237
Disposals	(73)	(92)	(21)	(345)	(531)	(85)	(4)	(270)	(890)
Change in fair value of investment properties	–	–	–	–	–	90	–	–	90
Transfer to current assets	–	–	–	–	–	–	–	(2,172)	(2,172)
Transfer upon completion	2,058	4,295	(6,336)	185	202	–	(1)	(201)	–
Reclassification	85	(5)	78	(58)	100	(85)	62	(77)	–
At 31 December 2009	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
Accumulated depreciation, amortisation and impairment									
At 31 December 2008, as previously reported	1,174	3,233	23	2,056	6,486	–	366	161	7,013
Effect of adoption of HKAS 17 (Amendment)	277	–	–	–	277	–	(277)	–	–
At 1 January 2009, as restated	1,451	3,233	23	2,056	6,763	–	89	161	7,013
Exchange adjustments	5	13	–	11	29	–	–	1	30
Charge for the year	202	475	1	335	1,013	–	40	9	1,062
Depreciation capitalised to construction in progress	3	288	–	28	319	–	4	–	323
Written back on disposals	(32)	(69)	–	(265)	(366)	–	–	–	(366)
Impairment loss	6	2	–	5	13	–	–	–	13
Reclassification	–	(1)	–	1	–	–	–	–	–
At 31 December 2009, as restated	1,635	3,941	24	2,171	7,771	–	133	171	8,075
Net book value									
At 31 December 2009, as restated	7,222	9,883	21,714	1,213	40,032	11,164	1,581	9,065	61,842
Represented by									
Cost	8,857	13,824	21,738	3,384	47,803	–	1,714	9,236	58,753
Valuation	–	–	–	–	–	11,164	–	–	11,164
	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917

5 Reserves

Group

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

5 Reserves *continued*

Group *continued*

in HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 1 January 2009	36,467	29	958	(1,738)	238	4,781	(3,478)	986	9,987	48,230
Share of reserves of associated companies and jointly controlled entities	–	–	18	–	8	(16)	40	1	(6)	45
Exchange translation differences	–	–	–	–	–	235	–	–	–	235
Reserves released on deemed disposal of jointly controlled entities	–	–	(19)	–	–	(8)	–	–	–	(27)
Reserves released on disposal of associated companies	–	–	(10)	–	(112)	133	39	–	–	50
Cash flow hedges										
Fair value gain in the year	–	–	–	–	–	–	5,676	–	–	5,676
Transfer to construction in progress	–	–	–	–	–	–	(501)	–	–	(501)
Transfer to net finance charges	–	–	–	–	–	–	380	–	–	380
Tax effect	–	–	–	–	–	–	(1,243)	–	–	(1,243)
	–	–	–	–	–	–	4,312	–	–	4,312
Fair value gain on other financial assets	–	–	–	–	509	–	–	–	–	509
Fair value released on disposal of other financial assets	–	–	–	–	(80)	–	–	–	–	(80)
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	160	(160)	–
Issue of shares pursuant to the Plan	48	–	–	–	–	–	–	–	–	48
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	5,950	5,950
Dividends	–	–	–	–	–	–	–	–	(547)	(547)
Share-based payment	–	–	75	–	–	–	–	–	–	75
At 31 December 2009	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Representing										
At 31 December 2009 after proposed final dividend										57,888
2009 Final dividend proposed										912
										58,800
Retained by										
Company and subsidiary companies	36,515	29	898	(1,738)	541	4,634	923	1,130	9,836	52,768
Jointly controlled entities	–	–	93	–	22	108	(10)	17	4,088	4,318
Associated companies	–	–	3	–	–	–	–	–	1,300	1,303
Non-current assets held for sale	–	–	28	–	–	383	–	–	–	411
	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800

6 Comparative Figures

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

Report of the Independent Auditor on the Summary Financial Report

To the shareholders of CITIC Pacific Limited
(incorporated in Hong Kong with limited liability)

The summary financial report of CITIC Pacific Limited (the 'Company') set out on pages 1 to 100, which comprises the summary consolidated balance sheet as at 31 December 2010, and the summary consolidated profit and loss account and the summary consolidated statement of comprehensive income for the year then ended, and related notes, are derived from the audited financial statements of the Company for the year ended 31 December 2010. We expressed an unmodified audit opinion on those financial statements in our report dated 3 March 2011. Those financial statements, and the summary financial report, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial report does not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Reading the summary financial report, therefore, is not a substitute for reading the audited financial statements of the Company.

Directors' Responsibility for the Summary Financial Report

Under the Hong Kong Companies Ordinance, the directors are responsible for the preparation of a summary financial report in accordance with section 141CF(1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual financial statements and the auditor's report thereon and the directors' report for the year ended 31 December 2010, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial report based on our procedures and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our engagements in accordance with Hong Kong Standard on Auditing 810, 'Engagements to Report on Summary Financial Statements' issued by the Hong Kong Institute of Certified Public Accountants. We are also required to state whether the auditor's report on the annual financial statements for the year ended 31 December 2010 is qualified or otherwise modified.

Opinion

In our opinion, the summary financial report on pages 1 to 100.

a. is consistent with the annual financial statements and the auditor's report thereon and the directors' report of the Company for the year ended 31 December 2010 from which it is derived; and

b. complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 March 2011

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	Shareholders' funds 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

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 Registrars

Shareholders should contact our Registrars, 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:	5 May 2011 to 12 May 2011
Annual General Meeting:	12 May 2011, 10:30 a.m. Island Ballroom, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Hong Kong
Dividend payment:	20 May 2011

Shareholders may choose to receive the Summary Financial Report or the Annual Report in printed form in either English or Chinese or both or by electronic means. They may also choose to receive the Summary Financial Report or the Annual Report in place of the other. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

If Shareholders have already chosen to reply on the versions of the Summary Financial Report or the Annual Report posted on CITIC Pacific's website and have difficulty in gaining access to these documents, they will promptly be sent in printed copies free of charge upon request to the Share Registrars.

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