CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

Consolidated Financial Statements and Independent Auditor's Report for the year ended 31 December 2013

As at 21 February 2014, the executive directors of CITIC Pacific Limited are Messrs Chang Zhenming (Chairman), Zhang Jijing, Vernon Francis Moore and Liu Jifu; the non-executive directors of CITIC Pacific Limited are Messrs André Desmarais, Ju Weimin, Yin Ke, Carl Yung Ming Jie, and Peter Kruyt (alternate director to Mr André Desmarais); and the independent non-executive directors of CITIC Pacific Limited are Messrs Alexander Reid Hamilton, Gregory Lynn Curl, Francis Siu Wai Keung and Dr Xu Jinwu.

Contents of Financial Statements and Notes

Consolidated Profit and Loss Account

For the year ended 31 December 2013

In HK$ million	Note	2013	2012
Revenue	3	**88,041**	93,272
Cost of sales		**(77,185)**	(83,529)
Gross profit		**10,856**	9,743
Other income and net gains	4	**2,545**	3,673
Distribution and selling expenses		**(3,243)**	(3,202)
Other operating expenses		**(4,523)**	(4,315)
Change in fair value of investment properties		**1,709**	1,506
Profit from consolidated activities	5 & 6	**7,344**	7,405
Share of results of			
Joint ventures	5	**3,016**	2,145
Associated companies	5	**390**	690
Profit before net finance charges and taxation		**10,750**	10,240
Finance charges		**(3,297)**	(1,862)
Finance income		**549**	720
Net finance charges	7	**(2,748)**	(1,142)
Profit before taxation		**8,002**	9,098
Taxation	8	**(978)**	(1,347)
Profit for the year from continuing operations		**7,024**	7,751
Profit for the year from discontinued operations	35a	**2,102**	497
Profit for the year		**9,126**	8,248
Attributable to:			
Ordinary shareholders of the Company	9	**7,588**	6,954
Holders of perpetual capital securities		**881**	463
Non-controlling interests		**657**	831
		9,126	8,248
Profit attributable to ordinary shareholders of the Company arising from:			
Continuing operations		**5,505**	6,655
Discontinued operations		**2,083**	299
		7,588	6,954
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$)	11		
Basic earnings per share from:			
Continuing operations		**1.51**	1.83
Discontinued operations		**0.57**	0.08
		2.08	1.91
Diluted earnings per share from:			
Continuing operations		**1.51**	1.83
Discontinued operations		**0.57**	0.08
		2.08	1.91
Dividends to ordinary shareholders of the Company	10	**(1,277)**	(1,642)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

In HK$ million	**2013**	2012
Profit for the year	**9,126**	8,248
Other comprehensive income (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of a joint venture	**18**	–
Surplus on revaluation of properties transferred from self-use properties to investment properties	**131**	61
	149	61
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**1,618**	(1,139)
Fair value changes of other financial assets	**(48)**	(5)
Transfer to profit and loss account on impairment of other financial assets	**–**	15
Share of other comprehensive income of joint ventures and associated companies	**25**	(39)
Exchange translation differences	**2,047**	(43)
Reserves released on disposal/dilution of interest in joint ventures	**(210)**	(431)
Reserve released on disposal of subsidiary companies	**(240)**	(1)
	3,192	(1,643)
Other comprehensive income for the year, net of tax	**3,341**	(1,582)
Total comprehensive income for the year	**12,467**	6,666
Total comprehensive income for the year attributable to		
Ordinary shareholders of the Company	**10,826**	5,368
Holders of perpetual capital securities	**881**	463
Non-controlling interests	**760**	835
	12,467	6,666
Total comprehensive income for the year attributable to ordinary shareholders of the Company arising from:		
Continuing operations	**8,743**	5,070
Discontinued operations	**2,083**	298
	10,826	5,368

Consolidated Balance Sheet

As at 31 December 2013

In HK$ million	Note	2013	2012
Non-current assets			
Property, plant and equipment	15	**109,480**	100,445
Investment properties	15	**14,932**	16,359
Properties under development	15	**10,779**	8,712
Leasehold land – operating leases	15	**2,633**	2,524
Joint ventures	17	**22,647**	20,443
Associated companies	18	**7,668**	7,499
Other financial assets	19	**294**	351
Intangible assets	20	**18,802**	17,253
Deferred tax assets	33	**2,868**	2,342
Derivative financial instruments	32	**36**	121
Non-current deposits and prepayments	21	**3,748**	1,908
		193,887	177,957
Current assets			
Properties under development		**881**	1,144
Properties held for sale		**3,729**	3,830
Other assets held for sale	22	**3,848**	379
Inventories	23	**14,660**	11,803
Derivative financial instruments	32	**50**	255
Debtors, accounts receivable, deposits and prepayments	24	**15,654**	15,464
Cash and bank deposits		**35,070**	32,821
		73,892	65,696
Assets of disposal group classified as held for sale	35b(i)	**–**	3,733
		73,892	69,429
Current liabilities			
Bank loans, other loans and overdrafts			
secured	29	**1,426**	1,456
unsecured	29	**25,713**	20,677
Creditors, accounts payable, deposits and accruals	25	**28,717**	24,402
Derivative financial instruments	32	**151**	201
Provisions	34	**130**	1,870
Provision for taxation		**1,139**	1,065
Liabilities of a company to be disposed classified as held for sale		**43**	–
		57,319	49,671
Liabilities of disposal group classified as held for sale	35b(ii)	**–**	1,260
		57,319	50,931
Net current assets		**16,573**	18,498
Total assets less current liabilities		**210,460**	196,455
Non-current liabilities			
Long term borrowings	29	**93,591**	94,496
Deferred tax liabilities	33	**3,918**	3,343
Derivative financial instruments	32	**2,546**	4,777
Provisions and deferred income	34	**2,092**	1,973
		102,147	104,589
Net assets	5	**108,313**	91,866

Consolidated Balance Sheet

As at 31 December 2013

In HK$ million	Note	**2013**	2012
Equity			
Share capital	26	**1,460**	1,460
Perpetual capital securities	27	**13,838**	5,953
Reserves	28	**85,553**	76,170
Proposed dividend		**912**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**101,763**	84,678
Non-controlling interests in equity		**6,550**	7,188
Total equity		**108,313**	91,866

Chang Zhenming
Chairman

Zhang Jijing
President

Vernon F. Moore
Chief Financial Officer

Balance Sheet

As at 31 December 2013

In HK$ million	Note	2013	2012
Non-current assets			
Property, plant and equipment	15	**20**	17
Subsidiary companies	16	**111,153**	98,940
Joint ventures	17	**4,808**	5,127
Associated companies	18	**1,801**	1,879
		117,782	105,963
Current assets			
Derivative financial instruments	32	**88**	27
Amounts due from subsidiary companies	16	**5,069**	6,127
Debtors, accounts receivable, deposits and prepayments	24	**195**	257
Cash and bank deposits		**16,381**	13,989
		21,733	20,400
Current liabilities			
Bank loans, other loans and overdrafts			
– unsecured	29	**10,744**	10,407
Amounts due to subsidiary companies	16	**6,174**	6,528
Creditors, accounts payable, deposits and accruals	25	**906**	745
Derivative financial instruments	32	**139**	99
Provision for taxation		**80**	1
		18,043	17,780
Net current assets		**3,690**	2,620
Total assets less current liabilities		**121,472**	108,583
Non-current liabilities			
Long term borrowings	29	**57,579**	52,451
Derivative financial instruments	32	**1,316**	2,674
		58,895	55,125
Net assets		**62,577**	53,458
Equity			
Share capital	26	**1,460**	1,460
Perpetual capital securities	27	**13,838**	5,953
Reserves	28	**46,367**	44,950
Proposed dividend		**912**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**62,577**	53,458

Chang Zhenming
Chairman

Zhang Jijing
President

Vernon F. Moore
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 31 December 2013

In HK$ million	Note	**2013**	2012
Cash flows from operating activities			
Profit before taxation from continuing operations	5	**8,002**	9,098
Profit before taxation from discontinued operations	5	**2,104**	538
Share of results of joint ventures and associated companies		**(3,406)**	(3,026)
Net finance charges		**2,748**	1,144
Net exchange gain		**(172)**	(51)
Income from other financial assets		**(5)**	(4)
Depreciation and amortisation		**3,653**	3,098
Impairment losses		**435**	173
Provision for gas contract		**86**	415
Share-based payment		**21**	31
(Profit)/loss on disposal of property, plant and equipment		**(3)**	2
Net gain on properties reclassified as asset held for sale		**-**	(78)
Change in fair value of investment properties		**(1,709)**	(1,506)
Net gain from disposal/deemed disposal of joint ventures and associated companies		**(367)**	(2,454)
Net gain on disposal of subsidiary companies		**(2,977)**	(165)
Operating profit before working capital changes		**8,410**	7,215
Decrease in properties held for sale		**1,193**	1,610
(Increase)/decrease in inventories		**(2,417)**	2,407
(Increase)/decrease in debtors, accounts receivable, deposits and prepayments		**(655)**	283
Increase/(decrease) in creditors, accounts payable, deposits and accruals		**3,396**	(2,068)
Effect of foreign exchange rate changes		**(4)**	(13)
Cash generated from operating activities		**9,923**	9,434
Income taxes paid		**(1,328)**	(1,915)
Cash generated from operating activities after income taxes paid		**8,595**	7,519
Interest received		**494**	586
Interest paid		**(5,472)**	(4,724)
Realised exchange loss		**(21)**	(8)
Other finance charges		**(201)**	(289)
Net cash from consolidated activities before increase of properties under development		**3,395**	3,084
Increase in properties under development		**(3,517)**	(1,718)
Net cash (used in)/generated from consolidated activities		**(122)**	1,366

Consolidated Cash Flow Statement

For the year ended 31 December 2013

In HK$ million	Note	2013	2012
Cash flows from investing activities			
Purchase of:			
Subsidiary companies (net of cash and cash equivalents acquired)	38	**(928)**	(1,405)
Properties under development for own use		**(256)**	(237)
Property, plant and equipment		**(6,851)**	(14,378)
Leasehold land – operating leases		**(5)**	(308)
Intangible assets		**(2,680)**	(2,056)
Other financial assets		**–**	(13)
Proceeds of:			
Disposal of property, plant and equipment and investment properties		**311**	863
Disposal of interests in joint ventures		**–**	4,294
Disposal of subsidiary companies (net of cash and cash equivalents disposed)	38	**3,164**	220
Sale of other financial assets		**–**	5
Deposits received from sale of business interests		**430**	–
Refund of deposit received		**(741)**	(842)
Settlement of consideration payable for acquisition of a subsidiary company		**–**	(48)
Increase in bank deposits maturing after more than 3 months		**(1,964)**	(365)
Decrease in pledged deposits with banks		**4**	1,099
Net payments for non-current deposits and prepayments		**(1,937)**	(2,534)
Investment in joint ventures and associated companies		**(773)**	(63)
Deposit paid for acquisition of a subsidiary company		**–**	(76)
Loans repayment received from joint ventures and associated companies		**1,010**	2
Dividend received from joint ventures and associated companies		**2,177**	1,964
Income received from other financial assets		**4**	4
Net cash used in investing activities		**(9,035)**	(13,874)
Cash flows from financing activities			
New borrowings		**40,875**	65,775
Repayment of loans		**(37,030)**	(47,498)
Decrease in non-controlling interests		**(436)**	(653)
Dividends paid to shareholders of the Company		**(1,460)**	(1,642)
Proceeds of issue of perpetual capital securities, net of transaction costs		**7,725**	–
Distribution made to holders of perpetual capital securities		**(796)**	(461)
Net cash from financing activities		**8,878**	15,521
Net (decrease)/increase in cash and cash equivalents		**(279)**	3,013
Cash and cash equivalents at 1 January		**30,610**	27,964
Effect of foreign exchange rate changes		**568**	(16)
Cash and cash equivalents at 31 December		**30,899**	30,961
Cash and cash equivalents included in assets of disposal group classified as held for sale at 31 December		**–**	(351)
Cash and cash equivalents of continuing operations at 31 December		**30,899**	30,610
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		**35,070#**	32,821
Bank deposits with maturities over 3 months*		**(3,708)**	(1,744)
Bank overdrafts and pledged deposits		**(463)**	(467)
		30,899	30,610

Included in cash and bank deposits, there is a bank deposit of RMB625 million (equivalent to HK$795 million) received in escrow account from CITIC Bank for disposal of the property located in Shanghai.

* CITIC Pacific Limited had bank deposit RMB228 million (equivalent to HK$290 million) (31 December 2012: Nil) with maturity exceeding 3 months as at 31 December 2013.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

In HK$ million	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
Balance at 1 January 2013	1,460	5,953	42,706	34,559	84,678	7,188	91,866
Profit for the year	–	881	–	7,588	8,469	657	9,126
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Share of other comprehensive income of a joint venture	–	–	18	–	18	–	18
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	123	–	123	8	131
Reserves released upon disposal of subsidiary companies	–	–	1,002	(1,002)	–	–	–
	–	–	1,143	(1,002)	141	8	149
Items that have been reclassified or may be reclassified subsequently to profit or loss:							
Share of other comprehensive income of joint ventures and associated companies	–	–	21	–	21	4	25
Fair value changes of other financial assets	–	–	(48)	–	(48)	–	(48)
Exchange translation differences	–	–	1,956	–	1,956	91	2,047
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	–	–	1,618	–	1,618	–	1,618
Reserves released on disposal of subsidiary companies	–	–	(240)	–	(240)	–	(240)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(210)	–	(210)	–	(210)
	–	–	3,097	–	3,097	95	3,192
Other comprehensive income for the year, net of tax	–	–	4,240	(1,002)	3,238	103	3,341
Total comprehensive income for the year	–	881	4,240	6,586	11,707	760	12,467
Transactions with owners							
Acquisition of subsidiary companies	–	–	–	–	–	12	12
Disposal of interest in subsidiary companies	–	–	–	–	–	(974)	(974)
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,460)	(1,460)	–	(1,460)
Dividends paid to non-controlling interests	–	–	–	–	–	(340)	(340)
Acquisition of interests from non-controlling interests	–	–	(103)	–	(103)	(116)	(219)
Distribution to holders of perpetual capital securities	–	(796)	–	–	(796)	–	(796)
Share-based payment of a subsidiary company	–	–	12	–	12	9	21
Transfer from profits to general and other reserves	–	–	147	(147)	–	–	–
Release upon lapse of share options	–	–	(2)	2	–	–	–
Capital injected by non-controlling interest	–	–	–	–	–	11	11
Issue of perpetual capital securities	–	7,800	–	–	7,800	–	7,800
Transaction costs related to issue of perpetual capital securities	–	–	–	(75)	(75)	–	(75)
	–	7,004	54	(1,680)	5,378	(1,398)	3,980
Balance at 31 December 2013	1,460	13,838	47,000	39,465	101,763	6,550	108,313

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

In HK$ million	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	1,460	5,951	44,068	29,479	80,958	7,055	88,013
Profit for the year	–	463	–	6,954	7,417	831	8,248
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Surplus on revaluation of properties transfer from self-use properties to investment properties	–	–	61	–	61	–	61
Reserves released upon disposal of a joint venture	–	–	179	(179)	–	–	–
	–	–	240	(179)	61	–	61
Items that have been reclassified or may be reclassified subsequently to profit or loss:							
Share of other comprehensive income of joint ventures and associated companies	–	–	41	(82)	(41)	2	(39)
Fair value changes of other financial assets	–	–	(5)	–	(5)	–	(5)
Transfer to profit and loss account on impairment of other financial assets	–	–	15	–	15	–	15
Exchange translation differences	–	–	(45)	–	(45)	2	(43)
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	–	–	(1,139)	–	(1,139)	–	(1,139)
Reserves released on disposal of a subsidiary company	–	–	(1)	–	(1)	–	(1)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(431)	–	(431)	–	(431)
	–	–	(1,565)	(82)	(1,647)	4	(1,643)
Other comprehensive income for the year, net of tax	–	–	(1,325)	(261)	(1,586)	4	(1,582)
Total comprehensive income for the year	–	463	(1,325)	6,693	5,831	835	6,666
Transactions with owners							
Acquisition of subsidiary companies	–	–	–	–	–	20	20
Dilution of interest in subsidiary companies	–	–	4	–	4	(4)	–
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,642)	(1,642)	–	(1,642)
Dividends paid to non-controlling interests	–	–	–	–	–	(548)	(548)
Acquisition of interests from non-controlling interests	–	–	(30)	–	(30)	(225)	(255)
Distribution to holders of perpetual capital securities	–	(461)	–	–	(461)	–	(461)
Share-based payment of a subsidiary company	–	–	18	–	18	13	31
Transfer from profits to general and other reserves	–	–	159	(159)	–	–	–
Release upon lapse of share options	–	–	(188)	188	–	–	–
Capital injected by non-controlling interest	–	–	–	–	–	44	44
Distribution to non-controlling interest	–	–	–	–	–	(2)	(2)
	–	(461)	(37)	(1,613)	(2,111)	(702)	(2,813)
Balance at 31 December 2012	1,460	5,953	42,706	34,559	84,678	7,188	91,866

1 Significant accounting policies

(a) 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. The Accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and under the historical cost convention, except as disclosed in the accounting policies below in (h) and (w). Adoption of certain new or revised HKFRS which are first effective for the current accounting period beginning on 1 January 2013, of which the most significant and relevant to the Group are set out below.

Standard No.	Title
HKAS 1 (Amendment)	Presentation of financial statements
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HK (IFRIC) Int 20	Stripping costs in the production phase of a surface mine
HKFRS 7 (Amendment)	Financial instruments: disclosures – offsetting financial assets and financial liabilities
Annual Improvements 2009-2011 Cycle	

The more important changes are summarised below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to separate the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The Group's presentation of the other comprehensive income in the Accounts has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the presentation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It does not change the classification of Group entities as at 1 January 2013.

1 Significant accounting policies (continued)

(a) Basis of preparation (continued)

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated accounts. The Group only has joint ventures.

As a result of the adoption of HKFRS 11, the Group has changed the description "investment in jointly controlled entities" used in 2012 to "investment in joint ventures".

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRS with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The following new standards, amendments and interpretation which have been issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as of 31 December 2013 may impact the Group in future years but are not yet effective for the year ended 31 December 2013:

Standard No.	Title	Applicable accounting period to the Group
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	2014
HKAS 39 (Amendment)	Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting	2014
HKFRS 9	Financial instruments	Not yet established by HKICPA

The above standards or amendments will be adopted in the years listed. Based on the current assessment, the Group anticipates that the application of the above standards and amendments, with the exception of HKFRS 9, will have no material impact on the results and the financial position of the Group.

The mandatory effective date of HKFRS 9 has not yet been established and HKICPA is working to expand HKFRS 9 to add new requirements in respect of macro hedging. Accordingly, the impact of HKFRS 9 may change as a consequence of further developments resulting from the HKICPA's project to replace HKAS 39. As a result, it is impractical to quantify the impact of HKFRS 9 as at the date of these accounts.

1 Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all its subsidiary companies made up to the balance sheet date. The results of subsidiary companies acquired or disposed of during the year are included as from the effective dates of acquisition or up to the effective dates of disposal respectively.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiary companies have been changed where necessary in the consolidated accounts to ensure consistency with the policies adopted by the Group.

(c) Goodwill

Goodwill arising on the acquisition of subsidiary companies, joint ventures and associated companies represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the net assets of the acquiree in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within joint ventures and associated companies at cost less accumulated impairment losses and is subject to impairment testing at least annually. Impairment losses on goodwill are not reversed. Negative goodwill is recognised in the profit and loss account immediately on acquisition.

(d) Subsidiary companies and non-controlling interests

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parities) are considered.

The acquisition method of accounting is used to account for the acquisition of subsidiary companies. The consideration transferred for the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. 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.

1 Significant accounting policies (continued)

(d) Subsidiary companies and non-controlling interests (continued)

Non-controlling interest is the equity in a subsidiary company which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiary companies that do not result in a loss of control) as transactions with equity owners of the Group, instead of transactions with parties not within the Group. For purchases of additional interests in subsidiary companies from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals of partial interests to non-controlling interests are also recorded in equity.

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 account.

Investments in subsidiary companies are carried in the Company's balance sheet at cost less any impairment. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

(e) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The consolidated profit and loss account includes the Group's share of the results of the joint ventures for the year, unless the joint venture is classified as held for sale (or included in a disposal group held for sale), and adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of the net assets of the joint ventures and goodwill on acquisition.

When the Group's share of losses equals or exceeds its interest in the joint venture, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Share of results of joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in joint ventures are stated at cost less any impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

1 Significant accounting policies (continued)

(f) Associated companies

Associated companies are companies, other than subsidiary companies and joint ventures, in which the Group generally holds not more than 50 per cent of the equity share capital for the long term and over whose management it can exercise significant influence.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, unless the associated company is classified as held for sale (or included in a disposal group held for sale), and adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of net assets of the associated companies, after attributing fair values to the net assets at the date of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associated company, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Share of results of associated companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less any impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment include leasehold land classified as finance leases. Please refer to note 1(m) for the accounting policy on leasehold land classified as finance leases.

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Construction in progress in respect of the iron ore project includes expenditure such as bank charges, interest costs, equipment hire costs, consultants' costs and depreciation costs. Such costs are capitalised until commencement of mine production and then amortised in accordance with note 1(o).

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rate specified below.

1 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis at the following annual rates:

Freehold land is not amortised.

Buildings	10-50 years or the remaining lease period of the land where applicable
Plant and machinery	5-17 years
Other property, plant and equipment, comprising vessels, hotels, traffic equipment, cargo lighters, computer installations, motor vehicles, furniture, fixture and equipment	4-25 years

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

(h) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated profit and loss account.

1 Significant accounting policies (continued)

(i) Properties under development

Properties under development consist of land for development and buildings under construction and development.

Properties under development for own use – investments in leasehold land are amortised over the lease term, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of leasehold land is capitalised as the cost of buildings during the construction period. The investments in buildings under construction and development are stated at cost less any accumulated impairment losses.

Properties under development for sale are carried at the lower of cost and the estimated net realisable value. Given the Group's diverse portfolio of property development projects, there is presently not a uniform operating cycle and hence properties under development for sale with the development expected to be completed within one year from the balance sheet date are classified under current assets. Such development properties are transferred to investment property when and only when there is a change in use as evidenced by the commencement of an operating lease to another party.

Properties under development for investment purposes are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the profit or loss account.

(j) Capitalisation of development costs

Property development expenditure, including borrowing costs and professional fees, is capitalised as cost of development.

Borrowing costs incurred on assets under development that take a substantial period of time to get ready for their intended use or sale are capitalised into the carrying value of the assets under development.

The capitalisation rate applied to funds borrowed for the development of assets is based on the attributable cost of funds to the Group.

All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(k) Properties held for sale

Properties held for sale consisting of leasehold land and buildings are classified under current assets and stated at the lower of cost and net realisable value. Leasehold land is stated at cost less accumulated amortisation and any impairment losses. Building costs are stated at cost less any impairment losses.

1 Significant accounting policies (continued)

(l) Other assets held for sale and discontinued operations

Assets are classified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary company acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(m) Leasehold land

Leasehold land under operating lease and finance lease arrangements is stated at cost less accumulated amortisation and impairment losses. Leasehold land is amortised on a straight-line basis over the lease term.

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. They comprise goodwill, expenditure on mining rights, car dealerships and a vehicular tunnel concession. The accounting policies for goodwill and exploration, evaluation and development expenditure of mining rights are outlined in accounting policies 1(c) and 1(o).

Amortisation of the vehicular tunnel concession is based on the actual traffic volume in the year compared to the projected traffic volume for the remainder of the concession period.

(o) Mining exploration, evaluation and development expenditure of Iron ore project

Mining exploration, evaluation and development expenditures incurred are capitalised and carried forward in respect of each identifiable area of interest where the rights to mine are current and:

- it is expected that the expenditure will be recouped by future development and commercial exploitation or sale; or,

- at the balance sheet date, exploration and evaluation activities have reached a stage, which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

Development costs represent costs accumulated for an area of interest where the decision has been made to develop the mine. Development costs include such costs as plant hire, contractor site labour costs and resource assessment costs. Exploration and evaluation assets are transferred to development costs when this decision has been made. Development costs are tested for impairment in accordance with note 1(y).

1 Significant accounting policies (continued)

(o) Mining exploration, evaluation and development expenditure of Iron ore project (continued)

Amortisation of costs carried forward is not charged until production commences. When production commences, capitalised expenditures on exploration, evaluation and development are amortised over the life of the area of interest to which they relate. Amortisation is recognised in the consolidated profit and loss account on a unit of production method over the estimated useful lives of intangible assets from the date that they are available for use. Unamortised expenditure relating to that area of interest is written off in the period that abandonment is decided.

Provision for restoration costs is made at the time when the activities which give rise to the need for restoration occur, and would form part of the costs of property, plant and equipment. The need for a provision is assessed annually such that full provision is made by the end of the exploration life of each area.

The ultimate recoupment of costs carried forward for exploration, evaluation and development phases is dependent on the successful development and commercial exploitation of sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration phase and accordingly, production has not commenced.

Subsequent to the commencement of mining production, expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated profit and loss account when incurred.

Mining exploration, evaluation and development expenditure is written down to its recoverable amount if it is lower than its carrying amount.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit and loss account.

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1 Significant accounting policies (continued)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not made for future operating losses.

(t) Share capital

Share capital issued by the Company is recorded at the proceeds received, net of direct issue costs.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Geographically, management considers separate segments as mainland China, Hong Kong, Australia and others. The performance of the operating segments is assessed on the profit attributable to the shareholders of the Company. Net exchange gain is attributable to the corporate segment, as the cash position of the Group is managed centrally by the corporate treasury function.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1 Significant accounting policies (continued)

(v) Revenue recognition

(i) Sales of goods

Revenue arising from the sales of goods is generally recognised on the delivery of goods to customers. Revenue is after deduction of any trade discounts.

Revenue arising from the sale of motor vehicles is recognised when the registration document is issued or on delivery of the vehicle, whichever is earlier. This is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Commission income is recognised when the goods concerned are sold to customers.

Revenue arising from the rendering of repairing services is recognised when the relevant work is completed.

(iii) Sales of properties under development and properties held for sale

Revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

Revenue from completed properties held for sale is recognised at the date when the sales agreement is signed.

(iv) Toll income

Toll income is recognised as revenue when the service is provided.

(v) Rental income

Rental income is recognised as revenue on a straight-line basis over the period of the relevant lease.

(vi) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Dividends proposed or declared after their balance sheet date by companies in which the Group has an investment are not recognised as revenue at the balance sheet date but on the date when the right to receive the dividend is established.

1 Significant accounting policies (continued)

(w) Financial instruments

The Group classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets and, (iv) derivative financial instruments. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets on initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of all categories financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except financial assets carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been legally transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this sub-category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, unless maturity is greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in debtors, accounts receivable, deposits and prepayments in the balance sheet.

Loans and receivables and held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

1 Significant accounting policies (continued)

(w) Financial instruments (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are carried at fair value, or cost less impairment loss if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the profit and loss account.

(iv) Derivative financial instruments

Derivatives are stated at fair value. The gain or loss on change in fair values is recognised in the profit and loss account unless the derivative qualifies for hedge accounting.

Cash flow hedges

Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, whether on the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and the ineffective part in the profit and loss account. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the profit and loss account in the same period or periods during which the transaction it hedges is recognised in the profit and loss account. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit and loss. The ineffective portion is recognised immediately in profit and loss.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 32. Movements on the hedging reserve in shareholders' equity are shown in Note 28. When the remaining maturity of the hedged item is more than 12 months, the full fair value of a hedging derivative is classified as a non-current asset or liability.

1 Significant accounting policies (continued)

(x) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable and receivable under operating leases are accounted for on a straight line basis over the respective periods of the leases.

(y) Impairment of assets

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation or amortisation are reviewed for impairment to determine whether there is any indication the carrying value of these assets may not be recoverable. If such assets are considered to be impaired, the impairment to be recognised in the profit and loss account is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (called cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(z) Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. They are valued at the lower of cost and net realisable value. Cost represents the actual cost of purchase or production and is calculated on the first-in first-out, specific identification or weighted average basis as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(aa) Foreign currencies

The consolidated and the Company's accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions in foreign currencies are translated into the functional currency at the rates ruling at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as a qualifying cash flow hedge or net investment hedge.

Assets and liabilities of subsidiary companies, joint ventures and associated companies, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into Hong Kong dollars at the rates of exchange at the balance sheet date. Results in foreign currencies are translated at the average rates of exchange ruling during the year. All resulting exchange differences are recognised as a separate component of equity – exchange fluctuation reserve.

Exchange differences arising from the translation of the net investment in foreign entities, and of financial instruments which are designated as hedges of such investment, are taken directly to the exchange fluctuation reserve. On the disposal of these investments, such exchange differences are recognised in the consolidated profit and loss account as part of the profit or loss on disposal.

1 Significant accounting policies (continued)

(aa) Foreign currencies (continued)

When a gain or loss on a non-monetary item is recognised directly in equity, any translation difference on that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the profit and loss account any translation difference on that gain or loss is recognised in the profit and loss account.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date. Such differences are taken directly to the exchange fluctuation reserve.

(bb) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and withholding tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiary companies to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1 Significant accounting policies (continued)

(cc) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The Group operates a share option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period with a corresponding increase in capital reserve.

Fair values of share option awards, measured at the date of grant of the award, are calculated using a binomial lattice model methodology that is based on the underlying assumptions of the Black-Scholes model.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair value excludes the impact of any non-market services and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and recognises the impact of the revision, if any, in the consolidated profit and loss account.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Investment properties

The fair values of investment properties are determined annually by independent qualified valuers on an open market value at the balance sheet date on an existing use basis calculated on the net income allowing for reversionary potential.

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(y). For the purposes of impairment testing, goodwill acquired has been allocated to individual cash-generating units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

(iii) Impairment of assets

The Group has made substantial investments in tangible and intangible assets. The Group considers impairment assessment as an area requiring extensive application of judgement and estimation. Assets that have an indefinite useful life are tested for impairment annually. Other assets are reviewed for impairment when there is an indication that the carrying value of these assets may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the profit and loss account.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (called cash-generating units).

Iron Ore Project

The Group's Iron Ore Project comprising of Sino Iron Project in Australia and its associated marketing operation in Singapore and the shipping operation is considered as a separate cash generating unit. Whenever events or circumstances indicate an impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Projects have suffered any impairment. The recoverable amount of the Iron Ore Project is determined based on fair value less costs to sell which is based on cashflow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Assumptions about selling prices, operating costs, exchange rates and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

2 Critical accounting estimates and judgements (continued)

(iii) Impairment of assets (continued)

Property, plant and equipment

The Group reviews property, plant and equipment, other than those of the Iron Ore Project, for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate. For the purpose of assessing impairment of the Group's significant investments in special steel production facilities, assets are grouped at the lowest levels for which these are separately identifiable cash inflows (called cash–generating units).

Properties under development

The Group writes down properties under development to their recoverable amount based on the assessment of recoverability which takes into account cost to completion based on past experience and cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate. Write downs are recorded where events or changes in circumstances indicate that the balances may not be fully recovered. The identification of write downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted to profit and loss account in the period in which such estimate is changed.

Joint ventures and associated companies

The Group regularly reviews investments in joint ventures and associated companies for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the intent and ability to hold to maturity or until forecasted recovery, the financial health, cash flow projections and future prospects of the companies.

Debtors, accounts receivable, deposits and prepayments

Debtors, accounts receivable, deposits and prepayments are assessed and impairment is provided based on regular review of the ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the impairment loss would affect the profit in future years.

(iv) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

2 Critical accounting estimates and judgements (continued)

(v) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in Note 1(z). Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's profit and net asset value.

(vi) Fair value of derivative financial instruments

The fair values of outstanding derivative financial instruments are based on independent valuations by Reval Inc., a derivative risk management and hedge accounting solutions firm, and are cross checked against fair values obtained from major financial institutions. Judgement is required in determining such valuations. Changes in the underlying assumptions could materially impact profit and loss or equity.

(vii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation that future taxable profit will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(viii) Metallurgical Corporation of China ("MCC") were appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia. The fixed price contract amount was US$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US$858 million to MCC Mining (Western Australia) Pty Ltd ("MCC WA"), its wholly owned subsidiary responsible for delivering MCC's obligations under the contract.

As at the date of this report MCC has not claimed any additional costs from the Company or its subsidiary companies, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US$5 million per day, with a cap of approximately US$530 million in total). As at balance sheet date the cumulative days delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

2 Critical accounting estimates and judgements (continued)

(viii) (continued)

No amounts have been recognised as either receivable from or payable to MCC or its subsidiaries in the financial statements, pending the completion of the contract and settlement of any potential outstanding claims by either party. As set out in the announcement of the Company dated 24 December 2013 (the "Announcement"), Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron project, and an independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings, Sino Iron and MCC WA expect to enter into further negotiations on the project settlement accounts to determine the amount of liabilities to be borne between the parties. If these negotiations result in additional contracted amounts being agreed, this may impact on the carrying value of the project.

(ix) Sino Iron and Korean Steel, subsidiary companies of the Company, are party to Mining Right and Site Lease Agreements with Mineralogy Pty Ltd ("Mineralogy"). Those agreements provide their right to construct the Sino Iron project and take two billion tonnes of magnetite ore.

The Company is also a party to an Option Agreement with Mineralogy, pursuant to which the Company has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. After the Company exercises an option, Mineralogy has an obligation under the Option Agreement to nominate a company having the right to extract the one billion tonnes under a Mining Right and Site Lease Agreement that is acceptable to the Company. Mineralogy nominated three companies, and subsequently withdraw two of those nominations.

The Company was of the view that none of the nominated companies satisfied the requirements of the Option Agreement. Mineralogy then alleged that the Option Agreement had been repudiated by the Company, that it accepted that repudiation and that the Option Agreement was at an end.

The Company (and its affected subsidiaries) have commenced proceedings in the Supreme Court of Western Australia seeking declarations that, among other things, the Option Agreement has not been repudiated, purported termination by Mineralogy was invalid and the Option Agreement remains in full force and effect. Following a recent change in its position in the Royalty Component B proceeding (discussed below), Mineralogy now also claims that the Option Agreement has terminated as a consequence of the alleged termination of the Mining Right and Site Lease Agreements.

The Mining Right and Site Lease Agreements provide that Sino Iron and Korean Steel must pay 'Royalty Component B' to Mineralogy, which is to be calculated by reference to certain iron ore price benchmarks. Those benchmarks no longer exist, and the Company's position is that this means that Royalty Component B is no longer able to be calculated using the formula in those Agreements. Mineralogy initially denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations concerning the calculation of Royalty Component B (among other things). However, Mineralogy recently accepted that Royalty Component B cannot be calculated and amended its pleadings to allege that the Mining Right and Site Lease Agreements have terminated due to the legal doctrine of frustration. Mineralogy seeks declarations that the Mining Right and Site Lease Agreements are no longer in force and that Sino Iron and Korean Steel no longer hold any rights to mine, process or export under the Mining Right and Site Lease Agreements, and orders restraining Sino Iron and Korean Steel from exercising such rights.

2 Critical accounting estimates and judgements (continued)

(ix) (continued)

The Company does not accept that the Mining Right and Site Lease Agreements have been terminated. Instead, the Company (and its affected subsidiaries) say that the provisions concerning Royalty Component B can be severed from the remainder of the Mining Right and Site Lease Agreements (which otherwise remain in force according to their terms). If Royalty Component B cannot be severed, then, in addition to other arguments, the Company contends that the parties to the Mining Right and Site Lease Agreements must negotiate a Royalty Component B formula in good faith, or alternatively, Sino Iron and Korean Steel must pay a fair and reasonable royalty to Mineralogy, such royalty to be determined by the court having regard to the circumstances.

The Company's subsidiaries have developed port infrastructure at Cape Preston to be used to export product from the Sino Iron Project. Mineralogy has commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it and that it is entitled to possession, control and ownership of that infrastructure. Mineralogy also seeks orders restraining the Company and its affected subsidiaries from obstructing it from exercising its alleged entitlements or occupying the port to the exclusion of Mineralogy. The Company and its affected subsidiaries deny that Mineralogy is entitled to such declarations.

The Federal Court of Australia recently dismissed an application by subsidiaries of the Company to set aside Mineralogy's designation as port operator for security purpose at the Port of Cape Preston. The Federal Court decision does not impact upon the Company's ability to export its products from Cape Preston. The Company has obtained all necessary approvals to export its products. Mineralogy's designation as port operator is for limited security purposes only, and it remains unable to perform that role unless it obtains further approvals. The Company intends to appeal the decision of the Federal Court.

These matters are ongoing. As many of the issues in dispute between the parties overlap, the timing and order in which the individual matters will be heard is still to be determined.

The Company intends to contest all claims vigorously. There have been no entries made to the financial statements in relation to these matters.

3 Turnover and Revenue

The principal activities of CITIC Pacific Limited are holding its subsidiary companies, joint ventures and associated companies (collectively the "Investee Companies"), and raising finance. Revenue generating activities of the Group are conducted through the subsidiary companies. The principal activities of the Investee Companies are set out in Note 43 to the financial statements.

Revenue of the Group comprises the total invoiced value of goods supplied net of government taxes where applicable, fees from services rendered to customers, gross proceeds from sale of properties, gross property rental and godown and cold storage income, chartered hire income and toll income analysed as follows:

	Group	
In HK$ million	**2013**	2012
Sale of goods	**80,360**	85,541
Services rendered to customers	**3,278**	3,084
Properties sales	**1,948**	2,824
Rental income	**1,039**	868
Toll income	**834**	812
Others	**582**	143
Continuing operations	**88,041**	93,272
Discontinued operations		
Telecommunications (note 35)	**523**	3,610
	88,564	96,882

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed in the following notes to the financial statements.

4 Other income and net gains

	Group	
In HK$ million	**2013**	2012
Other income		
Commission income, subsidy income, rebates and others	**1,079**	999
Dividend income from other financial assets		
– Listed shares	**5**	4
	1,084	1,003
Net exchange gain (note i)	**172**	51
Net gain from disposal/deemed disposal of joint ventures and associated companies	**367**	2,454
Net gain from disposal/deemed disposal of subsidiary companies	**922**	165
	1,289	2,619
	2,545	3,673

Notes:

(i) The net exchange gain of HK$172 million (2012: HK$51 million) above mainly represents the net exchange gain on revaluation of monetary items in foreign currencies.

5 Segment information

(a) Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities

	Year ended 31 December 2013													
			Property											
In HK$ million	Special Steel	Iron Ore	Mainland China	Hong Kong	Energy	Tunnels	Dah Chong Hong	CITIC Telecom	Other investments	Corporate	Change in fair value of investment properties	Continuing operations total	Discontinued operations: CITIC Telecom	Group total
Revenue Note (a)	41,332	389	2,807	302	34	834	42,261	-	82	-	-	88,041	523	88,564
Profit/(loss) from consolidated activities	2,724	(879)	1,366	248	60	563	1,608	-	(2)	(53)	1,709	7,344	2,071	9,415
Share of results of joint ventures	127	-	27	-	1,840	275	13	415	301	-	18	3,016	-	3,016
Share of results of associated companies	65	-	-	111	-	-	11	-	12	-	191	390	33	423
Finance income	56	2	176	-	19	4	19	-	-	273	-	549	-	549
Finance charges Note (b)	(901)	(1,323)	(163)	-	(2)	-	(232)	-	-	(676)	-	(3,297)	-	(3,297)
Group total	2,071	(2,200)	1,406	359	1,917	842	1,419	415	311	(456)	1,918	8,002	2,104	10,106
Segment allocations Note (c)	(8)	(1)	10	162	-	-	(163)	-	-	-	-	-	-	-
Segment profit/(loss)	2,063	(2,201)	1,416	521	1,917	842	1,256	415	311	(456)	1,918	8,002	2,104	10,106
Taxation	(193)	582	(412)	(38)	(95)	(93)	(338)	-	7	(139)	(259)	(978)	(2)	(980)
Non-controlling interests	(108)	-	41	-	-	(138)	(426)	-	-	-	(7)	(638)	(19)	(657)
	1,762	(1,619)	1,045	483	1,822	611	492	415	318	(595)	1,652	6,386	2,083	8,469
Profit attributable to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	(881)	-	(881)	-	(881)
Profit/(loss) attributable to ordinary shareholders of the Company	1,762	(1,619)	1,045	483	1,822	611	492	415	318	(1,476)	1,652	5,505	2,083	7,588
The following table set out information about the Group's depreciation, amortization and impairment loss by reportable segment:														
Depreciation	2,425	206	215	36	1	4	510	-	-	6	-	3,403	25	3,428
Amortization of leasehold land – operating lease	34	-	12	-	-	-	11	-	-	-	-	57	-	57
Amortization of intangible assets	-	1	-	-	-	120	47	-	-	-	-	168	-	168
Impairment losses	37	381	-	-	-	-	4	-	13	-	-	435	-	435

Notes:

(a) Companies making up each reportable segment are set out in note 43.

(b) Finance charges included inter company interest charged by Corporate.

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

5 Segment information (continued)

(a) Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities (continued)

	Year ended 31 December 2012												
			Property										
In HK$ million	Special Steel	Iron Ore	Mainland China	Hong Kong	Energy	Tunnels	Dah Chong Hong	Other investments	Corporate	Change in fair value of investment properties	Continuing operations total	Discontinued operations: CITIC Telecom	Group total
Revenue Note (a)	40,358	213	3,523	243	18	812	48,014	91	–	–	93,272	3,610	96,882
Profit/(loss) from consolidated activities	735	(700)	1,077	370	(34)	528	1,821	2,425	(323)	1,506	7,405	349	7,754
Share of results of joint ventures	270	–	271	–	1,294	247	12	51	–	–	2,145	1	2,146
Share of results of associated companies	59	–	–	264	–	–	(1)	18	–	350	690	190	880
Finance income	220	–	184	–	29	3	33	–	251	–	720	1	721
Finance charges Note (b)	(901)	(331)	(69)	–	–	–	(270)	–	(291)	–	(1,862)	(3)	(1,865)
Group total	383	(1,031)	1,463	634	1,289	778	1,595	2,494	(363)	1,856	9,098	538	9,636
Segment allocations Note (c)	(7)	(1)	13	126	–	–	(131)	–	–	–	–	–	–
Segment profit/(loss)	376	(1,032)	1,476	760	1,289	778	1,464	2,494	(363)	1,856	9,098	538	9,636
Taxation	(52)	251	(603)	(26)	(153)	(87)	(522)	205	(73)	(287)	(1,347)	(41)	(1,388)
Non-controlling interests	(113)	–	38	–	–	(130)	(406)	–	–	(22)	(633)	(198)	(831)
	211	(781)	911	734	1,136	561	536	2,699	(436)	1,547	7,118	299	7,417
Profit attributable to holders of perpetual capital securities	–	–	–	–	–	–	–	–	(463)	–	(463)	–	(463)
Profit/(loss) attributable to ordinary shareholders of the Company	211	(781)	911	734	1,136	561	536	2,699	(899)	1,547	6,655	299	6,954
The following table set out information about the Group's depreciation, amortization and impairment loss by reportable segment:													
Depreciation	1,880	141	207	31	1	5	462	1	4	–	2,732	138	2,870
Amortization of leasehold land – operating lease	30	–	12	–	–	–	10	–	–	–	52	–	52
Amortization of intangible assets	–	4	1	–	–	117	40	–	–	–	162	14	176
Impairment losses	6	64	–	–	–	–	51	45	–	–	166	7	173

Notes:

(a) Companies making up each reportable segment are set out in note 43.

(b) Finance charges included inter company interest charged by Corporate.

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

5 Segment information (continued)

(b) Assets and liabilities

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

	Year ended 31 December 2013												
			Property									Discontinued	Segment
											Continuing	operations–	assets/
	Special		Mainland				Dah Chong	CITIC	Other		operation	CITIC	(liabilities)
In HK$ million	Steel	Iron Ore	China	Hong Kong	Energy	Tunnels	Hong	Telecom	investments	Corporate	total	Telecom	total
Segment assets#	57,709	88,134	40,328	10,116	2,304	923	20,977	–	280	16,693	237,464	–	237,464
Investments in joint ventures	308	–	5,798	–	7,480	1,260	426	3,893	3,482	–	22,647	–	22,647
Investments in associated companies	412	–	–	7,002	–	–	224	–	30	–	7,668	–	7,668
Total assets	58,429	88,134	46,126	17,118	9,784	2,183	21,627	3,893	3,792	16,693	267,779	–	267,779
Segment liabilities#													
– others	(13,465)	(5,249)	(11,422)	(702)	(484)	(123)	(4,830)	–	(26)	(2,435)	(38,736)	–	(38,736)
– external borrowings	(13,346)	(30,379)	(776)	–	–	–	(7,424)	–	–	(68,805)	(120,730)	–	(120,730)
Total net assets	31,618	52,506	33,928	16,416	9,300	2,060	9,373	3,893	3,766	(54,547)	108,313	–	108,313
Additions of non-current assets[1] (other than financial instruments and deferred tax assets)	2,773	9,142	3,418	143	1	–	1,178	–	–	9	16,664	–	16,664

	Year ended 31 December 2012											
			Property								Discontinued	Segment
										Continuing	operations–	assets/
	Special		Mainland				Dah Chong	Other		operation	CITIC	(liabilities)
In HK$ million	Steel	Iron Ore	China	Hong Kong	Energy	Tunnels	Hong	investments	Corporate	total	Telecom total	total
Segment assets#	52,421	81,577	34,459	8,671	2,960	942	19,816	411	14,454	215,711	3,733	219,444
Investments in joint ventures	2,866	–	6,164	–	6,756	1,266	254	3,137	–	20,443	–	20,443
Investments in associated companies	335	–	–	6,902	–	–	236	26	–	7,499	–	7,499
Total assets	55,622	81,577	40,623	15,573	9,716	2,208	20,306	3,574	14,454	243,653	3,733	247,386
Segment liabilities#												
– others	(12,096)	(8,551)	(7,516)	(325)	(398)	(144)	(4,993)	(66)	(3,542)	(37,631)	(1,260)	(38,891)
– external borrowings	(13,962)	(31,842)	(950)	–	(25)	–	(6,409)	–	(63,441)	(116,629)	–	(116,629)
Total net assets	29,564	41,184	32,157	15,248	9,293	2,064	8,904	3,508	(52,529)	89,393	2,473	91,866
Additions of non-current assets[1] (other than financial instruments and deferred tax assets)	4,256	15,278	3,213	–	219	1	1,077	–	–	24,044	362	24,406

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

[1] Non-current assets are amounts expected to be recovered more than twelve months after the year end.

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

5 Segment information (continued)

(c) Geographic information

An analysis of the Group's revenue and non-current assets by geographical area are as follows:

	Revenue		Non-current assets	
In HK$ million	**2013**	2012	**2013**	2012
Hong Kong	**11,163**	10,123	**22,173**	20,287
Mainland China	**67,055**	75,255	**85,516**	79,194
Australia	**41**	44	**85,734**	77,915
Other countries	**9,782**	7,850	**464**	561
	88,041	93,272	**193,887**	177,957

6 Profit from consolidated activities

	Group	
In HK$ million	**2013**	2012
The profit from consolidated activities is arrived at after crediting:		
Rental income from:		
(i) Investment properties		
– gross income	**975**	878
– less: direct outgoings	**(90)**	(79)
	885	799
(ii) Other operating leases	**579**	384

6 Profit from consolidated activities (continued)

In HK$ million	Group 2013	2012
and after charging:		
Continuing operations		
Cost of inventories/properties sold	**72,327**	71,846
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	**4,560**	4,091
Depreciation of property, plant and equipment (note 5(a))	**3,403**	2,732
Amortisation of leasehold land – operating lease (note 5(a))	**57**	52
Amortisation of intangible assets (note 5(a))	**168**	162
Contributions to staff retirement schemes	**414**	338
Other operating expenses	**4,523**	4,315
Auditor's remuneration	**56**	65
Impairment losses provision on (note 5(a))		
Joint venture	**–**	30
Other financial assets	**13**	15
Property, plant and equipment	**378**	98
Trade and other receivables	**44**	23
Operating lease rentals		
Land and buildings	**535**	500
Discontinued operations		
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	**–**	338
Depreciation of property, plant and equipment (note 5(a))	**25**	138
Amortisation of intangible assets (note 5(a))	**–**	14
Auditor's remuneration	**–**	4
Contributions to staff retirement schemes	**–**	15
Impairment losses provision on (note 5(a))		
Trade and other receivables	**–**	7

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

In HK$ million	Group 2013	2012
Within 1 year	**1,219**	979
After 1 year but within 5 years	**1,041**	1,057
After 5 years	**74**	158
	2,334	2,194

Included in the total above is mainly rental income from investment properties and charter hire for vessels, where the latter is based on the hire rate at inception date. Actual charter hire income is based on the market's shipping indices.

7 Net finance charges

In HK$ million	Group 2013	2012
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	**2,175**	2,305
Bank loans not wholly repayable within five years	**1,820**	1,930
Other loans wholly repayable within five years	**714**	111
Other loans not wholly repayable within five years	**1,038**	882
	5,747	5,228
Amount capitalised	**(2,471)**	(3,513)
	3,276	1,715
Other finance charges	**164**	135
Other financial instruments		
Fair value loss	**6**	38
Ineffectiveness on cash flow hedges	**(149)**	(26)
	3,297	1,862
Finance income		
Interest income	**(549)**	(720)
	2,748	1,142

The capitalisation rates applied to funds borrowed are between 3.0% and 5.4% per annum (2012: 2.5% and 5.3% per annum).

8 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Tax outside Hong Kong is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

(a)

	Group	
In HK$ million	**2013**	2012
Continuing operations		
Current taxation		
Hong Kong profits tax	**372**	220
Tax outside Hong Kong	**1,013**	1,251
Deferred taxation (Note 33)		
Changes in fair value of investment properties	**265**	284
Origination and reversal of other temporary differences	**(659)**	(408)
Effect of tax rate changes	**(13)**	–
	978	1,347
Discontinued operations		
Current taxation		
Hong Kong profits tax	**4**	55
Tax outside Hong Kong	**–**	1
Deferred taxation (Note 33)		
Origination and reversal of other temporary differences	**(2)**	(15)
	2	41

(b) Aggregate current and deferred tax relating to items (debited)/credited to other comprehensive income:

	Group	
In HK$ million	**2013**	2012
Hedging reserve:		
Deferred tax relating to mining assets and others	**(132)**	455
Other reserve:		
Deferred tax relating to revaluation of investment properties and valuation of other properties	**(11)**	–
	(143)	455

8 Taxation (continued)

Taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
In HK$ million	**2013**	2012
Profit before taxation	**8,002**	9,098
Less: share of results of		
– joint ventures	**(3,016)**	(2,145)
– associated companies	**(390)**	(690)
	4,596	6,263
Calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**759**	1,033
Effect of different taxation rates in other jurisdictions	**(14)**	138
Effect of non-taxable income and non-deductible expenses	**(291)**	(416)
Utilisation of tax losses previously unrecognised net of tax losses not recognised	**103**	245
(Over)/Under provision in prior years	**(18)**	30
Effect of tax rate changes	**(13)**	-
Withholding tax on interest income and undistributed profits of certain PRC operations	**222**	223
Others	**230**	94
Taxation	**978**	1,347

9 Profit attributable to shareholders of the Company

The Group's profit attributable to shareholders of the Company is recorded in the financial statements of the Company to the extent of a profit of HK$1,459 million (2012: HK$4,692 million).

10 Dividends

In HK$ million	**2013**	2012
2012 Final dividend paid: HK$0.30 (2011: HK$0.30) per share	**1,095**	1,095
Interim		
2013 Interim dividend paid: HK$0.10 (2012: HK$0.15) per share	**365**	547
Final		
2013 Final dividend proposed: HK$0.25 (2012: HK$0.30) per share	**912**	1,095
	1,277	1,642
Dividend per share (HK$)	**0.35**	0.45

11 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company of HK$7,588 million (2012: HK$6,954 million). The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of the Company adjusted for the effect of the conversion of dilutive potential ordinary shares of subsidiary companies, the effect of which is not material to the Group.

The basic earnings per share is based on the number of 3,649,444,160 shares in issue during the year (2012: weighted average number of 3,649,444,160 shares). The diluted earnings per share for 2013 is the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of options because the exercise price was above the average market price of the Company's shares for the year ended 31 December 2013.

12 Directors' emoluments

The remuneration of each director for the year ended 31 December 2013 is set out below:

In HK$ million **Name of director**	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	**2013 Total**	2012 Total
Chang Zhenming#	–	1.23	0.80	–	**2.03**	2.23
Zhang Jijing#	–	4.28	1.33	0.02	**5.63**	5.53
Vernon Francis Moore#	–	5.47	6.19	0.02	**11.68**	11.78
Liu Jifu#	–	1.77	4.21	0.01	**5.99**	6.12
André Desmarais	0.35	–	–	–	**0.35**	0.35
Ju Weimin	0.35	–	–	–	**0.35**	0.35
Yin Ke	0.45	–	–	–	**0.45**	0.63
Carl Yung Ming Jie	0.35	–	–	–	**0.35**	5.37
Alexander Reid Hamilton	0.55	–	–	–	**0.55**	0.55
Gregory Lynn Curl	0.45	–	–	–	**0.45**	0.44
Francis Siu Wai Keung	0.60	–	–	–	**0.60**	0.60
Xu Jinwu	0.35	–	–	–	**0.35**	–
Steve Kwok Man Leung	–	–	–	–	**–**	10.65
Milton Law Ming To	–	–	–	–	**–**	10.42
	3.45	12.75	12.53	0.05	**28.78**	55.02

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

13 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2012: three) is director whose emoluments are disclosed in note 12.

The aggregate emoluments in respect of the other four individuals (2012: two) are as follows:

In HK$ million	**2013**	2012
Salaries and other emoluments	**16.20**	5.63
Discretionary bonuses	**28.83**	14.97
Retirement scheme contribution	**1.13**	0.54
Share based payment	**2.98**	2.26
	49.14	23.40

The numbers of the four (2012: two) individuals with emoluments within the following bands were:

	2013	2012
HK$8,000,001 – HK$9,000,000	**–**	1
HK$10,000,001 – HK$11,000,000	**2**	–
HK$11,000,001 – HK$12,000,000	**1**	–
HK$14,000,001 – HK$15,000,000	**–**	1
HK$17,000,001 – HK$18,000,000	**1**	–

14 Retirement benefits

Hong Kong employees are offered the option to enrol in one of the MPF Master Trust Schemes under the CITIC Group MPF Scheme – the Fidelity Retirement Master Trust, the Hang Seng Mandatory Provident Fund and the Allianz Global Investors (previously RCM) Mandatory Provident Fund. All these master trust schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in mainland China and other locations are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities and contributions are made according to the local mandatory requirements.

15 Fixed assets and properties under development

(a) Group

	Fixed assets								
	Property, plant and equipment								
In HK$ million	Leasehold land – finance leases and self-use properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land – operating leases (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 1 January 2013	19,694	29,729	52,590	12,631	114,644	16,359	2,798	8,874	142,675
Exchange adjustments	409	894	111	149	1,563	241	91	210	2,105
Additions (note (vii))	295	1,245	5,842	889	8,271	–	99	3,447	11,817
Acquisition of subsidiary companies	1,116	3,470	51	156	4,793	–	40	–	4,833
Disposals	(70)	(261)	(66)	(485)	(882)	(47)	(30)	(108)	(1,067)
Change in fair value of investment properties	–	–	–	–	–	1,709	–	–	1,709
Transfer upon completion	1,115	1,118	(2,372)	780	641	–	34	(675)	–
Net transfer to investment properties/properties under development classified under current assets/inventories/other assets held for sale	(137)	54	(4)	(126)	(213)	(3,330)	(40)	(814)	(4,397)
Transfer to properties held for sale	(29)	–	–	–	(29)	–	–	–	(29)
Transfer from non-current deposits	–	–	448	–	448	–	–	–	448
Adjustment	(12)	14	(102)	(4)	(104)	–	–	–	(104)
At 31 December 2013	22,381	36,263	56,498	13,990	129,132	14,932	2,992	10,934	157,990
Accumulated depreciation, amortisation and impairment losses									
At 1 January 2013	3,106	7,702	337	3,054	14,199	–	274	162	14,635
Exchange adjustments	74	281	–	53	408	–	27	(7)	428
Acquisition of subsidiary companies	217	1,164	–	128	1,509	–	3	–	1,512
Charge for the year	508	1,979	–	916	3,403	–	57	–	3,460
Depreciation capitalised to construction in progress	64	228	–	43	335	–	3	–	338
Written back on disposals	(26)	(132)	–	(223)	(381)	–	(5)	–	(386)
(Reversal of)/provision for impairment loss	–	(2)	381	(1)	378	–	–	–	378
Transfer to investment properties/current assets	(41)	–	–	(52)	(93)	–	–	–	(93)
Adjustment	(1)	(87)	–	(18)	(106)	–	–	–	(106)
At 31 December 2013	3,901	11,133	718	3,900	19,652	–	359	155	20,166
Net book value									
At 31 December 2013	18,480	25,130	55,780	10,090	109,480	14,932	2,633	10,779	137,824
Represented by									
Cost	22,381	36,263	56,498	13,990	129,132	–	2,992	10,934	143,058
Valuation	–	–	–	–	–	14,932	–	–	14,932
	22,381	36,263	56,498	13,990	129,132	14,932	2,992	10,934	157,990

15 Fixed assets and properties under development (continued)

(a) Group (continued)

	Fixed assets								
	Property, plant and equipment								
In HK$ million	Leasehold land – finance leases and self-use properties (Note ii)	Plant and machinery (Note ii)	Construction in progress (Note i, ii & iii)	Others (Note iv)	Sub-total	Investment properties	Leasehold land – operating leases (Note v)	Properties under development (Note i, ii & v)	Total
Cost or valuation									
At 1 January 2012	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916
Exchange adjustments	6	(14)	(5)	14	1	(52)	3	(4)	(52)
Additions (note (vii))	190	324	14,246	834	15,594	–	286	1,711	17,591
Acquisition of subsidiary companies	–	–	–	58	58	–	–	1,536	1,594
Cost adjustment	–	–	–	–	–	(36)	–	–	(36)
Disposals	(124)	(588)	(171)	(319)	(1,202)	(61)	(5)	–	(1,268)
Change in fair value of investment properties	–	–	–	–	–	1,506	–	–	1,506
Transfer upon completion	6,107	6,592	(12,936)	280	43	–	–	(43)	–
Transfer to investment properties/properties under development classified under current assets/inventories	10	–	–	(32)	(22)	(284)	–	(1,098)	(1,404)
Transfer from non-current deposits	–	–	880	3,738	4,618	–	–	–	4,618
Transfer to assets of disposal group classified as held for sale	(161)	–	(134)	(1,441)	(1,736)	–	–	–	(1,736)
Adjustment	(4)	(57)	(2)	(7)	(70)	16	18	(18)	(54)
At 31 December 2012	19,694	29,729	52,590	12,631	114,644	16,359	2,798	8,874	142,675
Accumulated depreciation, amortisation and impairment losses									
At 1 January 2012	2,386	6,304	273	3,265	12,228	–	219	162	12,609
Exchange adjustments	3	3	–	10	16	–	1	–	17
Acquisition of subsidiary companies	–	–	–	8	8	–	–	–	8
Charge for the year	445	1,518	–	907	2, 870	–	52	–	2,922
Depreciation capitalised to construction in progress	314	159		34	507	–	–	–	507
Written back on disposals	(16)	(279)	–	(147)	(442)	–	2	–	(440)
Impairment loss	–	1	64	33	98	–	–	–	98
Transfer to investment properties/current assets	(14)	–	–	(26)	(40)	–	–	–	(40)
Transfer to assets of disposal group classified as held for sale	(13)	–	–	(979)	(992)	–	–	–	(992)
Adjustment	1	(4)	–	(51)	(54)	–	–	–	(54)
At 31 December 2012	3,106	7,702	337	3,054	14,199	–	274	162	14,635
Net book value									
At 31 December 2012	16,588	22,027	52,253	9,577	100,445	16,359	2,524	8,712	128,040
Represented by									
Cost	19,694	29,729	52,590	12,631	114,644	–	2,798	8,874	126,316
Valuation	–	–	–	–	–	16,359	–	–	16,359
	19,694	29,729	52,590	12,631	114,644	16,359	2,798	8,874	142,675

15 Fixed assets and properties under development (continued)

(a) Group (continued)

Notes:

(i) During the year, interest capitalised in properties under development and construction in progress amounted to HK$360 million (2012: HK$375 million) and HK$2,111 million (2012: HK$3,101 million) respectively.

(ii) As at 31 December 2013, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$57,164 million (2012: HK$54,384 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

(iii) As at 31 December 2013, construction in progress is comprised of the development of an iron ore mine in Western Australia amounted to HK$53,057 million (2012: HK$48,760 million), expansion of the Group's special steel mills amounted to HK$3,188 million (2012: HK$3,497 million) and others of HK$253 million (2012: HK$333 million).

(iv) Other property, plant and equipment mainly comprise vessels, hotels, traffic equipment, cargo lighters, computer installations, motor vehicles and furniture, fixtures and equipment.

(v) As at 31 December 2013 and 2012, certain of the Group's properties under development were in the process of applying for certificates of land use rights in the PRC.

(vi) Commitments of the Group in respect of additions to fixed assets and properties under development:

In HK$ million	**2013**	2012
Authorised but not contracted for		
property, plant and equipment, properties under development and leasehold land classified as operating leases	**1,056**	1,635
Contracted but not provided for		
property, plant and equipment, properties under development and leasehold land classified as operating leases	**4,850**	5,898

(vii) Additions to fixed assets and properties under development by operating segment:

In HK$ million	**2013**	2012
Special steel	**2,119**	3,711
Iron ore	**5,060**	10,902
Property	**3,558**	1,741
Tunnels	**–**	1
Dah Chong Hong	**1,069**	1,051
CITIC Telecom	**–**	173
Other investments	**11**	12
	11,817	17,591

15 Fixed assets and properties under development (continued)

(a) Group (continued)

Notes: (continued)

(viii) Additions to fixed assets and properties under development by geographical area:

In HK$ million	**2013**	2012
Mainland China	**6,355**	6,226
Hong Kong	**278**	355
Overseas	**5,184**	11,010
	11,817	17,591

(b) Company

	Motor vehicles, equipment, furniture and fixtures	
In HK$ million	**2013**	2012
Cost		
At 1 January	**118**	110
Additions	**9**	11
Disposals	**(6)**	(3)
At 31 December	**121**	118
Accumulated depreciation		
At 1 January	**101**	100
Charge for the year	**6**	4
Written back on disposals	**(6)**	(3)
At 31 December	**101**	101
Net book value, at cost		
At 31 December	**20**	17

15 Fixed assets and properties under development (continued)

(c) The tenure of the properties of the Group is as follows:

In HK$ million	Leasehold land – finance leases and self-use properties		Investment properties		Properties under development (note)		Leasehold land – operating leases		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Leasehold properties held										
In Hong Kong										
– Leases of over 50 years	**76**	37	**500**	581	**–**	–	**–**	–	**576**	618
– Leases of between 10 to 50 years	**1,797**	1,832	**4,187**	6,355	**720**	502	**–**	–	**6,704**	8,689
– Leases of less than 10 years	**76**	12	**–**	–	**–**	–	**–**	–	**76**	12
In mainland China										
– Leases of over 50 years	**131**	127	**2,191**	2,029	**7,686**	2,928	**25**	527	**10,033**	5,611
– Leases of between 10 to 50 years	**15,474**	12,844	**7,799**	7,036	**2,528**	5,444	**2,957**	2,261	**28,758**	27,585
– Leases of less than 10 years	**276**	185	**–**	–	**–**	–	**–**	–	**276**	185
Properties held overseas										
– Freehold	**1,030**	233	**255**	358	**–**	–	**–**	–	**1,285**	591
– Leases of between 10 to 50 years	**3,521**	4,424	**–**	–	**–**	–	**10**	10	**3,531**	4,434
	22,381	19,694	**14,932**	16,359	**10,934**	8,874	**2,992**	2,798	**51,239**	47,725

Note: The total amount includes properties under development for sale classified as non-current assets of HK$9,353 million (2012: HK$6,725 million) and the remaining balance represents properties under development for own use.

(d) (i) **Property valuation**

Investment properties were revalued at 31 December 2013 by the following independent, professionally qualified valuers. The management had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

Properties located in	Valuers
– Hong Kong and Mainland China	Knight Frank Petty Limited
– Japan	Network Real Estate Appraisal Co Ltd

(ii) **Fair value hierarchy**

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

15 Fixed assets and properties under development (continued)

(d) (ii) Fair value hierarchy (continued)

In HK$ million	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into Level 1	Level 2	Level 3
Group				
Recurring fair value measurement				
Investment properties				
Hong Kong				
At 1 January 2013	6,939	–	–	6,939
Change in fair value of investment properties	1,268	–	–	1,268
Transfer to other assets held for sale	(3,631)	–	–	(3,631)
Transfer from self-use properties (Note (i))	111	–	–	111
At 31 December 2013	4,687			4,687
Japan				
At 1 January 2013	355	–	–	355
Exchange adjustments	(60)	–	–	(60)
Disposal	(47)	–	–	(47)
Change in fair value of investment properties	7	–	–	7
At 31 December 2013	255			255
Mainland China				
At 1 January 2013	9,065	–	–	9,065
Exchange adjustments	301	–	–	301
Change in fair value of investment properties	434	–	–	434
Transfer from self-use properties (Note (i))	190	–	–	190
At 31 December 2013	9,990			9,990

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes :

(i) Being transfer from land and building held for own use to investment property , the difference between the fair value and carrying amount at the date of transfer of HK$111 million for certain investment properties in Hong Kong and HK$190 million for an investment property in Mainland China was included in "surplus on revaluation of properties transferred from self-use properties to investment properties" in other comprehensive income.

15 Fixed assets and properties under development (continued)

(d) (iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Hong Kong and certain investment properties located in Mainland China is determined by using income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

The fair value of certain investment properties located in Mainland China is determined by using depreciated replacement cost approach. Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain investment properties located in Japan is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality.

The fair value of certain investment properties located in Japan is determined by using direct comparison approach with reference to the market price of comparable properties and adjusted for building quality and timing of the reference transactions.

The unobservable inputs are summarized as follows:

Categories	Valuation Techniques	Unobservable Input	Note	Range
Investment properties:				
Hong Kong	Income Capitalisation Approach	Capitalisation rate	(1)	2.35% – 7.30%
		Average unit market rent per month	(2)	HK$6.6 – HK$225.0/sq.ft
Japan	Discounted Cash Flow Approach	Capitalisation rate	(1)	6.3% – 6.6%
		Discount rate	(1)	6.0% – 6.2%
	Direct Comparison Approach	Property-specific adjusting rate	(2)	0.9 – 1.2
Mainland China	Income Capitalisation Approach	Capitalisation rate	(1)	3.75% – 10.00%
		Average unit market rent per month	(2)	RMB9.3 – RMB857.5/sq.m
	Depreciated Replacement Cost Approach	Construction cost	(2)	RMB204 – RMB502/sq.m
		Average unit price of land	(2)	RMB284 – RMB387/sq.m

15 Fixed assets and properties under development (continued)

(d) (iii) Valuation techniques and inputs used in Level 3 fair value measurements (continued)

Note: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(1) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(2) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

(e) Fixed assets and properties held for sale under current assets of the Group let under operating leases to generate rental income are as follows:

In HK$ million	Investment properties	Leasehold land – finance leases and self-use properties	Other fixed assets	Fixed assets total	Properties held for sale
Cost or valuation	**14,932**	**11**	**397**	**15,340**	**–**
Accumulated depreciation/ impairment losses	**–**	**(4)**	**(193)**	**(197)**	**–**
Net book value at 31 December 2013	**14,932**	**7**	**204**	**15,143**	**–**
Depreciation charges/ amortisation charges for the year	**–**	**–**	**60**	**60**	**–**
Cost or valuation	16,359	638	361	17,358	1,652
Accumulated depreciation/ impairment losses	–	(197)	(179)	(376)	–
Net book value at 31 December 2012	16,359	441	182	16,982	1,652
Depreciation charges/ amortisation charges for the year	–	20	49	69	–

16 Subsidiary companies

In HK$ million	Company 2013	2012
Non-current		
Unlisted shares, at cost less impairment losses	**1,086**	1,996
Amounts due from subsidiary companies (Note)	**110,067**	96,944
	111,153	98,940
Current		
Amounts due from subsidiary companies (Note)[1]	**5,069**	6,127
Amounts due to subsidiary companies (Note)[1]	**(6,174)**	(6,528)
	(1,105)	(401)

Particulars of the principal subsidiary companies are shown in Note 43.

Note: Amounts due from/to subsidiary companies are unsecured and interest bearing at market rates except for amounts due from subsidiary companies of approximately HK$40,635 million (2012: HK$42,423 million) and amounts due to subsidiary companies of approximately HK$6,147 million (2012: HK$6,495 million), which are non-interest bearing. The non-current amounts due from subsidiary companies are not repayable within 12 months from the balance sheet date, and the current amounts due from/to subsidiary companies have no fixed repayment terms. The amounts were not in default or impaired except for a provision for impairment loss of HK$Nil million which was made in 2013 (2012: HK$274 million).

[1] These amounts approximate their fair value.

The following table lists out the information relating to Daye Special Steel Company Limited and Dah Chong Hong Holdings Limited, the subsidiary companies of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Daye Special Steel Company Limited		Dah Chong Hong Holdings Limited	
In HK$ million	**2013**	2012	**2013**	2012
NCI percentage	**41.87%**	41.87%	**44.39%**	44.32%
Current assets	**2,454**	1,975	**15,162**	14,272
Non-current assets	**3,272**	3,321	**6,465**	6,034
Current liabilities	**(1,536)**	(1,528)	**(10,195)**	(8,218)
Non-current liabilities	**(197)**	(145)	**(2,059)**	(3,184)
	3,993	3,623	**9,373**	8,904
Equity attributable to				
-Ordinary shareholders	**3,993**	3,623	**8,994**	8,511
-NCI	**–**	–	**379**	393
	3,993	3,623	**9,373**	8,904
Carrying amount of NCI	**1,672**	1,517	**4,372**	4,167
Revenue	**9,460**	10,017	**42,261**	48,014
Profit for the year	**256**	269	**934#**	1,010#
Total comprehensive income	**256**	269	**1,000**	1,002
Profit attributable to NCI	**107**	113	**433**	428
Dividend paid to NCI	**–**	(93)	**(173)**	(235)
Cash flows from/ (used in) operating activities	**89**	126	**(512)**	1,253
Cash flows used in investing activities	**(101)**	(297)	**(848)**	(354)
Cash flows from/ (used in) financing activities	**23**	(159)	**303**	(321)

Including profit on change in fair value of investment properties.

17 Joint ventures

In HK$ million	Group 2013	2012
Share of net assets	**17,929**	15,359
Goodwill and intangible assets		
At 1 January	**1,931**	2,011
Addition	**1,350**	–
Exchange adjustment	**59**	–
Amortisation	**(68)**	(51)
Transfer to assets of disposal group classified as held for sale	**–**	(29)
At 31 December	**3,272**	1,931
	21,201	17,290
Loans due from joint ventures (Note (b))	**1,446**	3,153
	22,647	20,443

In HK$ million	Company 2013	2012
Unlisted shares, at cost	**4,244**	4,244
Less: Impairment loss on investment	**(30)**	(30)
Loans due from joint ventures (Note (b))	**594**	913
	4,808	5,127

Note:

(a) Joint ventures include the Western Harbour Tunnel Company Limited ("WHTCL") whose year end is 31 July which is not coterminous with the Group's year end. The results of certain joint ventures (including WHTCL) have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2013 and 2012.

(b) Loans due from joint ventures are interest bearing at market rates except for loans due from joint ventures of approximately HK$568 million (2012: HK$930 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired, and the carrying amounts approximate their fair value.

(c) Summaried financial information of material joint ventures are disclosed below:

17 Joint ventures (continued)

Note: (continued)

In HK$ million	Jiangsu Lingang Electric Power Company Ltd		Jiangyin Ligang Electric Power Generator Company Ltd		上海瑞明置業有限公司		上海瑞博置業有限公司		中船置業有限公司		山東新巨龍能源有限公司		CITIC Telecom International Holdings Limited#	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gross amounts of the joint venture's														
Current assets	2,312	3,027	1,730	2,132	2,013	5,806	8,090	8,488	6,327	5,900	1,351	1,355	2,727	–
Non-current assets	1,443	1,247	12,438	11,184	3,524	134	10	7	4	3	7,074	7,061	13,715	–
Current liabilities	(1,134)	(1,867)	(6,512)	(5,534)	(2,020)	(1,979)	(4,809)	(4,686)	(1,795)	(1,534)	(3,306)	(3,917)	(2,174)	–
Non-current liabilities	(25)	(11)	(4,259)	(5,502)	–	–	–	(682)	(1,228)	(1,196)	(1,528)	(1,030)	(8,080)	–
Equity attributable to														
– ordinary shareholders	2,596	2,396	3,244	2,280	3,517	3,961	3,291	3,127	3,308	3,173	3,591	3,469	6,163	–
– NCI	–	–	153	–	–	–	–	–	–	–	–	–	25	–
Included in the above assets and liabilities:														
Cash and cash equivalents	76	449	226	637	833	1,771	3,489	4,444	1,405	1,485	24	73	856	–
Current financial liabilities (excluding trade and other payables and provisions)	(291)	(555)	(1,118)	(678)	–	–	–	–	–	–	(2,284)	(3,135)	(100)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(25)	(11)	(4,259)	(5,502)	–	–	–	(682)	(1,228)	(1,196)	(764)	(419)	(7,617)	–
Revenue	3,634	3,796	10,901	9,014	217	1,220	1	–	–	–	7,008	7,069	6,019	–
Post-tax profit/(loss) from continuing operations	693	559	1,379	502	(45)	562	64	28	35	2	1,660	1,734	1,070	–
Post-tax profit or loss from discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	4	–
Total comprehensive income	693	559	1,379	502	(45)	562	64	28	35	2	1,660	1,734	1,074	–
Included in the above profit:														
Depreciation and amortisation	(76)	(59)	(669)	(643)	(128)	(1)	–	–	–	–	(813)	(416)	(417)	–
Interest income	3	7	4	16	33	126	107	74	49	4	1	1	9	–
Interest expense	(3)	(15)	(291)	(411)	–	–	–	–	–	–	(170)	(276)	(444)	–
Income tax (expense)/credit	(237)	(187)	(462)	(137)	15	(210)	(21)	(9)	(12)	–	(559)	(655)	(131)	–
Reconciled to the Group's interest in the joint ventures														
Gross amounts of net assets of the joint ventures attributable to ordinary shareholder	2,596	2,396	3,244	2,280	3,517	3,961	3,291	3,127	3,308	3,173	3,591	3,469	6,163	–
Group's effective interest	65.05%	65.05%	71.35%	71.35%	50%	50%	50%	50%	50%	50%	30%	30%	41.42%#	N/A
Group's share of net assets of the joint ventures	1,689	1,559	2,315	1,627	1,759	1,981	1,646	1,564	1,654	1,587	1,077	1,041	2,553	–
Goodwill and intangible assets	82	79	–	–	–	–	–	–	–	–	1,543	1,558	1,350	–
Loans from joint ventures	–	–	278	581	–	–	–	328	597	579	–	–	–	–
Others	(7)	17	65	113	16	–	37	38	89	88	2	1	(10)	–
Carrying amount in the consolidated financial statements	1,764	1,655	2,658	2,321	1,775	1,981	1,683	1,930	2,340	2,254	2,622	2,600	3,893	–
Dividend received from the joint ventures	367	163	353	440	258	1,105	–	–	–	–	480	674	105	–

CITIC Telecom is listed on the Main Board of the Stock Exchange of Hong Kong Limited. The fair value of the investment as at 31 December 2013 in HK$3,427 million.

Notes to the Financial Statements

17 Joint ventures (continued)

Note: (continued)

Aggregate information of joint ventures that are not individually material:

In HK$ million	**2013**	2012
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**5,912**	7,702
Aggregate amounts of the Group's share of those joint ventures:		
Post-tax profit from continuing operations	**613**	607
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**37**	(42)
Total comprehensive income	**650**	563

In HK$ million	**2013**	2012
Share of joint ventures' capital commitments (Note (i))		
– authorised but not contracted for	**367**	455
– contracted but not provided for	**4,021**	1,182

Note:

(i) The Group has fully contributed its attributable portion of capital and loans to the respective joint ventures.

(ii) There are no material contingent liabilities for 2013 and 2012 to be shared by the Group.

(d) Particulars of the principal joint ventures are shown in Note 43.

18 Associated companies

In HK$ million	Group 2013	2012
Share of net assets	**5,610**	5,282
Goodwill		
At 1 January	**–**	65
Transfer to assets of disposal group classified as held for sale	**–**	(65)
At 31 December	**–**	–
Loans due from associated companies (Note (b))	**2,060**	2,224
Loans due to associated companies (Note (b))	**(2)**	(7)
	7,668	7,499
Investment at cost:		
Unlisted shares	**2,658**	2,637

In HK$ million	Company 2013	2012
Investment at cost:		
Unlisted shares	**53**	53
Loans due from associated companies (Note (b))	**1,750**	1,833
Loans due to associated companies (Note (b))	**(2)**	(7)
	1,801	1,879

Dividend income from associated companies during the year is as follows:

In HK$ million	Group 2013	2012
Unlisted associated companies	**87**	198

Note:

(a) Associated companies include the Hong Kong Resort Company Limited ("HKR") whose year end is 31 March which is not coterminous with the Group's year end. The results of certain associated companies including HKR have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2013 and 2012.

(b) Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for loans due to associated companies of approximately HK$Nil (2012: HK$7 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired. The carrying amounts of the loans approximate their fair value.

(c) Particulars of the principal associated companies are shown in Note 43.

18 Associated companies (continued)

Summarised financial information of the material associated companies are disclosed below:

In HK$ million	Hong Kong Resort Company Limited 2013	2012	Goldon Investment Limted 2013	2012
Gross amounts of the associated company				
Current assets	**2,622**	2,708	**79**	79
Non-current assets	**3,442**	3,169	**9,300**	9,072
Current liabilities	**(868)**	(657)	**(108)**	(103)
Non-current liabilities	**(1,872)**	(2,027)	**(3,742)**	(3,914)
Equity	**3,324**	3,193	**5,529**	5,134
Revenue	**1,156**	1,557	**310**	301
Post-tax profit from continuing operations	**131**	564	**395**	1,106
Post-tax profit or loss from discontinued operations	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**131**	564	**395**	1,106
Dividend received from the associated companies	**–**	–	**–**	–
Reconciled to the Group's interest in the associated companies				
Gross amounts of net assets of the associated companies	**3,324**	3,193	**5,529**	5,134
Group's effective interest	**50%**	50%	**40%**	40%
Group's share of net assets of the associated companies	**1,662**	1,597	**2,212**	2,054
Goodwill	**–**	–	**–**	–
Loans due from associated companies	**468**	549	**–**	–
Others	**1,005**	1,027	**–**	–
Carrying amount in the consolidated financial statements	**3,135**	3,173	**2,212**	2,054

18 Associated companies (continued)

Aggregate information of associated companies that are not individually material:

In HK$ million	2013	2012
Aggregate carrying amount of individually immaterial associated companies in the consolidated financial statements	**2,321**	2,272
Aggregate amounts of the Group's share of those associated companies		
Post-tax profit/(loss) from continuing operations	**166**	(34)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	1
Total comprehensive income	**166**	(33)

In HK$ million	2013	2012
Aggregate Capital Commitment and Contingent Liabilities of all associated companies:		
Capital Commitments		
authorised but not contracted for	**78**	113
contracted but not provided for	**162**	396
Contingent liabilities	**123**	116

19 Other financial assets

	Group	
In HK$ million	2013	2012
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	**200**	257
	200	257
Others		
Unlisted investments		
Shares, at cost	**13**	13
Investment fund, at fair value	**81**	81
	294	351

Other financial assets are denominated in the following currencies:

	Group	
In HK$ million	2013	2012
Hong Kong dollars	**212**	269
Other currencies	**82**	82
	294	351

Notes to the Financial Statements

20 Intangible assets

In HK$ million	Goodwill	Other intangible assets			
		Mining assets	Vehicular tunnel	Others	Total
Cost					
At 1 January 2013	**973**	**15,238**	**2,000**	**781**	**18,992**
Exchange adjustment	**7**	**(7)**	**–**	**18**	**18**
Additions	**–**	**2,935**	**–**	**–**	**2,935**
Reversal of provision (Note 34)	**–**	**(1,293)**	**–**	**–**	**(1,293)**
Acquisition of subsidiary companies	**10**	**–**	**–**	**83**	**93**
Disposal of subsidiary companies	**(31)**	**–**	**–**	**–**	**(31)**
At 31 December 2013	**959**	**16,873**	**2,000**	**882**	**20,714**
Accumulated amortisation and impairment losses					
At 1 January 2013	**57**	**25**	**1,549**	**108**	**1,739**
Exchange adjustments	**–**	**–**	**–**	**5**	**5**
Charge for the year	**–**	**1**	**120**	**47**	**168**
At 31 December 2013	**57**	**26**	**1,669**	**160**	**1,912**
Net book value					
At 31 December 2013	**902**	**16,847**	**331**	**722**	**18,802**
Cost					
At 1 January 2012	1,410	13,506	2,000	888	17,804
Exchange adjustment	3	1	–	6	10
Additions	–	1,731	–	–	1,731
Acquisition of subsidiary companies	36	–	–	32	68
Disposal	–	–	–	(9)	(9)
Transfer to assets of disposal group classified as held for sale	(476)	–	–	(136)	(612)
At 31 December 2012	973	15,238	2,000	781	18,992
Accumulated amortisation and impairment losses					
At 1 January 2012	54	21	1,432	95	1,602
Exchange adjustments	–	–	–	1	1
Charge for the year	–	4	117	55	176
Impairment loss	3	–	–	3	6
Written back on disposal	–	–	–	(9)	(9)
Transfer to assets of disposal group classified as held for sale	–	–	–	(37)	(37)
At 31 December 2012	57	25	1,549	108	1,739
Net book value					
At 31 December 2012	916	15,213[1]	451	673	17,253

[1] In 2012, included mining rights provision of HK$1,192 million.

20 Intangible assets (continued)

The amortisation charge for the year is included in "other operating expenses" in the consolidated profit and loss account.

As at 31 December 2013, the vehicular tunnel right is amortised over the remaining franchise period, whilst the mining assets are currently under construction and will be amortised on a unit of production basis on completion of construction and when the mine is in production. The Group estimates that it will take a total of 3 billion tonnes of iron ore, of which mining rights for 2 billion tonnes have been paid and an option for 1 billion tonnes exercised but not yet completed, over a period of approximately 32 years.

Analysed by:

	31 December 2013				31 December 2012			
	Goodwill	Other intangible assets (a)			Goodwill	Other intangible assets (a)		
In HK$ million		Mining assets	Vehicular tunnel	Others		Mining assets	Vehicular tunnel	Others
Special steel	264	–	–	2	265	–	–	2
Iron ore	23	16,847	–	–	23	15,213	–	–
Property								
Mainland China	252	–	–	1	277	–	–	1
Tunnels	7	–	331	–	7	–	451	–
CITIC Telecom	–	–	–	–	–	–	–	–
Dah Chong Hong	356	–	–	719[b]	344	–	–	670[b]
	902	16,847	331	722	916	15,213	451	673

Notes:

(a) The vehicular tunnel right represents a franchise to operate the Eastern Harbour Crossing for the period ending 7 August 2016. At the end of the franchise period, the assets of the franchise will be vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise.

(b) Others mainly include car dealership of Dah Chong Hong group amounting to HK$608 million (2012: HK$625 million).

21 Non-current deposits and prepayments

	Group	
In HK$ million	2013	2012
Non-current deposits represent deposit and prepayments for:		
Land acquisition	254	–
Iron ore project and production plants of special steel	3,494	1,908
	3,748	1,908

22 Other assets held for sale

As at 31 December 2013, interests in a joint venture certain properties located in PRC and Hong Kong and a subsidiary company which owned a property in Hong Kong were classified as other assets held for sale. The disposed transaction of a subsidiary company which owned a property in Hong Kong was completed in January 2014.

As at 31 December 2012, interests in a joint venture and certain properties located in PRC were classified as other assets held for sale.

23 Inventories

In HK$ million	Group 2013	2012
Raw materials	**3,574**	2,953
Work-in-progress	**1,699**	1,368
Finished goods	**8,513**	6,866
Others	**874**	616
	14,660	11,803

An amount of HK$232 million (2012: HK$287 million) for write-down and HK$185 million (2012: HK$24 million) for reversal of write-down of inventories to net realisable value have been included in cost of sales in the profit and loss account.

24 Debtors, accounts receivable, deposits and prepayments

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Trade debtors and bills receivable aged:				
Within 1 year	**7,059**	6,579	**–**	–
Over 1 year	**69**	20	**–**	–
	7,128	6,599	**–**	–
Accounts receivable, deposits and prepayments	**8,526**	8,865	**195**	257
	15,654	15,464	**195**	257

Notes:

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

(ii) Each business unit has its own defined credit policy that is specific to the respective business environment and market practice.

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

(iv) Accounts receivable, deposits and prepayments include amounts due from joint ventures of HK$Nil (2012: HK$311 million), dividend receivable from joint ventures of HK$1,899 million (2012: HK$2,120 million), and amounts due from associated companies of HK$47 million (2012: HK$122 million) which are unsecured, interest free and recoverable on demand.

24 Debtors, accounts receivable, deposits and prepayments (continued)

As of 31 December 2013, trade debtors of HK$469 million (2012: HK$380 million) were past due but not impaired. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these trade debtors is as follows:

In HK$ million	**2013**	2012
Less than 3 months	**324**	197
3 to 6 months	**67**	66
Over 6 months	**78**	117
	469	380

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

In HK$ million	**2013**	2012
At 1 January	**99**	128
Exchange adjustments	**–**	(1)
Acquisition of subsidiary companies	**1**	7
Provision for impairment loss during the year	**15**	16
Receivables written off during the year	**(7)**	(1)
Provision written back during the year	**(7)**	(8)
Transfer to assets of disposal group classified as held for sale	**–**	(42)
At 31 December	**101**	99

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

As of 31 December 2013, trade debtors of HK$117 million (2012: HK$91 million) were individually determined to be impaired. These receivables mainly relate to customers which are in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific provision for impairment loss of HK$6 million (2012: HK$16 million) was recognised against the receivables. The Group does not hold any collateral over these balances.

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

25 Creditors, accounts payable, deposits and accruals

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Trade creditors and bills payable aged:				
– Within 1 year	**10,905**	10,666	**–**	–
– Over 1 year	**302**	308	**–**	–
	11,207	10,974	**–**	–
Accounts payable, deposits and accruals	**17,510**	13,428	**906**	745
	28,717	24,402	**906**	745

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

26 Share capital

	Number of shares of HK$0.40 each	in HK$ million
Authorised:		
At 31 December 2012 and 2013	6,000,000,000	2,400
Issued and fully paid:		
At 31 December 2012 and 2013	3,649,444,160	1,460

Share Option Plan

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

					Outstanding balance	
Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	**At 31 December 2013**	At 31 December 2012
28 May 2002	11,550,000	0.32%	18.20	18.10	**–**	–
1 November 2004	12,780,000	0.35%	19.90	19.90	**–**	–
20 June 2006	15,930,000	0.44%	22.10	22.50	**–**	–
16 October 2007	18,500,000	0.51%	47.32	47.65	**–**	–
19 November 2009	13,890,000	0.38%	22.00	21.40	**11,980,000**	12,130,000
14 January 2010	880,000	0.02%	20.59	19.98	**600,000**	880,000

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share and HK$47.32 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011 and 15 October 2012 respectively.

26 Share capital (continued)

Other than the Plan 2000, certain of the Company's subsidiary companies have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

As the Plan 2000 expired on 30 May 2010, the Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The exercise price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of offer of the grant. The maximum number of the Company's shares which may be issued upon exercise of all share options to be granted under the Plan 2011 must not exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2013, the maximum number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2013 and 2012.

(a) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**21.90**	**13,010,000**	33.75	25,330,000
Lapsed	**21.08**	**(430,000)**	46.25	(12,320,000)
At 31 December	**21.93**	**12,580,000**	21.90	13,010,000
Weighted average remaining contractual life		**0.89 years**		1.89 years

There were no share options granted or exercised in 2013 and 2012.

27 Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million) respectively for cash. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2013 and 2012 included the accrued distribution payments.

28 Reserves

(a) 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 2013	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265
Share of reserves of associated companies and joint ventures	–	–	18	–	–	18	3	–	–	39
Exchange translation differences	–	–	–	–	–	1,956	–	–	–	1,956
Reserves released on disposal/dilution of interest in joint ventures	–	–	–	–	–	(210)	–	–	–	(210)
Reserves released on disposal of subsidiary companies	–	–	10	728	–	(240)	–	264	(1,002)	(240)
Cash flow hedges:										
Fair value gain in the year	–	–	–	–	–	–	1,513	–	–	1,513
Transfer to construction in progress	–	–	–	–	–	–	(272)	–	–	(272)
Transfer to net finance charges	–	–	–	–	–	–	509	–	–	509
Tax effect	–	–	–	–	–	–	(132)	–	–	(132)
	–	–	–	–	–	–	1,618	–	–	1,618
Fair value changes of other financial assets	–	–	–	–	(48)	–	–	–	–	(48)
Surplus on revaluation of properties transferred from self-use properties to investment properties										
Fair value gain in the year	–	–	–	–	–	–	–	134	–	134
Tax effect	–	–	–	–	–	–	–	(11)	–	(11)
	–	–	–	–	–	–	–	123	–	123
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(103)	–	(103)
Released upon lapse of share options	–	–	(2)	–	–	–	–	–	2	–
Share-based payments of a subsidiary company	–	–	12	–	–	–	–	–	–	12
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	147	(147)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	7,588	7,588
Dividends (Note 10)	–	–	–	–	–	–	–	–	(1,460)	(1,460)
Transaction costs related to issue of perpetual capital securities	–	–	–	–	–	–	–	–	(75)	(75)
At 31 December 2013	36,533	29	807	(611)	97	9,963	(2,027)	2,209	39,465	86,465

28 Reserves (continued)

(a) 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
Representing:										
At 31 December 2013 after proposed final dividend										85,553
2013 final dividend proposed										912
										86,465
Retained by:										
Company and subsidiary companies	36,533	29	771	(611)	93	9,783	(2,035)	2,201	30,594	77,358
Joint ventures	–	–	36	–	4	167	8	3	5,404	5,622
Associated companies	–	–	–	–	–	13	–	–	2,939	2,952
Non-current assets held for sale and discontinued operations	–	–	–	–	–	–	–	5	528	533
	36,533	29	807	(611)	97	9,963	(2,027)	2,209	39,465	86,465

28 Reserves (continued)

(a) 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 2012	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
Share of reserves of associated companies and joint ventures	–	–	–	–	–	37	4	–	(82)	(41)
Exchange translation differences	–	–	–	–	–	(45)	–	–	–	(45)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(79)	279	(7)	(423)	–	(22)	(179)	(431)
Reserves released on disposal of a subsidiary company	–	–	(1)	–	–	–	–	–	–	(1)
Cash flow hedges:										
Fair value loss in the year	–	–	–	–	–	–	(610)	–	–	(610)
Transfer to construction in progress	–	–	–	–	–	–	(1,646)	–	–	(1,646)
Transfer to net finance charges	–	–	–	–	–	–	662	–	–	662
Tax effect	–	–	–	–	–	–	455	–	–	455
	–	–	–	–	–	–	(1,139)	–	–	(1,139)
Fair value changes of other financial assets	–	–	–	–	(5)	–	–	–	–	(5)
Transfer to profit and loss account on impairment of other financial assets	–	–	–	–	15	–	–	–	–	15
Surplus on revaluation of properties transfer from self-use properties to investment properties	–	–	–	–	–	–	–	61	–	61
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	4	–	4
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(30)	–	(30)
Released upon lapse of share options	–	–	(188)	–	–	–	–	–	188	–
Share-based payments of a subsidiary company	–	–	18	–	–	–	–	–	–	18
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	159	(159)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	6,954	6,954
Dividends (Note 10)	–	–	–	–	–	–	–	–	(1,642)	(1,642)
At 31 December 2012	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265

28 Reserves (continued)

(a) 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
Representing:										
At 31 December 2012 after proposed final dividend										76,170
2012 final dividend proposed										1,095
										77,265
Retained by:										
Company and subsidiary companies	36,533	29	765	(611)	140	8,042	(3,653)	2,031	25,703	68,979
Joint ventures	–	–	18	–	5	358	5	3	5,741	6,130
Associated companies	–	–	(5)	–	–	19	–	–	2,115	2,129
Non-current assets held for sale and discontinued operations	–	–	(9)	(728)	–	20	–	(256)	1,000	27
	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265

28 Reserves (continued)

(b) Company

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2013	36,533	29	699	(2,566)	11,350	46,045
Cash flow hedges:						
Fair value gain in the year	–	–	–	823	–	823
Transfer to net finance charges	–	–	–	487	–	487
	–	–	–	1,310	–	1,310
Profit attributable to shareholders of the Company (Note 9)	–	–	–	–	1,459	1,459
Release upon lapse of share options	–	–	(2)	–	2	–
Dividends (Note 10)	–	–	–	–	(1,460)	(1,460)
Transaction costs related to issue of perpetual capital securities	–	–	–	–	(75)	(75)
At 31 December 2013	36,533	29	697	(1,256)	11,276	47,279
Representing:						
At 31 December 2013 after proposed final dividend						46,367
2013 final dividend proposed						912
						47,279

28 Reserves (continued)

(b) Company (continued)

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2012	36,533	29	880	(2,489)	8,119	43,072
Cash flow hedges:						
Fair value loss in the year	–	–	–	(618)	–	(618)
Transfer to net finance charges	–	–	–	541	–	541
	–	–	–	(77)	–	(77)
Profit attributable to shareholders of the Company (Note 9)	–	–	–	–	4,692	4,692
Release upon lapse of share options	–	–	(181)	–	181	–
Dividends (Note 10)	–	–	–	–	(1,642)	(1,642)
At 31 December 2012	36,533	29	699	(2,566)	11,350	46,045
Representing:						
At 31 December 2012 after proposed final dividend						44,950
2012 final dividend proposed						1,095
						46,045

28 Reserves (continued)

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees.

(iii) Goodwill

The Goodwill reserve is as a result of goodwill arising on acquisitions prior to year 2001 which under the then prevailing Accounting Standards was reflected in reserves rather than as a separate asset.

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

(vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

(vii) General and other reserves

General and other reserves comprise reserves of the mainland China subsidiaries appropriated according to the articles of association of the relevant subsidiaries and the mainland China rules and regulations used for specific purposes before distribution of dividend, and reserves arising from assets revaluation and transactions with non-controlling interests.

(viii) Distributable reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$10,020 million (2012: HK$7,992 million).

29 Borrowings

(a)

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Short term borrowings				
Bank loans				
unsecured	**13,261**	9,604	**3,900**	3,900
secured	**400**	441	**–**	–
	13,661	10,045	**3,900**	3,900
Other loans				
unsecured	**267**	987	**–**	–
secured	**149**	137	**–**	–
	416	1,124	**–**	–
Current portion of long term borrowings	**13,062**	10,964	**6,844**	6,507
Total short term borrowing	**27,139**	22,133	**10,744**	10,407
Long term borrowings				
Bank loans				
unsecured	**65,207**	68,127	**37,449**	36,411
secured	**12,464**	13,340	**–**	–
	77,671	81,467	**37,449**	36,411
Other loans				
unsecured	**28,982**	23,993	**26,974**	22,547
Less: current portion of long term borrowings	**(13,062)**	(10,964)	**(6,844)**	(6,507)
Total long term borrowings	**93,591**	94,496	**57,579**	52,451
Total borrowings	**120,730**	116,629	**68,323**	62,858
Analysed into:				
unsecured	**107,717**	102,711	**68,323**	62,858
secured	**13,013**	13,918	**–**	–
	120,730	116,629	**68,323**	62,858

Note:

(i) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ("JPY Notes") to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding as at 31 December 2013.

(ii) On 16 August 2010, the Company issued and sold a total of USD150 million principal amount of 6.9% notes due 2022 ("USD Notes 1"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the USD Notes 1 remained outstanding as at 31 December 2013.

(iii) On 15 April 2011, the Company issued and sold a total of US$500 million principal amount of 6.625% notes due 2021 ("USD Notes 2") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 8 April 2011. All of the USD Notes 2 remained outstanding as at 31 December 2013.

(iv) On 3 August 2011, the Company issued and sold a total of RMB1 billion principal amount of 2.7% notes due 2016 ("RMB Notes 1") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 27 July 2011. All of the RMB Notes 1 remained outstanding as at 31 December 2013.

29 Borrowings (continued)

(a) (continued)

Note: (continued)

(v) On 27 February 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB800 million principal amount of 6% short term commercial paper due 2013 ("RMB Commercial Paper 1") to investors. All of the RMB Commercial Paper 1 were fully repaid at maturity and none remained outstanding as at 31 December 2013.

(vi) On 21 March and 26 April 2012, the Company issued and sold a total of US$750 million and US$350 million principal amounts of 6.875% notes due 2018 ("USD Notes 3") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreements dated 12 March 2012 and 17 April 2012 respectively. All of the USD Notes 3 remained outstanding as at 31 December 2013.

(vii) On 20 June 2012, Hubei Xin Yegang Steel Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB500 million principal amount of 5.23% medium term notes due 2017 ("RMB Notes 2") to investors. All of the RMB Notes 2 remained outstanding as at 31 December 2013.

(viii) On 17 October and 11 December 2012, the Company issued and sold a total of US$750 million and US$250 million principal amount of 6.8% notes due 2023 ("USD Notes 4") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 8 October and 4 December 2012 respectively. All of the USD Notes 4 remained outstanding as at 31 December 2013.

(ix) On 27 November 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB200 million principal amount of 6.06% medium term notes due 2017 ("RMB Notes 3") to investors. All of the RMB Notes 3 remained outstanding as at 31 December 2013.

(x) On 10 April 2013, the Company issued and sold a total of US$500 million principal amount of 6.375% notes due 2020 ("USD Notes 5") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 27 March 2013. All of the USD Notes 5 remained outstanding as at 31 December 2013.

(xi) On 5 June 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB500 million principal amount of 4.93% medium term notes due 2016 ("RMB Notes 4") to investors. All of the RMB Notes 4 remained outstanding as at 31 December 2013.

(xii) On 31 July 2013, the Company issued and sold HK$500 million principal amount of 5.9% notes due 2018 ("HKD Notes") to an investor under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreements dated 29 July 2013. All of the HKD Notes remained outstanding as at 31 December 2013.

(xiii) On 10 September 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB200 million principal amount of 5.99% short term commercial paper due 2014 ("RMB Commercial Paper 2") to investors. All of the RMB Commercial Paper 2 remained outstanding as at 31 December 2013.

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

(xv) As at 31 December 2013, certain of the Group's inventories, deposits, accounts receivable, and self-use properties with an aggregate carrying value of HK$0.8 billion (2012: HK$0.9 billion) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$70.4 billion (2012: HK$63.3 billion) of the iron ore project were pledged under project finance arrangement. This amount included cash and bank balances of HK$0.5 billion (2012: HK$1.1 billion). 12 completed ships with carrying value of HK$5.2 billion (2012: HK$5.4 billion) to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$76.4 billion (2012: HK$69.6 billion).

(xvi) Bank loans of the Group and the Company not wholly repayable within five years amounted to HK$37.9 billion (2012: HK$39.4 billion) and HK$6.5 billion (2012: HK$6.5 billion) respectively. Other loans of the Group and the Company not wholly repayable within five years amounted to HK$16.8 billion (2012: HK$21.5 billion) and HK$16.8 billion (2012: HK$21.5 billion) respectively.

29 Borrowings (continued)

(b) The maturity of the Group's and the Company's long term borrowings is as follows:

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Bank loans are repayable				
in the first year	**13,062**	10,964	**6,844**	6,507
in the second year	**22,030**	17,565	**17,112**	10,322
in the third to fifth years inclusive	**15,184**	23,386	**7,108**	13,118
after the fifth year	**27,395**	29,552	**6,385**	6,464
	77,671	81,467	**37,449**	36,411
Other loans are repayable				
in the second year	**483**	–	–	–
in the third to fifth years inclusive	**11,820**	2,677	**10,295**	1,231
after the fifth year	**16,679**	21,316	**16,679**	21,316
	28,982	23,993	**26,974**	22,547
	106,653	105,460	**64,423**	58,958

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

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Total borrowings	**120,730**	116,629	**68,323**	62,858
Borrowing at fixed rates for more than one year (from balance sheet date)	**(28,587)**	(23,708)	**(27,052)**	(22,761)
Interest rate swaps converting floating to fixed	**(24,871)**	(26,729)	**(15,678)**	(18,029)
Borrowings subject to interest-rate changes	**67,272**	66,192	**25,593**	22,068

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

	Group 2013	Group 2012	Company 2013	Company 2012
Total borrowings	**4.5%**	4.3%	**4.7%**	4.1%

29 Borrowings (continued)

(d) The fair value of borrowings is HK$118,252 million (2012: HK$115,100 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrealised gain of HK$2,478 million (2012: HK$1,529 million). This unrealised gain has not been recorded in the financial statements as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

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

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Hong Kong dollar	**20,577**	20,019	**17,247**	17,112
US dollar	**83,223**	78,351	**49,805**	44,515
Renminbi	**15,677**	17,196	**1,271**	1,231
Other currencies	**1,253**	1,063	**–**	–
	120,730	116,629	**68,323**	62,858

The Group has the following undrawn borrowing facilities:

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Floating rate				
expiring within one year	**10,196**	10,043	**3,279**	2,121
expiring beyond one year	**10,632**	14,233	**9,110**	12,600
	20,828	24,276	**12,389**	14,721

30 Financial Risk Management and Fair Values Estimation

Financial risk factors

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

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

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

(a) Exposure to interest rate fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 31 December 2013, HK$53.5 billion (2012: HK$50.4 billion) of the Group's total borrowings were effectively paying fixed rates and the remaining were effectively paying a floating rate of interest. In addition, HK$1.2 billion forward starting swaps were outstanding that had not become effective as of 31 December 2013 (2012: HK$3.2 billion).

At 31 December 2013, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:–

	Group			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(276)	–	276	–
Cash and bank deposits	157	–	(157)	–
Derivatives	61	618	(69)	(630)

	Company			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(129)	–	129	–
Cash and bank deposits	80	–	(80)	–
Derivatives	53	343	(55)	(348)

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(a) Exposure to interest rate fluctuations (continued)

At 31 December 2012, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:–

	Group			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(287)	–	287	–
Cash and bank deposits	163	–	(163)	–
Derivatives	45	850	(44)	(877)

	Company			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(112)	–	112	–
Cash and bank deposits	70	–	(70)	–
Derivatives	40	497	(42)	(504)

The Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD239 million outstanding at 31 December 2013 (2012: AUD112 million). These derivatives qualify and are accounted for as hedges against movements in the AUD/USD spot exchange rate. Therefore changes in the fair value of the derivatives as a result of movements in the AUD/USD spot exchange rate are recognised in the hedging reserve whilst the residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates are recorded in the profit and loss.

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(b) Exposure to foreign currency fluctuations

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

The future revenue from the Group's Australian iron ore project is denominated in USD and this is its functional currency for accounting purposes. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. As of 31 December 2013 the plain vanilla forward contracts had a notional amount of AUD239 million (2012: AUD112 million).

CITIC Pacific has funded the iron ore project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. Cross currency swaps were employed to minimise currency exposure for JPY Notes and Dah Chong Hong's AUD loan.

Sensitivity analysis

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

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

	Group					
In HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2013						
USD	1%	14	(460)	1%	(14)	460
RMB	2%	79	–	2%	(79)	–
AUD	15%	–	246	15%	–	(246)
YEN	10%	(41)	–	10%	41	–
Pound Sterling	10%	(8)	–	10%	8	–
EURO	10%	(15)	–	10%	15	–

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(b) Exposure to foreign currency fluctuations (continued)

In HK$ million	Company					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2013						
USD	**1%**	**36**	**(460)**	**1%**	**(36)**	**460**
RMB	**2%**	**102**	**–**	**2%**	**(102)**	**–**

In HK$ million	Group					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2012						
USD	1%	(242)	(152)	1%	242	152
RMB	2%	123	–	2%	(123)	–
AUD	15%	(115)	136	15%	115	(136)
YEN	10%	(10)	–	10%	10	–
Pound Sterling	10%	1	–	10%	(1)	–
EURO	10%	(3)	–	10%	3	–

In HK$ million	Company					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2012						
USD	1%	(244)	(152)	1%	244	152
RMB	2%	64	–	2%	(64)	–

(c) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 31 December 2013, if there had been a 5% change in the market value of available-for-sale securities with all other variables held constant, the Group's equity would have increased/(decreased) by HK$10 million (2012: HK$13 million).

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

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(d) Credit exposure

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

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

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

(e) Liquidity risk

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

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

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At the end of 2013 CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other markets. The Group diversifies its funding mix through bank borrowings and accessing the capital markets and seeks to maintain a mix of short- and long-term borrowings to stagger maturities and minimise financing risk. In 2014 and 2015, the funding requirements of the Group are expected to continually be met through cash flows generated from operating activities, drawdown of undrawn borrowing facilities, roll-over of existing facilities as well as arrangement of new facilities. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due.

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(e) Liquidity risk (continued)

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

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2013				
Bank and other borrowings	**(31,328)**	**(25,827)**	**(34,656)**	**(57,262)**
Derivative financial instruments	**(862)**	**(792)**	**(1,043)**	**(78)**
Trade creditors, accounts and other payable	**(28,711)**	**–**	**(6)**	**–**
At 31 December 2012				
Bank and other borrowings	(26,162)	(20,791)	(33,095)	(64,485)
Derivative financial instruments	(855)	(859)	(1,985)	(1,574)
Trade creditors, accounts and other payable	(24,174)	(49)	(179)	–

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2013				
Bank and other borrowings	**(13,188)**	**(19,151)**	**(21,228)**	**(28,306)**
Derivative financial instruments	**(504)**	**(455)**	**(519)**	**(3)**
Trade creditors and accounts payable	**(906)**	**–**	**–**	**–**
Amounts due to subsidiary companies	**(6,174)**	**–**	**–**	**–**
Financial guarantee (Note)	**(34,869)**	**(486)**	**–**	**–**
At 31 December 2012				
Bank and other borrowings	(12,586)	(12,136)	(17,936)	(33,902)
Derivative financial instruments	(508)	(513)	(1,110)	(810)
Trade creditors and accounts payable	(745)	–	–	–
Amounts due to subsidiary companies	(6,528)	–	–	–
Financial guarantee (Note)	(23,693)	(8,386)	(593)	–

Note:

These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised (including trust receipt loans and letters of credit from trade facilities), however based on the operating results, the Company does not expect them to be crystalised.

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(e) Liquidity risk (continued)

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

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2013				
Forward foreign exchange contracts – cash flow hedges:				
outflow	(1,735)	–	–	–
inflow	1,654	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	(504)	(655)	–	–
inflow	500	736	–	–

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2013				
Forward foreign exchange contracts – cash flow hedges:				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	–	–	–	–
inflow	–	–	–	–

30 Financial Risk Management and Fair Values Estimation (continued)

Financial risk factors (continued)

(e) Liquidity risk (continued)

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2012				
Forward foreign exchange contracts – cash flow hedges:				
outflow	(720)	–	–	–
inflow	919	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	(315)	(10)	(274)	(637)
inflow	300	2	249	1,029

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2012				
Forward foreign exchange contracts – cash flow hedges:				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	–	–	–	–
inflow	–	–	–	–

The foreign exchange contracts that are not qualified for hedge accounting as at 31 December 2013 consist of cross currency swap contracts and forward exchange contracts for hedging JPY Notes as well as trade flows in foreign currencies. The changes in the fair market value of these contracts are reflected in the profit and loss account.

30 Financial Risk Management and Fair Values Estimation (continued)

Fair value estimation

The fair value of financial derivative instrument is generated from software provided by Reval Inc. ("Reval"), a derivative risk management and hedge accounting solutions firm, which uses a discounted cashflow model with independently sourced market data to determine the fair value. The fair value generated by Reval is cross checked against price quotations obtained from major financial institutions. The fair value of the forward foreign exchange contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period. The fair value of the interest rate swap is calculated as the net present value of the estimated future cash flows discounted at the market quoted rate, taking into account the current credit worthiness of the swap counter parties and of the Group when appropriate.

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

The fair values of financial liabilities are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, except for the global bonds which are based on quoted market prices at the balance sheet date without any deduction for transaction cost. The Group uses the appropriate market yield curve or benchmark rate as at 31 December 2013 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt. The fair value of borrowings is disclosed in note 29(d).

The fair value of loans receivable is estimated as the present value of future cash flows, discounted at the current market interest rates for similar financial instruments.

The carrying values less impairment provisions of trade and other receivables and trade and other payables are a reasonable approximation of their fair values.

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

30 Financial Risk Management and Fair Values Estimation (continued)

Fair value estimation (continued)

(i) Financial instruments carried at fair value (continued)

2013

In HK$ million	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	200	–	–	200	–	–	–	–
Unlisted	–	–	81	81	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	80	–	80	–	–	–	–
Forward exchange contracts	–	6	–	6	–	88	–	88
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	2,600	–	2,600	–	1,367	–	1,367
Forward exchange contracts	–	97	–	97	–	88	–	88

2012

In HK$ million	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	257	–	–	257	–	–	–	–
Unlisted	–	–	81	81	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	187	–	187	–	–	–	–
Forward exchange contracts	–	189	–	189	–	27	–	27
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	4,969	–	4,969	–	2,746	–	2,746
Forward exchange contracts	–	9	–	9	–	27	–	27

There were no significant transfers between instruments in Level 1 and Level 2 during the year.

30 Financial Risk Management and Fair Values Estimation (continued)

Fair value estimation (continued)

(i) Financial instruments carried at fair value (continued)

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

In HK$ million	**Group Unlisted available-for-sale equity securities**
At 1 January 2013	**81**
Net unrealized gains recognised in other comprehensive income during the year	**1**
Net loss recognized in profit and loss account during the year	**(1)**
At 31 December 2013	**81**
At 1 January 2012	80
Net unrealized gains recognised in other comprehensive income during the year	3
Net loss recognized in profit and loss account during the year	(2)
At 31 December 2012	81

(ii) Fair values of financial instruments carried at cost or amortised cost

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012 except as follows:

	2013		Fair value measurements as 31 December 2013 categorised into			2012	
In HK$ million	**Carrying amount**	**Fair value**	Level 1	Level 2	Level 3	Carrying amount	Fair value
The Group:							
Bank loans and other loans	**91,494**	**88,982**	–	88,982	–	91,647	88,900
Global bonds (USD Notes)	**24,039**	**23,808**	–	23,808	–	20,150	21,111
Domestic bond (RMB Notes)	**1,526**	**1,607**	–	1,607	–	864	981
Commercial paper	**254**	**254**	–	254	–	987	987
Private placement (USD Notes, JPY Notes, HKD Notes & RMB Notes)	**3,417**	**3,601**	–	3,601	–	2,981	3,121
The Company:							
Bank loans	**41,349**	**39,116**	–	39,116	–	40,311	37,854
Global bond (USD Notes)	**24,039**	**23,808**	–	23,808	–	20,150	21,111
Private placement (USD Notes, HKD Notes & RMB Notes)	**2,935**	**3,121**	–	3,121	–	2,397	2,532

30 Financial Risk Management and Fair Values Estimation (continued)

Fair value estimation (continued)

(iii) Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements.

In HK$ million	Gross and net amounts of financial instruments in the consolidated balance sheet	Related financial instruments that are not offset	Net amount
Group			
31 December 2013			
Financial assets			
Derivative financial instruments			
– Interest rate instruments	80	–	80
– Forward foreign exchange instruments	6	–	6
	86	–	86
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(2,600)	–	(2,600)
– Forward foreign exchange instruments	(97)	–	(97)
	(2,697)	–	(2,697)

30 Financial Risk Management and Fair Values Estimation (continued)

Fair value estimation (continued)

(iii) Master netting or similar agreements (continued)

In HK$ million	Gross and net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
Company			
At 31 December 2013			
Financial assets			
Derivative financial instruments			
– Forward foreign exchange instruments	88	–	88
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(1,367)	–	(1,367)
– Forward foreign exchange instruments	(88)	–	(88)
	(1,455)	–	(1,455)

30 Financial Risk Management and Fair Values Estimation (continued)

Fair value estimation (continued)

(iii) Master netting or similar agreements (continued)

In HK$ million	Gross and net amounts of financial instruments in the consolidated balance sheet	Related financial instruments that are not offset	Net amount
Group			
At 31 December 2012			
Financial assets			
Derivative financial instruments			
– Interest rate instruments	187	–	187
– Forward foreign exchange instruments	189	(184)	5
	376	(184)	192
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(4,969)	184	(4,785)
– Forward foreign exchange instruments	(9)	–	(9)
	(4,978)	184	(4,794)

In HK$ million	Gross and net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
Company			
At 31 December 2012			
Financial assets			
Derivative financial instruments			
– Forward foreign exchange instruments	27	(27)	–
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(2,746)	27	(2,719)
– Forward foreign exchange instruments	(27)	–	(27)
	(2,773)	27	(2,746)

31 Capital risk management

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

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

The leverage ratios at 31 December 2013 and 2012 were as follows:

In HK$ million	**2013**	2012
Total borrowings	**120,730**	116,629
Less: Cash and bank deposits	**35,070**	32,821
Net debt	**85,660**	83,808
Total ordinary shareholders' funds and perpetual capital securities	**101,763**	84,678
Total capital	**187,423**	168,486
Leverage ratio	**46%**	50%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 31 December 2013 are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these covenants on a regular basis and was in compliance with them as at 31 December 2013.

32 Derivative financial instruments

In HK$ million	2013 Group Assets	2013 Group Liabilities	2012 Group Assets	2012 Group Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	2,421	–	4,690
Forward foreign exchange instruments	–	88	184	–
	–	2,509	184	4,690
Not qualified for hedge accounting				
Interest-rate instruments	80	179	187	279
Forward foreign exchange instruments	6	9	5	9
	86	188	192	288
	86	2,697	376	4,978
Less: current portion				
Interest-rate instruments	44	54	66	192
Forward foreign exchange instruments	6	97	189	9
	50	151	255	201
	36	2,546	121	4,777

In HK$ million	2013 Company Assets	2013 Company Liabilities	2012 Company Assets	2012 Company Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	1,191	–	2,469
Forward foreign exchange instruments	88	88	27	27
	88	1,279	27	2,496
Not qualified for hedge accounting				
Interest-rate instruments	–	176	–	277
	88	1,455	27	2,773
Less: current portion				
Interest-rate instruments	–	51	–	72
Forward foreign exchange instruments	88	88	27	27
	88	139	27	99
	–	1,316	–	2,674

32 Derivative financial instruments (continued)

(i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments as at 31 December 2013 was HK$2,225 million (2012: HK$1,018 million).

The effective portions of gains and losses on forward foreign exchange contracts associated with highly probable forecast underlying transactions denominated in foreign currency expected to occur at various dates within the next 11 months are recognised in the hedging reserve in equity as at 31 December 2013 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

(ii) Interest rate instruments

The notional amount of outstanding interest rate swap contracts as at 31 December 2013 was HK$26,143 million (2012: HK$29,929 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$642 million (2012: HK$644 million). As at 31 December 2013, the fixed interest rates under interest rate swaps varied from 0.56% to 5.10% per annum (2012: 0.56% to 5.10% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as at 31 December 2013 were recognised in the hedging reserve in equity and will be released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

33 Deferred taxation

(a) Group

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation is realised or settled. The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Deferred tax arising from									
	Depreciation allowances in excess of related depreciation		Losses		Revaluation of investment properties and valuation of other properties		Mining assets and others		Total	
In HK$ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
At 1 January	**(291)**	(409)	**3,415**	3,063	**(2,365)**	(2,086)	**(1,760)**	(2,294)	**(1,001)**	(1,726)
Exchange adjustment	**6**	4	**(11)**	2	**(69)**	5	**4**	(3)	**(70)**	8
(Debited)/credited to reserve	**–**	–	**–**	–	**(11)**	–	**(132)**	455	**(143)**	455
Effect of tax rate change	**–**	–	**–**	–	**–**	–	**13**	–	**13**	–
(Charged)/credited to consolidated profit and loss account										
– continuing operations	**(3)**	53	**953**	385	**(265)**	(284)	**(291)**	(30)	**394**	124
– discontinued operations	**–**	(2)	**–**	14	**–**	–	**2**	3	**2**	15
Transfer to disposal group classified as held for sales	**–**	63	**–**	(49)	**–**	–	**–**	12	**–**	26
Others	**(2)**	–	**(19)**	–	**–**	–	**(224)**	97	**(245)**	97
At 31 December	**(290)**	(291)	**4,338**	3,415	**(2,710)**	(2,365)	**(2,388)**	(1,760)	**(1,050)**	(1,001)

	Group	
In HK$ million	**2013**	2012
Net deferred tax assets recognised on the consolidated balance sheet	**2,868**	2,342
Net deferred tax liabilities recognised on the consolidated balance sheet	**(3,918)**	(3,343)
	(1,050)	(1,001)

33 Deferred taxation (continued)

(b) Deferred tax assets unrecognised

The Group and the Company have not recognised deferred tax assets in respect of the following items:

	Group	
In HK$ million	**2013**	2012
Deductible temporary differences	**5**	15
Tax losses	**5,374**	5,514
Taxable temporary differences	**(781)**	(880)
	4,598	4,649

	Company	
In HK$ million	**2013**	2012
Deductible temporary differences	**3**	11
Tax losses	**906**	825
	909	836

Note: Tax losses in certain tax jurisdictions of HK$1,837 million (2012: HK$905 million) will expire within the next five years. The remaining amounts do not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2013, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$3,618 million (2012: HK$3,248 million). Deferred tax liabilities of HK$182 million (2012: HK$163 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

34 Provisions and deferred income

In HK$ million	Site restoration	Mining rights	Gas contract	Deferred Income	Total
Balance at 1 January 2013	**1,357**	**–**	**515**	**101**	**1,973**
Provisions/(reversed) made during the year	**(310)**	**–**	**423**	**6**	**119**
Balance at 31 December 2013	**1,047**	**–**	**938**	**107**	**2,092**
Balance at 1 January 2012	461	1,524	489	175	2,649
Transfer to current liabilities	–	(1,524)	(253)	–	(1,777)
Provisions made/additions during the year	896	–	279	21	1,196
Disposal	–	–	–	(7)	(7)
Transfer to liabilities of disposal group classified as held for sale	–	–	–	(88)	(88)
Balance at 31 December 2012	1,357	–	515	101	1,973

Site restoration

A net reversal of provision of HK$310 million (2012: provision of HK$896 million) was made during the year ended 31 December 2013 in respect of a subsidiary's obligation to rectify environmental damage with a corresponding increase in property, plant and equipment. Amortisation of this asset will occur from the production date, using the units of production method.

Mining rights

The Mining Right Minimum Royalty provision in the current liabilities of the accounts as at 31 December 2012 has been fully reversed in 2013 with a corresponding decrease in intangible mining assets in relation to the provision made. Details are disclosed as contingent liabilities in note 39 (vi).

34 Provisions and deferred income (continued)

Gas contract

In accordance with the Group's contracted gas purchases, the Group is obligated to pay and/or take delivery of set levels of gas commencing on October 2011. Such gas contracts have liquidated damages clauses requiring damages be paid should the set levels of gas purchased not be adhered to. Due to the potential mismatch of the gas delivery under contracts and the production schedule, utilisation of such gas levels is projected to be at a lower rate at certain points in time and therefore a provision for the estimated damages payable has been accrued based on a combination of liquidated damages and losses from the on-sale of surplus gas. The Group has mitigated any potential liquidated damages in the short term through amendments in agreements with the gas supplier and is currently in discussions to mitigate the potential longer term liquidated damages payable.

35 Discontinued operations

The Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, the ultimate holding company, on 18 December 2012 to dispose 18.55% interest in CITIC Telecom was completed on 21 February 2013. Since then, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom has no longer been consolidated with that of the Group but is accounted for by equity method.

(a) Analysis of the Profit of discontinued operations is as follows:

In HK$ million	**2013**	2012
Revenue	**523**	3,610
Expenses	**(507)**	(3,263)
Share of results of joint venture and associated company	**33**	191
Profit before tax of discontinued operations	**49**	538
Taxation	**(2)**	(41)
Profit for the year from discontinued operations before disposal gain	**47**	497
Net gain on disposal	**2,055**	–
Profit for the year from discontinued operations	**2,102**	497
Profit for the year from discontinued operations attributable to:		
– Ordinary shareholders of the Company	**2,083**	299
– Non-controlling interests	**19**	198
	2,102	497

35 Discontinued operations (continued)

(b) (i) Assets of disposal group classified as held for sale

In HK$ million	2013	2012
Property, plant and equipment	–	744
Intangible assets	–	573
Other non-current assets	–	694
Other current assets	–	1,722
Total	–	3,733

(ii) Liabilities of disposal group classified as held for sale

In HK$ million	2013	2012
Trade and other payables	–	801
Other current liabilities	–	305
Other non-current liabilities	–	154
Total	–	1,260

(c) Cash flows from discontinued operations

In HK$ million	2013	2012
Operating cash flows	53	284
Investing cash flows	–	(60)
Financing cash flows	(53)	(128)
Total cash flows	–	96
Proceeds on disposal	773	–
	773	96

36 Capital commitments

	Group	
In HK$ million	2013	2012
Authorised but not contracted for (Note a)	1,089	1,902
Contracted but not provided for (Note b)	5,014	5,972

	Company	
In HK$ million	2013	2012
Contracted but not provided for	–	–

36 Capital commitments (continued)

(Note a)

In HK$ million	Group 2013	2012
Authorised but not contracted for Analysis by operating segment		
Continuing operations		
Special Steel	**627**	1,262
Dah Chong Hong	**462**	594
Property – Mainland China	**–**	11
	1,089	1,867
Discontinued operations		
CITIC Telecom	**–**	35
	1,089	1,902

(Note b)

In HK$ million	Group 2013	2012
Contracted but not yet paid nor accrued		
Analysis by operating segment		
Continuing operations		
Special steel	**919**	1,303
Iron ore	**1,363**	1,455
Property		
Mainland China	**2,442**	2,773
Hong Kong	**107**	234
Dah Chong Hong	**158**	155
Other investments	**25**	31
	5,014	5,951
Discontinued operations		
CITIC Telecom	**–**	21
	5,014	5,972

37 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Properties commitments				
Continuing operations				
Within 1 year	**495**	483	**19**	51
After 1 year but within 5 years	**1,014**	1,030	**1**	20
After 5 years	**1,473**	1,223	**–**	–
	2,982	2,736	**20**	71
Discontinued operations				
Within 1 year	**–**	31	**–**	–
After 1 year but within 5 years	**–**	33	**–**	–
	–	64	**–**	–
Other commitments				
Continuing operations				
Within 1 year	**58**	45	**–**	–
After 1 year but within 5 years	**199**	181	**–**	–
After 5 years	**246**	335	**–**	–
	503	561	**–**	–
Discontinued operations				
Within 1 year	**–**	38	**–**	–
After 1 year but within 5 years	**–**	5	**–**	–
	–	43	**–**	–
	3,485	3,404	**20**	71

38 Business combinations, acquisitions and disposals

(a) Purchase of subsidiary companies

During the year ended 31 December 2013, the subsidiary companies of the Group completed several business acquisitions. The major acquisitions are as follow:

(i) In February 2013, a subsidiary acquired 100% equity interest in Leo's Fine Food Company Limited ("Leo"). Leo is engaged in processing and trading of food products in Hong Kong.

(ii) In March 2013, a subsidiary company of the Group acquired 25% equity interest in Silver Wings Enterprises Inc ("Silver Wings") from its joint venture partner, Nippon Steel & Sumitomo Metal Corporation ("NSSMC"). Silver Wings was a joint venture of the Group prior to the acquisition to build and develop a production line with steel melting, casting and rolling facilities to produce high-end special steel. After the acquisition, Silver Wings became a wholly-owned subsidiary company of the Group.

(iii) The Group has completed several other acquisitions of subsidiaries and non-controlling interest during the year. Since they are relatively immaterial to both the Group's financial position and results, both individually and in aggregate, details of these acquisition are not disclosed.

The acquired companies contributed an aggregate revenue of HK$1,719 million and aggregate net profit of HK$114 million to the Group for the period from the date of acquisition to 31 December 2013. The acquisitions do not have any significant impact to the Group's revenue and profit for the year if they had occurred on 1 January 2013.

During the year ended 31 December 2012, the subsidiary companies of the Group completed several business acquisitions. The major acquisition is as follow:

(i) On 20 November 2012, a subsidiary gained control over 上海信泰置業有限公司 through capital injection of RMB1,240 million. Upon completion of the capital injection, the Group held 99.2% equity interest in 上海信泰置業有限公司, and the capital injected has been used to repay a then existing loan from the sole equity holder of 上海信泰置業有限公司 before the capital injection. 上海信泰置業有限公司 is principally engaged in property development and investment and provision of property management services, and it owns two pieces of land located at Shanghai World Expo Site which is expected to become a new central business district with substantial development potential.

The aggregate revenue and net profit of the acquired companies for the period from their respective dates of acquisitions to 31 December 2012 are insignificant to the Group. The acquisitions do not have any significant impact to the Group's revenue and profit for the year if they had occurred on 1 January 2012.

38 Business combinations, acquisitions and disposals (continued)

(a) Purchase of subsidiary companies (continued)

The acquisitions completed during the year ended 31 December 2013 and 2012 had the following effect on the Group's assets and liabilities on their respective dates of acquisitions:

In HK$ million	**2013**	2012
Net assets acquired		
Property, plant and equipment	**3,284**	50
Leasehold land – operating lease	**37**	–
Properties under development	**–**	1,536
Intangible assets	**83**	32
Inventories	**470**	85
Debtors, accounts receivable, deposits and prepayments	**673**	191
Cash and bank deposits	**43**	144
Creditors, accounts payable, deposits and accruals	**(122)**	(380)
Bank and other loans	**(979)**	–
Taxation	**(6)**	(6)
Deferred tax liabilities	**(224)**	(3)
Less: Carrying amount of previously held interests in joint venture	**(1,924)**	(116)
Less: Deemed disposal gain of previously held interests in joint venture	**(249)**	–
Fair value of net assets acquired	**1,086**	1,533
Goodwill (Note)	**10**	36
Negative goodwill	**(113)**	–
Non-controlling interests arising from acquisitions of subsidiary companies	**(12)**	(20)
Consideration paid, satisfied in cash	**971**	1,549
Less: cash acquired	**(43)**	(144)
Net cash outflow	**928**	1,405

Note: Goodwill arising from the acquisitions represents the control premium paid, the benefits of expected synergies to be achieved from integrating the subsidiary companies into the Group's existing businesses, future market development and the acquired workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

38 Business combinations, acquisitions and disposals (continued)

(b) Disposal of subsidiary companies

In HK$ million	**2013**	2012
Net assets disposed		
Property, plant and equipment	**164**	–
Leasehold land – operating lease	**99**	–
Investment properties	**–**	56
Deferred tax assets	**1**	–
Property under development	**59**	–
Property held for sale	**1,708**	–
Intangible assets	**31**	–
Inventories	**6**	–
Debtors, accounts receivable, deposits and prepayments	**134**	–
Cash and bank deposits	**46**	–
Assets of disposal group classified as held for sale	**3,783**	–
Creditors, accounts payable, deposits and accruals	**(186)**	(1)
Liabilities of disposal group classified as held for sale	**(1,280)**	–
Non-controlling interests	**(974)**	–
	3,591	55
Gain on disposal included in:		
Continuing operations	**922**	165
Discontinued operations	**2,055**	–
Exchange reserve released	**(240)**	–
Transfer to joint ventures	**(3,108)**	–
Consideration	**3,220**	220
Satisfied by:		
Cash	**3,210**	220
Consideration receivable	**10**	–
	3,220	220
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies		
Cash consideration	**3,210**	220
Cash and bank deposits disposed of	**(46)**	–
	3,164	220

Subsidiary companies disposed during 2013 mainly represent a company holding a property in Shanghai and CITIC Telecom as discussed below.

The Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, the ultimate holding company, on 18 December 2012 to dispose 18.55% interest in CITIC Telecom was completed on 21 February 2013. Since then, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom has no longer been consolidated with that of the Group but is accounted for by equity method.

Subsidiary companies disposed during 2012 mainly represent a company holding a property in Hong Kong.

39 Contingent liabilities

In HK$ million	Company 2013	2012
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies	**32,878**	33,941
Associated company	**45**	45
Other performance guarantees		
Subsidiary companies (note (i))	**2,544**	3,616
	35,467	37,602

Note:

(i) The Company has provided guarantees to its subsidiary companies to support their performance or obligations under construction or procurement contracts.

(ii) The Company has provided a guarantee to support derivatives transactions to a wholly owned subsidiary of the Company.

(iii) In the normal course of the Group's business, there are a number of claims now outstanding by or against the Group. While the outcome of such claims cannot be readily predicted, management believes that they will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the Group.

(iv) The Group is subject to ever stricter environmental laws and regulations concerning its operations and products. These laws may require the Group to take remedial action and rehabilitation works to reduce the effects on the environment of previous actions by the Group. The ultimate requirement for remedial action and rehabilitation works and its cost are inherently difficult to predict but the estimated cost of undisputed environmental obligations has been provided for in these accounts. Whilst the amount of future costs could be significant and material to the Group's results in the period they are recognised, it is not possible to estimate the amounts involved, although management does not expect these costs to have a material adverse financial effect on the consolidated financial position or liquidity of the Group.

(v) Following CITIC Pacific's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission ("SFC") announced that it had commenced a formal investigation into the affairs of CITIC Pacific. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

On 18 November 2009, the Acting Secretary for the Financial Services and the Treasury said that the SFC's investigation has been completed while the Police's investigation is still ongoing.

In the absence of the findings of these investigations being made available to CITIC Pacific and due to the inherent difficulties involved in attempting to predict the outcome of such investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

(vi) The Mining Right and Site Lease Agreements entered into by two subsidiary companies of the Group with Mineralogy Pty Ltd ("Mineralogy") in connection with the Sino Iron Project in Western Australia contain a clause that, unless certain exceptions apply, each subsidiary is to pay an amount if either of them produces less than six million tonnes of iron ore by March 2013. Under such clause, if the conditions for payment are met and the exceptions are not applicable, the amount payable is calculated by reference to the royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate. Due to changes in the iron ore market it is no longer possible to calculate one component of the royalty (ie, Royalty Component B). On 17 November 2013, Mineralogy wrote to CITIC Pacific advising it agreed with CITIC Pacific's position that it was not possible to calculate Royalty Component B. Mineralogy has subsequently confirmed in its 2013 Financial Report that it agrees that it is also not possible to calculate the minimum royalty amount.

Neither of the subsidiary companies produced six million tonnes of iron concentrate by March 2013. In early 2013, Mineralogy commenced court proceedings seeking an order that the minimum royalty was payable by the Group. However, Mineralogy has subsequently amended its case so that it now seeks a declaration that the Mining Right and Site Lease Agreements have been terminated due to the legal doctrine of frustration. Mineralogy's new statement of claim in these proceedings no longer seeks orders from the court that any Group Company must pay the minimum royalty. As noted above, Mineralogy's own Special Purpose Financial Report for the year ended 30 June 2013 refers to the derecognition of 'the minimum royalty receivable and associated deferred revenue'.

Since the date of the last audited accounts, the Group has reviewed its liability for the minimum royalty having regard to the current circumstances. Following this review, the Group has decided that it is no longer necessary to include a provision for the minimum royalty in the accounts.

There are other issues in dispute with Mineralogy and their details are disclosed in Note 2 (ix).

40 Material related party transactions

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

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation)

CITIC Pacific Limited is controlled by CITIC Group Corporation which owns 57.5% of the Company's shares. CITIC Group Corporation is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises are regarded as related party transactions.

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

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

(i) As at 31 December 2013, there were derivative liabilities of HK$2,108 million (2012: HK$4,027 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 32.

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

In HK$ million	**2013**	2012
Bank balances and deposits	**18,485**	20,263
Bank loans	**70,383**	63,550

(iii) Transactions with China Metallurgical Group

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

40 Material related party transactions (continued)

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation) (continued)

(iii) Transactions with China Metallurgical Group (continued)

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

On 30 December 2011, Sino Iron and MCC entered into a supplemental contract to increase the contract sum by US$822 million to US$3,407 million due to the failure by MCC to take into consideration the full impact of the increase in the construction costs related to mining projects, including labour shortages, higher costs of equipment and construction materials as well as foreign exchange volatility.

In HK$ million	**2013**	2012
Balances with MCC		
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(546)**	(1,288)
Transaction with MCC		
Incurred costs on the Contract	**1,407**	6,487

On 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron project, and an independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings, Sino Iron and MCC WA expect to enter into further negotiations on the project settlement accounts to determine the amount of liabilities to be borne between the parties.

On 20 August 2007, a wholly owned subsidiary of the Company, and MCC entered into an agreement for MCC to purchase 20% of Sino Iron for a consideration equivalent to 20% of all the funds provided to Sino Iron by CITIC Pacific for the development of the iron ore project up to the date of completion, plus interest. As at 31 December 2011, the Group held a deposit of HK$2,130 million from MCC for the acquisition of 20% interest in Sino Iron. As at 31 December 2013, such deposit balance was reduced from HK$1,288 million to HK$546 million with the remainder being applied by MCC to the Sino Iron Project. The remaining deposit was fully refunded at the instruction of MCC subsequent to the year end and applied by MCC to the Sino Iron project. The Sale and Purchase Agreement is no longer effective.

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

40 Material related party transactions (continued)

(b) Transactions with other related parties

The Group also had the following significant transactions and balances with other related parties:

In HK$ million	**2013**	2012
Transactions with joint ventures		
(i) Recurring transactions		
Interest income	**15**	151
Dividend income	**209**	2,487
Sales	**9**	446
Service income	**31**	14
	264	3,098
Purchases	**1,574**	3,406
Service charges	**–**	59
	1,574	3,465
Transactions with associated companies		
(i) Recurring transactions		
Dividend income	**–**	198
Sales	**7**	85
Service income	**–**	14
	7	297
Purchases	**223**	190
Rental charge	**–**	16
Service charge	**–**	9
	223	215

(c) Transactions with CITIC Group Corporation

In HK$ million	**2013**	2012
Balances with fellow subsidiary companies within CITIC Group Corporation		
(i) Bank balances	**1,142**	1,058
(ii) Bank loans	**693**	740
(iii) Trade and other payables	**1,407**	76
(iv) Trade, other receivable and prepayment	**42**	2
Transactions with fellow subsidiary and associated companies within CITIC Group Corporation		
(i) Sales	**7**	2
(ii) Purchases	**223**	–
(iii) Service fee paid	**–**	102

40 Material related party transactions (continued)

(c) Transactions with CITIC Group Corporation (continued)

On 29 October 2013, a subsidiary company of the Group entered into the Framework Agreement with China CITIC Bank Corporation Limited ("CITIC Bank"), pursuant to which, the subsidiary company agreed to sell and CITIC Bank agreed to purchase the property for a consideration of RMB2,500 million. A deposit of RMB625 million (equivalent to approximately HK$795 million) was received in escrow account maintained with CITIC Bank for receiving funds in respect of the disposal. Such amount was not included in the above bank balances with CITIC Group Corporation.

41 Ultimate holding company

The Directors regard CITIC Group Corporation, a wholly state-owned company established under the laws of the PRC, as being the ultimate holding company of the Company.

42 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 20 February 2014.

43 Principal subsidiary companies, joint ventures (*) and associated companies (*)

The following are the principal subsidiary companies, joint ventures and associated companies which in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of all companies would in the opinion of the directors result in particulars of excessive length.

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
SPECIAL STEEL							
Subsidiary companies:							
CITIC Pacific Special Steel International Trading Company Limited	British Virgin Islands	100	–	100	1	N/A	Trading
Daye Special Steel Co., Ltd.	People's Republic of China (Sino-foreign joint stock limited company)	58.13	–	58.13	449,408,480	RMB1	Steel making
Hubei Xin Yegang Steel Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Steel making
Jiangsu CP Xingcheng Special Steel Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Steel making
Jiangyin CP Xingcheng By-products Recycling Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Processing and recycling of metal slag and sale of its related recycled products
Jiangyin CP Xingcheng Industry Gas Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Production and sale of oxygen, liquefied oxygen, nitrogen and argon
Jiangyin Xingcheng Metalwork Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Developing and production of alloy and metal hardware

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
SPECIAL STEEL (continued)							
Subsidiary companies: (continued)							
Jiangyin Xingcheng Special Steel Works Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Loading and unloading business
Tongling Xin Yaxing Coking & Chemical Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
中信泰富特鋼經貿有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Wholesale, retail and import/export of steel products, relevant materials and technology
江陰泰富興澄特種材料有限公司	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Production and sale of hot iron and the related products
江陰澄東爐料有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	General sales of scrap steel, alloys and coke
江陰興澄合金材料有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Steel making
湖北中特新化能科技有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
SPECIAL STEEL (continued)							
Subsidiary companies: (continued)							
湖北新冶鋼特種鋼管有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Production of seamless steel tube
銅陵新亞星港務有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Port construction, operation and related service
銅陵新亞星能源有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Power generation using coke gas and sale of power
湖北新冶鋼汽車零部件有限公司	People's Republic of China (Sino-foreign equity joint venture)	80	–	80	N/A	N/A	Production and sale of auto parts like shaft
中信泰富工程技術(上海)有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Engineering service for metallurgy and mining
Joint venture:@							
Wuxi Xingcheng Walsin Steel Products Co., Ltd. (formerly known as Wuxi Xingcheng Steel Products Co.,Ltd.)	People's Republic of China (Sino-foreign equity joint venture)	50	–	50	N/A	N/A	Production and sale of stainless steel wire and bar
Associated company:							
湖北中航冶鋼特種鋼銷售有限公司	People's Republic of China (Sino-foreign equity joint venture)	40	–	40	N/A	N/A	Sale of steel

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
IRON ORE							
Subsidiary companies:							
CITIC Pacific Mining Management Pty Ltd	Australia	100	–	100	1	N/A	Management services and mine planning works services
Korean Steel Pty Ltd	Australia	100	–	100	10,000	N/A	Mining extraction and processing of magnetite
Loreto Maritime Pte. Ltd.	Singapore	100	–	100	132	N/A	Build and own transshipment vessels and related facilities and equipment for iron ore product
MetaGas Pty Ltd	Australia	100	–	100	5,000,010	N/A	Gas procurement and trading
Pacific Resources Trading Pte. Ltd.	Singapore	100	–	100	10,080,001	N/A	General trading and related business
Pastoral Management Pty Ltd	Australia	100	–	100	5,000,010	N/A	Operation of a pastoral station and roadhouse
Sino Iron Pty Ltd	Australia	100	–	100	11,526	N/A	Construction of major plant and machinery to facilitate the magnetite iron ore project. Holder of 1 billion tonne magnetite iron ore mining right

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
IRON ORE (continued)							
Subsidiary companies: (continued)							
Sino Iron Holdings Pty Ltd	Australia	100	–	100	2,605,473,744	N/A	Parent company of Sino Iron Pty Ltd, Balmoral Iron Holding Pty Ltd and Cape Preston Resource Holdings Pty Ltd. No active trading
Bolein Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Burgeon Investments Ltd.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Cobikin Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Cosmos Light Holdings Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Silver Bliss Enterprises Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Tridot Enterprises Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Winrich Investments Holdings Ltd.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Bright Treasure Assets Holdings Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Long Glory Assets Limited	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Master Champ Assets Ltd.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Palesto Holdings Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Parmigan Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
IRON ORE (continued)							
Subsidiary companies: (continued)							
Cheng Xin Chartering Pte. Ltd.	Singapore	100	–	100	500,000	N/A	Chartering of vessels
Transshipment Leasing Pte. Ltd.	Singapore	100	–	100	35,000	N/A	Leasing of transshipment assets
Cheng Xin Shipmanagement Pte. Ltd.	Singapore	100	–	100	8,400,000	N/A	Management of vessels
Cape Preston Resource Holdings Pty Ltd	Australia	100	–	100	2	N/A	Not active
Pilbara Land Management Pty Ltd	Australia	100	–	100	2	N/A	Not active
泰富資源(中國)貿易有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Procurement of equipment and spare parts for the iron ore mining industry
PROPERTY							
People's Republic of China							
Subsidiary companies:							
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
Shanghai Super Property Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property investment and management
上海中信泰富廣場有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	100	–	100	N/A	N/A	Property development

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
People's Republic of China (continued)							
Subsidiary companies: (continued)							
上海珠街閣房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	84.52	15.48	N/A	N/A	Property development
中信泰富(上海)物業管理有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property management
無錫太湖景發展有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	–	70	N/A	N/A	Sports related services
無錫太湖苑置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	–	70	N/A	N/A	Property investment and development
中信泰富萬寧發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China (Limited liability company)	80	–	80	N/A	N/A	Property development
海南中泰物業服務有限公司	People's Republic of China (Limited liability company)	100	–	100	NA	N/A	Property management
萬寧仁和發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	–	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
People's Republic of China (continued)							
Subsidiary companies: (continued)							
萬寧金信發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	–	99.9	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	–	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
上海嘉頤房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
上海嘉逸房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
上海嘉諧房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
紀亮(上海)房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
尊創(上海)賓館有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
揚州信泰房地產開發有限公司	People's Republic of China (Limited liability company)	100	–	100	N/A	N/A	Property investment and development

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
People's Republic of China (continued)							
Subsidiary companies: (continued)							
中信泰富(上海)商業資產管理有限公司	People's Republic of China (Limited liability company)	100	–	100	N/A	N/A	Entrusted asset management
上海信泰置業有限公司	People's Republic of China (Limited liability company)	99.2	–	99.2	N/A	N/A	Property investment and development and provision of property management services
Joint ventures@:							
上海瑞明置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
上海瑞博置業有限公司θ	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
中船置業有限公司θ	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
Hong Kong							
Subsidiary companies:							
Borgia Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Famous Land Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Glenridge Company Limited	Hong Kong	100	–	100	2	HK$10	Property investment

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
Hong Kong (continued)							
Subsidiary companies: (continued)							
Hang Luen Chong Investment Company, Limited	Hong Kong	100	–	100	80,000	HK$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	–	100	2	HK$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	–	100	50,000	HK$100	Property investment
Lindenford Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Neostar Investment Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Pacific Grace Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Tendo Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Associated companies:							
CITIC Tower Property Management Company Limited	Hong Kong	40	–	40	–	–	Property management
Goldon Investment Limited	Hong Kong	40	–	40	–	–	Property investment
Hong Kong Resort Company Limited θ	Hong Kong	50	–	50	–	–	Property development
Konorus Investment Limited θ	Hong Kong	15	–	15	–	–	Property investment and development
Shinta Limited	Hong Kong	20	–	20	–	–	Property investment

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
ENERGY							
Subsidiary company:							
Sunburst Energy Development Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Investment holding
Joint ventures@:							
Huaibei Go-On Power Company Ltd.	People's Republic of China (Sino-foreign equity joint venture)	12.5	–	12.5	–	–	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Electric Power (Holdings) Company Limited	People's Republic of China (Sino-foreign equity joint venture)	35	–	35	–	–	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China (Sino-foreign equity joint venture)	65.05	–	65.05	–	–	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited θ	People's Republic of China (Foreign investment stock company)	71.35	–	71.35	1,420,000,000	RMB1	Electric power plant construction and operation
Widewin Investments Limited θ	British Virgin Islands	37.5	–	37.5	–	–	Investment holding
山東新巨龍能源有限責任公司	People's Republic of China (Sino-foreign equity joint venture)	30	–	30	N/A	N/A	Coal ores construction and sales

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
CIVIL INFRASTRUCTURE							
TUNNELS							
Subsidiary company:							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK$10	Tunnel operation
Joint venture@:							
Western Harbour Tunnel Company Limited θ	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
ENVIRONMENTAL							
Joint ventures@:							
Changzhou CGE Water Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	24.01	–	24.01	–	–	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	–	50	–	–	Design, construction and operation of refuse transfer station
Veolia Water (Kunming) Investment Limited	Hong Kong	25	–	25	–	–	Investment holding
Associated companies:							
Green Valley Landfill, Limited	Hong Kong	30	–	30	–	–	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	–	30	–	–	Design, construction and operation of transfer station

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Subsidiary %	Particulars of issued shares+ No. of shares	Par value	Principal activities
Subsidiary company:							
Dah Chong Hong Holdings Limited (Listed In Hong Kong)#	Hong Kong	55.61	–	55.61	1,831,993,000	HK$0.15	Investment holding
Joint venture@:							
CITIC Telecom International Holdings Limited (Listed In Hong Kong)#	Hong Kong	41.42	–	41.42	3,323,242,358	HK$0.10	Investment holding
OTHER INVESTMENTS							
Subsidiary companies:							
CITIC Pacific China Holdings Limited	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Investment holding
CITIC Pacific Communications Limited	Bermuda	100	–	100	100,000	HK$1	Investment holding
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	–	1	US$1	Financing
Joint ventures@:							
CITIC Capital Holdings Limited	Hong Kong	20.03	–	20.03	–	–	Investment holding
上海中信國健藥業股份有限公司	People's Republic of China (Sino-foreign equity joint venture)	43.42	43.42	–	–	–	Research and development of medicine products
上海國睿生命科技有限公司	People's Republic of China (Sino-foreign equity joint venture)	24.94	24.94	–	–	–	Research and development of tissue engineering products
Associated company:							
Cheer First Limited θ	Hong Kong	40	–	40	–	–	Financing

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Note:

+ Represents ordinary shares, unless otherwise stated.

θ Affiliates which have been given financial assistance by the Company or its subsidiaries at 31 December 2013.

Subsidiary/ joint venture separately listed on the main board of the Hong Kong Stock Exchange and including their respective group companies.

@ In accordance with the respective joint venture agreements, none of the participating parties has unilateral control over the economic activity.

1 Under the terms of the co-operative joint venture, the Company is entitled to 80% of the distributable profit of the joint venture.

* Certain material joint ventures and associated companies are disclosed in Note 17 and 18.

To The Shareholders of CITIC Pacific Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CITIC Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 2 to 120, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 February 2014