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You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, The Hongkong and Shanghai Banking Corporation Limited or UBS AG, Hong Kong Branch (the "**Joint Lead Managers and Bookrunners**") or any person who controls the Joint Lead Managers and Bookrunners, or any director, officer, employee or agent of the Issuer or the Joint Lead Managers and Bookrunners, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers and Bookrunners.

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CITIC PACIFIC

CITIC PACIFIC LIMITED

(incorporated in Hong Kong with limited liability)

U.S.$800,000,000
8.625% Perpetual Subordinated Capital Securities
Issue Price: 100%

The 8.625% Perpetual Subordinated Capital Securities (the "**Securities**") will be issued in an initial aggregate principal amount of U.S. $800,000,000 by CITIC Pacific Limited (the "**Issuer**"). The Securities confer a right to receive distribution payments (each a "**Distribution**") (i) in respect of the period from, and including, 22 May 2013 (the "**Issue Date**") to, but excluding, 22 November 2018 (the "**First Reset Date**"), at the Initial Distribution Rate (as defined in "Terms and Conditions of the Securities"), (ii) in respect of the period from, and including, the First Reset Date to, but excluding, 22 November 2023 (the "**Second Reset Date**"), at the First Reset Distribution Rate (as defined in "Terms and Conditions of the Securities"), (iii) from, and including, the Second Reset Date, to, but excluding, the following Reset Date (as defined in "Terms and Conditions of the Securities"), at the Second Reset Distribution Rate (as defined in "Terms and Conditions of the Securities"); and (iv) from and including, each Reset Date falling after the Second Reset Date, to, but excluding, the immediately following Reset Date, at the Relevant Reset Distribution Rate (as defined in "Terms and Conditions of the Securities") (the "**Distribution Rate**"). Subject to the provisions of the Securities relating to deferral of Distributions (see "Terms and Conditions of the Securities — Distributions — Distribution Deferral"), Distributions shall be payable semi-annually in arrear on 22 May and 22 November of each year (each a "**Distribution Payment Date**", with the first Distribution Payment Date falling on 22 November 2013).

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date, by providing holders of the Securities ("**Holders**") with not more than 10 nor less than five Business Days' (as defined in "Terms and Conditions of the Securities") notice prior to the relevant Distribution Payment Date, on a cumulative and compounding basis, unless during the three month period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred (as defined in "Terms and Conditions of the Securities"). Any Distribution so deferred shall remain outstanding in full and constitute "**Arrears of Distributions**" and shall be subject to the restrictions as described in "Terms and Conditions of the Securities — Distribution Deferral — Restrictions in the case of Deferral". Each amount of Arrears of Distributions shall bear interest at the prevailing Distribution Rate. The Issuer may further defer any Arrears of Distributions by complying with the foregoing notice requirement and is not subject to any limits as to the number of times Distributions and Arrears of Distributions can be deferred. See "Terms and Conditions of the Securities — Distribution — Distribution Deferral".

The Securities are perpetual securities and have no fixed final redemption date. The Issuer may redeem all, but not some only, of the Securities on 22 November 2018 (the "**First Call Date**") or on any Distribution Payment Date thereafter (each such date, together with the First Call Date, a "**Call Date**") at their principal amount together with any Arrears of Distributions, Additional Distribution Amounts (as defined in "Terms and Conditions of the Securities") and Distribution accrued to the date fixed for redemption on the Issuer's giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities on the relevant date for redemption). The Securities may also be redeemed in whole, but not in part, at the option of the Issuer at (a) their applicable Early Redemption Price (as defined in "Terms and Conditions of the Securities") if such redemption occurs prior to the First Call Date or (b) their principal amount together with any Arrears of Distributions, Additional Distribution Amounts and Distribution accrued to the date fixed for redemption if such redemption occurs on or after the First Call Date: (i) upon the occurrence of any change or amendment to the Relevant Accounting Standards (as defined in "Terms and Conditions of the Securities") such that the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standards; or (ii) if an amendment, clarification or change occurs in the rules of, or is communicated by, Standard & Poor's Ratings Service ("**S&P**") or Moody's Investors Service Limited ("**Moody's**") which results in a lower equity content, or, as the case may be, credit for the Securities than the equity content or credit assigned immediately prior to the relevant amendment, clarification or change. The Securities may also be redeemed in whole, but not in part, at the option of the Issuer at their principal amount together with any Arrears of Distributions, Additional Distribution Amounts and Distributions accrued to the date fixed for redemption: (i) at any time following the First Reset Date (but not before) in the event that less than 25% of the principal amount of the Securities initially issued remain outstanding; or (ii) upon the occurrence of a change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 May 2013 such that the Issuer would be required to pay additional amounts in respect of the Securities and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. See "Terms and Conditions of the Securities — Redemption and Purchase".

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for listing of, and permission to deal in, the Securities by way of debt issues to professional investors only and such permission is expected to become effective on or about 23 May 2013.

The Hong Kong Stock Exchange takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Securities involves risks. Please see "Risk Factors" beginning on page 11.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this Offering Circular, see "Subscription and Sale".

The Securities will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 22 May 2013 with a common depositary for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.

Joint Lead Managers and Bookrunners

HSBC **UBS**

14 May 2013

The Issuer having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Securities that is material in the context of the issue and offering of the Securities, (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer or the Joint Lead Managers and Bookrunners (as defined in "Summary of the Offering"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date of this Offering Circular or that there has been no adverse change in the financial position of the Issuer or the Group since the date of this Offering Circular or that any other information supplied in connection with the issue or sale of the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Issuer, the Joint Lead Managers and Bookrunners, the Trustee or the Agents represents that this Offering Circular may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any available exemption, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers and Bookrunners, the Trustee or the Agents which would permit a public offering of any Securities or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The distribution of this Offering Circular and the offering or sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer or the Joint Lead Managers and Bookrunners to inform themselves about and to observe any such restriction. The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Securities may not be offered or sold within the United States.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") for the purposes of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no others facts the omission of which would make any statement herein misleading.

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

None of Joint Lead Managers and Bookrunners, the Trustee or the Agents have separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers and Bookrunners, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers and Bookrunners, the Trustee or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Joint Lead Managers and Bookrunners, the Trustee or the Agents or on its behalf in connection with the Issuer, the Group or the issue and offering of the Securities. The Joint Lead Managers and Bookrunners, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the issue or sale of the Securities are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Joint Lead Managers and Bookrunners, the Trustee or any Agent that any recipient, of this Offering Circular or of any such information, should purchase the Securities. Each potential purchaser of the Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of the Securities should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Securities should be based upon such investigation as it deems necessary. None of the Joint Lead Managers and Bookrunners, the Trustee or any Agent undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Joint Lead Managers and Bookrunners, the Trustee or any Agent.

IN CONNECTION WITH THIS OFFERING, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE "STABILISING MANAGER") OR ANY PERSON ACTING FOR THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE SECURITIES.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" or "**Hong Kong SAR**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to "**HK$**" are to Hong Kong dollars, to "**A$**" or "**AUD**" are to Australian dollars, to "**CNY**" or "**RMB**" are to Renminbi, the currency of the People's Republic of China, to "**JPY**" are to Japanese Yen to "**U.S.$**" or "**USD**" are to U.S. dollars, to "**sterling**" or "**£**" are to the currency of the United Kingdom and to "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time.

For the convenience of the reader, this Offering Circular presents translations into U.S. dollars of certain Hong Kong dollar amounts at the rate of HK$7.80 = US$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate. On 3 May 2013, the exchange rate for Hong Kong dollars into U.S. dollars as set forth in the H.10

statistical release of the Federal Reserve Board was HK$7.7591 = US$1.00. This Offering Circular also includes certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the Group's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Circular:

- the Group's ability to integrate its newly-built operations and any future expansion of its business;
- the Group's ability to realise the benefits it expects from existing and future investments in its existing operations and pending expansion and development projects;
- the Group's ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;
- the Group's ability to obtain external financing or maintain sufficient capital to fund its existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which the Group and its customers operate;
- changes in the competitive environment in which the Group and its customers operate;
- the Group's ability to secure or renew concessions or licences at future or existing facilities, operations or developments;
- failure to comply with regulations applicable to the Group's business;
- fluctuations in the currency exchange rates in the markets in which the Group operates; and
- actions taken by the Group's joint venture partners that may not be in accordance with the Group's policies and objectives.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Forward-looking statements speak only as of the date of this Offering Circular and the Issuer expressly disclaims any obligation or undertaking to update publicly or revise any forward-looking statements in this Offering Circular to reflect any change in the Issuer's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, there can be no assurance that projected results or events will be achieved and undue reliance should not be placed on these statements.

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SUMMARY OF THE OFFERING

The following is a summary of the terms and conditions of the Securities and is qualified by the more complete description of the Securities set out in "Terms and Conditions of the Securities". Any decision to invest in the Securities should be based on a consideration of the Offering Circular as a whole. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Securities".

Issuer	CITIC Pacific Limited.
Issue	U.S.$800,000,000 8.625% perpetual subordinated capital securities (the "**Securities**").
Status and Subordination of the Securities	The Securities constitute direct, unsecured and subordinated obligations which rank *pari passu* and without any preference among themselves and with any Parity Obligations. In the event of the Winding-Up of the Issuer, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Issuer, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (and if more than one class of preference shares is outstanding, the most junior ranking class of such preference shares) ("**Issuer Notional Preference Shares**") having an equal right to return of assets in the Winding-Up of the Issuer and so ranking *pari passu* with the holders of that class or classes of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank ahead of the holders of Junior Obligations of the Issuer, but junior to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Holder of a Security was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security (or the Make-Whole Amount if applicable) together with accrued and unpaid Distributions (including any Arrears of Distributions or any Additional Distribution Amount).
Set-off	Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in

	the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.
Issue Price	100%.
Form and Denomination	The Securities will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Distributions	Subject to Condition 4(d), the Securities confer a right to receive distributions (each a "**Distribution**") from 22 May 2013 (the "**Issue Date**") at the applicable Distribution Rate. Distributions shall be payable on the Securities semi-annually in arrear on 22 May and 22 November of each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 22 November 2013 in respect of the period from, and including, the Issue Date to, but excluding, such Distribution Payment Date.
Distribution Rate	The Distribution Rate applicable to the Securities shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding, the First Reset Date, the Initial Distribution Rate; (ii) in respect of the period from, and including, the First Reset Date to, but excluding, the Second Reset Date, the First Reset Distribution Rate; (iii) from, and including, the Second Reset Date, to, but excluding, the following Reset Date, the Second Reset Distribution Rate; and (iv) from and including, each Reset Date falling after the Second Reset Date, to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate, where: "**First Reset Date**" means 22 November 2018; "**First Reset Distribution Rate**" means the Treasury Rate plus the Initial Spread per annum; "**Initial Distribution Rate**" means 8.625 per cent. per annum; "**Initial Spread**" means 7.816 per cent.;

"**Relevant Reset Distribution Rate**" means the Treasury Rate with respect to the relevant Reset Date plus the Initial Spread plus the Step-Up Margin per annum;

"**Reset Date**" means the First Reset Date, the Second Reset Date and the day falling every five calendar years after the Second Reset Date;

"**Second Reset Date**" means 22 November 2023;

"**Second Reset Distribution Rate**" means the Treasury Rate plus Initial Spread plus the Step-Up Margin per annum; and

"**Step-Up Margin**" means 1 per cent.

Distribution Deferral

The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (a "**Deferral Election Notice**") to the Holders (in accordance with Condition 14) and the Trustee and the Principal Paying Agent not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date unless, during the three-month period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred (a "**Deferral Election Event**").

Arrears of Distributions

Any Distribution deferred pursuant to Condition 4(d) shall constitute "Arrears of Distributions". Each amount of Arrears of Distributions shall bear interest as if it constituted the principal of the Securities at the Distribution Rate.

The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i)) to defer any Arrears of Distributions by complying with the notice requirements applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distributions can or shall be deferred pursuant to Condition 4(d) except that Condition 4(d)(v) shall be complied with until all outstanding Arrears of Distributions have been paid in full.

The Issuer may satisfy any Arrears of Distributions (in whole or in part) at any time by (1) satisfying the Distribution payable on the next Distribution Payment Date, together with such Arrears of Distributions and any Additional Distribution Amount; and (2) giving notice of such election to the Holders (in accordance with Condition 14), the Trustee and the Principal Paying Agent not more than 10 or less than five Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distributions on the payment date specified in such notice).

	The Issuer shall in any event satisfy any outstanding Arrears of Distributions (in whole, but not in part and including any Additional Distribution Amount) on the earliest to occur of: (1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 5; (2) the next Distribution Payment Date on the occurrence of a breach of Condition 4(d)(v) or the occurrence of a Compulsory Distribution Payment Event; (3) the date such amount becomes due under Condition 8 or on a Winding-Up of the Issuer; and (4) the date of any substitution or variation pursuant to a Special Event (as defined in Condition 11(c)). Any partial payment of outstanding Arrears of Distributions or any Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a pro-rata basis.
Restrictions in the case of Deferral	If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full as a result of a Distribution deferral, the Issuer shall not: (a) declare or pay any dividends or distributions, or make any other payment on, and will procure that no dividend, distribution or other payment is made on any of its Junior Obligations or its Parity Obligations (except in relation to the Parity Obligations of the Issuer, on a pro-rata basis), save that such restriction shall not apply to payments in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or (b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, save that such restriction shall not apply to payments in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants, in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.
Expected Closing Date	22 May 2013.
Maturity Date	There is no maturity date.

Redemption at the Option of the Issuer	The Securities may be redeemed at the option of the Issuer in whole, but not in part, on 22 November 2018 (the "**First Call Date**") or any Distribution Payment Date thereafter (each, a "**Call Date**") on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall oblige the Issuer to redeem the Securities on the relevant Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount).
Tax Redemption	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders at their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount), if (i) the Issuer satisfies the Trustee immediately before giving such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 May 2013; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts if a payment in respect of the Securities were then payable.
Redemption upon an Equity Credit Classification Event	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders at (i) their applicable Early Redemption Price if such redemption occurs prior to the First Call Date or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount) if such redemption occurs on or after the First Call Date, if, immediately before giving such notice, the Issuer satisfies the Trustee that an amendment, clarification or change has occurred in the rules of, or has been communicated by, S&P or Moody's, which amendment, clarification or change results in a lower equity content or credit for the Securities than the equity content or credit assigned immediately prior to the relevant amendment, clarification or change.
Redemption for Accounting Reasons	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders at (i) their applicable Early Redemption Price if such redemption occurs prior

to the First Call Date or (ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount) if such redemption occurs on or after the First Call Date, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any change or amendment to, or any change or amendment to any interpretation of, Hong Kong Financial Reporting Standards or any other internationally generally accepted accounting standards that the Issuer has adopted for the purposes of the Issuer's consolidated financial statements (the "**Relevant Accounting Standards**"), the Securities must not or must no longer be recorded as "equity" pursuant to the Relevant Accounting Standards.

Redemption in the case of Minimal Outstanding Amount	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time following the First Reset Date (but not before), on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders, at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 25 per cent. of the aggregate principal amount originally issued.
Limited rights to institute proceedings	The right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(d).
Proceedings for Winding-Up	If (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer shall not make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition (8)(d), institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding Up of the Issuer and/or claim in the liquidation of the Issuer for such payment.
Substitution or Variation	If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 4 (without any requirement for the consent or approval of the Holders) and subject to the Issuer having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of Condition 11(c) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 14, the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the

	Trustee shall (subject to the provisions of Condition 11(c) and subject to the receipt by it of a certificate of the directors of the Issuer) agree to such substitution or variation.
Governing Law	The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3(b) and the clause of the Trust Deed relating to subordination shall be governed by, and construed in accordance with, Hong Kong law.
Clearing Systems	The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream, Luxembourg under the following codes: ISIN: XS0933855354 Common Code: 093385535
Trustee	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Agent Bank	The Bank of New York Mellon, London Branch.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Securities by way of debt issues to professional investors only.
Use of Proceeds	See “Use of Proceeds”.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Issuer as at and for the periods indicated.

The summary consolidated financial information for the years ended 31 December 2012 and 31 December 2011 set forth below is derived from the Issuer's published audited consolidated financial statements for the year ended 31 December 2012 (which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included in this Offering Circular) and should be read in conjunction with such published audited consolidated financial statements and the notes thereto.

Consolidated Profit and Loss Account

	For the year ended 31 December		
	2012	**2012**	**As restated 2011[1]**
	US$m	**HK$m**	**HK$m**
Continuing operations			
Revenue	11,958	93,272	96,890
Cost of sales	(10,709)	(83,529)	(83,636)
Gross profit	1,249	9,743	13,254
Other income and net gains	471	3,673	1,843
Distribution and selling expenses	(411)	(3,202)	(2,854)
Other operating expenses	(553)	(4,315)	(4,493)
Change in fair value of investment properties	193	1,506	1,835
Profit from consolidated activities	949	7,405	9,585
Share of results of			
Jointly controlled entities	275	2,145	3,080
Associated companies	88	690	729
Profit before net finance charges and taxation	1,312	10,240	13,394
Finance charges	(238)	(1,862)	(1,104)
Finance income	92	720	694
Net finance charges	(146)	(1,142)	(410)
Profit before taxation	1,166	9,098	12,984
Taxation	(173)	(1,347)	(2,495)
Profit for the year from continuing operations	993	7,751	10,489
Discontinued operations			
Profit for the year from discontinued operations	64	497	494
Profit for the year	1,057	8,248	10,983
Attributable to:			
Ordinary shareholders of the Company	892	6,954	9,233
Holders of perpetual capital securities	58	463	331
Non-controlling interests	107	831	1,419
	1,057	8,248	10,983
Profit attributable to ordinary shareholders of the Company arising from:			
Continuing operations	853	6,655	8,934
Discontinued operations	39	299	299
	892	6,954	9,233
Dividends	(211)	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)			
Basic earnings per share from:			
Continuing operations	0.23	1.83	2.45
Discontinued operations	0.01	0.08	0.08
	0.24	1.91	2.53
Diluted earnings per share from:			
Continuing operations	0.23	1.83	2.45
Discontinued operations	0.01	0.08	0.08
	0.24	1.91	2.53

Note:

(1) Certain comparative figures for the year ended 31 December 2011 have been adjusted to conform with the current year presentation.

Consolidated Balance Sheet

	As at 31 December 2012 US$m	2012 HK$m	2011 HK$m
Non-current assets			
Property, plant and equipment	12,878	100,445	85,132
Investment properties	2,097	16,359	15,270
Properties under development	1,117	8,712	6,628
Leasehold land – operating leases	323	2,524	2,277
Jointly controlled entities	2,621	20,443	21,278
Associated companies	961	7,499	7,222
Other financial assets	45	351	345
Intangible assets	2,212	17,253	16,202
Deferred tax assets	300	2,342	1,647
Derivative financial instruments	16	121	928
Non-current deposits and prepayments	245	1,908	4,031
	22,815	177,957	160,960
Current assets			
Properties under development	147	1,144	3,189
Properties held for sale	491	3,830	1,493
Other assets held for sale	48	379	2,388
Inventories	1,513	11,803	14,125
Derivative financial instruments	33	255	401
Debtors, accounts receivable, deposits and prepayments	1,983	15,464	16,253
Cash and bank deposits	4,208	32,821	30,930
	8,423	65,696	68,779
Assets of disposal group classified as held for sale	478	3,733	–
	8,901	69,429	68,779
Current liabilities			
Bank loans, other loans and overdrafts			
secured	187	1,456	1,329
unsecured	2,651	20,677	26,328
Creditors, accounts payable, deposits and accruals	3,128	24,402	30,577
Derivative financial instruments	26	201	159
Provision	240	1,870	–
Provision for taxation	136	1,065	1,514
	6,368	49,671	59,907
Liabilities of disposal group classified as held for sale	162	1,260	–
	6,530	50,931	59,907
Net current assets	2,371	18,498	8,872

	As at 31 December		
	2012	**2012**	**2011**
	US$m	**HK$m**	**HK$m**
Total assets less current liabilities	25,186	196,455	169,832
Non-current liabilities			
Long term borrowings	12,114	94,496	71,050
Deferred tax liabilities	429	3,343	3,373
Derivative financial instruments	612	4,777	4,747
Provisions and deferred income	253	1,973	2,649
	13,408	104,589	81,819
Net assets	11,778	91,866	88,013
Equity			
Share capital	187	1,460	1,460
Perpetual capital securities	763	5,953	5,951
Reserves	9,766	76,170	72,452
Proposed dividend	140	1,095	1,095
Total ordinary shareholders' funds and perpetual capital securities	10,856	84,678	80,958
Non-controlling interests in equity	922	7,188	7,055
Total equity	11,778	91,866	88,013

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and CITIC Pacific is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to CITIC Pacific or which CITIC Pacific currently deems to be immaterial, may affect CITIC Pacific's business, financial condition or results of operations or its ability to fulfil its obligations under the Notes.

General Risks Relating to CITIC Pacific's Business

Economic risks

CITIC Pacific's businesses are all subject to the risks of negative developments in the economies in which it operates, which may be affected by global trends. The results of most of its businesses are closely linked to the success of the PRC economy: the sales of special steel are substantially to customers in the PRC, as are the vehicles and other products of Dah Chong Hong; the iron ore mine is expected to sell its output to steel mills in the PRC, and its electricity is sold exclusively to the PRC. With a few exceptions in Japan, all of CITIC Pacific's investment properties and property developments are located in the PRC or Hong Kong, as are its infrastructure assets such as tunnels. Consequently, economic policies implemented to influence the whole economy, or sections of it, may adversely affect CITIC Pacific's business for periods of time. See also "*— General risks — Economic, political and social conditions in the PRC may adversely affect CITIC Pacific's business*".

In addition to its effects on CITIC Pacific's customers, changes to the global or local economies or regulation may adversely affect its bankers, joint venture partners, suppliers of goods, raw materials or power, and others on which its business depends.

Competitive markets

Some of CITIC Pacific's businesses, particularly special steel, iron ore mining, property, telecommunications and vehicle and other product sales, operate in highly competitive markets. Failure to compete in terms of product specification, service quality, reliability or price may adversely affect CITIC Pacific. For example, the iron ore market price is set primarily by international supply and demand and if a surplus of supply occurs it could adversely affect the results of its business. See also "*— Risks Relating to the Special Steel Business — Profit margins and raw materials*", "*— Risks Relating to the Iron Ore Business — Iron ore price*" and "*— Risks Relating to the Property Business — Profit margins*".

Laws and regulations

CITIC Pacific's businesses operate primarily under three different systems of law, regulation and business practice: Australia, the PRC and Hong Kong. Each of these systems, and the systems of other places in which branches or offices are located or where sales and purchases are made, have their own characteristics, and may be subject to changes of substance or interpretation that could adversely affect CITIC Pacific's business. These may include tariffs, trade barriers, licences, approvals, health and safety and environmental regulation, emission controls, taxation, exchange controls, employment legislation, and other matters. For example, the electric power business is subject to price regulation, and if tariffs are not permitted to increase in line with cost increases, CITIC Pacific's results would be adversely affected. See also "*— Risks Relating to the Special Steel Business — Regulations affecting the special steel business*".

Environmental regulation

The special steel, iron ore mining and power businesses can have a significant environmental impact, and consequently are subject to stringent licensing and regulation. As part of the regulatory framework, non-compliant facilities can be ordered to suspend or cease operations and effect remedial work in certain circumstances. Failure to adhere to the terms of environmental licences and regulations may also result in penalties or, in extreme cases, an inability to operate. Licence terms or regulations may also be changed at short notice and it may be difficult to comply with the amended terms in a timely fashion or without significant cost. Any of these factors could have an adverse effect on CITIC Pacific's business and results. See also "— *Risks Relating to the Special Steel Business — Regulations affecting the special steel business*".

Large-scale capital intensive business

The nature of CITIC Pacific's business is capital intensive, involving the construction and commissioning of major civil works and mechanical equipment. There are inherent difficulties in constructing and commissioning these large-scale operations, including difficulties in meeting construction or commissioning timetables and budget plans. These may relate to disputes with contractors or their failure to perform to specification or contract, adverse weather conditions or other events.

In addition, CITIC Pacific's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including the general economic and capital market conditions, interest rates, credit availability from banks or other lenders, the credit ratings of and investor confidence in CITIC Pacific, the compliance with its loan covenants and undertakings, the success of its businesses, provisions of tax and securities laws that may be applicable to CITIC Pacific's efforts to raise capital and political and economic conditions in the PRC, Hong Kong, Australia and international capital markets. In recent years, there has been a reduction in certain banks' capacity for loan business which has resulted in a fall in the liquidity available in the credit markets and a rise in the credit spread. There can be no assurance that additional financing, either on a short-term or long-term basis, will be available, or that if available, such financing will be obtained on favourable terms. A failure to obtain the required funding for capital expenditure could hinder CITIC Pacific's operations or result in CITIC Pacific being unable to carry out planned upgrades or expansions in a timely manner or at all. This could have an adverse effect on CITIC Pacific's business, financial condition and results.

Natural disasters or events, terrorism and disease

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

Holding company

CITIC Pacific's business operations are carried out through subsidiaries, and its principal assets are its investments in these subsidiaries. As substantially all of CITIC Pacific's operations are and will be conducted through its subsidiaries, CITIC Pacific will be dependent on the cash flow of its subsidiaries, jointly controlled and associated companies to meet its obligations including the funds necessary to service any debt it may incur. If any of CITIC Pacific's subsidiaries, jointly controlled companies and associated companies incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to CITIC Pacific. Furthermore, applicable laws, rules and regulations permit payment of dividends by CITIC Pacific's consolidated entities only out of their retained earnings, if any, determined in accordance with applicable laws and accounting standards.

Under PRC laws, rules and regulations, all of CITIC Pacific's PRC entities which are not Sino-foreign joint ventures are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50% of their respective registered capital, while Sino-foreign joint ventures are required to set aside part of their net profit as reserve at the discretion of their boards of directors. As a result, all of CITIC Pacific's PRC entities are restricted in their ability to transfer a portion of their net income to CITIC Pacific in the form of dividends. Such restricted reserves are not distributable as cash dividends. Any limitation on the ability of CITIC Pacific's subsidiaries, jointly controlled companies or associated companies to pay dividends to CITIC Pacific could limit CITIC Pacific's funding arrangements.

Uninsured risks

CITIC Pacific maintains insurance coverage for risks including damage to property and assets, business interruption, employee insurance and third-party liability where insurance is available at what it considers reasonable commercial terms. The level of coverage and types of insurance obtained by the management of each business differs depending on the characteristics of each business and the regulations of the jurisdictions in which it operates. The insurance coverage maintained by CITIC Pacific may not fully indemnify them for all potential losses, damages or liabilities relating to property or business operations, particularly those arising from or as a result of war, civil unrest, terrorism, pollution, fraud, professional negligence and acts of God.

If CITIC Pacific suffers any losses, damage or liabilities in the course of its operations arising from events for which it does not have any or adequate insurance cover, it may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. In addition, CITIC Pacific's insurers may become impaired and become unable to meet claims. The occurrence of any of the above events and the resulting payment CITIC Pacific makes to cover any losses, damages or liabilities may have a material adverse effect on its business, results of operations and financial position.

Third party contractors

CITIC Pacific employs third-party contractors to carry out various works across its businesses. CITIC Pacific cannot guarantee that its third-party contractors will always provide satisfactory services. In addition, CITIC Pacific may not be able to engage third-party contractors with the right experience in the places in which it operates. In addition, construction or commissioning of new projects and developments may be delayed and additional costs incurred due to a contractor's financial or operational difficulties. The services rendered by independent contractors may not always meet CITIC Pacific's quality standards. Any of these factors could have a negative impact on CITIC Pacific's reputation, business, results of operations and financial position.

Legal disputes and proceedings

CITIC Pacific is involved in ongoing proceedings and may be involved in disputes arising out of the operation of its businesses (see "*The CITIC Pacific Group — Legal Proceedings and Regulatory Investigations*"). These proceedings and disputes may lead to legal or other proceedings and may damage CITIC Pacific's reputation and divert its resources and management's attention. Significant costs may have to be incurred in defending CITIC Pacific in such proceedings. In addition, CITIC Pacific may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings or unfavourable decrees that may result in liabilities and cause delays to its developments and interruptions to its operations. In the absence of any findings of judgment in relation to ongoing proceedings, it is inherently difficult to predict the outcome of such matters and to assess the possible conclusions that may be reached or when they may be reached. CITIC Pacific may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of its projects. Any of the above could have a material adverse effect on CITIC Pacific's business, results of operations and financial position.

Key personnel

CITIC Pacific's future success to a large extent depends on the continued service of its key executive officers. If CITIC Pacific loses the services of any of its key executive officers, it could be difficult to find and integrate replacement personnel in a short period of time, which could harm its operations and the growth of its business. CITIC Pacific does not carry key person insurance on any of its personnel.

Financial and internal control risks

Financial risks are inherent in CITIC Pacific's business. Although systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and commodity risks arising from the activities of its existing and proposed businesses (see "*The CITIC Pacific Group — Treasury Risk Management*"), there can be no assurance that these systems and procedures will prevent a loss that affects CITIC Pacific's financial condition. In addition, many of the current systems have a significant manual component. There are additional risks inherent to any manual risk management system, including human error. CITIC Pacific believes that the existing Treasury Management System, which is designed and supplied by a leading system provider, provides a better platform to manage the treasury data and transactions. The reliability of the system and the information generated from it depends on, inter alia, the configuration and design of the system, the built-in system control features and the internal control measures surrounding it. Any failure of internal controls could have a material adverse effect on CITIC Pacific's business, results of operations and financial condition.

Credit ratings

CITIC Pacific is currently rated BB+ (negative outlook) and Ba1 (negative outlook) by Standard & Poor's and Moody's respectively. There can be no assurance that any of these two ratings or outlooks given by the rating agencies will remain or not be lowered for any given period of time. A negative change in the CITIC Pacific's credit rating or outlook may materially affect CITIC Pacific's ability to access the capital markets at a better cost of financing.

Changes in PRC taxation and applicability to CITIC Pacific

Under the PRC's Enterprise Income Tax Law (the "**EIT Law**"), enterprises established outside of the PRC whose "*de facto* management bodies" are located in the PRC are considered "resident enterprises" and will generally be subject to a uniform 25% enterprise income tax rate on their global income. In addition, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC, subject to certain exemptions or reductions. CITIC Pacific believes (and has not been informed to the contrary by PRC tax authorities) that its "*de facto* management body" is not based in the PRC, and therefore it should not be treated as a PRC resident enterprise for the purposes of the EIT Law. However, there can be no assurance that the PRC authorities will not treat CITIC Pacific as a PRC resident enterprise. If CITIC Pacific is treated as a PRC resident enterprise, this could materially adversely affect its business, results of operations and could impact payments of principal and interest under the Notes. See "*Taxation — PRC Taxation*".

Fluctuations in currency exchange rates

CITIC Pacific's functional currency is the Hong Kong dollar, which is pegged to the U.S. dollar. A significant portion of its operating costs, as well as costs of construction and commissioning of new operations, equipment, and infrastructure and service contracts are denominated in Australian dollars, U.S. dollars and Renminbi. Sales made by different businesses may be denominated in a number of currencies, including U.S. dollars and Renminbi. CITIC Pacific is therefore exposed to the risk of fluctuations in the exchange rate of the Hong Kong dollar against these other currencies. In the event that the Australian dollar or Renminbi appreciates against the U.S. or Hong Kong dollar, CITIC Pacific will spend a greater proportion of its funds to settle its Australian dollar-denominated or Renminbi-denominated expenses. If such increase in expenses is not offset by an appreciation in CITIC Pacific's Australian dollar or Renminbi revenues, its profit may be adversely affected and this could have an adverse effect on CITIC Pacific's financial condition and results.

Restrictions on currency exchange

The PRC government imposes controls on the convertibility of Renminbi against foreign currencies and the remittance of foreign exchange out of the PRC. A substantial portion of CITIC Pacific's revenue is derived from the PRC and is denominated in Renminbi. CITIC Pacific's PRC subsidiaries and jointly controlled entities must convert their Renminbi earnings into foreign currency before they may pay cash dividends to CITIC Pacific or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of the PRC for capital-account transactions, such as the repatriation of equity investment in the PRC and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect CITIC Pacific's ability to finance its PRC business. In addition, the transfer of funds by CITIC Pacific to its PRC subsidiaries and jointly controlled entities are subject to certain rules and regulations by governmental authorities in the PRC, including: (i) the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment issued by MOFCOM on 12 October 2011 (the "**MOFCOM RMB FDI Circular**"), which allows MOFCOM and its local counterparts to authorise and approve RMB Foreign Direct Investment ("**RMB FDI**") in accordance with existing PRC laws and regulations regarding foreign investment; (ii) the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment issued by the PBOC on 13 October 2011 (the "**PBOC RMB FDI Measures**"), which sets out PBOC's detailed RMB FDI administration system; and (iii) the Notice of the People's Bank of China on Clarifying the Detailed Operating Rules for RMB Settlement of Foreign Direct Investment issued by the PBOC on 14 June 2012, which provides operational guidelines on issues relevant to RMB FDI. These limitations on the flow of funds between CITIC Pacific and its PRC subsidiaries and jointly controlled entities could restrict CITIC Pacific's ability to act in response to changing market conditions.

Risks Relating to the Special Steel Business

Competition

CITIC Pacific competes with other market players on the basis of product quality, responsiveness to customer needs and price. While CITIC Pacific believes that the price and quality of its products are highly competitive against many other manufacturers, some of CITIC Pacific's competitors may be better capitalised, may have more experience or may have deeper ties in the markets in which CITIC Pacific's products are sold. Competition may increase as a whole with the entry of foreign companies into such markets. This may limit CITIC Pacific's opportunities for growth, lead to price pressure and reduce its profitability. CITIC Pacific may not be able to compete favourably and this increased competition may harm its business, business prospects and results of operations.

Profit margins and raw materials

Save for selected periods of financial turmoil, including that experienced in late 2011 and late 2012, CITIC Pacific's special steel business has experienced a relatively stable margin between sales and raw material prices due to its ability to pass on changes in raw material costs to customers either directly or through changes in product mix. During 2012, approximately 39.5% of the iron ore requirements of CITIC Pacific were sourced through supply contracts, but due to market changes, the pricing mechanism of iron ore in such contracts has generally been replaced by monthly or quarterly pricing. There can be no assurance that CITIC Pacific will be able to continue to pass on changes in costs to its customers, and to the extent that future fluctuations in the selling price of special steel products do not correspond to fluctuations in raw material prices, the mismatch could have a material adverse impact on CITIC Pacific's operating results.

Production of special steel depends upon reliable sources of large quantities of raw materials, primarily iron ore, coke, scrap steel, alloys and coal (see "*The CITIC Pacific Group — Special Steel — Raw Materials*"). While CITIC Pacific has not historically experienced any supply interruptions or shortages for any of the raw materials it uses, there can be no assurance that it will not suffer from any shortages in raw material supplies in the future. A shortage of any raw materials could result in CITIC Pacific's inability to operate its production facilities at full capacity, thereby resulting in reduced production output and sales revenue.

Electricity and water supplies

CITIC Pacific's production processes require a large, stable supply of electricity in large quantities supplied through the electricity grid. CITIC Pacific's entire production process may cease if there is insufficient or suspension of electric power. CITIC Pacific also relies on water to operate its cooling system, and consequently a shortage of water may adversely affect, its operations.

Although CITIC Pacific has not historically experienced any major shortage of electricity or water supply, there can be no assurance that it can maintain the current level of supply at low cost. Any significant increase in utilities costs or any interruption in such supply will not only increase CITIC Pacific's cost of production, adversely affecting its financial position, but will also prevent CITIC Pacific from producing and delivering its products to its customers as scheduled.

Malfunction of equipment

CITIC Pacific relies on its two production sites at Xingcheng and Xin Yegang for its special steel products. Steel manufacturing processes are dependent on furnaces, continuous casters, rolling mills, electrical and other equipment. Such equipment may incur downtime as a result of unanticipated malfunctions or other events, such as fires or furnace breakdowns. Although CITIC Pacific's manufacturing plants have not historically experienced major plant shutdowns or extended periods of reduced production as a result of such equipment failures or other events, CITIC Pacific may experience such problems in the future. To the extent that lost production as a result of such a disruption could not be recovered by unaffected facilities, such disruptions could have an adverse effect on CITIC Pacific's operations, customer service and financial results.

Products

CITIC Pacific's strategy is to improve its product mix by moving the balance of sales of existing products to those of higher value, and developing new products for a new group of customers. Although CITIC Pacific has been making good progress in both regards in accordance with this strategy, there can be no assurance that it will not encounter any difficulties in the future. If CITIC Pacific experiences substantial problems when launching its new products, it may have to cease or delay such launching of its new products and the planned objectives will not be achieved.

Regulations affecting the special steel business

CITIC Pacific's current business operations in the special steel segment are subject to obtaining various licences, approvals and permits in the PRC in an evolving and developing regulatory environment. The steel industry in the PRC is heavily regulated by the PRC government, which closely monitors its development and may from time-to-time seek to control such development through new regulations and policies, as well as by local authorities and regulators. There can be no assurance that CITIC Pacific will not encounter problems in obtaining required local and national licences and approvals for the operation and development of its business or in fulfilling the conditions of such licences and approvals, or that it will be able to adapt its special steel business to new laws, regulations or policies that may come into effect from time to time. If CITIC Pacific fails to obtain approvals in respect of its special steel business or fulfil the conditions of those licences, approvals or permits, it may be subject to fines or penalties or be required to halt operations of some of its plants, its business strategies may not proceed on schedule and its business, financial condition and results of operations may be adversely affected.

CITIC Pacific believes that most of its special steel facilities are substantially in compliance with the requirements of existing environmental protection laws and regulations. Environmental impact assessments have occurred in the past which required it to undertake certain remedial works. There can be no assurance further or new environmental impact assessments will not be imposed in respect of some of CITIC Pacific's special steel facilities. The imposition of any obligation to satisfy the requirements of an environmental impact assessment could impose significant costs on CITIC Pacific in respect of its existing and any future operations. The requirement to obtain a satisfactory environmental impact assessment could cause significant delays or additional costs to any planned new or expanded operations or to any future upgrades to the plants and other parts of the operations of the special steel business. Failure to comply with the requirements or the results of an environmental impact assessment could give rise to significant fines or penalties, or restrict CITIC Pacific's ability to utilise its infrastructure, plant and machinery. Any of these factors could have a material adverse effect on CITIC Pacific's financial condition and results of operations.

Production capacity and technological improvements

In recent years, CITIC Pacific has carried out technological improvement projects and construction of production lines and auxiliary facilities, including for example replacement of outdated blast furnaces with new improved equipment with a higher specification as well as higher capacity at its special steel production facilities. These, and other new product initiatives, have led to a plant production capacity which exceeds the capacity approved by the relevant PRC authorities. Although the applicable regulations do not expressly exclude technological improvements or auxiliary facilities from the scope of the requirement to obtain approvals, many industry participants, including CITIC Pacific have taken the view that these improvements and constructions related to new product initiatives constitute changes or improvements to existing plant and equipment. To date, no issues have been raised by any regulator. There can, however, be no assurance that the relevant authorities would share this view. If such authorities take a different view, or seek separately to enforce the previously-approved production capacity, they could require CITIC Pacific's special steel business to obtain additional approvals and the undertaking and approval of environmental impact assessments, desist from using the relevant equipment pending such approval, and impose financial penalties on CITIC Pacific. All of these could adversely affect the business, financial condition and results of operations of CITIC Pacific.

Equity interest in steel plants

In July 2005, the National Development and Reform Commission of the PRC (the "**NDRC**") promulgated its "Policy on the Development of the Steel and Iron Industry" (the "**Iron and Steel Development Policy**"). Amongst other things, the Iron and Steel Development Policy prohibits non-PRC investors from holding majority equity interests in a PRC steel mill. As at the date of this Offering Circular, CITIC Pacific owns a 100% equity interest in the Jiangyin Xingcheng special steel plant, a 100% equity interest in the Xin Yegang special steel plant and a 58% indirect equity interest in the Daye special steel plant. Although CITIC Pacific is a non-PRC entity, CITIC Group Corporation, itself a PRC entity, indirectly owns 58% of CITIC Pacific. As such, CITIC Pacific is of the view that its shareholdings in its special steel plants does not conflict with the Iron and Steel Development Policy. There can, however, be no assurance that governmental authorities in the PRC would subscribe to this view and in these circumstances CITIC Pacific may be required to reduce its equity interests in the plants to a level below 50%.

Risks Relating to the Iron Ore Business

New venture

The Sino Iron Project commissioned production in November 2012 and is subject to further development. While members of the senior management of CITIC Pacific Mining Management Pty Limited ("**CPM**") have considerable experience in the construction of large scale projects, CITIC Pacific has not previously implemented a mining project on the scale of the Sino Iron Project. While magnetite iron ore production and processing is a mature technology practiced in some parts of the world such as the PRC and India, development on such a large scale as the Sino Iron Project is a unique venture in Australia. Although CITIC Pacific believes that the design of the production process and the components in the production flow is based on proven technology, the testing and verification of the process involving the various production components, such as mining, crushing and milling, beneficiation, slurry transport, de-watering and trans-shipment, are yet to be proven. There can be no assurance that the components of production will perform according to their original design specifications or that they will function as an integral process as planned (see also *"Malfunction of equipment")*. The port facilities being planned rely on trans-shipment, the process of moving ore by conveyor system onto barges and then reloading the ore onto ocean-going vessels, which increases the risk of inefficiencies, breakdowns and accidents. The failure or inefficiency of any of the components of production would cause lower production throughput and potential delays.

The Sino Iron Project will be subject to all the risks inherent in the establishment of any new mining project. The commercial viability and future profitability of the Sino Iron Project are substantially dependent upon the successful completion, commissioning and operation of the mine, and the price of ore when available for sale.

There can be no assurance that CITIC Pacific will be able to commission or sustain successful operation of the Sino Iron Project or achieve project completion or commercial viability. Any failure to do so would have a material adverse impact on CITIC Pacific's business, financial position and operating results.

Cost overruns and delays in relation to the Sino Iron Project

CITIC Pacific's original estimates and budgets for the Sino Iron Project have been exceeded. CITIC Pacific has previously agreed to increase the contract sum to China Metallurgical Group Corporation ("**MCC**"), the contractor for the Sino Iron Project, to approximately U.S.$3.4 billion in respect of additional construction and labour costs. See "*The CITIC Pacific Group — Material Agreements with MCC*" for more details about the supplemental contracts with MCC. Although the capital expenditure in relation to the remaining production lines of the Sino Iron Project has been budgeted, construction schedules may be delayed and actual costs may exceed budgeted amounts. There can be no assurance that there will not be further cost overruns prior to the project coming into full operation.

Delays in the completion of parts of the Sino Iron Project have led to mismatching of contractual gas delivery and actual gas usage requirements in relation to gas supplies arrangements that had been put in place for the Sino Iron Project. In 2012, CITIC Pacific had agreed with the counterparties to restructure certain terms in relation to a gas supply arrangement and had entered into swap arrangements with a third party to manage its gas portfolio to optimise the utilisation of gas delivered and minimise potential financial loss. During 2012, CITIC Pacific has considered and made further accounting provisions for an estimated loss that it may incur primarily due to future potential mismatches of contracted gas deliveries against its requirements at the Sino Iron Project. CITIC Pacific is currently working with the counterparties to determine a mutually beneficial resolution that can minimise the risk exposure. The Sino Iron Project will continue to evaluate, explore and implement strategies beneficial to its shareholders in order to reduce any potential loss in the future. There can be no assurance that these strategies will be concluded successfully and that this provision will be sufficient, or that no further substantial provisions will be required in relation to this or other consequences of delays in completion of the Sino Iron Project.

Although CITIC Pacific continues to monitor its business and operations with gas suppliers closely to minimise potential financial exposure, there can be no assurance that CITIC Pacific's rights in relation to gas offtake, contract or related financing arrangements will not be adversely impacted by the current or any future potential mismatches.

Operating cost pressures and resource shortages

The large number of mining developments in recent years has led to increasing cost pressures across the resources industry and shortages in skilled personnel, contractors, materials and supplies that are required as critical inputs to CITIC Pacific's development and operation. The inability to contain costs, and in particular labour and contractor costs, may impact CITIC Pacific's operating margins for an extended period.

Changing industrial relations legislation may impact workforce flexibility, productivity and costs. Labour unions may seek to pursue claims under the new framework. Industrial action may impact CITIC Pacific's operations resulting in lost production and revenues.

CITIC Pacific's operations are energy intensive and earnings could be adversely affected by rising costs or by supply interruptions including the unavailability of energy, fuel or water due to a variety of reasons, including fluctuations in climate, significant increase in costs, inadequate infrastructure capacity, interruptions in supply due to equipment failure or other causes and the inability to extend supply contracts on economical terms.

Disputes with contractors

CITIC Pacific relies on contractors and sub-contractors to carry out certain construction activities at the Sino Iron Project. From time to time, disputes with contractors and sub-contractors may arise including, disputes as to the quality of the work, timeliness of delivery and incurrence of costs.

In late 2010, Sino Iron Pty Ltd. a subsidiary of CITIC Pacific through Sino Iron Holdings Pty Ltd, terminated its contract with AE&E Australia Pty Ltd ("**AE&E**"), the contractor responsible for construction of the power plant due to failure to comply with certain terms under the construction agreement. Sino Iron Pty Ltd. has since entered into various agreements with separate contractors, many of which were originally contracted through AE&E, to complete construction of the power plant. The dispute with AE&E is currently the subject of arbitration, in which AE&E is claiming damages from Sino Iron Pty Ltd. and Sino Iron Pty Ltd. has filed a defence and counter-claim. The formal arbitration proceedings are currently scheduled to commence in late 2013. There can be no assurance that additional or residual claims will not be brought by AE&E or that Sino Iron Pty Ltd. will be successful in its defence or counter-claim. Although CITIC Pacific will engage in dialogue and attempt to resolve disputes with contractors and sub-contractors prior to terminating any contracts and resorting to its legal remedies under those contracts, there can be no assurance that future disputes with contractors and sub-contractors will not occur or that they can be resolved in a manner that is satisfactory to CITIC Pacific. Any such dispute may have a material adverse impact on the results of operations and financial condition of CITIC Pacific.

In 2012, CITIC Pacific's Sino Iron Project experienced delays due to the failure of its contractor, MCC, to meet its contractual target for production of the first concentrator line by the end of August. There can be no assurance that future delays will not occur. Any such delay or sub-timeliness of delivery may have a material adverse impact on the results of operations and financial condition of CITIC Pacific.

Iron ore price

There is no certainty that the price of iron ore will not decrease in the future. In the event that the price of iron ore decreases it will have an adverse effect on CITIC Pacific's profit margin as the cost of production is difficult to reduce.

Native Title Act

In Australia, the Native Title Act (1993) provides for the establishment and recognition of native title under certain conditions. The Sino Iron Project has commissioned heritage surveys to identify any sites which are deemed to be significant to Aboriginal people in the area of the Sino Iron Project's proposed port facilities, mine pit and processing areas. Whilst several heritage sites were identified within the project area, under Native Title Agreements ("**NTA**"), agreements have been reached with native title owners such that none of the native title sites identified precludes the Sino Iron Project from carrying out the Sino Iron Project according to current plans. However, there can be no assurance that there will not be further sites discovered in areas material to the future expansion, extension or development of the Sino Iron Project and its operation. The presence of sites of indigenous heritage significance on land proposed to be used to expand, extend or develop the Sino Iron Project in the future may limit or prevent exploration, mining or construction activity within the sphere of influence of those sites and delays and expenses may be experienced in obtaining clearances.

Australian minerals resource taxes

The Australian government introduced a Minerals Resource Rent Tax ("**MRRT**") effective from 1 July 2012 which applies to iron ore and coal projects. The precise calculation methodology and application of the MRRT to magnetite projects is still uncertain. The application of the MRRT to the Sino Iron Project may increase the cost of production and there can be no assurance that the calculation methodology and actual application of the MRRT, once ascertained, will not have further material adverse effects on the results of operations of the Sino Iron Project.

Clean energy legislation

The Clean Energy Act 2011 in Australia became law in November 2011 and imposed a fixed price on Australian carbon emission from 1 July 2012 before a transition to an emissions trading scheme from 1 July 2015. The Australian government has confirmed that magnetite projects including the Sino Iron Project will receive assistance in the form of free carbon permits, which will reduce carbon liability. However, such liability may still increase the cost of production at the Sino Iron Project and thus impact the profitability of CITIC Pacific. Any change in the carbon emission tax, clean energy legislation or assistance to the magnetite projects in the future in Australia, could adversely affect the business, financial condition and results of operations of CITIC Pacific.

Health and safety

CITIC Pacific's activities are highly regulated by health and safety laws in Australia. As regulatory standards and expectations are constantly developing, CITIC Pacific may be exposed to increased compliance costs and unforeseen expenses and litigation. Geological surveys have shown the existence of fibrous material in small sections of the mine site of the Sino Iron Project, although this is common in iron ore operations in the Pilbara region and none is particularly significant. There can be no assurance that further problematic areas will not be found as the mine site expands. However, comprehensive procedures and policies are in place to manage this fibrous material and CITIC Pacific works closely with the regulatory authorities in such management. Other potential health, safety and community events that may materially impact CITIC Pacific include aircraft incidents, light vehicle incidents, explosions or gas leaks, fatal accidents, incidents involving mobile equipment, uncontrolled tailings breaches, escape of polluting substances, community protests or civil unrest. The occurrence of any of these incidents or a breach of the related regulations to which CITIC Pacific is subject to may result in the imposition of fines and penalties or the suspension or closure of mining operations or associated infrastructure, and materially affect CITIC Pacific's reputation, production, earnings and financial position.

Site remediation and rehabilitation costs

CITIC Pacific has closure and remediation plans for all facilities and makes provision for the costs of these plans. However, changes in regulatory or community expectations may result in increases in the cost of required closure and remediation plans, and there can therefore be no assurance that the provisions made by CITIC Pacific will be adequate. In addition, local communities may become dissatisfied with the impact of CITIC Pacific's operations, potentially affecting costs and production, and in extreme cases viability.

Legislation requiring manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment may impact CITIC Pacific's operations and markets. These potential compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could negatively affect CITIC Pacific's financial results. Despite CITIC Pacific's best efforts and best intentions, there remains a risk that health, safety, environmental and/or community incidents or accidents may occur that may negatively impact CITIC Pacific's reputation or licence to operate.

Unexpected natural and operational events

CITIC Pacific operates extractive, processing and logistical operations in many geographic locations both onshore and offshore. CITIC Pacific's operational processes and geographic locations may be subject to operational accidents such as port and shipping incidents, fire and explosion, floods, pitwall failures, loss of power supply, railroad incidents and mechanical failures. Existing business continuity plans may not be able to assure the recovery or continuity in production and operations. The impact of these events could lead to disruptions in production and loss of facilities and adversely affecting CITIC Pacific's financial results.

Malfunction of equipment

The production processes of the Sino Iron Project are dependent on various equipment such as some of the largest in-pit crushers in Australia, antogenous grinding mills, ball mills, classifying cyclones, magnetic separators and concentrate thickeners that make up the concentrators, complex slurry and water pipelines, power stations and desalination plants as well as sophisticated systems to operate such equipment. Such equipment and operational systems may incur downtime as a result of unanticipated malfunctions or other events, such as breakdowns or unexpected natural conditions.

In April 2013, CITIC Pacific was informed by MCC that load commissioning of the second production line is delayed. During non-load testing of the grinding mill, the gearless motor drive responsible for driving the grinding mill of the second production line failed its voltage test. Parties are analysing the problem and deciding on the best course of action to remedy the situation. The commissioning of the first production line has also experienced technical issues, which are being resolved with component manufacturers and service providers. These problems and disruptions have also led to delay and loss of production.

If the Sino Iron Project continues to experience problems or disruptions relating to equipment going forward, it may be subject to further delay and loss of production which could have an adverse effect on CITIC Pacific's product delivery, business, financial position and operating results.

Resource estimates of the Sino Iron Project

The mineral resource estimates of the Sino Iron Project are estimates only and may not be recoverable in full. As a result, CITIC Pacific may not achieve its total life of mine production estimates. No assurance can be given that the resources presented in this Offering Circular will be recovered at the quality or yield presented. In addition, investors should not assume that resource estimates will be directly reclassified as reserves under the Australasian Joint Ore Reserves Committee Code (the "**JORC Code**") (see "*The CITIC Pacific Group — Iron Ore Mining — Mineral Resource Estimates*"). Mineral resources that are not mineral reserves do not have demonstrated economic viability. A mineral resource is not the equivalent of a commercially mineable ore body or a reserve.

The estimates of mineral resources for the Sino Iron Project are only estimates based on the judgment, experience and technical data available to CITIC Pacific. Mineral resource estimates are based on limited sampling, which may not be representative. There can be no assurance that the estimated mineral resources will be recovered or that they will be recovered at the rates estimated. Furthermore, resource estimates may change over time as new information becomes available, particularly actual production data, further drilling and market factors. These production estimates are dependent on, among other things, the accuracy of mineral resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), physical characteristics of ores (such as hardness), the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining, ore haulage and processing. In addition, market fluctuations in the price of iron ore, as well as increased production costs or reduced recovery rates, may render certain mineral resources uneconomic and may ultimately result in a restatement of reserves, resources or both.

Properties of magnetite iron ore

While there has been metallurgical testing of the Sino Iron Project's magnetite iron ore from samples taken across the proposed mining area, by its very nature, mineralisation is not homogenous and the samples may not be representative of the broader ore body. The extent to which the magnetite iron ore produced has different properties (whether as to hardness or content) to the Sino Iron Project's original evaluation may affect the saleability and price as well as the volume that can be produced.

Right to mine

The right to mine at the Sino Iron Project is granted under a contractual agreement from Mineralogy Pty Ltd. ("**Mineralogy**"), whose right to mine is derived from the mining leases granted to it under the *Mining Act 1978* (WA) and the *Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Act 2002* (WA). In the event of a breach by Mineralogy of the mining leases or other tenements, Mineralogy's capacity as a lessor may cease. While CITIC Pacific may be able to negotiate directly with the Western Australian government to obtain the necessary approvals to continue to mine at the Sino Iron Project, this could result in production slow down or stoppage and would have a material adverse impact on the operations of the Sino Iron Project and the business, financial condition and results of operations of CITIC Pacific as a whole. Furthermore, in the event of a contractual breach by CITIC Pacific under the project documents, CITIC Pacific's right to mine at the Sino Iron Project may be affected or may cease. As a result, CITIC Pacific may be involved in disputes or legal proceedings with Mineralogy.

Between 2006 and 2008, the Group entered into a number of mining right and site lease agreements (the "**Mining Right and Site Lease Agreements**") with Mineralogy which set out the terms for the Group to acquire the right to take two billion tonnes of magnetite ore in Western Australia and the parties' ongoing obligations. In April 2012, the Group exercised an option pursuant to an option agreement to acquire a further one billion tonnes of magnetite ore. After receiving notices from Mineralogy alleging breach of certain terms within certain agreements and suggesting that certain agreements have been repudiated by the Group, Sino Iron Pty Ltd and Korean Steel Pty Ltd filed an injunction on 19 November 2012 with the Supreme Court of Western Australia (the "**Supreme Court**") to prevent Mineralogy from terminating certain Mining Right and Site Lease Agreements. On 22 November 2012, such injunction was granted. The injunction will be effective until the Supreme Court makes a decision on the issues being disputed. The matter was heard by the Court on 23 April 2013 and judgment is pending.

The Mining Right and Site Lease Agreements entered into by two subsidiary companies of the Group in connection with the Sino Iron Project in Western Australia also contain a clause that, unless certain exceptions apply, each subsidiary is to pay an amount if either of them produces less than 6 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 6 million tonnes of iron ore concentrate. Due to changes in the iron ore market the formula for determining the amount in the contract is not capable of calculation. In the event that a liability crystalises as a result of such clause, a provision has been made for this liability as reasonably estimated by the Group and as required by accounting standards. Therefore, the amount provided for in the accounts may differ from any eventual liability. A corresponding increase in intangible mining assets has been made in relation to this provision. The Group has commenced a reassessment of its liability under these clauses.

On 18 March 2013, CITIC Pacific's Australian counsel received court documents from Mineralogy seeking declarations and related relief from the courts of Australia in relation to the above.

There can be no assurance that such disputes or legal proceedings can be resolved in a manner that is satisfactory to CITIC Pacific. Any of the above may have a material adverse impact on the results of operations and financial conditions of CITIC Pacific.

Risks Relating to the Property Business

Property market in the PRC and Hong Kong

With a few exceptions in Japan, all of CITIC Pacific's investment properties and property development projects are located in the PRC and Hong Kong. CITIC Pacific's business and prospects principally depend on the performance of the real estate markets in the PRC and Hong Kong. Any real estate market downturn in these or any other markets where CITIC Pacific operates could adversely affect its profitability. CITIC Pacific cannot provide assurance that the demand for properties in the PRC and Hong Kong will continue to grow. CITIC Pacific's financial position and results of operations may be influenced by fluctuations of supply and demand in the real estate market, which may in turn be influenced by the general state of the economy and other factors, including government policies. Any economic downturn or over-supply of properties could result in a slowdown in property sales or leases or downward pressure on property prices or rents. Any adverse development in the real estate market in places where CITIC Pacific operates or may operate in the future could have a material adverse effect on its business, results of operations and financial condition.

Land grant conditions

Under PRC laws and regulations, if a holder of land use right fails to develop a property according to the terms of the land grant contract, the PRC government may issue a warning, impose a penalty or confiscate any land which CITIC Pacific may hold from time to time. Under current PRC laws and regulations, the PRC government may impose an "idle land fee" equal to 20% of the land premium if (i) construction does not commence for more than one year after the date specified in the relevant land grant contract, (ii) total constructed gross floor area is less than one-third of the total proposed gross floor area for the development and the development is suspended for one year without PRC government approval, or (iii) the capital invested in the development is less than one-quarter of the PRC government-approved total investment amount for the development and the development is suspended for one year without PRC governmental approval.

The PRC government has the authority to confiscate land which the holder of land use right may hold from time to time without compensation if the holder of land use right does not commence construction within two years after the date specified in the land grant contract, unless the delay is caused by force majeure, governmental action or preliminary work necessary for the commencement of construction.

There are certain pieces of land where the land use rights are held by CITIC Pacific in relation to which development or commencement of development has not taken place according to original plans for various reasons, including but not limited to the modification of urban planning by the PRC government, the delay in approval of the master plans and/or design modification, incomplete infrastructure, changes in government approval process and site formation for the commencement of construction, a delay in site hand-over and the need for site clearance and/or resettlement of residences on the land. CITIC Pacific has been discussing and co-ordinating with relevant authorities to resolve issues with the aim of commencing construction as soon as possible. However, there can be no assurance that the relevant authorities will not take any of the actions described above in relation to these pieces of land. In relation to some other development projects which have been commenced, certain licences, permits or approvals may not be or have not been granted by the required level of approving authority. There can be no assurance that CITIC Pacific will not encounter problems in obtaining such licences, permits or approvals required to complete these projects, and any failure to obtain them may adversely affect the business, financial condition and results of operations of CITIC Pacific.

In Hong Kong, government grants may contain building covenants. Where CITIC Pacific redevelops existing properties or purchases land under such government grants for development, there will usually be a provision stipulating the time period within which the land must be developed. If there is a failure to complete the development before the expiry of this period, there are provisions for re-entry by the government, unless a premium is paid by CITIC Pacific for an extension.

Financing development projects in the PRC

Regulations restrict the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. CITIC Pacific cannot provide assurance that the PRC government will not introduce new policies that further restrict CITIC Pacific's ability to deploy in the PRC, or that prevent it from deploying in the PRC, the funds which CITIC Pacific raises. Therefore, CITIC Pacific may not be able to use all or any of the capital that it raises to finance its property acquisitions or new projects in a timely manner or at all.

Profit margins

CITIC Pacific's profit margins are affected by a series of factors, including increased market competition, increased cost of sales, reduced demand for its property, failure to achieve sales targets, failure to negotiate volume discounts with suppliers on favourable terms and inability of buyers obtaining finance.

There can be no assurance that CITIC Pacific will be able to maintain or increase its gross profit margin. In the event that CITIC Pacific is unable to maintain or increase its gross profit margin, its profitability may be materially and adversely affected.

Failure to deliver

The progress and costs of a development project can be adversely affected by many factors, including: delay in obtaining necessary licences, permits or approvals from governments; delay in obtaining necessary financings; site clearance, relocation of existing residents and/or demolition of existing buildings; shortages of materials, equipment, contractors and skilled labour; labour disputes; construction accidents; natural catastrophes and adverse weather conditions; changes in government policies or relevant laws or regulations; and economic conditions.

Construction delays or the failure to complete the construction of a project according to CITIC Pacific's planned specifications, schedule or budget as a result of the above factors may affect CITIC Pacific's results of operations and financial position and may also adversely affect its reputation.

No assurance can be given that CITIC Pacific will not experience any significant delays in the completion or delivery of its projects, or that it will not be subject to any liabilities to its tenants, any purchasers or relevant government authorities for any such delays. Liabilities arising from any delays in the completion or delivery of CITIC Pacific's projects could have a material adverse effect on its business, results of operations and financial position.

CITIC Pacific derives its revenue from rental income from its investment properties, and the sale of properties which it has developed. If CITIC Pacific is unable to maintain or increase its land reserves at an appropriate pace, each with sufficient size and appropriate scope of usage for its requirements, it will not be possible to continue its property development business.

In Hong Kong, CITIC Pacific currently limits its development activity to existing sites and has not purchased new development sites for a number of years.

Local governments in the PRC control the availability of new land through zoning, land usage regulations and other measures. All these measures intensify the competition for land in the PRC among property developers which is acquired through mandatory public tender, auction or listing-for-sale for the grant of land use rights for industrial use, commercial use, tourism use, entertainment use and commodity housing development and the use rights for land in which more than one land user are interested. Land supply policies have a direct impact on CITIC Pacific's ability to acquire land use rights and its costs of acquisition.

CITIC Pacific's business, results of operations and financial position may be materially and adversely affected to the extent that it is unable to acquire suitable sites for its model of project development in strategic locations on a timely basis or at prices which will enable CITIC Pacific to achieve reasonable returns.

Restrictions on land usage

Since 1999, golf course development projects have been subject to the approval of the Ministry of Land and Resources (the "**MLR**"). In 2004, the State Council ordered all levels of governments and all departments to cease approving the construction of golf courses until new policies or regulations are formulated. In 2006, the land use rights for golf courses fell within the "Forbidden Land Use Catalogue (2006 Edition)" promulgated by the MLR and the NDRC. In 2012, the land use rights for golf courses are still stipulated in the "Forbidden Land Use Catalogue (2012 Edition)" promulgated by the MLR and the NDRC. If a restriction is imposed and the CITIC Pacific Group's property business fails to obtain the requisite approvals (including, without limitation, MLR approval), it may have to cease operation of the two golf courses within its developments and/or be subject to penalties.

In addition, since 2010, the construction and operation of villas have been subject to the approval of the MLR. In 2004, the State Council ordered all levels of governments and all departments to cease approving the land supply for property comprising high-grade villas until new policies or regulations are formulated. In 2006, the land use rights for construction of villas fell within the remit of the "Forbidden Land Use Catalogue (2006 Edition)" promulgated by the MLR and the NDRC. In March 2010, the MLR declared a prohibition on land supply for villas. In 2012, the land use rights for construction of villas are still stipulated in the "Forbidden Land Use Catalogue (2012 Edition)" promulgated by the MLR and the NDRC. If CITIC Pacific Group's property business fails to comply with the aforesaid regulations and rules, it may be ordered to cease the development or operation of villas within its developments and/or rectify such illegal activities and/or be subject to penalties.

Rental income

Leasing of CITIC Pacific's investment properties makes it subject to risks incidental to the ownership and operation of industrial, office, retail and residential including, among other things, changes in market rental levels, competition for tenants, concentration of lease renewals and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency or other financial difficulties. In addition, CITIC Pacific may not be able to renew leases with its tenants on terms acceptable to it, or at all, upon the expiration of the existing terms. Furthermore, any downturn in the rental market could negatively affect the demand for CITIC Pacific's investment properties and the amount of rental income CITIC Pacific earns, which may have a material adverse effect on its business, results of operations and financial position.

CITIC Pacific's investment properties compete for tenants with other properties on, among other things, location, quality, maintenance, property management, rent levels and other lease terms. CITIC Pacific cannot assure you that existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with CITIC Pacific would increase the competition for tenants and as a result CITIC Pacific may have to reduce rent or incur additional costs to make its properties more attractive. If CITIC Pacific is not able to retain its existing tenants or attract new tenants to replace those that leave or to lease its new properties, its occupancy rates may decline. If CITIC Pacific fails to attract well-known brands as its tenants or keep its existing tenants, CITIC Pacific's investment properties may become less attractive and competitive. This in turn could have a material adverse effect on CITIC Pacific's brand, business, results of operations and financial position.

Hotel Operations

CITIC Pacific's hotel operations in the PRC are subject to events and operating conditions that impact the hotel industry, such as but not limited to, changes in general economic conditions, including the severity and duration of the current economic downturn, unfavourable weather conditions and the impact of natural disasters, competition with other hotels for customers, decreases in demand for rooms and related lodging services, changes in travel patterns, the performance of third-party hotel management companies, limitations of the local labour pool, and changes in operating costs including, but not limited to, energy, labour costs, insurance and unanticipated costs such as water damage and its consequences. Deterioration in the events and operating conditions that impact the hotel industry could adversely affect CITIC Pacific's hotel operations and CITIC Pacific's business, results of operations and financial position. Additionally, the hotel industry is seasonal in nature, thus revenue and profits from CITIC Pacific's hotel operations are lower during certain times of the year depending principally upon location.

Cost increases

If the costs of labour or construction materials increase significantly, and CITIC Pacific cannot offset such increase by reducing other costs or cannot pass on such increase to the buyers or tenants of its properties, CITIC Pacific's business, results of operations and financial position may be materially and adversely affected.

Risks Relating to Other Businesses

Energy

Electricity tariff costs and output

The electric power generating business in PRC is heavily regulated by the government and subject to obtaining various licences, approvals and permits. There can be no assurance that CITIC Pacific will not encounter problems in obtaining required local and national licences and approvals for the operation of its power generating business. All electric power CITIC Pacific generates is sold to the local power grids to which CITIC Pacific's power plants are connected. One generating unit is awaiting the formal regulatory approval but it is dispatching power to the grids intermittently. Tariffs are set by the PRC government, which may not always be increased to reflect increases in generation and input costs. The tariffs and output (planned and excess) applicable to CITIC Pacific are subject to regular review and approval process involving the relevant provincial government authority and the National Development and Reform Commission. Any future reductions in the tariffs and output, or an inability to raise tariffs (for example, to cover any increased costs CITIC Pacific may have to incur) may adversely affect CITIC Pacific's revenue or profit.

Demand for electric power

The output that each of CITIC Pacific's power plants dispatches is set and controlled by the relevant provincial governmental authorities which itself reflects the demand for power from end-users.

Reductions in the amount of power that CITIC Pacific may dispatch to levels below its projections would adversely affect CITIC Pacific's revenue and profit.

Competition

There is intense competition for more dispatched output and higher on-grid tariffs in the PRC power market. In this respect, CITIC Pacific competes against various players, including power plants owned by large power companies and smaller local power plants that are located in the markets where it operates. If CITIC Pacific is not successful in meeting this competition or if the increase in generation capacity from the construction of new power plants outpaces the increase in power requirements, resulting in supply exceeding demand, CITIC Pacific's average utilization hours may be reduced, its growth opportunities may be limited and its revenues and profitability may be adversely affected.

Coal supply

Fuel costs accounted for a significant portion of the operating costs of CITIC Pacific's power plants. There can be no assurance that there will not be any interruption or disruption in, or change in the terms of, CITIC Pacific's coal supplies, or that there will be sufficient coal in the open market or sufficient transportation resources available to CITIC Pacific to meet its future requirements. There is also no assurance that any increases in coal costs will be reflected in or offset by increased tariffs. Such events may adversely affect CITIC Pacific's profit and the normal operation of its power plants.

Coal mining operations

CITIC Pacific has 30% equity share in its joint venture with Xinwen Mining Group Co. Ltd in the Xin Ju Long coal mine in Shandong province. The operations and activities of the Xin Ju Long coal mine is subject to events and operating conditions that could disrupt the production, loading and transportation of coal at or from its mining operations for substantial periods of time. These events and conditions include operating and infrastructure risk (such as fire, explosion, accidents, unexpected geological conditions and environmental hazards), adverse weather and natural disasters, equipment failure, variations and discrepancies of the geological matter compared to the mining model, geotechnical instabilities of the mine site and delays or disruptions in coal production logistics and transportation. The Xin Ju Long coal mine is also subject to national, regional and environmental laws, regulations and policies, all of which are subject to change at any time.

If any of these inherent risks occur, the Xin Ju Long coal mine and hence, CITIC Pacific could incur losses and such losses may involve or arise from personal injury or fatality, severe damage to or destruction of property, equipment and infrastructure, pollution and other environmental damage, regulatory investigation, penalties and suspension of operations. If any of these materialise, the Xin Ju Long coal mine and hence, CITIC Pacific could experience a material adverse effect on its results of operations and financial condition.

Furthermore, the price of coal fluctuates from time to time. A decrease in the price of coal may have a material adverse effect on the results of operations of CITIC Pacific's coal mining operations.

Performance by joint venture partner

The success of the Xin Ju Long coal mine depends, in large part, on the satisfactory performance by CITIC Pacific's joint venture partner, Xinwen Mining Group Co. Ltd, of its obligations. Risks associated with joint ventures include the possibility that the joint venture partner may: (i) have conflicting economic or business interests; (ii) take actions contrary to CITIC Pacific's policies or objectives; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; and (iv) experience financial or other difficulties. Any of the foregoing may prevent the joint venture from adequately performing or delivering its contracted services and may have a material adverse effect on the operations or financial condition of CITIC Pacific.

Tunnels

Tunnel revenue

Revenue from CITIC Pacific's harbour tunnels principally depends upon the number of motor vehicles using such tunnels and the applicable toll regime. Traffic volume is directly and indirectly affected by a number of factors, including the availability, service, proximity and toll rate differentials of alternative tunnels, the existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations. Although CITIC Pacific considers that its harbour tunnels offer advantages over alternative tunnels, there can be no assurance that such other tunnels or modes of transportation will not significantly improve their services and reduce their charges, and consequently adversely affect the revenue and earnings of its harbour tunnels. The Western Tunnel has a contractual maximum toll and substantial freedom in setting its toll. The Eastern Tunnel is permitted a "reasonable but not excessive return" the interpretation of which has been the subject of three arbitrations in the past, the first two of which were won by the tunnel company. The Eastern Tunnel applied for its third toll increase in August 2010, which was rejected by the Hong Kong government, and the matter was subsequently submitted to arbitration. The arbitration hearing took place in July 2012 and in an arbitration award dated 10 October 2012, the Eastern Tunnel's application was rejected.

The volume of traffic on a given toll road is also influenced by the basis and extent of the road's connection with other parts of the highway network. There can be no assurance that future changes in the highway system and network in Hong Kong will not adversely affect the traffic volume via harbour tunnels. Future growth in traffic volume is expected to depend on the continued economic growth and development policies of Hong Kong. Any adverse changes in the economy may adversely affect the traffic volume.

Dah Chong Hong

Selling arrangements

Dah Chong Hong sells vehicles and other products on behalf of numerous principals. Most such arrangements can be cancelled at relatively short notice. If such relationship at Dah Chong Hong or other parts of CITIC Pacific's business cannot be maintained, due to a decision of the principal or inadequate performance, the concession may be lost adversely affecting CITIC Pacific's business.

Exposure to Sino-Japanese relations

The majority of Dah Chong Hong's business is located in the PRC and some of its revenues are derived from the sale of products it has sourced from Japan for sale in the PRC. Recent deterioration of Sino-Japanese relations, including increased political tension between the PRC and Japan, has led to consumers in the PRC boycotting Japanese products. Any deterioration of Sino-Japanese relations may result in further boycotting of Japanese products by consumers in the PRC which could have an adverse effect on the business, financial condition and results of Dah Chong Hong, and in turn the contribution of Dah Chong Hong to CITIC Pacific.

CITIC Telecom International

Network reliability

CITIC Telecom's system architecture is integral to its ability to process a high volume of transactions in a timely and effective manner. CITIC Telecom may experience failures or interruptions of its systems and services, or other problems in connection with its operations as a result of, among others: damage to or failure of its computer software or hardware or its infrastructure and connections; data processing errors by its systems; computer viruses or software defects; physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events; and the failure of CITIC Telecom to adapt to rapid technological changes in the telecoms industry.

If CITIC Telecom cannot adequately ensure the ability of its network services to perform consistently at a high level or otherwise fails to meet its customers' expectations: it may experience damage to its reputation, which may adversely affect its ability to attract or retain customers for its existing services, and may also make it more difficult for CITIC Telecom to market its existing or future services; it may be subject to significant damages or customer liability claims, under its contracts or otherwise, including the requirement to pay penalties relating to service level requirements in its contracts; its operating expenses or capital expenditures may increase as a result of corrective efforts that CITIC Telecom must perform; CITIC

Telecom's customers may reduce their use of CITIC Telecom's services; or one or more of its significant contracts may be terminated early, or may not be renewed. These or other consequences would adversely affect CITIC Telecom's revenues and performance.

Acquisition of CTM

CITIC Telecom and CITIC Pacific announced on 13 January 2013 that CITIC Telecom has signed agreements to buy 79% of Companhia de Telecomunicações de Macau, S.A.R.L. ("**CTM**"), for a total cash consideration of approximately HK$9 billion. CITIC Telecom already owns 20% of CTM. Completion is conditional.

There can be no assurances that the Acquisition will complete. If completed, CITIC Telecom will own 99% of CTM but there can be no assurances that CITIC Telecom will be able to successfully integrate CTM into its business. If the Acquisition is not successfully integrated or if the expected benefits of the Acquisition are not achieved as quickly or to the extent as anticipated, there may be a material adverse effect on CITIC Telecom and consequently, CITIC Pacific, including to its business, financial condition and results of operations.

General Risks

Economic, political and social conditions in the PRC may adversely affect CITIC Pacific's business

A significant portion of the operations of CITIC Pacific and a substantial number of key customers of CITIC Pacific are located in the PRC. CITIC Pacific expects that it will make further investments in the PRC, and that the assets of CITIC Pacific in the PRC will continue to account for a sizeable share of its overall income base. CITIC Pacific's trading and financial condition, results of operations and future prospects depend to a large extent on the success of the operations of CITIC Pacific in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including, but not limited to:

- extent of government involvement;
- level of development;
- growth rate;
- economic and political structure;
- control of foreign exchange;
- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on CITIC Pacific's operations. For example, the business and financial condition of CITIC Pacific may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the current or future business and financial condition of CITIC Pacific.

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of CITIC Pacific. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the business and financial condition of CITIC Pacific.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner.

Governmental control of currency conversion could affect the ability of CITIC Pacific to make payments in freely convertible currencies

A significant portion of CITIC Pacific's revenue is denominated in RMB and needs to be converted to make payments in other currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of US dollars or other foreign currencies available for conversion of RMB in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed.

Risks related to the Securities

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no maturity date. CITIC Pacific is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

CITIC Pacific's obligations under the Securities are subordinated

CITIC Pacific's obligations under the Securities will constitute unsecured and subordinated obligations. In the event of Winding-Up, the rights of the Holders to receive payments in respect of the Securities will rank pari passu with the holders of all of its Parity Obligations. In the event of a shortfall of funds on a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Distributions, Arrears of Distributions or Additional Distribution Amounts.

CITIC Pacific may raise other capital which affects the price of the Securities

CITIC Pacific may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which we may issue or incur and which rank senior to, or pari passu with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a Winding-Up or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Holders may not receive Distribution payments if CITIC Pacific elects to defer Distribution payments under the Conditions

CITIC Pacific may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. CITIC Pacific is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Conditions subject to compliance with certain restrictions. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Conditions CITIC Pacific may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders. Any such deferral of Distribution shall not constitute a default for any purpose unless, in the case of a deferral, such payment is required in accordance with Condition 4(d)(vi)(b).

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in our financial condition.

The Securities may be redeemed at CITIC Pacific's option at on certain dates on and after five and a half years after the Issue Date or the occurrence of certain other events

The Conditions provide that the Securities are redeemable at CITIC Pacific's option, in whole but not in part, on the First Call Date or on any Distribution Payment Date falling on or after the First Call Date at their principal amount together with any Arrears of Distributions, Additional Distribution Amounts and Distribution accrued to the date fixed for redemption.

In addition, CITIC Pacific also has the right to redeem the Securities, in whole but not in part, at their Early Redemption Price, if such redemption occurs prior to the First Call Date, or at their principal amount together with any Arrears of Distributions, Additional Distribution Amounts and Distribution accrued to the date fixed for redemption, if such redemption occurs on or after the First Call Date, if (a) there are any amendments or changes to the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as "equity" of CITIC Pacific pursuant to the Relevant Accounting Standards (an "**Accounting Event**"), or (b) there is an amendment, clarification or change in the rules of S&P or Moody's and in each case, any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity content or credit assigned immediately prior to the relevant amendment, clarification or change (a "**Equity Credit Classification Event**"). The Securities may also be redeemed in whole, but not in part, at the option of CITIC Pacific at their principal amount together with any Arrears of Distributions, Additional Distribution Amounts and Distribution accrued to the date fixed for redemption (i) at any time following the First Reset Date (but not before), in the event that less than 25% of the principal amount of the Securities initially issued remain outstanding, or (ii) upon the occurrence of a change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 May 2013 such that the Issuer would be required to pay additional amounts in respect of the Securities and such obligation cannot be avoided by CITIC Pacific taking reasonable measures available to it (a "**Gross Up Event**"), as referred to in the Conditions.

The date on which CITIC Pacific elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to Holders in light of market conditions or the individual circumstances of the Holder of Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for non-payment under the Securities

Any scheduled Distribution will not be due if CITIC Pacific elects to defer that Distribution pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up (as defined in the Conditions) proceedings is limited to circumstances where payment has become due and CITIC Pacific fails to make the payment when due. The only remedy against CITIC Pacific available to the Trustee or (where the Trustee has failed to proceed against CITIC Pacific as provided in the Conditions) any Holder of Securities for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of CITIC Pacific's payment obligations arising from the Securities and the Trust Deed.

The Trustee may request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including the giving of notice to the Issuer pursuant to Condition 8(b) and the taking of enforcement steps pursuant to Condition 8(c)), the Trustee may (at its sole discretion) request the Holders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Holders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Securities and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such actions directly.

The Securities contain provisions regarding modification, waivers and substitution which may affect the rights of Holders

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the Holders of not less than 75% of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

The Conditions also provide that the Trustee may, without the consent of Holders, agree to any modification of the Conditions or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders.

The Conditions also provide that if a Special Event has occurred and is continuing, then CITIC Pacific may, without the consent of Holders, subject to having satisfied the Trustee that Condition 14 has been satisfied as to certain matters and giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined in the Conditions).

CITIC Pacific's right to redeem the Securities is subject to compliance with the replacement capital covenant

At or around the Issue Date, the Issuer has undertaken for the benefit of holders, from time to time, of certain series of debt securities ranking senior to the Securities that (subject to certain exemptions) it will not redeem or repurchase, and to procure that its subsidiaries will not purchase the Securities at any time from Issue Date to, and including, 22 November 2043, unless the Issuer and/or its Subsidiaries have sold or issued shares or certain equity-like instruments during a period of 360 days prior to the date of that redemption or purchase. This undertaking may prevent the Issuer from redeeming or repurchasing the Securities even in circumstances where such redemption or repurchase would be in the interest of the Issuer and the Holders because it was not able to obtain proceeds from the issuance or sale of such financing instruments as designated in the replacement capital covenant.

Accounting

The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") is continuing its policy of issuing Hong Kong Financial Reporting Standards ("**HKFRS**") and interpretations which fully converge with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on CITIC Pacific's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to any interpretation of, HKFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of CITIC Pacific, and will give CITIC Pacific the right to elect to redeem the Securities. See "*— The Securities may be redeemed at CITIC Pacific's option at on certain dates on and after five years and a half after the Issue Date or the occurrence of certain other events*"

An active trading market for the Securities may not develop

The Securities are a new issue of securities for which there is currently no trading market. Application has been made to list the Securities as selectively marketed securities on the Hong Kong Stock Exchange. No assurance can be given that an active trading market for the Securities will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Securities or the price at which Holders will be able to sell their Securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

CITIC Pacific's credit rating may decline

There is a risk that CITIC Pacific's credit rating may change as a result of changes in its operating performance or capital structure, or for some other reason. No assurance can be given that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant or if a different methodology is applied to derive such credit ratings. Any lowering or withdrawal of CITIC Pacific's credit rating could, notwithstanding that it is not a rating of the Securities, adversely impact the market price and the liquidity of the Securities.

The Securities are not rated

Investors should not assume or imply that any rating ascribed to CITIC Pacific or any of its indebtedness or credit would apply to the Securities. CITIC Pacific has not applied to any ratings agency for a rating of the Securities, and does not intend to apply for such a rating. If, however, a rating was obtained in respect of the Securities in the future, because the Securities are its subordinated obligations, the rating ascribed to the Securities may be lower than that ascribed to CITIC Pacific's senior unsecured debt or any of its other credit.

Integral multiples of less than the specified denomination

The denominations of the Securities are US$200,000 and integral multiples of US$1,000 in excess thereof. Therefore, it is possible that the Securities may be traded in amounts in excess of US$200,000 that are not integral multiples of US$200,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than US$200,000 will not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive Securities are issued, Holders should be aware that definitive Securities which have a denomination that is not an integral multiple of US$200,000 may be illiquid and difficult to trade.

TERMS AND CONDITIONS OF THE SECURITIES

The following (other than the words in italics) is the text of the Terms and Conditions of the Securities which will appear on the reverse side of each of the individual certificates evidencing the Securities:

The issue of the Securities was authorised by a resolution of the Board of Directors of the Issuer passed on 19 March 2013. The Securities are constituted by a Trust Deed (the "**Trust Deed**") dated 22 May 2013 between the Issuer and The Bank of New York Mellon, London Branch (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Securities. Copies of the Trust Deed, and of the Agency Agreement (the "**Agency Agreement**") dated 22 May 2013 relating to the Securities between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**") and the paying agent (the "**Paying Agent**"), The Bank of New York Mellon (Luxembourg) S.A. as the registrar (the "**Registrar**") and the transfer agent (the "**Transfer Agent**"), The Bank of New York Mellon, London Branch as agent bank (the "**Agent Bank**") which expression includes the Agent Bank for the time being), the initial principal paying agent and any other agents named in it, are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, 40th Floor, London E14 5AL, United Kingdom) and at the specified offices of the Principal Paying Agent for the time being, the Registrar and any Transfer Agents. "**Agents**" means the Principal Paying Agent, the Paying Agent, the Agent Bank, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Securities. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Securities are issued in the specified denomination of U.S.$200,000 and higher integral multiples of U.S.$1,000 (an "**Authorised Denomination**").

The Securities are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Securities by the same Holder.

Title to the Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, "**Holder**" means the person in whose name a Security is registered.

2 Transfers of Securities

(a) **Transfer:** A holding of Securities, subject to Condition 2(d), may be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a Holder of Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Securities and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Holder upon request.

(b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in London and the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge:** Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods:** No Holder may require the transfer of a Security to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Security, (ii) during the period of 15 days prior to (and including) any date on which Securities may be called for redemption by the Issuer at its option pursuant to Condition 5, (iii) after any such Security has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status and Ranking of Claims

(a) **Status:** The Securities constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Securities shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all Parity Obligations (as defined in Condition 4(d)(viii)).

(b) **Ranking of claims on Winding-Up:** In the event of the Winding-Up (as defined in Condition 8(g)) of the Issuer, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Issuer, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (and if more than one class of preference shares is outstanding, the most junior ranking class of such preference shares) ("**Issuer Notional Preference Shares**") having an equal right to return of assets in the Winding-Up of the Issuer and so ranking *pari passu* with the holders of that class or classes of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank ahead of the holders of Junior Obligations of the Issuer, but junior to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Holder of a Security was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security (or the Make-Whole Amount if applicable) together with accrued and unpaid Distributions (including any Arrears of Distributions or any Additional Distribution Amount (each as defined in Condition 4(d)(iv))).

(c) **Set-off:** Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

4 Distributions

(a) **Accrual of Distributions:** Subject to Condition 4(d), the Securities confer a right to receive distributions (each a "**Distribution**") from 22 May 2013 (the "**Issue Date**") at the applicable Distribution Rate (as defined in Condition 4(b)) in accordance with this Condition 4. Subject to Condition 4(d), Distributions shall be payable on the Securities, semi-annually in arrear on 22 May and 22 November in each year (each, a "**Distribution Payment Date**"), with the first Distribution Payment Date falling on 22 November 2013 in respect of the period from, and including, the Issue Date to, but excluding, such Distribution Payment Date.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, the right to a Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder, and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

If a Distribution is required to be paid in respect of a Security on any date other than a Distribution Payment Date, it shall be calculated by applying the Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Security divided by the Calculation Amount, where "**Calculation Amount**" means U.S.$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months). Distribution payable under this Condition 4 will be paid in accordance with Condition 6.

(b) **Rate of Distribution:** The rate of distribution ("**Distribution Rate**") applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, 22 November 2018 (the "**First Reset Date**"), the Initial Distribution Rate;

(ii) in respect of the period from, and including, the First Reset Date to, but excluding, 22 November 2023 (the "**Second Reset Date**"), the First Reset Distribution Rate;

(iii) from, and including, the Second Reset Date, to, but excluding, the following Reset Date, the Second Reset Distribution Rate; and

(iv) from and including, each Reset Date falling after the Second Reset Date, to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

(c) **Calculation of Distribution Rate:** The Agent Bank will, on the New York Business Day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of each Security. The Agent Bank will cause the applicable Reset Distribution Rate determined by it to be notified to the Paying Agents, the Trustee and the Issuer as soon as practicable after the relevant Reset Date. Notice thereof shall also promptly be given by the Agent Bank to the Holders. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee and the Holders and no liability to any such person will attach to the Agent Bank or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) **Distribution Deferral:**

(i) *Deferral Election:* The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (a "**Deferral Election Notice**") to the Holders (in accordance with Condition 14) and the Trustee and the Principal Paying Agent not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date unless, during the three month period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event (as defined below) has occurred (a "**Deferral Election Event**").

A "**Compulsory Distribution Payment Event**" means circumstances in which either or both of the following have occurred:

(a) a discretionary dividend, distribution or other payment has been paid or declared by the Issuer on or in respect of any of its Junior Obligations other than a dividend, distribution or other payment in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors and consultants;

(b) the Issuer has at its discretion repurchased, redeemed or otherwise acquired any of its Junior Obligations (except for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).

(ii) *No obligation to pay:* The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distributions and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i).

(iii) *Requirements as to Notice:* Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Principal Paying Agent, by a certificate in the form scheduled to the Trust Deed signed by two directors of the Issuer confirming that a Deferral Election Event has occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of a Deferral Election Event in which event it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral:* Any Distribution deferred pursuant to this Condition 4(d) shall constitute "**Arrears of Distributions**". The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i)) to defer further any Arrears of Distributions by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distributions can or shall be deferred pursuant to this Condition 4(d) except that Condition 4(d)(v) shall be complied with until all outstanding Arrears of Distributions have been paid in full.

Each amount of Arrears of Distributions shall bear interest as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distributions shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distributions and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distributions remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distributions.

(v) *Restrictions in the case of Deferral:* If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of this Condition 4(d), the Issuer shall not:

(a) declare or pay any dividends or distributions, or make any other payment on, and will procure that no dividend, distribution or other payment is made on any of its Junior Obligations or its Parity Obligations (except in relation to the Parity Obligations of the Issuer, on a pro-rata basis), save that such restriction shall not apply to payments in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations, save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution to the Holders.

(vi) *Satisfaction of Arrears of Distributions by payment: The Issuer:*

(a) may satisfy any Arrears of Distributions (in whole or in part) at any time by (1) satisfying the Distribution payable on the next Distribution Payment Date, together with such Arrears of Distributions and any Additional Distribution Amount; and (2) giving notice of such election to the Holders (in accordance with Condition 14), the Trustee and the Principal Paying Agent not more than 10 nor less than 5 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distributions and any Additional Distribution Amount on the payment date specified in such notice); and

(b) in any event shall satisfy any outstanding Arrears of Distributions and any Additional Distribution Amount (in whole but not in part) on the earliest of:

(1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 5;

(2) the next Distribution Payment Date on the occurrence of a breach of Condition 4(d)(v) or the occurrence of a Compulsory Distribution Payment Event;

(3) the date such amount becomes due under Condition 8 or on a Winding-Up of the Issuer; and

(4) the date of any substitution or variation pursuant to a Special Event (as defined in Condition 11(c)).

Any partial payment of outstanding Arrears of Distributions or any a Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a pro-rata basis.

(vii) *No default:* Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 4(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8) on the part of the Issuer.

(viii) *Definitions:* For the purposes of these Conditions:

"**Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in Hong Kong and London;

"**Calculation Date**" means, for the purpose of calculating:

(a) the Reset Distribution Rate, the commencement date of the relevant Reset Distribution Period; and

(b) any applicable Make-Whole Amount, the applicable date fixed for redemption under Conditions 5(c) or 5(d);

"**Comparable Treasury Issue**" means (a) in relation to calculating the Reset Distribution Rate, the U.S. Treasury security selected by the Agent Bank as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years and (b) in relation to calculating a Make-Whole Amount (as defined in Condition 5(h)), the U.S. Treasury security selected by the Agent Bank as having a maturity comparable to the Remaining Life that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most closely corresponding to the Remaining Life;

"**Comparable Treasury Price**" means, with respect to any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date;

"**First Reset Distribution Rate**" means the Treasury Rate plus the Initial Spread per annum;

"**Initial Distribution Rate**" means 8.625 per cent., per annum;

"**Initial Spread**" means 7.816 per cent.;

"**Junior Obligations**" means any class of the Issuer's share capital, other than any securities (including without limitation any preference shares) ranking in priority in payment and in all other respects to the ordinary shares of the Issuer;

"**New York Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City;

"**Parity Obligations**" means any instrument or security (including without limitation any preference share) issued, entered into or guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with an Issuer Notional Preference Share and (ii) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the Issuer;

"**Reference Treasury Dealer**" means each of the three nationally recognised firms selected by the Agent Bank that are primary U.S. Government securities dealers;

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Agent Bank, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Agent Bank by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such Calculation Date;

"**Relevant Reset Distribution Rate**" means the Treasury Rate with respect to the relevant Reset Date plus the Initial Spread plus the Step-Up Margin per annum;

"**Remaining Life**" means the remaining term of the Securities from the applicable redemption date to the next Call Date after such redemption date;

"**Reset Date**" means the First Reset Date, the Second Reset Date and the day falling every five calendar years after the Second Reset Date;

"**Reset Distribution Rate**" means the First Reset Distribution Rate, the Second Reset Distribution Rate or, as the case may be, the Relevant Reset Distribution Rate;

"**Reset Distribution Period**" means the period beginning on and including the First Reset Date and ending on but excluding the following Reset Date and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date;

"**Second Reset Distribution Rate**" means the Treasury Rate plus Initial Spread plus the Step-Up Margin per annum;

"**Step-Up Margin**" means 1 per cent.; and

"**Treasury Rate**" means the rate in per cent., per annum notified by the Agent Bank to the Issuer and the Holders (in accordance with Condition 14) equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Calculation Date, appearing in the most recently published statistical release designated "H. 15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue (in the case of calculating a Make-Whole Amount (if there is no Comparable Treasury Issue with a maturity within three months before or after the next Reset Date after such redemption date, yields for the two published maturities most closely corresponding to such Reset Date will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month)). If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, "**Treasury Rate**" means the rate in per cent., per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The Treasury Rate will be calculated on the New York Business Day preceding the relevant Calculation Date.

5 Redemption and Purchase

(a) **No Fixed Redemption Date:** The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 and without prejudice to Condition 8) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5.

(b) **Redemption for Taxation Reasons:** The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Holders, at their principal amount, (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount)), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 May 2013, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a "**Gross-Up Event**"). Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above of this Condition 5(b) cannot be avoided by the Issuer taking reasonable measures available to it; and (b) an opinion, in form and substance satisfactory to the Trustee, of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment; and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 5(b), in which event it shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(b), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Securities then payable.

(c) **Redemption upon an Equity Credit Classification Event:** The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Holders, redeem all but not some only of the Securities at (i) their applicable Early Redemption Price if such redemption occurs prior to the First Call Date (as defined in Condition 5(f)) or (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount) if such redemption occurs on or after the First Call Date, if, immediately before giving such notice, the Issuer satisfies the Trustee that an amendment, clarification or change has occurred in the rules of, or has been communicated by, S&P or Moody's, respectively, which amendment, clarification or change results in a lower equity content or, as the case may be, credit for the Securities than the equity content or credit assigned immediately prior to the relevant amendment, clarification or change

(each an "**Equity Credit Classification Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer stating that the circumstances referred to above in this Condition 5(c) prevail and setting out the details of such circumstances.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above in this Condition 5(c), in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities will no longer be eligible for the same or higher category of equity credit.

(d) **Redemption for Accounting Reasons:** The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Holders, redeem all but not some only of the Securities at (i) their applicable Early Redemption Price if such redemption occurs prior to the First Call Date or (ii) their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount) if such redemption occurs on or after the First Call Date, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any change or amendment to, or any change or amendment to any interpretation of, Hong Kong Financial Reporting Standards or any other internationally generally accepted accounting standards that the Issuer has adopted for the purposes of the Issuer's consolidated financial statements (the "**Relevant Accounting Standards**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standards (an "**Accounting Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 5(d), the Issuer shall deliver or procure that there is delivered to the Trustee:

(i) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to above in this Condition 5(d) prevail and setting out the details of such circumstances; and

(ii) an opinion, in form and substance satisfactory to the Trustee, of the Issuer's independent auditors or of a recognised accountancy firm of international standing stating that the circumstances referred to above in this Condition 5(d) prevail and the date on which the relevant change or amendment to the Relevant Accounting Standards is due to take effect.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above in this Condition 5(d), in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(d), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standards.

(e) **Redemption in the case of Minimal Outstanding Amount:** The Issuer may, at any time following the First Reset Date (but not before), on giving not more than 60 nor less than 30 days' irrevocable notice to the Holders, redeem all but not some only of the Securities at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 25 per cent., of the aggregate principal amount originally issued.

Upon expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(e).

(f) **Redemption at the option of the Issuer:** The Issuer may, on giving not more than 60 nor less than 30 days' irrevocable notice to the Holders, redeem all but not some only of the Securities:

(i) on 22 November 2018, (the "**First Call Date**"); or

(ii) on any Distribution Payment Date after the First Call Date, (each, a "**Call Date**").

On expiry of any such notice as is referred to in this Condition 5(f), the Issuer shall be bound to redeem the Securities on the relevant Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount).

(g) **No other redemption/Replacement of Capital:** The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 5(b) to 5(f), both inclusive.

Holders of the Securities are notified that the Issuer has, at or around the Issue Date, undertaken in a replacement capital covenant taking effect as of the Issue Date for the benefit of holders, from time to time, of certain series of debt securities ranking senior to the Securities that (subject to certain exemptions) it will not repay, redeem or purchase, and it will procure that its Subsidiaries will not purchase the Securities at any time from the Issue Date to and including 22 November 2043, unless the Issuer and/or its Subsidiaries have sold or issued shares or certain instruments for which the Issuer will receive equity credit for ratings purposes, at the time of sale or issuance, that is equal to or greater than the equity credit attributed to the Securities at the time of their issuance during a period of 360 days prior to the date of that redemption or purchase.

This undertaking may prevent the Issuer from redeeming or repurchasing the Securities even in circumstances where such redemption or repurchase would be in the interests of the Issuer and/or the Holders.

(h) **Definitions:** For the purposes of these Conditions:

"**Early Redemption Price**" means, in relation to a redemption pursuant to any of Conditions 5(c) or 5(d), the greater of:

(i) the principal amount of the Securities, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount); and

(ii) the Make-Whole Amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distributions and any Additional Distribution Amount);

"**Make-Whole Amount**" means, with respect to any redemption date pursuant to a redemption in accordance with Conditions 5(c) and 5(d), the amount, as determined by the Agent Bank, equal to the sum of (a) the present value of the principal amount of the Securities to be redeemed discounted from the First Call Date, and (b) the present value of all Distributions payable (or but for any deferral would be payable) on a Distribution Payment Date after such redemption date (exclusive of Distributions accrued to the redemption date) to, and including, the First Call Date, discounted to the redemption date, in each case on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months) at the Treasury Rate plus 1.85 per cent. per annum;

"**Moody's**" means Moody's Investors Services, Inc. and its affiliates; and

"**S&P**" means Standard & Poor's Ratings Services and its affiliates.

(i) **Purchase:** the Issuer and its Subsidiaries may at any time following the First Reset Date (but not before) purchase Securities in the open market or otherwise at any price. The Securities so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 11(a).

In these Conditions:

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

(j) **Cancellation:** All Certificates representing Securities purchased in accordance with Condition 5(i) by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Securities shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

6 Payments

(a) Method of Payment:

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Securities represented by such Certificates) in the manner provided in paragraph (ii) below of this Condition 6(a).

(ii) Distributions on each Security shall be paid to the person shown on the Register at the close of business on the fifteenth business day before the due date for payment thereof (the "**Record Date**"). Payments of Distributions on each Security shall be made in the relevant currency by US dollar cheque drawn on a bank in New York City and mailed to the Holder (or to the first named of joint Holders) of such Security at its address appearing in the Register. Upon application by the Holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of a Distribution may be made by transfer to an account in US dollars maintained by the payee with a bank in New York City.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Holder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of a Distribution being paid is less than the amount then due, the Registrar will annotate the Register with the amount of the Distribution so paid.

(b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Holders in respect of such payments.

(c) **Payment Initiation:** Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, the Transfer Agents and the Agent Bank initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, the Transfer Agents and the Agent Bank act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time with the approval of the Trustee where required in accordance with the Agency Agreement to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or the Agent Bank and to appoint additional or other Transfer Agents or Agent Banks, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Agent Banks where the Conditions so require, and (v) such other agents as may be required by any other stock exchange on which the Securities may be listed, in each case, as approved by the Trustee where required in accordance with the Agency Agreement.

Notice of any such change or any change of any specified office shall promptly be given to the Holders.

(e) **Delay in Payment:** Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Security if the due date is not a Business Day, if the Holder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 6(a)(ii) arrives after the due date for payment.

(f) **Non-Business Days:** If any date for payment in respect of any Security is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in New York City, on which foreign exchange transactions may be carried on in US dollars in New York City.

7 Taxation

All payments of principal and Distributions (including any Arrears of Distributions or any Additional Distribution Amount) by or on behalf of the Issuer in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Security:

(a) **Other connection:** to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of his having some connection with Hong Kong or the PRC other than the mere holding of the Security; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Security for payment on the last day of such period of 30 days; or

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

"**Relevant Date**" in respect of any Security means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, upon further surrender of the Certificate representing such Security being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal, Distribution, Arrears of Distributions or Additional Distribution Amount shall be deemed to include any Additional Tax Amounts in respect of principal, Distribution, Arrears of Distributions or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed.

8 Non-payment

(a) **Non-payment when due:** Notwithstanding any of the provisions below in this Condition 8, the right to institute proceedings for a Winding-Up (as defined in Condition 8(g)) is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(d). In addition, nothing in this Condition 8, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee, the Agents or any of their respective directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed, the Agency Agreement or the Securities.

(b) **Proceedings for Winding-Up:** If (i) an order is made or an effective resolution is passed for the Winding-Up of the Issuer or (ii) the Issuer shall not make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 8(d), institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

(c) **Enforcement:** Without prejudice to Condition 8(b) but subject to the provisions of Condition 8(d), the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or Distributions (including any Arrears of Distributions and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) **Entitlement of Trustee:** The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 8(b) or Condition 8(c) above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least 25 per cent. in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) **Right of Holders:** No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up or claim in the liquidation of the Issuer or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 8.

(f) **Extent of Holders' remedy:** No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Trust Deed or the Agency Agreement.

(g) **Definitions:** In these Conditions, "**Winding-Up**" means a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer.

9 Prescription

Claims against the Issuer for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of Distributions) from the appropriate Relevant Date in respect of them.

10 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Holders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11 Meetings of Holders, Modification, Waiver and Substitution

(a) **Meetings of Holders:** The Trust Deed contains provisions for convening meetings of Holders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 per cent. in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Securities or the dates on which Distributions (including any Arrears of Distributions or Additional Distribution Amounts) are payable in respect of the Securities, (ii) to reduce or cancel the principal amount of, or Distributions (including any Arrears of Distributions or Additional Distribution Amounts) on or to vary the method of calculating the Distribution Rate or to reduce the Distribution Rate on, the Securities, (iii) to change the currency of payment of the Securities, (iv) to amend the subordination provisions of the Trust Deed and/or Conditions, or (v) to modify the provisions concerning the quorum required at any meeting of Holders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Holders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the Holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Holders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable.

(c) **Substitution or Variation:** If a Special Event (as defined below) has occurred and is continuing, then the Issuer may, subject to Condition 4 (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 11(c) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 14, the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 11(c) and subject to the receipt by it of the certificate of the directors of the Issuer referred to herein) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 11(c).

In connection therewith, any outstanding Arrears of Distributions (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 4(d)(vi).

The Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon the Trustee. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 5.

In connection with any substitution or variation in accordance with this Condition 11(c), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

"**Qualifying Securities**" means securities that:

(a) have terms not materially less favourable to an investor from the terms of the Securities (as determined in good faith by the Trustee, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of two directors of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities), provided that (i) they are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of the Issuer; and (ii) they (or, as appropriate, the guarantee as aforesaid) shall: (x) rank pari passu on a Winding-Up with the Securities; (y) contain terms which provide at least for the same Distribution Rate from time to time applying to the Securities; and (z) otherwise have substantially identical terms (as reasonably determined by the Issuer) to the Securities and, other than in the case of an Equity Credit Classification Event, have an equity content or credit that is the same or better than the Securities save where any modifications to such other terms (excluding the preceding sub-clauses (x) and (y)) are required to be made to avoid the occurrence of a Gross-Up Event, an Accounting Event or, as the case may be, an Equity Credit Classification Event; and

(b) are listed on the Official List of the main board of either the Singapore Stock Exchange Inc. or the Stock Exchange of Hong Kong Limited.

"**Special Event**" means a Gross-Up Event, an Accounting Event, an Equity Credit Classification Event or any combination of the foregoing.

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders and the Trustee shall not be entitled to require for or on behalf of any Holder, nor shall any Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders. For the avoidance of doubt, the provisions of this Condition 11(d) shall not restrict or prevent the Trustee from claiming any indemnity or payment from the Issuer for its own account.

12 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Holders on any report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

13 Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first Distribution paid on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities. Any further securities forming a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of securities of other series where the Trustee so decides.

14 Notices

Notices to the Holders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Securities are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or an alternative Clearing System, notices required to be given to Securityholders may be given by their being delivered to the relevant clearing system for communication by it to the entitled accountholders in substitution for notification, as required by these Conditions.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed and the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that Clause 5.2 of the Trust Deed and Condition 3(b) are governed by, and shall be construed in accordance with, Hong Kong law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Securities and accordingly any legal action or proceedings arising out of or in connection with any Securities ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Agent for Service of Process:** The Issuer has irrevocably appointed in the Trust Deed an agent in England to receive service of process in any Proceedings in England based on any of the Securities.

(d) **Waiver of immunity:** The Issuer has irrevocably agreed in the Trust Deed that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer has irrevocably consented in the Trust Deed generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

THE GLOBAL CERTIFICATE

*The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Securities (the "**Conditions**" or the "**Terms and Conditions**") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The Securities will be represented by a Global Certificate which will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal sum to the Holder such date or dates as the same may become payable in accordance with the Conditions, and to pay Distribution (including Arrears of Distributions and any Additional Distribution Amounts) on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual securities certificates ("**Certificates**") if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays statutory or otherwise) or announces an intention permanently to cease business.

Whenever the Global Certificate is to be exchanged for Certificates, such Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Certificates (including, without limitation, the names and addresses of the persons in whose names the Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Record date: Notwithstanding Condition 6(a)(ii), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices: Notwithstanding Condition 14, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, notices to Holders of Securities represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Determination of entitlement: The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of the Global Certificate.

EXCHANGE RATES

The Hong Kong dollar is freely convertible into other currencies (including the US dollar). Since 17 October 1983, the Hong Kong dollar has been pegged to the US dollar at the rate of HK$7.80 to U.S.$1.00. The central element in the arrangement which gave effect to this peg is that, by agreement between the Hong Kong Government and the three Hong Kong banks that issue Hong Kong dollar banknotes, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China (Hong Kong) Limited, certificates of indebtedness (which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issue) are issued and redeemed only against payment in US dollars, at the fixed exchange rate of U.S.$1.00 to HK$7.80. When banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent amount of US dollars at the fixed rate of exchange.

The market exchange rate of the Hong Kong dollar against the US dollar continued to be determined by the forces of supply and demand in the foreign exchange market. In light of the fixed rate for the issue of Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated significantly from the level of HK$7.80 to U.S.$1.00 since 17 October 1983. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per US dollar to a rate range of HK$7.75 to HK$7.85 per US dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the US dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link within the range of HK$7.75 to HK$7.85 per US dollar or at all, or will not in the future impose exchange controls. Exchange rates between the Hong Kong dollar and other currencies are influenced by the exchange rate between the US dollar and such currencies. During the general economic downturn in Asia in 1998, however, the Hong Kong Government intervened on several occasions in the foreign exchange market by purchasing Hong Kong dollars and selling US dollars to support the value of the Hong Kong dollar.

The following table sets forth the average, high, low and period-end exchange rates between the Hong Kong dollar and the US dollar (in HK$ per U.S.$1.00) at the noon buying rate in New York City for cable transfers in foreign currencies for the periods indicated (the Noon Buying Rate).

	Hong Kong Dollars/US Dollars Noon Buying Rate			
	Year Ended 31 December			
	Low	**Average[(1)]**	**High**	**Period-end**
2008	7.7497	7.7862	7.8159	7.7499
2009	7.7495	7.7514	7.7618	7.7536
2010	7.7501	7.7687	7.8040	7.7810
2011	7.7634	7.784	7.8087	7.7663
2012	7.7493	7.757	7.7699	7.7507
2013 (as at 3 May 2013)	7.7503	7.7578	7.7652	7.7591

Note:

(1) Determined by averaging the rates on each business day during the relevant period.

CAPITALISATION AND INDEBTEDNESS

Capitalisation of the Group

The following table sets out the consolidated capitalisation of the Group as derived from its audited consolidated financial statements as at 31 December 2012, and as adjusted to give effect for the Securities offered hereby. The table should be read in conjunction with the Group's audited consolidated financial statements as at 31 December 2012 and the notes thereto:

	As at 31 December 2012		As at 31 December 2012	
	Actual	As Adjusted	Actual	As Adjusted
	(US$ millions)		(HK$ millions)	
Short term borrowings				
Bank loans	1,288	1,288	10,045	10,045
Other loans	144	144	1,124	1,124
Current portion of long term borrowings	1,406	1,406	10,964	10,964
Total short term borrowing	2,838	2,838	22,133	22,133
Long term borrowings				
Bank loans	10,444	10,444	81,467	81,467
Other loans	3,076	3,076	23,993	23,993
Less: current portion of long term borrowings	(1,406)	(1,406)	(10,964)	(10,964)
Total long-term borrowings	12,114	12,114	94,496	94,496
Total Borrowings	14,952	14,952	116,629	116,629
Equity				
Share capital	187	187	1,460	1,460
Perpetual Capital Securities	763	763	5,953	5,953
Reserves	9,766	9,766	76,170	76,170
Proposed dividend	140	140	1,095	1,095
Securities offered hereby	–	791	–	6,172
Non-controlling interests	922	922	7,188	7,188
Total Equity	11,778	12,569	91,866	98,038
Total Capitalisation(vi)	26,730	27,521	208,495	214,667

Notes:

(i) 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.

(ii) As at 31 December 2012, certain of the Group's inventories, deposits, accounts receivable, and self-use properties with an aggregate carrying value of 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$63.3 billion of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$1.1 billion. 12 completed ships with carrying value of 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$69.6 billion.

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

(iv) On 15 April 2011, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$750 million (approximately HK$5,850 million) for cash. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded as equity in the consolidated balance sheet. This amount as at 31 December 2012 included the accrued distribution payments.

(v) In April 2013, the Company issued US$500,000,000 6.375 per cent. Notes due 2020 under its US$4,500,000,000 Medium Term Note Programme. This issue of Notes after 31 December 2012 has not been reflected in the table above.

(vi) Total capitalisation represents total borrowings and total equity.

Save as indicated above, there has been no material change in the capitalisation of the Group since 31 December 2012.

THE CITIC PACIFIC GROUP

Strategy

CITIC Pacific is a company with multiple businesses focused on a limited number of core industries, and it expects to remain so in the coming years. CITIC Pacific operates three major businesses: the manufacture of special steel, the development of an iron ore mine, and development of property in the PRC. Together, these businesses represented 72 per cent. of the CITIC Pacific Group's assets at 31 December 2012, and are the destination of the CITIC Pacific Group's current and planned capital expenditure. CITIC Pacific may consider investments if such investments have synergies with, or supplement and enhance the value of the CITIC Pacific Group's businesses.

For the years ended 31 December 2012 and 31 December 2011, cash inflow from non-business operations amounted to HK$8 billion and HK$6 billion, respectively.

The CITIC Pacific Group's remaining other assets outside of its three major businesses are now principally power generation and coal mining assets in the PRC, Dah Chong Hong Holdings Limited ("**Dah Chong Hong**"), CITIC Telecom International Holdings Limited ("**CITIC Telecom**"), property in Hong Kong and two tunnels in Hong Kong. CITIC Pacific intends to retain these businesses either for their cash flow or future development. With the exception of the CITIC Pacific Group's interest in CITIC Telecom, the Western Harbour Tunnel and coal mine in the PRC, CITIC Pacific now has a majority interest or managerial control of all of its material business activities, and this is an important part of its strategy.

In addition to the general business direction above, the key elements of CITIC Pacific's execution plans are:

- The management regards bringing the iron ore mine into full production as soon as possible as its main priority. The Sino Iron Project will be able to meet the demand for high quality concentrate of the CITIC Pacific Group's special steel business and generate cash flow from this and from the sale of iron ore to third parties in the PRC, the amount of which will depend on the price of iron ore at the time of sale.

- CITIC Pacific plans to upgrade product quality, develop new products and raise the core competence of its special steel business by differentiating the products with higher technology content and reducing costs.

- CITIC Pacific plans to concentrate on its property business in the PRC and on developing its land bank, which is currently scheduled for completion in 2018. It will make additions to the land bank only as and when attractive opportunities arise.

- An important part of CITIC Pacific's strategy is the emphasis it places on good corporate governance. It is the chairman's stated aspiration that CITIC Pacific should become recognised as one of the best managed companies in the world.

Corporate Background

In 1990, CITIC Hong Kong (Holdings) Limited (formerly known as China International Trust & Investment Corporation Hong Kong (Holdings) Limited) (a 100 per cent. owned subsidiary of the CITIC Pacific Group) acquired a 49 per cent. interest in Tylfull Company Limited. Tylfull Company Limited was incorporated in Hong Kong on 8 January 1985, listed on the Hong Kong Stock Exchange on 26 February 1986 and renamed CITIC Pacific Limited on 22 August 1991.

As at the close of business on 31 December 2012, CITIC Pacific had a market capitalisation of approximately HK$42 billion and is a constituent stock of the Hang Seng Index. As at 31 December 2012, CITIC Pacific had an authorised share capital of HK$2,400 million divided into 6,000 million shares with a nominal value of HK$0.4 each, of which 3,649,444,160 shares had been issued and are fully paid up. Its registered office is at 32/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

As at 31 December 2012, approximately 45 per cent. of the CITIC Pacific Group's non-current assets were in the PRC, 11 per cent. were in Hong Kong and 44 per cent. were in overseas locations, including Australia.

Main Businesses

CITIC Pacific's three main businesses are:

Special Steel

CITIC Pacific's Special Steel business ("**CITIC Pacific Special Steel**") is the largest manufacturer dedicated to the production of special steel in the PRC with two operating steel plants — Xingcheng Special Steel and Xin Yegang. It's annual steel producing capacity was nine million tonnes at the end of 2012. Major products manufactured by the CITIC Pacific Special Steel include bar steel, wire steel, mid to thick wall seamless steel tubes, special steel plates and special forging steel. These are widely used in various industries, including auto components, machinery manufacturing, oil, petrochemicals, transportation, energy, railways and shipbuilding. CITIC Pacific's leadership position was acknowledged by the PRC's 12th Five-year Plan for the Iron & Steel Industry promulgated by the Ministry of Industry and Information Technology Department on 7 November 2011.

In 2012, total production of special steel by CITIC Pacific Special Steel was 6.6 million tonnes 6 per cent. less than that of 2011. The decrease was mainly attributable to reduced demand for steel products. The contribution of CITIC Pacific's special steel business to the CITIC Pacific Group's total profit contribution[2] for the years ended 31 December 2012 and 31 December 2011 was HK$211 million, accounting for 3 per cent. of the CITIC Pacific Group's total profit contribution and HK$1,994 million, accounting for 21 per cent. of the CITIC Pacific Group's total profit contribution, respectively. The assets of CITIC Pacific's special steel business represented 22 per cent. of the CITIC Pacific Group's total assets as at 31 December 2012, compared to 24 per cent. as at 31 December 2011.

Iron Ore Mining

CITIC Pacific, via its subsidiary Sino Iron Holdings Pty Ltd ("**Sino Iron**"), owns 100 per cent. of the Sino Iron Project[3]. The Sino Iron Project is a magnetite iron ore mine located at Cape Preston, 100 kilometres southwest of Karratha in Western Australia's Pilbara region. The magnetite iron ore mine is currently under construction and development. Significant progress was made in 2012. The first production line and common facilities for all six lines commenced load commissioning in November 2012. The infrastructure in support of the processing activities, the power station, gas pipeline and desalination plant are all in operation, delivering power and water to meet the needs of processing activities. Fine tuning of the first production line is continuing, and CITIC Pacific is preparing for the first shipment of magnetite concentrate to the special steel plant in Jiangyin, PRC. The barge loader and marine assets have been commissioned in readiness for first shipment, which is expected to take place in the second half of May 2013.

[2] The CITIC Pacific Group's total profit contribution represents the CITIC Pacific Group's profit attributable to shareholders and perpetual subordinated capital securities holders of CITIC Pacific, excluding corporate general and administrative expenses, corporate exchange gains and corporate net finance charges.

[3] CITIC Pacific's ownership may be reduced by 20%. See "Material Agreements with MCC" for details.

The construction and installation of the processing and dewatering plants for the first production line was completed in 2012 and fine tuning is continuing. All parties have been working with competent manufacturers and service providers to resolve technical issues, such as exposing defects and making remedial work to enhance the future stability of the production line. Installation of the second production line is completed. All sections of the second production line have gone through non-load testing apart from the grinding mill. During non-load testing of the grinding mill, the gearless motor drive which is responsible for driving the grinding mill failed its voltage test. Parties are analyzing the problem and deciding on the best course of action to remedy the situation. Based on the initial recommendation from the manufacturer, the gearless motor drive needs to be taken out of the grinding mill so that it can be examined in detail and a repair plan can be developed. It is estimated that it could take approximately three months for the gearless motor to be fully repaired and re-installed into the grinding mill. Integrated commissioning of line two can begin after the testing of the grinding mill with the fixed gearless motor drive. Construction of the remaining four production lines is continuing and load commissioning is scheduled to commence in the second half of 2014.

The Sino Iron Project was granted major project facilitation status by the Australian federal government in 2006, thus ensuring a timely and efficient approvals process by the government. CITIC Pacific has rights to extract 2 billion tonnes of resource over 25 years.

The six production lines, when completed, will have an annual design capacity of 24 million tonnes, based on available samples taken from the mine pit. Actual production volume will depend on the characteristics of the rocks being mined. According to the current export permit, up to 27.6 million tonnes can be exported per annum, although the port is able to handle a greater capacity. CITIC Pacific has options to acquire rights to extract an additional 4 billion tonnes of magnetite iron ore resources. In April 2012, CITIC Pacific exercised the first option to acquire the right for 1 billion tonnes and the transaction is yet to be completed. Once the transaction is completed, the mine life will extend to 32 years. When CITIC Pacific's iron ore mine in Australia is in full production, it will be able to meet CITIC Pacific's need for high quality concentrates. The iron ore product produced by the Sino Iron Project will not only be used in CITIC Pacific's special steel mills in the PRC, but will also be sold to other steel mills in the PRC.

The assets of the CITIC Pacific Group's iron ore mining business accounted for 33 per cent. of the CITIC Pacific Group's total assets as at 31 December 2012, compared to 29 per cent. as at 31 December 2011.

Property

The CITIC Pacific Group's property business focuses on developing medium and large-scale projects in prime locations such as Shanghai and major cities in the Yangtze River Delta area as well as Shenzhou Peninsula on Hainan Island. Total gross floor area ("**GFA**") of the CITIC Pacific Group's PRC development properties was approximately 3.36 million square metres as at 31 January 2013.

The key development projects of the CITIC Pacific Group's property business in the PRC include Shanghai's Lu Jia Zui New Financial District project and The Centre in Jiading, which form part of the city's new railway transport system. Zhujiajiao New Town in Shanghai and Noble Manor in Yangzhou are large-scale residential developments offering comprehensive community facilities. The CITIC Pacific Group's Shenzhou Peninsula project on Hainan Island will benefit from the PRC government's plan to promote the island as an international tourism destination.

In 2012, the property market in the PRC continued to be affected by measures implemented by the PRC government to moderate the rapid rise in property prices, including home purchase restrictions, increases in mortgage rates and down payment requirements, and property tax on new residences. Sales of CITIC Pacific's residential projects were also affected as a result.

2012 was a year of strong development for the CITIC Pacific Group's commercial and office properties. The market saw strong demand for high-quality office buildings in prime locations, in terms of both sales and rentals. This demand was reflected in strong rental income at CITIC Square and Royal Pavilion and sales of office buildings which are to be constructed at the Lu Jia Zui New Financial District project. CITIC Pacific took advantage of the robust office market by acquiring land on the Shanghai World Expo site which will see two office buildings constructed. Given that the current demand is largely from home buyers who are looking to occupy, CITIC Pacific will place a higher priority on buildings with standard size units at the Jiading project in Shanghai.

The rental properties of the CITIC Pacific Group's property business in the PRC include CITIC Square in Shanghai and Pacific Plaza in Ningbo, which are office and retail buildings, the Royal Pavilion serviced apartments in Shanghai and the retail portion of the New Westgate Garden development in Shanghai.

The profit contribution of the CITIC Pacific Group's PRC property business to the CITIC Pacific Group for the years ended 31 December 2012 and 31 December 2011 was HK$911 million, accounting for 12 per cent. of the CITIC Pacific Group's total profit contribution and HK$2,160 million (excluding the gains on disposal of assets of HK$164 million), accounting for 22 per cent. of the CITIC Pacific Group's total profit contribution, respectively. As at 31 December 2012, the assets of the PRC property business represented 17 per cent. of the total assets of the CITIC Pacific Group, compared to 18 per cent. as at 31 December 2011.

Other Businesses

The CITIC Pacific Group has an interest in a number of power stations and a coal mine in the PRC. It has the majority equity ownership in the Ligang power plant in Jiangsu, minority equity interests in the Hanfeng power plant in Hebei, the Huaibei power plant in Anhui, the Hohhot power plant in Inner Mongolia and the Chenming power plant in Shandong and a 30 per cent. equity interest in the Xin Ju Long coal mine in Shandong. The Xin Ju Long coal mine has a raw coal design production capacity of 6 million tonnes per annum which products include high quality coking coal and thermal coal. As at 31 December 2012, the power generating capacity attributable to the CITIC Pacific Group was approximately 3,119.26 MW. The energy segment's profit contribution to the CITIC Pacific Group for the year ended 31 December 2012 was HK$1,136 million, against HK$1,384 million for the year ended 31 December 2011, excluding the gain on disposal of Zhengzhou power plant of HK$204 million, accounting for 14 per cent. of the CITIC Pacific Group's total profit contribution in 2012.

CITIC Pacific owns 56 per cent. of Dah Chong Hong, which is engaged in the distribution of motor vehicles and consumer and food products, as well as logistics business. It has established networks in Hong Kong, Macau and the PRC, and operations in Japan, Singapore, Taiwan and Canada. Dah Chong Hong's profit contribution to the CITIC Pacific Group for the years ended 31 December 2012 and 31 December 2011 was HK$536 million, accounting for 7 per cent. of the CITIC Pacific Group's total profit contribution and HK$617 million, accounting for 6 per cent. of the CITIC Pacific Group's total profit contribution, respectively. Dah Chong Hong is listed on the Hong Kong Stock Exchange.

The CITIC Pacific Group owns approximately 41.7[4] per cent. of CITIC Telecom, compared to 60.6 per cent at 31 December 2012, which is a hub-based telecommunications service provider of voice, SMS, mobile VAS and data services. CITIC Telecom's key markets are the PRC and Hong Kong. CITIC Telecom's profit contribution to the CITIC Pacific Group for the years ended 31 December 2012 and 31 December 2011 was HK$299 million, accounting for 4 per cent. of the CITIC Pacific Group's total profit contribution and HK$299 million, accounting for 3 per cent. of the CITIC Pacific Group's total profit contribution, respectively. CITIC Telecom is listed on the Hong Kong Stock Exchange.

4 subject to change pursuant to exercise of employee share schemes

The CITIC Pacific Group has investment properties in Hong Kong including CITIC Tower, in which it has a 40 per cent. interest and DCH Commercial Centre, in which it has a 100 per cent. interest. On 30 April 2013, CITIC Pacific announced that it had entered into preliminary discussions on the possible sale of the DCH Commercial Centre. As of the date of this Offering Circular, no agreements have been entered into. The CITIC Pacific Group also owns 50 per cent. of the Hong Kong Resort Company Limited, developer of Discovery Bay, which is under development in several phases.

The CITIC Pacific Group has a 71 per cent. equity stake in New Hong Kong Tunnel Company Limited, the company which operates and manages the Eastern Harbour Tunnel and a 35 per cent. equity stake in Western Harbour Tunnel Company Limited, the company which operates and manages the Western Harbour Tunnel. These tunnels are two of three tunnels linking the island of Hong Kong to Kowloon.

The profit contribution of the CITIC Pacific Group's investment in tunnels for the years ended 31 December 2012 and 31 December 2011 was HK$561 million, accounting for 7 per cent. of the CITIC Pacific Group's total profit contribution and HK$518 million, accounting for 5 per cent. of the CITIC Pacific Group's total profit contribution, respectively. The concession to operate the Eastern Harbour Tunnel expires in 2016 and that of the Western Harbour Tunnel in 2023.

Relationship with CITIC Group Corporation

Since December 2008, CITIC Group Corporation has owned 58 per cent. of CITIC Pacific. CITIC Group Corporation is the ultimate holding company of CITIC Pacific. CITIC Group Corporation was established in 1979 by the State Council of the PRC and is one of the largest commercial organisations which is wholly-owned by the PRC and operating under its own management.

As a listed company, CITIC Pacific has been managed independently of its shareholders in accordance with best corporate practice through a board of directors (the "**Board**") currently of 12 directors, the majority of whom are not associated with CITIC Group Corporation.

As at the date of this Offering Circular, the directors of CITIC Pacific are Chang Zhenming (Chairman), Zhang Jijing (President), Vernon Francis Moore (Chief Financial Officer), Liu Jifu (Executive Director), André Desmarais (Non-executive Director), Ju Weimin (Non-executive Director), Yin Ke (Non-executive Director), Carl Yung Ming Jie (Non-executive Director), Alexander Reid Hamilton (Independent Non-executive Director), Gregory Lynn Curl (Independent Non-executive Director), Francis Siu Wai Keung (Independent Non-executive Director), Xu Jinwu (Independent Non-executive Director) and Peter Kruyt (Alternate Director to André Desmarais).

CITIC Group Corporation has historically and continues to assist CITIC Pacific with strategic advice, assistance with relations with the PRC government and banks, and in other ways such as assigning experienced managers to projects or businesses at CITIC Pacific's request. CITIC Real Estate, a major subsidiary of CITIC Group Corporation, has agreed to co-operate with CITIC Pacific's property department in various ways.

In December 2008, CITIC Group Corporation provided support to CITIC Pacific by assuming its derivatives liabilities in relation to foreign exchange contracts in excess of the requirements of CITIC Pacific's business for a consideration of HK$9,155 million and subscribing HK$11,625 million for ordinary shares that increased its shareholding from 29 per cent. to 58 per cent.

On 21 February 2013, CITIC Group Corporation acquired approximately 18.5 per cent. interest in CITIC Telecom from CITIC Pacific.

Competitive Strengths

The key competitive strengths of CITIC Pacific are:

- ***Largest manufacturer solely dedicated to the production of special steel in the PRC with strategically located production facilities***

  The CITIC Pacific Group has established itself as the largest manufacturer solely dedicated to the production of special steel in the PRC. According to the China Special Steel Enterprises Association, the CITIC Pacific Group is the market leader in gear, bearing, alloy spring and structural steel products for application in auto components manufacturing, the oil and petrochemical industries, energy, railways and machinery manufacturing.

  Given the highly customised nature of its business, the CITIC Pacific Group has been able to attract and retain its customers and established a reputation for producing high quality products.

  Approximately 73 per cent. of total sales by value in 2012 were sold directly to end users. Many of the CITIC Pacific Group's customers are affiliated with, or supply companies such as Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and Michelin.

  The CITIC Pacific Group's products cater primarily for the PRC market. In 2012, exports represented only 14 per cent. of total sales of the CITIC Pacific Group's special steel business.

  A majority of the customers for special steel products are based in central and eastern PRC, and this geographic proximity enables the CITIC Pacific Group to shorten delivery time in supplying products to these customers. Additionally, the location of the CITIC Pacific Group's Jianying Xincheng special steel and Xin Yegang special steel operations on the Yangtze River enables it to transport raw materials directly to its production plant and finished products to its customers via river and sea freight. The ability of the CITIC Pacific Group to transport via river traffic represents a significant cost advantage. Once the CITIC Pacific Group commences its iron ore production operations, it plans to ship iron ore from its dedicated Western Australia port directly to its steel plants up the Yangtze River using specially designed ships.

- ***Largest magnetite iron ore project in Australia***

  When the Sino Iron Project reaches full production capacity, Sino Iron will be the largest producer of magnetite concentrate in Australia. CITIC Pacific currently has rights to extract 2 billion tonnes of magnetite iron ore resources over 25 years. CITIC Pacific has options to acquire rights to extract an additional 4 billion tonnes of magnetite iron ore resources and could increase its annual magnetite concentrate production if the reserves are proved and with the installation of additional equipment. In April 2012, CITIC Pacific exercised the first option to acquire the right for 1 billion tonnes and the transaction is yet to be completed. Once the transaction is completed, the mine life will extend to 32 years. The iron ore product produced by the Sino Iron Project will not only be used in CITIC Pacific's special steel mills in the PRC, but will also be sold to third party steel mills in the PRC.

- ***Vertical integration***

  The ability to source raw materials for production of special steel from operations and businesses within the CITIC Pacific Group is expected to ensure a long-term supply of a key raw material.

In addition, CITIC Pacific owns 30 per cent. of the Xin Ju Long coal mine in Shandong province, which supplies part of the coal requirements of the CITIC Pacific Group's steel mills and power plants while CITIC Pacific's Tongling coke plant provides part of the coke requirements of the CITIC Pacific Group's steel mills.

- ***High quality PRC property portfolio***

  CITIC Pacific has a high quality land bank of approximately 3.36 million square metres of GFA, concentrated in cities in the Yangtze River Delta and on Hainan Island, the development of which will extend through 2018.

- ***Stable group profits and cash flow***

  The CITIC Pacific Group's power plants and the coal mine in the PRC, its ownership of 71 per cent. of the Eastern Harbour Tunnel and 35 per cent. of the Western Harbour Tunnel in Hong Kong, together with controlling interests in Dah Chong Hong and CITIC Telecom provide sources of stable profits and cash flow.

- ***Strong financial performance and liquidity***

  The CITIC Pacific Group's reported earnings before interest, tax, depreciation and amortisation have remained relatively stable (excluding one-time extraordinary gains and charges) over the five years prior 31 December 2012. Its liquidity position has improved by a continuous program of securing new committed credit facilities and extending maturities. As of 31 December 2012, the CITIC Pacific Group had HK$33 billion in cash balances and HK$15 billion of undrawn committed bilateral and syndicated credit facilities.

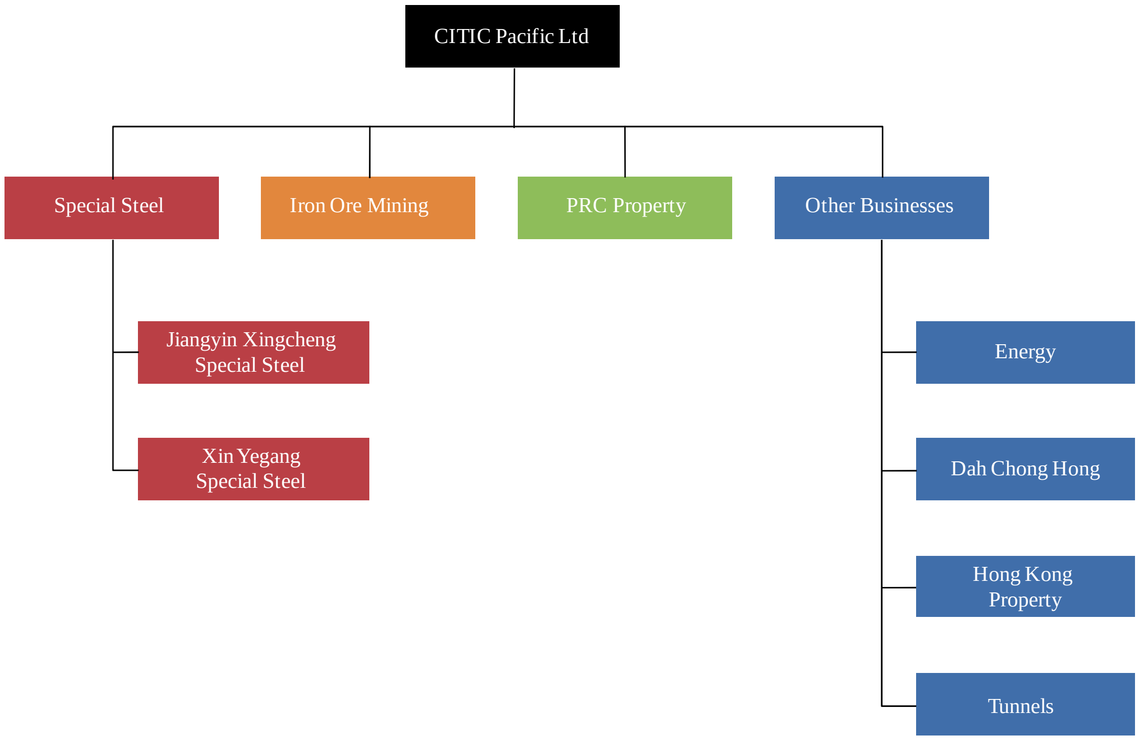
- ***Experienced management team***

  The CITIC Pacific Group places considerable emphasis on the quality of its management, both at a senior level within the CITIC Pacific Group and at an operational level. It continuously seeks to attract skilled professionals to enhance its business and operations. Its chairman and president (formerly the managing director) have been with CITIC Group Corporation for over 25 years. The chairman is currently also the chairman of CITIC Group Corporation.

  The other executive directors have been with the CITIC Pacific Group for between 12 and 25 years, and many employees have long service records with the CITIC Pacific Group. The special steel business is led by executives who have been with the CITIC Pacific Group as long as 18 years, and many employees have been with the CITIC Pacific Group for long periods. The Sino Iron Project is managed by executives with extensive experience of large scale construction projects — including with experience at CITIC Construction, a subsidiary of CITIC Group Corporation — and mining operations. In other business segments, the CITIC Pacific Group's senior executives have extensive experience and expertise in their fields.

Organisation

Set forth below is an organisation chart of the businesses of CITIC Pacific as at the date of this Offering Circular.



Special Steel

Through its wholly-owned subsidiaries, CITIC Pacific operates two special steel plants in the PRC which are together the largest manufacturer in the PRC solely dedicated to the production of special steel.

Special steel refers to steel that has added special qualities such as hardness, flexibility, heat resistance, anti-corrosion or anti-fatigue properties. CITIC Pacific's special steel is mostly supplied in bars, but special seamless tubes, wires and special medium-heavy plates are also supplied. In 2012, approximately 70 per cent. of the products of the CITIC Pacific Group's special steel business were bar steel, 18 per cent. were plates, 8 per cent. were seamless tubes and 3 per cent. were wire steel. These were sold to manufacturers of bearings, gears and springs, power stations and oil facilities. The remaining 1 per cent. were billets and forging steel.

In 2012, the overall market for steel and special steel was weak. The uncertain global economic climate and the relative slowdown of the PRC economy meant that the weakness of the market seen in the second half of 2011 persisted throughout 2012. The PRC government's policy on restricting purchases of properties and monetary tightening had an adverse impact on the steel market. Investments in some of special steel's downstream industries such as auto component, machinery manufacturing, petroleum and petrochemical equipments and shipbuilding were also negatively affected.

CITIC Pacific's product prices remained at a low level throughout 2012 compared to 2011, in particular during the third quarter of 2012. The profitability of CITIC Pacific's steel mills was negatively impacted due to low product prices, while production costs remained high. Although the product price rebounded in the fourth quarter of 2012, actual demand in downstream industries remained weak and the average product price in 2012 was 13 per cent. lower than 2011. Despite this difficult and challenging environment, CITIC Pacific Special Steel remained profitable in 2012.

In the export market, uncertainties in the global economy and the European debt crisis continued to impede demand for steel, in particular, for high quality steel products. However, CITIC Pacific Special Steel continued to explore overseas markets by focusing on the development of high value-added alloy plates and heat treatment plates, as well as by enhancing awareness of products markets. Following product certification and customer development, the export proportion of medium to thick plates increased significantly, which in turn compensated for the decline in the export levels of other products affected by weakened global demand. Export volume in 2012 was approximately 900,000 tonnes, which was approximately the same level as in 2011.

For the year ended 31 December 2012, export volume of the CITIC Pacific Group's special steel business rose to 14 per cent. from 13 per cent. in 2011 and prices for CITIC Pacific's special steel products saw a decrease of 13 per cent. from 2011.

For the year ended 31 December 2012, the CITIC Pacific Group's special steel business contributed HK$211 million, accounting for approximately 3 per cent. of the CITIC Pacific Group's total profit contribution which represents a decrease of 89 per cent. compared to the contribution of HK$1,994 million for the year ended 31 December 2011. Turnover for the year ended 31 December 2012 was HK$40,358 million compared to HK$44,043 million for the year ended 31 December 2011, a decrease of 8 per cent.

The special steel business accounted for approximately 22 per cent. of the CITIC Pacific Group's total assets at 31 December 2012 with asset values of HK$55,622 million compared to 24 per cent. and HK$56,273 million as at 31 December 2011.

In March 2013, CITIC Pacific announced that it had, through its wholly-owned subsidiary Stenway Holdings Inc. ("**Stenway**"), entered into a share purchase agreement to acquire 25% interest in Silver Wings Enterprises Inc. ("**Silver Wings**") from Nippon Steel & Sumitomo Metal Corporation for a consideration of approximately HK$651.9 million. Completion of the acquisition is conditional and is expected to be completed on or before 31 May 2013.

Prior to the share purchase agreement, CITIC Pacific indirectly held a 75% interest in Silver Wings through Stenway. Upon completion of the share purchase agreement, Silver Wings will become a wholly-owned subsidiary of CITIC Pacific.

Production and sales

In 2012, total production of special steel by CITIC Pacific Special Steel was 6.6 million tonnes, 6 per cent. less than that of 2011. Sales volume was approximately the same amount. This is because CITIC Pacific's plants normally only produce products based on customer orders. In 2012, the established bar and wire production lines were running at close to full capacity, utilisation rate of seamless steel tube facilities was approximately 48 per cent. and utilisation rate of plate lines was approximately 46 per cent., and utilisation rate of forging steel production was approximately 67 per cent.

The following table sets out the key products in the special steel segment and CITIC Pacific's market share for the years ended 31 December 2012 and 31 December 2011, respectively and sales volumes for the year ended 31 December 2012:

	Sales ('000 tonnes)*	Market share	
Product	**2012**	**2012**	**2011**
Gear steel	820	29%	32%
Bearing steel	810	28%	26%
Alloy spring steel	370	21%	20%
Alloy structural steel	1,990	19%	15%

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

For the year ended 31 December 2012, the CITIC Pacific Group's total production of special steel was approximately 6.6 million tonnes compared to approximately seven million tonnes for the year ended 31 December 2011 while total sales for the year ended 31 December 2012 were approximately 6.6 million tonnes as against approximately 7 million tonnes for the year ended 31 December 2011.

The table below sets forth the major industries to which the CITIC Pacific Group's special steel products were sold for the periods indicated:

	Sales ('000 tonnes)	% of total sales	
Industry	**2012**	**2012**	**2011**
Auto components	2,010	31%	30%
Machinery manufacturing	1,560	24%	22%
Shipbuilding	660	10%	14%
Power generation	800	12%	13%
Oil and petrochemical	800	12%	9%
Metal works	420	6%	6%
Railway	120	2%	2%
Others	180	3%	4%
Total	**6,550**	**100%**	**100%**

Customers

CITIC Pacific Special Steel's primary market is the PRC, where it had approximately 3,100 customers in 2012 compared with 2,900 customers in 2011. The increase in the number of customers was primarily driven by the development of new markets for steel plates. In 2012, CITIC Pacific Special Steel's top ten customers accounted for approximately 14 per cent. of sales revenue.

In 2012, 73 per cent. of CITIC Pacific Special Steel's products were sold directly to end-users, a major characteristic of its business. This provides more stability in terms of both volume and the price of products. It also enables CITIC Pacific Special Steel to better understand the needs of its customers and the market. Many of CITIC Pacific's customers are producers affiliated with or contracted to manufacturers in the automotive, machinery manufacturing, oil and petrochemical industries. End users include Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and Michelin.

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

The automotive components and machinery manufacturing industries remain important segments of CITIC Pacific's special steel business. In 2012, 55 per cent. of CITIC Pacific Special Steel's products were sold to automotive component and machinery manufacturers, compared with 52 per cent. in 2011. In 2012, products sold to the shipbuilding industry accounted for 10 per cent. of CITIC Pacific Special Steel's business, compared with 14 per cent. in 2011. This decrease was primarily driven by weak demand in the shipping industry. Target customers for special plates shifted to machinery, petrochemical, high-rise building and other specific industries, and sales volume in the petroleum and petrochemical industries increased.

CITIC Pacific Special Steel has been tracking the demand for special steel products in various different industries and flexibly adjusting its mix of products according to varying demand and changes in the market.

Raw materials

The following table sets out the major raw materials used by the CITIC Pacific Group in its special steel business by tonnage used and percentage of total production cost in each case for the year ended 31 December 2012:

	2012	
Type	**('000 tonnes)**	**% of production costs**
Iron ore	9,880	29%
Scrap steel	1,480	10%
Coke	3,000	18%
Alloy	250	12%
Total	**14,610**	**69%**

Iron Ore

Of the total 9.9 million tonnes of iron ore purchased in 2012, approximately 40 per cent. was sourced through supply contracts. The balance was purchased on the spot market. In 2012, the price of iron ore was volatile. This volatile market environment made it especially challenging for steel producers to manage raw material costs.

Operations

Xingcheng Special Steel

Owned by CITIC Pacific since November 1993, Xingcheng Special Steel is located in Jiangsu Province in the eastern part of the PRC and is a leading manufacturer of special steel in the country. Total annual steel producing capacity was 6 million tonnes by the end of 2012. Its main products include bearing steel, gear steel, spring steel and special steel plates. They are used in industries such as automotive components, machinery manufacturing, energy and shipbuilding. End customers include Toyota, Honda, General Motors, Volkswagen and Citroen. Xingcheng Special Steel is also the first and only plant in the world capable of producing casting round tube billet with a diameter of 1,000mm for use in machinery manufacturing.

Xingcheng Special Steel is strategically situated next to the Yangtze River and has two 50,000 tonne wharves providing efficient transport of its raw materials and finished products. The wharf has been expanded to accommodate the 115,000 dead weight tonnage ("**DWT**") ships ordered by CITIC Pacific. To transport the iron ore products from the Sino Iron Project site, the CITIC Pacific Group commissioned the construction of twelve 115,000 DWT bulk carriers in 2007 with an aggregate estimated carrying capacity of 14 million tonnes per year. These vessels are specially designed with wide bodies and can travel from Australia directly to the Yangtze River and dock at the CITIC Pacific Group's own port in the Jiangyin Xingcheng Special Steel plant upon the completion of the dredging project at Yangtze River without the need to trans-ship.

Xin Yegang Steel (Xin Yegang)

At the end of 2012, Xin Yegang had an annual special steel production capacity of three million tonnes, including the capacity of Daye Special Steel Co., Ltd., an A-share listed company in which CITIC Pacific indirectly holds a 58 per cent. interest. Xin Yegang's products include bearing steel, gear steel, carbon structural steel, tool and die steel, anchor and mooring chain steel, boiler pressure vessel pipes and seamless steel tubes. These products are used in the aviation, aerospace, petrochemical, engineering machinery, auto, military and new energy sectors.

Xin Yegang has a quick forging capability of 120,000 tonnes a year.

Xin Yegang is located in the city of Huangshi next to the Yangtze River, with two 5,000 tonne and one 10,000 tonne wharves that provide annual transportation capacity of five million tonnes. CITIC Pacific's mini-cape sized ships will be used to transport the iron ore from various sources to ports downstream along the Yangtze River, where it will be transshipped to Xin Yegang and unloaded at its wharves.

Iron Ore Mining

CITIC Pacific owns 100 per cent. of the Sino Iron Project. Upon approval by the relevant PRC government authorities, the China Metallurgical Group Corporation ("**MCC**"), may complete its purchase of a 20 per cent. interest in the project for which it has previously paid a deposit.

The Sino Iron Project is being developed by CITIC Pacific Mining Management Pty Ltd ("**CITIC Pacific Mining**"), a wholly-owned subsidiary of CITIC Pacific. It is located at Cape Preston, 100 kilometres southwest of Karratha on the coast of Western Australia's North Western region of the Pilbara and will be the largest producer of magnetite iron ore in Australia when in full production. The magnetite iron ore mine is currently under construction and development. Significant progress was made in 2012. The first production line and common facilities for all six lines commenced load commissioning in November 2012. The infrastructure in support of the processing activities, the power station, gas pipeline and desalination plant are all in operation, delivering power and water to meet the needs of processing activities.

The construction and installation of the processing and dewatering plants for the first production line was completed in 2012 and fine tuning is continuing. All parties have been working with component manufacturers and service providers to resolve technical issues, such as exposing defects and making remedial work to enhance the future stability of the production line. At the end of February 2013, over 30,000 tonnes of magnetite ore had been ground by the grinding mills and over 10,000 tonnes of concentrate processed. Magnetite concentrate produced during trial production at the Sino Iron Project had approximately 65% of Fe. CITIC Pacific was preparing for the first shipment to the special steel plant in Jiangyin, PRC. The barge loader and marine assets have been commissioned in readiness for first shipment, which is expected to take place in the second half of May 2013.

Installation of the second production line is completed. All sections of the second production line have gone through non-load testing apart from the grinding mill. During non-load testing of the grinding mill, the gearless motor drive which is responsible for driving the grinding mill failed its voltage test. Parties are analyzing the problem and deciding on the best course of action to remedy the situation. Based on the initial recommendation from the manufacturer, the gearless motor drive needs to be taken out of the grinding mill so that it can be examined in detail and a repair plan can be developed. It is estimated that it could take approximately three months for the gearless motor to be fully repaired and re-installed into the grinding mill. Integrated commissioning of line two can begin after the testing of the grinding mill with the fixed gearless motor drive. Construction of the remaining four production lines is continuing and load commissioning is scheduled to commence in the second half of 2014. CITIC Pacific Mining will manage the construction of the remaining four production lines itself.

Once the Sino Iron Project is in full production, it will provide CITIC Pacific's two special steel mills reliable access to this important raw material which accounted for 29 per cent. of the CITIC Pacific Group's total special steel raw material costs for the year ended 31 December 2012. In 2012, CITIC Pacific's special steel segment purchased 9.9 million tonnes of iron ore of which approximately 60 per cent. were sourced from the spot market. As at 31 December 2012, iron ore mining accounted for approximately 33 per cent. of the CITIC Pacific Group's total assets with asset values of HK$81,577 million compared to 29 per cent. and HK$66,997 million as at 31 December 2011.

There is a disagreement between CITIC Pacific and Mineralogy as to the interpretation of certain terms of the contractual agreements which set out the terms for CITIC Pacific to acquire the right to take magnetite ore. See "Risk Factors – Right to mine" and "Legal Proceedings and Regulatory Investigations – Dispute with Mineralogy".

There have been cost overruns and delays with the Sino Iron Project. See "Risk Factors – Cost Overruns and delays in relation to the Sino Iron Project".

Mineral Resource Estimate

The Sino Iron Project was granted major project facilitation status by the Australian federal government in 2006. CITIC Pacific has rights to extract two billion tonnes of magnetite resources from its mine at Cape Preston, which has a mine life of 25 years. There will be six production lines with a total designed production capacity of 24 million tonnes a year. Actual production volume will depend on the characteristics of the rocks being mined. According to the current export permit, up to 27.6 million tonnes can be exported annually, although the port is able to handle a greater capacity. CITIC Pacific also has rights to acquire rights to mine an additional four billion tonnes of magnetite resource.

In April 2012, the first option had been exercised to acquire an additional 1 billion tonnes magnetite ore resources and is subject to completion. Once the transaction is completed, the mine life will extend to 32 years.

Set forth below is an estimate of the total magnetite iron ore resources in the Cape Preston area based on a report prepared by independent geologists in October 2010.

	Total		
Classification	**Million Tonnes**	**Magnetic Fe (%)**	**Total Fe (%)**
*Measured	806	22.64	32.46
*Indicated	1,489	22.94	31.90
*Inferred	2,793	23.52	31.51
Total	**5,089**	**23.21**	**31.77**

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

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

Resources estimates are indicative and inferred and may change as additional information becomes available. In addition, estimates of iron ore data are projections based on engineering data. There are uncertainties inherent in the interpretation of this data as well as the projection of future rates of production and expected mine life.

The Sino Iron Project features a significant infrastructure investment for processing ore into magnetite concentrate. High quality magnetite is a product that is in demand by steel mills, including those of the CITIC Pacific Group, and is expected to fetch a premium to the price of hematite products due to higher iron content, consistency and lower level of impurity.

Material Agreements with MCC

Agreements relating to the construction of Sino Iron Project

On 24 January 2007, Sino Iron entered into a general construction contract (the "**General Construction Contract**") with MCC for the construction of the Sino Iron Project. Pursuant to the General Construction 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**") at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works was capped and no increase to the contract sum could 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. The contract sum was revised 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 an additional US$835 million to US$2,585 million due to the changes in the cost structure of the industry.

On 15 July 2011, CITIC Pacific announced that MCC had put forward a proposal for an additional payment of approximately US$900 million, part of which they claimed to be due to design and scope of work changes made by the CITIC Pacific Group. On 30 December 2011, Sino Iron entered into a supplemental agreement with MCC pursuant to which Sino Iron would pay an additional US$822 million to MCC for the completion of the first two production lines and the common facilities for the whole six production lines of the Sino Iron Project. The contract sum was revised from US$2,585 million to US$3,407 million.

Under the supplemental agreement dated 30 December 2011, in respect of the Works to be carried out by MCC in respect of the first two production lines, where delay on the part of MCC from the committed dates resulted in losses suffered by Sino Iron, Sino Iron shall have the right to be compensated on a daily basis at the rate of 0.15% of the contract sum up to a stated maximum. Additionally, CITIC Pacific will be reviewing the project implementation plans for possibility of cost savings or acceleration of completion deadlines for MCC's obligations under the General Construction Contract. To this end, shareholder consent has been obtained for the flexibility of removing the construction of the pellet plant and/or phase 2 of the tailings dam from the Works. Any costs not so expended may be deployed to accelerate completion of the other aspects of the Works.

CITIC Pacific will decide on the appropriate steps to take including entering into commercial negotiations with MCC at the completion of the project to resolve any outstanding issues including the delay payments MCC is contractually bound to pay and a third party independent assessment of MCC's work on the project.

Sale and Purchase Agreement

On 20 August 2007, Catak Enterprises Corp. (a wholly-owned subsidiary of CITIC Pacific) entered into a sale and purchase agreement with MCC for the disposal of a 20% interest in Sino Iron Pty Ltd (a wholly-owned subsidiary of CITIC Pacific) ("**Disposal**") at cost, i.e. for a consideration equivalent to 20% of all the funds provided to Sino Iron Pty Ltd by the Group up to the date of completion of the Disposal together with interest. The group's shareholding in Sino Iron Pty Ltd would be reduced to 80% as a result of the Disposal if it proceeded to completion. An advance payment of HK$2,130 million was made by MCC in 2009 of which, at the instruction of MCC, HK$842.4 million has been remitted to MCC for its expenditures in respect of the Sino Iron Project. CITIC Pacific will be discussing with MCC in relation to further arrangement on the sale and purchase agreement.

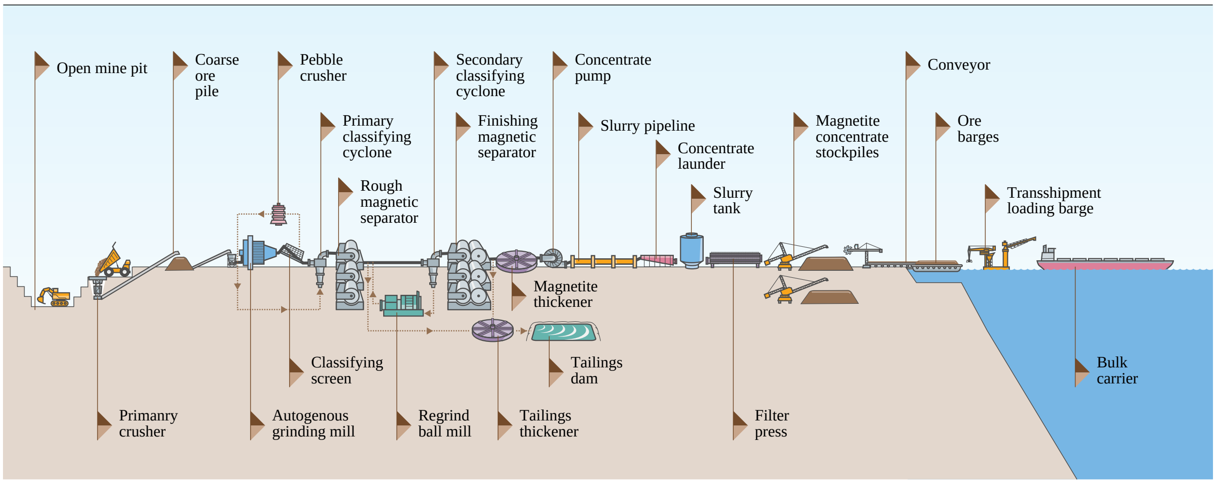
Approvals

In December 2009, the project obtained approval under the Western Australian Government's *Environmental Protection Act and Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act* to build a port and expand the project to export concentrate product. All major government, environmental and heritage approvals for the construction and operation of the Sino Iron Project were in place as at 31 December 2012.

Key processes

The following schematic summarises the key processes of the Sino Iron Project:

Magnetite process flowchart



Progress at a glance

Mining

At the end of April 2013, 185 million tonnes of waste and magnetite had been removed from the mine pit.

Processing

Crushing & conveyor

The first crusher is now in operation. Load testing of the second crusher has completed. Mechanical installation of the third and fourth crushers has completed.

One of the two conveyor corridors to be used for the first production line is now in operation and mechanical installation of the second conveyor is nearly completed.

Concentrator

The first production line is now in operation. Installation of the second production line is complete. During non-load testing, the gearless motor drive which is responsible for driving the grinding mill failed its voltage test. The problem is being addressed. Grinding mills for the remaining four production lines are now installed.

Slurry and water pipelines

All slurry and water pipelines are now in operation.

Dewatering plant

The first of four filter buildings including seven pressure filters has been completed and is now in operation. The second filter building has completed load testing, and installation of the third and fourth filter buildings is continuing.

Product stockpile

Stackers and reclaimers are in operation.

Tailings storage facility

The tailings dam is now in operation and the individual equipment test for the tailings storage facility has completed non-load testing.

Power station and gas pipeline

The power station and gas pipeline are now in operation. All seven gas turbines have gone through 30MW load testing, and the first combined cycle block has completed synchronisation and started generating power. Synchronisation and load testing of the second and third blocks is targeted for June 2013.

Desalination plant

The east section of the desalination plant is now in operation and the commissioning schedule of the west line is dependent on the water demand level.

Port

Construction of the port has been completed and all 12 ships have now been delivered. The barge loader and required marine assets have been commissioned in readiness for the first shipment.

Project status

The responsibility for constructing the Sino Iron Project is divided into two parts. One group of tasks is directly managed by CITIC Pacific Mining, including the power station, desalination plant and port area. The other part of the project is assigned to an engineering, procurement and construction ("**EPC**") contractor who is responsible for the concentration processing area and related facilities, including the main slurry and water pipelines, power lines, roads and camps. The EPC contractor is the China Metallurgical Group Corporation ("**MCC**"). Other major construction contractors and sub-contractors include UGL, Nilsen, McConnell Dowell Constructors and VDM/NRW Joint Venture, BGC, Monadelphous Engineering and Programmed Construction. The majority of construction contractors and sub-contractors involved in the project are local Australian companies.

Mine pit

Final design size:	5.5km long, 3km wide, 600m below sea level

Equipped with some of the world's largest and most powerful machines, as of April 2013 the mining team had removed over 185 million tonnes of material from the pit.

Crushers

Number:	four
Size:	21m in height x 16m in width x 18m in length
Weight:	1,500 tonnes per unit
Capacity:	4,250 tonnes per hour per unit

These are some of the largest in-pit crushers in Australia. The crushed ore is transported by conveyors to the coarse ore stockpile before going into the autogenous grinding mill in the concentrator area. The first crusher is in operation and the second crusher is being commissioned. Two large conveyors are being constructed to transport crushed ore to the concentrator area. The first conveyor is complete and is now in operation, and mechanical installation of the second is nearly completed.

Concentrator

Sino Iron is designed to have a total of six production lines at the concentrator area. Major equipment for each production line includes an autogenous grinding mill, a ball mill, classifying cyclones, magnetic separators and a concentrate thickener.

Autogenous grinding mills:	powered by a 28MW gearless drive, 12.2m in diameter and 11m in length, about 2,700 tonnes in weight
Ball mills:	powered by 15.6MW twin pinion drives, 7.9m in diameter and 13.6m in length, and about 1,180 tonnes in weight
Magnetic separators:	52 for each line, with maximum capacity of 4551 m^3 of slurry per hour
Concentrate thickeners:	45m in diameter, with capacity of 6,015 m^3 per hour

Crushed ore first goes into the autogenous grinding mill and the ball mill, where water is added to the grinding and separating process. The mills grind the crushed ore into a fine size, which then goes into classifying cyclones and magnetic separators to separate out the magnetite concentrate and further, into the concentrate thickener for thickening before being pumped into the dewatering plant. The first production line commenced load commissioning in November 2012.

Installation of the second production line is completed. Integrated commissioning of line two can begin after the testing of the grinding mill.

Slurry and water pipelines

Length:	29.4km

After magnetite ore is processed into fine concentrate, it is pumped into the dewatering plant through the slurry pipeline. In addition to the slurry pipeline, one pipeline supplies desalinated water to the concentrator plant, and another pipeline transports the water recovered from the dewatering of the slurry to the concentrator for reuse. All pipelines are now in operation.

Dewatering plant

Pressure filter:	capable of handling 4,204 tonnes of slurry per hour

The magnetite concentrate pumped through the slurry pipeline is filtered to reduce moisture through the filter buildings at the dewatering plant. Located in the port area, the dewatering plant consists of four filter banks and 28 pressure filters. The first filter building is now in operation. The second has completed testing and installation is in progress for the remaining two.

Port stockyard

Size:	1km long and 250m wide
Stacker:	weight 1,290 tonnes; capable of handling 4,400 tonnes of magnetite concentrate per hour
Reclaimer:	weight 1,833 tonnes, capable of handling 10,500 tonnes of magnetite concentrate per hour

Once magnetite concentrate is conveyed to the port stockyard, the two giant stackers stockpile the concentrate. Then the reclaimer in the middle of the two stackers scoops the iron ore from the pile and places it on the conveyors to the barge at the port. The port stockyard is now in operation.

Tailings storage facility

First dam capacity:	18.2 million tonnes

The tailings storage facility is for the storage of waste, called tailings, from the processing of the magnetite ore. Once separated from the magnetite content of the ore, the tailings are then thickened and pumped to the tailings dam. The first tailings dam is now in operation and the individual equipment non-load testing has completed.

Port

Breakwater:	2.6km long
Four barges:	deadweight tonnes 15,000-16,000 each

Two tugs:	bollard pull 40 tonnes each
Two transshippers:	maximum capacity of 4,500 tph each
12 ships:	deadweight 115,000 million tonnes each

The newly constructed port is the first to be built in 40 years in the Pilbara, West Australia's main iron ore deposits region. The breakwater extends 2.6km offshore from the tip of Cape Preston. Due to the shallow sea level along the coastline, the ships cannot dock at the port. A floating transshipment facility based 20km offshore will transfer magnetite concentrate from barges loaded at the port onto the ship.

Port construction has been completed and on-shore and required transshipment facilities are ready for first shipment. The transshipment fleet includes four barges, two tugs and two transshippers.

Power station

The Sino Iron Project is powered by a 450 megawatt combined cycle, gas fired power station with seven gas turbines of 47 megawatts each and three steam turbines of 58 megawatts each that emits 40 per cent. less emissions than an open cycle plant.

Sino Iron Project's power station is the first combined cycle, gas-fired power station in the Pilbara. Combined cycle is energy efficient as the system converts waste heat generated from the gas turbines to generate steam, which is then put into the steam turbine to generate more electrical power. The power station is now in operation and is supplying power for the project's commissioning. Gas is being supplied from the offshore Reindeer Gas Field and other providers through the Dampier-to-Bunbury natural gas pipeline, before connecting to Sino Iron's own 14km long pipeline to the power station.

Desalination plant

Production capacity:	full capacity 140 megalitres per day; 51 gigalitres per year
Reservoir capacity:	15 megalitres

An innovative method was used to construct the desalination plant, which involved shipping approximately 60 modules of varying sizes to the site where they were assembled and installed. This was more cost effective and reduced the time required for on-site installation.

The desalination process uses reverse osmosis technology, pumping filtered seawater under high pressure through a semi-permeable membrane. Once in operation, the plant will provide desalinated water for the entire project, from magnetite processing and operation of the power station to daily consumption by on-site staff.

The east line of the plant is complete and is now in operation and the commissioning schedule of the west line is dependent on the water demand level.

PRC Property

For the year ended 31 December 2012, the CITIC Pacific Group's property business contributed HK$1,480 million (excluding gain from disposal of asset of HK$165 million), or approximately 19 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$2,572 million (excluding gain from disposal of assets of HK$460 million) for the year ended 31 December 2011 or approximately 26 per cent. of the CITIC Pacific Group's total profit contribution. This represents a 42 per cent. decrease in profit contribution. The CITIC Pacific Group's Hong Kong properties contributed HK$569 million, or approximately 7 per cent. of the CITIC Pacific Group's total profit contribution and properties in the PRC contributed HK$911 million or 12 per cent. of the CITIC Pacific Group's total profit contribution. Turnover for the CITIC Pacific Group's property business for the year ended 31 December 2012 was HK$3,766 million compared to HK$5,708 million for the year ended 31 December 2011, a decrease of 34 per cent..

The CITIC Pacific Group's property business accounted for approximately 23 per cent. of the CITIC Pacific Group's total assets as at 31 December 2012 with asset values of HK$56,196 million compared to 24 per cent. and HK$54,356 million, respectively, as at 31 December 2011. The geographical split of these assets by value was 28 per cent. in Hong Kong and 72 per cent. in the PRC as at 31 December 2012. As at 31 December 2011, 26 per cent. of the CITIC Pacific Group's properties by asset value were located in Hong Kong and 74 per cent. were located in the PRC.

Development Properties in the PRC

Property development in the PRC market is a main business of CITIC Pacific. The strategic and geographic focus of the property business is on Shanghai and major cities in the Yangtze River Delta area, as well as the Shenzhou Peninsula on Hainan Island.

The majority of the CITIC Pacific Group's developments are residential projects. CITIC Pacific believes that a strong and liquid balance sheet allows it to take advantage of market opportunities to acquire additional land, should such opportunities arise.

As at 31 January 2013, the total GFA of the CITIC Pacific Group's land bank in the PRC was approximately 3.36 million square metres.

The CITIC Pacific Group's key development properties in the PRC are set out below:

Project	Usage	Ownership	Land bank[(1)] (m^2)	Expected completion
Shanghai				
New Westgate Garden Phase II	Residential, retail	100%	137,300	Resettlement in progress
Lu Jia Zui New Financial District Project	Office, residential, retail	50%	583,800	In phases from 2011 onwards (approx. 263,300 m^2 completed)
Zhujiajiao New Town, Qingpu	Residential, hotel, retail	100%	385,500	In phases from 2009 onwards (approx. 189,700 m^2 completed)
The Centre, Jiading	Office, hotel, residential, retail	100%	445,300	In phases from 2011 onwards (approx. 92,600 m^2 completed)
Shanghai World Expo Site Project	Office and retail	99.2%	57,700	2016
Jiangsu Province				
Noble Manor, *Yangzhou*	Residential	100%	152,000	In phases from 2009 onwards (approx. 284,900 m^2 completed)
Xingcheng Jinyuan, *Jiangyin*	Retail	100%	18,100	In phases from 2011 onwards (approx. 160,000 m^2 completed)
Hainan Island				
Shenzhou Peninsula, *Wanning*	Hotel, retail, residential	80%-100%	1,578,600	In phases from 2011 onwards (approx. 220,700m^2 completed)
Total			**3,358,300**	

Figures are as of the end of January 2013.

Remarks: (1) Land bank: permitted gross floor area

Details of the major development properties are set out below.

Lu Jia Zui New Financial District Project, Shanghai (50 per cent. owned)

Site area:	249,400 square metres
Gross floor area:	847,100 square metres
Completed:	263,300 square metres (GFA)
Usage:	Office, retail, hotel and residential
Expected completion:	In phases from 2011 onwards

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

Phase l comprises two Grade A office buildings and a five star hotel with serviced apartments, which will be managed by the Mandarin Oriental Hotel Group. The two office towers have been completed and handed over to China Construction Bank and Agricultural Bank of China to operate as their Shanghai headquarters. Mandarin Oriental Pudong hotel in Shanghai, which will feature 362 guestrooms and 210 serviced apartments, will open for business in the second quarter of 2013. In 2012, CITIC Pacific signed framework agreements with four financial institutions to build office buildings to their own specifications.

Zhujiajiao New Town, Qingpu, Shanghai (100 per cent. owned)

Site area:	796,800 square metres
Gross floor area:	575,200 square metres
Completed:	189,700 square metres (GFA)
Usage:	Low-density residential, retail and hotel
Expected completion:	In phases from 2009 onwards

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

Next to scenic Dadian and Dianshan lakes, the Zhujiajiao New Town project will take full advantage of the cultural traditions and history of the area, creating a unique living environment in the core district of Zhujiajiao. The planned Metro Line No. 17, which will have a station close to the project, is scheduled to start construction in 2013.

In 2012, 299 residential units (34,500 m^2 GA) were sold with an average selling price of RMB11,560/m^2.

The Centre, Jiading, Shanghai (100 per cent. owned)

Site area:	156,000 square metres
Gross floor area:	537,900 square metres
Completed:	92,600 square metres (GFA)
Usage:	Office, retail, hotel and residential
Expected completion:	In phases from 2011 onwards

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

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

Sales of units in The Centre began in 2010, and most of the residential units in the latest phase were completed and delivered in 2012. While the other phases were still under development, only a limited number of units were available for sale during the year. In 2012, six residential units (760 m^2 GA) had been sold at an average selling price of RMB14,760/m^2.

Noble Manor, Yangzhou, Jiangsu Province (100 per cent. owned)

Site area:	328,600 square metres
Gross floor area:	436,900 square metres
Completed:	284,900 square metres (GFA)
Usage:	Residential and retail
Expected completion:	In phases from 2008 onwards

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

In 2012, 156 residential units (24,000 m^2 GA) had been sold with an average selling price of RMB9,600/m^2.

Shenzhou Peninsula, Wanning, Hainan Province (80 per cent. – 100 per cent. owned and with an 80 per cent. profit share for less than 100% owned companies)

Site area:	6,790,400 square metres
Gross floor area:	1,799,300 square metres
Completed:	220,700 square metres (GFA)
Usage:	Residential, hotel, retail and recreation
Expected completion:	In phases from 2011 onwards

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

The project will also benefit from the newly completed express railway line running along the east coast of Hainan Island connecting the cities of Haikou and Sanya. Railway station at Wanning city located approximately six kilometres from the Shenzhou Peninsula site, improved its accessibility from the international airports of Haikou and Sanya.

Two Starwood-managed hotels, the Sheraton and Four Points, commenced operations in August 2011 and January 2012, respectively. The Dunes, a golf course in Shenzhou Peninsula, and the Beach Club, also opened in 2011 and 2012, respectively. In 2012, a total of 327 apartment units (39,600 m^2 GA) of the Shenzhou Peninsula project were sold with an average selling price of RMB15,500/m^2.

Pre-sales of the residential units under the Phase I residential development, the Sunbury, began at the end of 2010. The majority of the residential units were sold and delivered to buyers at the end of 2011.

Sales of the Phase II residential development, the Starbury, began at the end of 2011. A total of 214 units were sold in 2012 with an average selling price of RMB15,330/m^2.

Sales of the Phase III residential development, the Yard of Islands, began at the end of 2012. 110 units were sold in 2012, with an average selling price of RMB15,920/m^2.

New Westgate Garden (Phase II), Huangpu, Shanghai (100 per cent. owned)

Phase II

Site area:	35,300 square metres
Gross floor area:	Approx. 137,300 square metres (subject to government authority approval)
Usage:	Residential and retail

Located in the Huangpu District of Shanghai at Xizang Nanlu and Jianguo Donglu roads, the New Westgate Garden residential development is within walking distance of the Lao Xi Men subway station on the new Metro Line 8. It comprises residential towers and retail shops with a basement car park. Phase II is in the process of relocating the local residents.

Shanghai World Expo Site Project (99.2 per cent. owned)

Site area:	12,500 square metres
Gross floor area:	Approx. 57,700 square metres
Usage:	Office and retail

The project is located on the Shanghai World Expo site, with the Huangpu River to the north and World Expo Boulevard to the east. CITIC Pacific acquired the land in November 2012 and will develop two office buildings on the site.

Residential projects

Project	Approximate Residential GFA (m^2)	Launched for sale (units and GA[1])	Sold in the past (up to end January 2013) (units & GA)	Sold in 2012 (units & GA)	Average selling price in 2012 (RMB/m^2)
Zhujiajiao New Town project, Qingpu	522,700	1,485 (170,300 m^2)	1,426 (158,400 m^2)	299 (34,500 m^2)	10,960 (apartments) 14,220 (low-rise houses)
The Centre, Jiading	213,500	884 (82,400 m^2)	883 (82,300 m^2)	6 (760 m^2)	14,760 (apartments)
Noble Manor, Yangzhou	419,200	2,041 (268,500 m^2)	2,003 (262,300 m^2)	156 (24,000 m^2)	9,600 (apartments)
Taihu Jinyuan, Wuxi	228,200	1,104 (215,700 m^2)	749 (145,900 m^2)	67 (11,800 m^2)	14,730 (apartments) 20,890 (low-rise houses)
Shenzhou Peninsula, Wanning	1,427,100	1,995 (239,400 m^2)	936 (108,100 m^2)	327 (39,600 m^2)	14,610 (apartments) 18,950 (low-rise houses)
Total	**2,810,700**	**7,509 (976,300 m^2)**	**5,997 (757,000 m^2)**	**855 (110,660 m^2)**	

(1) Gross Area (GA) = area for sale and lease

Investment Properties in the PRC

The CITIC Pacific Group's investment properties[1] in the PRC are:

Major properties	Usage	Ownership	Approx. GA (square metres)
CITIC Square, *Shanghai*	Office, retail	100%	114,000
Royal Pavilion, *Shanghai*	Serviced apartments	100%	35,000
New Westgate Garden, Retail Portion (phase I), *Shanghai*	Retail	100%	23,000
Tower A, Pacific Plaza, Ningbo, *Jiangsu Province*	Office, retail	100%	49,000
CITIC Plaza Shenhong, *Shanghai*	Office, retail	100%	64,000
Total			**285,000**

(1) Including properties held for sale with rental income

CITIC Pacific's investment properties in the PRC continue to enjoy steady rental income, with an overall occupancy of approximately 88 per cent. as at 31 December 2012. The main contribution of rental income came from CITIC Square, located on Nanjing Xilu, Shanghai, with an occupancy rate of 99 per cent as at 31 December 2012.

Other Businesses

Energy

The CITIC Pacific Group's power plants are set out below:

CITIC Pacific's power plants

						Electricity generated			Heat generated		
Power plant	**Location (province)**	**Installed capacity (MW)**	**Ownership as at 31 December 2012**	**Type**	**Utilisation hours**	**2012 (m kWh)**	**2011 (m kWh)**	**Change**	**2012 (kGJ)**	**2011 (kGJ)**	**Change**
Ligang I &II	Jiangsu	1,440	65%	Coal fired	5,341	7,691	8,052	(4%)	1,479	1,297	14%
Ligang III & IV	Jiangsu	2,460	71.4%	Coal fired	4,182	10,288	14,418	(29%)	321	NA	NA
Hanfeng	Hebei	1,320	15%	Coal fired	5,894	7,781	7,373	6%	NA	NA	NA
Huaibei	Anhui	640	12.5%	Coal fired	5,289	3,385	3,247	4%	NA	NA	NA
Hohhot	Inner Mongolia	400	35%	Co-generation	4,825	1,930	1,876	3%	2,344	2,715	(14%)
Chenming	Shandong	18	49%	Co-generation	5,303	95	101	(6%)	3,200	3,358	(5%)
Total		6,278				31,170	35,067	(11%)	7,344	7,370	(1%)

For the year ended 31 December 2012, the energy segment contributed HK$1,136 million, or approximately 14 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$1,384 million for the year ended 31 December 2011 (excluding the gain on disposal of Zhengzhou power plant of HK$204 million).

The energy segment accounted for approximately 4 per cent. of the CITIC Pacific Group's total assets as at 31 December 2012 with asset values of HK$9,716 million compared to 4 per cent. and HK$8,910 million as at 31 December 2011.

In 2012, total electricity and heat generated by power plants in which CITIC Pacific has an interest decreased by 11 and 1 per cent. respectively, as compared with 2011. However, assisted by a fall in coal prices and an upward adjustment of on-grid tariffs, CITIC Pacific was able to reduce overall operating costs through effective cost control, resulting in a 10 per cent. increase in the profit contribution from the power generation business as compared with 2011.

Ligang Power Station, one of the largest coal-fired power plants in the PRC, maintained 14 vessels for transporting coal to the power plant with a total carry capacity of 440,000 tonnes as at 31 December 2012. To support the future growth of the energy business, improve logistics and transportation services and reduce operating costs, two 50,000 tonne wharves will be built at Ligang Power Station. Construction of the wharves began in late 2011 and is expected to be completed in 2013.

Dah Chong Hong

CITIC Pacific owns a 56 per cent. interest in Dah Chong Hong, which is listed on the Hong Kong Stock Exchange. Dah Chong Hong is engaged in the sales of motor vehicles and related business and services, sales of consumer and food products, as well as logistics services. The company has well-established networks in Hong Kong, Macau and the PRC, as well as operations in Japan, Singapore, Taiwan and Canada.

For the year ended 31 December 2012, Dah Chong Hong contributed HK$536 million or approximately 7 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$617 million for 2011. The profit contribution of Dah Chong Hong decreased by 13% in 2012. Turnover for the year ended 31 December 2012 was HK$48,014 million compared to HK$46,109 million for the year ended 31 December 2011, an increase of 4 per cent.

Dah Chong Hong accounted for approximately 8 per cent. of the CITIC Pacific Group's total assets as at 31 December 2012 with asset values of HK$20,306 million compared to 9 per cent. and HK$20,822 million as at 31 December 2011. Liabilities were HK$11,402 million as at 31 December 2012 compared to HK$12,347 million as at 31 December 2011.

CITIC Telecom International

CITIC Telecom International ("**CITIC Telecom**") is a hub-based telecommunications service provider which is approximately 41.7[5] per cent. owned by CITIC Pacific. It is listed on the Hong Kong Stock Exchange. CITIC Telecom is one of Asia's leading hub-based service provider. Its main businesses include voice, SMS, mobile VAS, VPN and data services. CITIC Telecom owns and operates an independent telecoms hub that provides interoperability and interconnections services to over 650 telecoms operators in 75 countries and regions.

On 21 February 2013, the CITIC Group Corporation acquired approximately 18.5 per cent. interest in CITIC Telecom from CITIC Pacific, reducing CITIC Pacific's interest to approximately 41.7 per cent.

CITIC Telecom holds a 20 per cent. equity interest in Companhia de Telecomunicações de Macau, S.A.R.L., ("**CTM**"), the first and only integrated telecommunication service provider in Macau. In January 2013, CITIC Telecom entered into agreements to increase its shareholding in CTM from 20 per cent. to 99 per cent.

For the year ended 31 December 2012, CITIC Telecom contributed HK$299 million or approximately 4 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$299 million for the year ended 31 December 2011. Turnover for the year ended 31 December 2012 was HK$3,610 million compared to HK$3,196 million for the year ended 31 December 2011, an increase of 13 per cent.

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5 subject to change pursuant to exercise of employee share schemes

CITIC Telecom accounted for approximately 2 per cent. of the CITIC Pacific Group's total assets as at 31 December 2012 with asset values of HK$3,733 million compared to one per cent. and HK$3,354 million as at 31 December 2011. Liabilities were HK$1,260 million as at 31 December 2012 compared to HK$1,153 million as at 31 December 2011.

Development Properties in Hong Kong

As at 31 December 2012, the total floor area of the CITIC Pacific Group's properties in Hong Kong was approximately 0.5 million square metres, of which 43 per cent. was available for property development and 57 per cent. was investment properties.

Discovery Bay, which is 50 per cent. owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. The current development at Yi Pak Bay is located in the northern part of Discovery Bay. The construction of Phase 14 AMALFI (a mid-rise development of approximately 16,000 square metres GFA) was completed and put on sale at the end of 2012. Construction of Phase 15 (a low-rise development of approximately 17,000 square metres GFA) is underway, and marketing is planned for 2013. The site formation works for Phase 17, (an upland villa project of approximately 4,000 square metres GFA) located next to the golf course, is also underway for completion in 2016. The Auberge Discovery Bay hotel (approximately 26,000 square metres GFA) soft opened in March 2013.

The redevelopment project at Kadoorie Hill is located in an exclusive low density residential district covered by extensive greenery and mature trees in Kowloon. The project will provide approximately 14,200 square metres GFA. The project construction commenced in 2012 and is scheduled to complete in 2015.

Investment Properties in Hong Kong

The CITIC Pacific Group's major investment properties in Hong Kong are:

Projects	**Usage**	**Ownership**	**Approx. GA (square metres)**
CITIC Tower	Office, retail	40%	52,000
DCH Commercial Centre	Office, retail	100%	36,000
Wyler Centre I	Industrial	100%	35,000
111 Lee Nam Road	Motor Services & Godown	100%	60,000
Yee Lim Industrial Centre, Block C	Cold Storage & Godown	100%	30,000

Tunnels

The CITIC Pacific Group has a 71 per cent. equity interest in New Hong Kong Tunnel Company Limited, the company which operates and manages the Eastern Harbour Tunnel and a 35 per cent. equity stake in Western Harbour Tunnel Company Limited, the company which operates and manages the Western Harbour Tunnel, both connecting Hong Kong Island to Kowloon Island.

Eastern Harbour Tunnel

The Eastern Harbour Tunnel registered average daily traffic of 70,720 vehicles in 2012, an increase of 2 per cent. from 2011. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 28 per cent. market share of total traffic in 2012. The franchise to operate the Eastern Harbour Tunnel will expire in 2016.

Western Harbour Tunnel

The Western Harbour Tunnel is a key section of the Route 3 highway connecting Hong Kong Island with the PRC and Chek Lap Kok Airport. In 2012, average daily traffic was 60,452 vehicles, an increase of 6 per cent. from 2011. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 24 per cent. market share of total traffic in 2012. The concession to operate the Western Harbour tunnel will expire in 2023.

For the year ended 31 December 2012, tunnels contributed HK$561 million or approximately 7 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$518 million for the year ended 31 December 2011. This represents an 8 per cent. increase. Turnover for the year ended 31 December 2012 was HK$812 million compared to HK$797 million for 2011, an increase of 2 per cent.

The tunnels segment accounted for approximately one per cent. of the CITIC Pacific Group's total assets as at the end of 2012 with asset values of HK$2,208 million compared to HK$1,977 million for the year ended 31 December 2011.

Corporate Governance

Corporate Governance Practices

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of shareholders. CITIC Pacific has applied the principles and complied with all the code provisions of the code on corporate governance practices (which was effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the corporate governance code ("**CG Code**") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 to the Listing Rules except that in respect of code provision A.6.7 of the CG Code, Mr Carl Yung Ming Jie (re-designated as a non-executive director as from 31 December 2012), Mr André Desmarais (a non-executive director) and Mr Alexander Reid Hamilton (an independent non-executive director) were not able to attend the annual general meeting of CITIC Pacific held on 18 May 2012 ("**AGM**"). Mr Carl Yung was ill, while Mr Alexander Reid Hamilton and Mr André Desmarais were away from Hong Kong due to other engagements. Mr Peter Kruyt, the alternate director to Mr André Desmarais, attended the AGM.

For the year 2012, CITIC Pacific had made further progress with its corporate governance practices including:

- Formalised CITIC Pacific's Corporate Governance Policy and Inside Information/Price Sensitive Information Disclosure Policy;

- Established the Nomination Committee and two meetings were held to review the board composition, diversity and to identify additional candidates to be appointed as an independent non-executive director of CITIC Pacific;

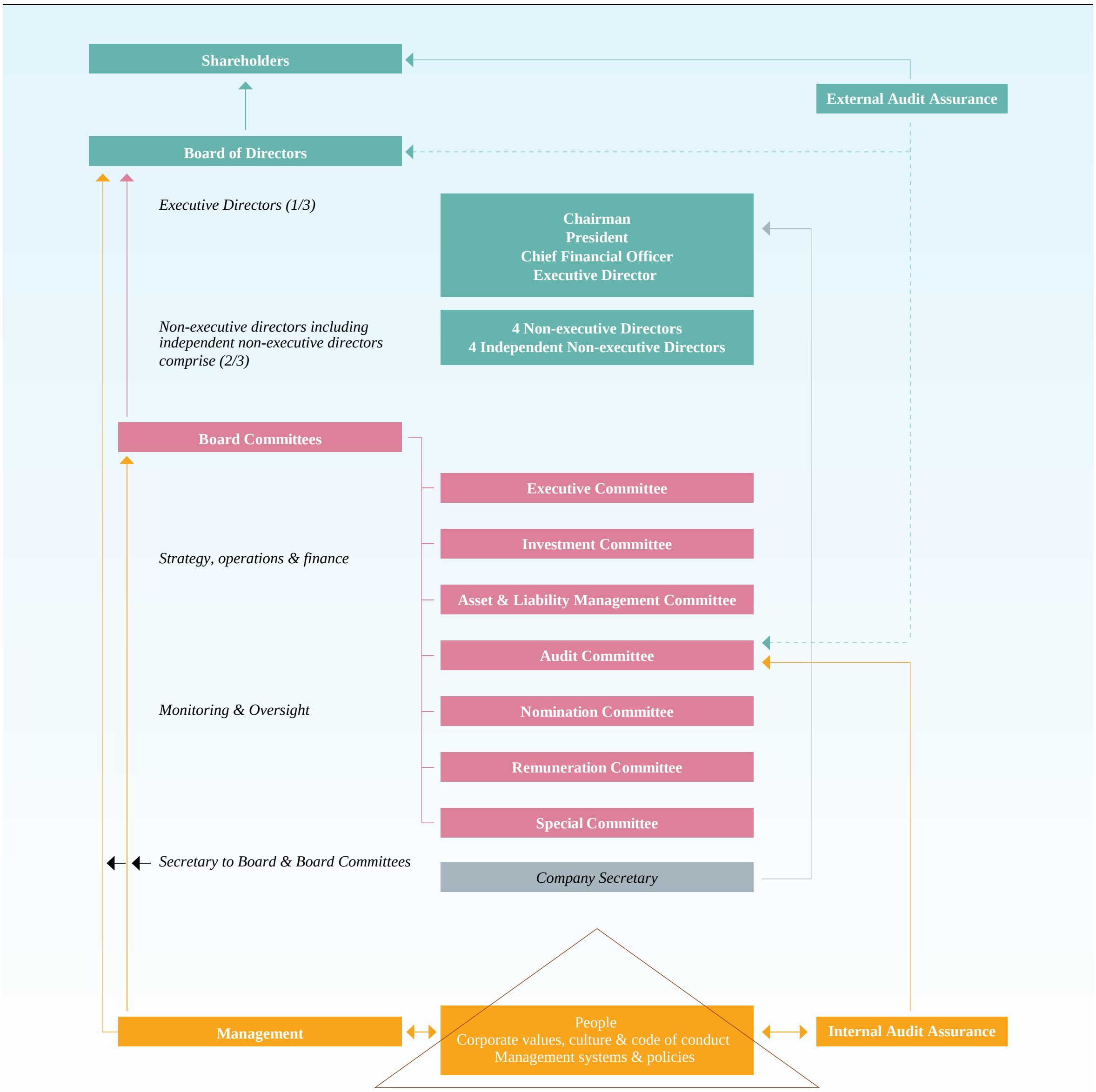
- Changed the composition of the board with the appointment of one additional independent non-executive director and resignation of two executive directors – the board now comprises four executive directors and eight non-executive directors of which four of them are independent;

- Carried out a self assessment of the performance of the board; and

- Rolled out the continuous development program for directors, including arranging a visit to the mine site, arranging presentations and for review relevant reading materials on developments on laws and regulations and corporate governance.

CITIC Pacific's corporate governance framework can be expressed diagrammatically as follows:

Corporate Governance Structure



Corporate Governance Practices

Overall accountability

The members of the board of directors are individually and collectively accountable to the shareholders for the success and sustainable development of CITIC Pacific. The board provides direction and approval in relation to matters concerning CITIC Pacific's business strategies, policies and plans, while the day-to-day business operations are delegated to the executive management. The board is accountable to the shareholders, and in discharging their corporate accountability, directors of CITIC Pacific are required to pursue excellence in the interests of the shareholders and fulfill their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

During 2012, the board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The board is of the view that all directors have given sufficient time and attention to the Group's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in CITIC Pacific and other public companies held by the directors.

Board composition and changes during 2012

With effect from 31 December 2012, an additional independent non-executive director was appointed to the board whilst at the same time, two executive directors have resigned from the board. The board currently comprises four executive directors, four non-executive directors and four independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise two-third of the board, of which independent non-executive directors make up one-third of the board.

In relation to the four non-executive directors who are not independent (as considered by the Stock Exchange), Mr. André Desmarais is the deputy chairman, president and co-chief executive officer of a shareholder indirectly owning a stake of more than 1% in CITIC Pacific; Mr. Ju Weimin is a vice president, the chief financial officer and secretary of CITIC Limited (a subsidiary company of CITIC Group Corporation); Mr. Yin Ke is a director of a company in which CITIC Limited (a subsidiary company of CITIC Group Corporation) is a substantial shareholder; and Mr. Carl Yung Ming Jie was an executive director of CITIC Pacific from 2000 to 2012.

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

All directors, including the non-executive directors, have a specific term of appointment which is not more than three years since his re-election by shareholders at the general meeting. Each director has entered into an appointment letter with CITIC Pacific and pursuant to Article 104(A) of the articles of association of CITIC Pacific, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not a multiple of three then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

Dr. Xu Jinwu was appointed as an independent non-executive director of CITIC Pacific with effect from 31 December 2012. He will hold office until the forthcoming annual general meeting of CITIC Pacific to be held on 16 May 2013 and will then be eligible for re-election at such meeting. Thereafter, he will be subject to retirement by rotation and re-election in accordance with CITIC Pacific's Articles of Association. Induction materials were provided to Dr. Xu upon appointment and subsequently briefing sessions were given to him so that he has a proper understanding of CITIC Pacific's operations and businesses and is aware of his responsibilities under the requirement of the relevant regulatory bodies.

Board responsibilities and delegation

The board collectively determines the overall strategies of CITIC Pacific, monitors performance and the related risks and controls in pursuit of the strategic objectives of CITIC Pacific. Day-to-day management of CITIC Pacific is delegated to the executive director or officer in charge of each business unit and function, who reports back to the board. Each business unit leader and corporate functional leader is a member of the executive committee, which meets monthly to review the operating and financial performance of CITIC Pacific. All board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of CITIC Pacific, including reports and recommendations on significant matters. All board members are provided with monthly management updates of the business operations of CITIC Pacific. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board has delegated certain functions to the respective committees, the details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments such as company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of board committees, as well as major corporate policies such as code of conduct and whistle-blowing policy.

CITIC Pacific has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK$100 million.

Continuous Professional Development Programme

CITIC Pacific has rolled out a continuous professional development programme ("**CPD Program**") for directors with an aim to improve their general understanding of CITIC Pacific's business, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices. In addition, directors may also choose to attend external courses, conferences and luncheons organised by various local organizations.

Under CITIC Pacific's CPD Program, the board visited the Sino Iron project in Australia in November 2012. Directors also attended briefings and reviewed the monthly business updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in the continuous professional development program is kept with the company secretary.

Board meetings and attendance

The board meets regularly to review financial and operating performance of CITIC Pacific and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2012. At the board meetings, the board reviewed significant matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and connected transactions. At each of the regular board meetings, the board received a written report from the president on CITIC Pacific's major businesses, investments and projects, and corporate activities. During the year the board received detailed briefings on the progress of the Sino Iron Project. In November 2012, a board meeting was held at the mine site in Australia where the board made a site visit in respect of its Sino Iron project. In December 2012, a special board meeting was held to approve a connected transaction and certain continuing connected transactions, the details of which are set out in the announcements of CITIC Pacific dated 18 December 2012 and 28 December 2012 in which detailed information of such transactions were presented to the board. A schedule of board meetings dates is fixed for each year ahead whenever possible and the dates of the next regular board meetings are fixed at the close of each board meeting. At least 14 days' formal notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary. Copies are provided to directors and the original minutes are available to all directors for inspection. In addition to the board meetings, the chairman also holds a meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors on an annual basis.

Chairman and the President

Mr Chang Zhenming serves as the chairman of CITIC Pacific and Mr Zhang Jijing as the president (former title as managing director) of CITIC Pacific. The president plays the same role and has the same responsibilities as that of the managing director. The chairman and the president have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction of CITIC Pacific. The president is responsible for the day-to-day management of CITIC Pacific and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Board Committees

The board has appointed a number of committees to discharge the board functions including the nomination committee which was established on 1 March 2012. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive Committee

The board has established an executive committee for communication of the direction and priorities of CITIC Pacific and sharing information with and amongst senior executives about CITIC Pacific's key developments and business issues. This committee's activities include:

- receiving guidance from the chairman and president on CITIC Pacific's strategic direction and priorities;
- receiving and considering reports from group treasury and group financial control department on CITIC Pacific's results and forecasts;
- receiving and considering reports from leaders of CITIC Pacific's major businesses on their results, activities and prospects of their respective businesses; and
- receiving and considering quarterly reports from group internal auditor on internal controls of the group, and reports from other corporate functional leaders when required.

The executive committee is chaired by the president (an executive director) and its membership includes the chief financial officer (an executive director), one other executive director, two executive vice presidents, leaders of major businesses in the group and leaders of key head office functions. The chairman has the right to attend any executive committee meetings. The executive committee met eleven times in 2012. The relevant executive directors together with the corporate functional leaders and leaders of major operating businesses attended the executive committee meetings. Full minutes of the meetings are kept by the company secretary, which were sent to the committee members after each meeting.

Remuneration Committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the CITIC Pacific Group, so as to align management incentives with shareholder interests.

The committee currently comprises three independent non-executive directors with Mr Francis Siu Wai Keung as the chairman. The executive vice president, Mr Kwok Man Leung, serves as the secretary of the committee with effect from 1 January 2013, and minutes for the meetings are sent to the committee members within a reasonable time after the meetings.

Audit Committee

The audit committee acts on behalf of the board in providing oversight of CITIC Pacific's financial reporting, annual audit and interim review, internal control as well as corporate governance. It consists of three non-executive directors, Mr. Francis Siu Wai Keung (chairman), Mr. Alexander Reid Hamilton and Mr. Yin Ke. Mr. Siu and Mr. Hamilton are independent non-executive directors having the relevant professional qualification and expertise in financial reporting matters. The audit committee meets four times a year with CITIC Pacific's external auditor, the chief financial officer, group financial controller and the external and internal auditors attending the meetings, taking part in the discussions and answering questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee chairman and other committee members also meet in separate private sessions with the external auditor and group internal auditor without the presence of management.

Duties of the Audit Committee

The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Amendments to the terms of reference are submitted to the board for approval.

Under its terms of reference, the audit committee shall:

- Review and monitor the integrity of financial information of CITIC Pacific and provide oversight of the financial reporting process;

- Monitor the effectiveness of external audit and oversee the appointment, remuneration and terms of engagement of CITIC Pacific's external auditor, as well as their independence;

- Oversee the system of internal control and risk management, including the group's internal audit function as well as arrangements for concerns raised by staff on financial reporting and other matters ("**whistle-blowing**");

- Starting from March 2012, undertake corporate governance functions delegated from the board, including:

    a) reviewing CITIC Pacific's policies and practices on corporate governance and making recommendations to the board as well as CITIC Pacific's compliance with the CG Code and disclosures in the Corporate Governance Report;

b) reviewing and monitoring:

   i. the training and continuous professional development of Directors and senior management;

   ii. the CITIC Pacific's policies and practices on compliance with legal and regulatory requirements, the CITIC Pacific's Code of Conduct; and

   iii. the CITIC Pacific's whistle-blowing policy and system.

Committee composition and meeting attendance

The company secretary acts as secretary to the committee. Sufficient resources are made available to the committee when required. An agenda and accompanying committee papers are sent to the committee members at least three days prior to each meeting. The company secretary prepares full minutes of the audit committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment after each meeting and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting.

The chairman of the committee summarizes the activities of the committee and highlights issues arising and reports to the board after each audit committee meeting.

Nomination Committee

The board established a nomination committee on 1 March 2012.

The nomination committee is authorised by the board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The committee also reviews the size, structure and composition of the board and assesses the independence of independent non-executive directors.

The nomination committee comprises three members, two of whom are independent non-executive directors, and is chaired by the chairman of the board. The nomination committee meets at least annually and at such other times as it shall require. The company secretary acts as secretary to the committee. The committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at CITIC Pacific's expenses if necessary.

The nomination committee held two meetings in 2012 with full attendance by the committee members in person or by telephone. The company secretary prepared full minutes of the nomination committee meetings and the draft minutes were sent to all committee members. One set of resolutions was passed by circular by all the committee members in February 2013.

Investment Committee

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

- investment plans, feasibility studies and proposed disposals or divestments initiated by the businesses in the group or the committee itself;

- the strategy and planning of CITIC Pacific; and

- the annual operating and capital expenditure budgets and business plans of CITIC Pacific and businesses in the group, amendments to approved budgets and unbudgeted capital expenditure.

The committee is chaired by the chairman of the board. The other members are the president (an executive director), chief financial officer (an executive director) and two executive vice presidents. Prior to the committee meetings, business proposals and feasibility studies are prepared by the proposing business, and the group's business development department provides analysis to facilitate discussions. Depending on the availability of members, discussions are made either in physical meetings or in writing. Discussion results will be notified to people concerned with implementation for information and follow up.

The committee meets on an "as required" basis. In 2012, there were 13 discussions of the committee covering 17 topics attended by relevant executive directors and management personnel.

Asset and Liability Management Committee

The asset and liability management committee was established in October 2008 to review the financial position and financial risk management of CITIC Pacific. The principal responsibilities of the asset and liability management committee are to:

- review regularly the asset and liability balances of CITIC Pacific in aggregate and at subsidiary level;

- set limits on exposure at group, subsidiary or business unit levels in relation to

  - asset and liability structure

  - counterparties

  - currencies

  - interest rates

  - commitments and contingent liabilities;

- review and approve financing plans;

- approve the use of new financial products; and

- establish hedging policies.

The committee is chaired by the chief financial officer (an executive director). Other members include two executive vice presidents, the group treasurer, the group financial controller, and the executives with responsibility for treasury, treasury risk management and financial control.

The chief financial officers of major business units may be invited to attend and report at the meetings of the asset and liability management committee from time to time. The committee met eleven times during 2012 to consider the matters within its terms of reference.

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

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

- approve communications between CITIC Pacific and any relevant authorities or third parties in relation to the investigations by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force;

- consider the issue of legal professional privilege and to make decisions on behalf of CITIC Pacific in connection therewith; and

- seek legal and professional advice on behalf of CITIC Pacific as well as approve legal fees.

The committee comprises three members, namely, Mr Zhang Jijing (executive director), Mr Ju Weimin (non-executive director) and Mr Francis Siu Wai Keung (independent non-executive director). No physical committee meetings were held during the year, and the committee members reviewed the matters concerning the protection of legal professional privilege by way of circulation and received written independent legal advice.

On 28 March 2012, the Court of Appeal handed down judgment, overturning the Court of First Instance's judgment of 18 March 2011, ruling that the six documents voluntarily handed to the Securities and Futures Commission were protected by legal professional privilege. The Court of Appeal's judgment is final and conclusive as no appeal has been made to the Court of Final Appeal, and CITIC Pacific is in the process of recovering its legal costs of this part of the proceedings and seeking return of the relevant privileged documents.

CITIC Pacific filed a notice of appeal on 9 January 2012 against the judgment in relation to approximately 1,600 further items handed down by the Court of First Instance on 19 December 2011. The hearing dates of this part of the proceedings remain to be fixed pending response from the Department of Justice.

Directors' Securities Transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ("**model code**") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2012.

Risk Management Framework

Risk Governance Structure

Overall risk management starts with the board of directors. At each meeting, the board receives reports of the financial results and the financial positions of the Group, both current and projected. Written reports are provided to directors on all businesses identical to those reviewed by management at executive committee meetings.

The board has established asset and liability management, audit, executive, investment, nomination and remuneration committees whose activities play important roles of the overall control of various risks faced by the Group.

The Asset and Liability Management Committee ("**ALCO**") was set up by the board in October 2008 to oversee and monitor the financial risk exposures of the Group. ALCO's major functions are Asset and Liability Management ("**ALM**") and Treasury Risk Management.

The Group Treasury department, headed by the Group Treasurer, is responsible for implementing Treasury Policy (see below Risk Governance Policy), and communicating ALCO decisions to operating units, monitoring adherence and preparing management reports to be presented to ALCO, the executive committee and the board.

All business units, whether they are subsidiaries, associates or jointly controlled entities, are responsible for managing their financial risk positions within the confines of the overall risk framework and specific delegations defined by ALCO. They are responsible for identifying areas of risk within their organisations and reporting those risks to ALCO on a timely basis.

Listed subsidiaries or associates including CITIC Telecom International, Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs within the framework of the Group's Treasury Policy.

Risk Governance Policy

The basic framework for risk management has been developed and is defined in the Treasury Policy approved by ALCO. This policy is subject to periodic review so as to incorporate latest risk standards in the market and/or business developments in the Group.

The Treasury Policy sets out control requirements and ensures alignment and consistency in which the major financial risk types are dealt with, from identification, quantification, evaluation to final reporting to ALCO for its decisions on both ALM and Treasury Risk management.

Financial Risk Management

Asset and Liability Management

One of ALCO's main functions is ALM. CITIC Pacific's investments in different businesses are financed by a mixture of long-term debt, short-term debt, common equity and perpetual capital securities. CITIC Pacific manages its capital structure to finance its overall operations and growth by using different sources of funds. The type of funding is matched to the characteristics of its underlying business.

Liquidity Risk Management

Liquidity risk is managed alongside ALM. The objective of liquidity risk management is to ensure that CITIC Pacific always has sufficient cash to meet its liabilities and has the flexibility to respond to opportunities by making sure that undrawn committed facilities are available to meet future funding and working capital requirement.

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. Every month, cash flow projections for three years are reviewed and revised by business units and ALCO, and financing actions are taken accordingly. Every day, the Group Treasury department manages the cash flows and plans for the next few months. The primary guarantee of liquidity is a substantial amount of available deposits with banks and undrawn committed credit facilities. In addition, the Group has available uncommitted money market lines.

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

As at 31 December 2012, CITIC Pacific maintained borrowing relationships with over 30 major financial institutions based in Hong Kong, the PRC and other countries. CITIC Pacific's policy is to diversify the sources of funding as much as possible through the increasing use of the capital market to supplement bank borrowings, and to maintain a mix of staggered maturities to minimise refinancing risk. This is to ensure the Group adopts a prudent liquidity risk management approach.

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

Treasury risk management

In addition to ALM function, the other main ALCO's function is Treasury Risk Management. Treasury Risk Management essentially covers the following financial risk types inherent in CITIC Pacific's businesses: foreign exchange risk, interest rate risk, commodity risk and counterparty risk.

Financial derivatives may be used to assist in the management of the above risk types. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes. To the extent possible, gains and losses of the derivatives offset the losses and gains on the assets, liabilities or transactions being hedged both in economic terms and under accounting rules.

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

The use of derivative financial instruments is currently restricted by ALCO to interest rate swaps, cross currency swap and plain vanilla forward foreign exchange contracts. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. None have been submitted for approval in 2012. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

Foreign Exchange Risk

CITIC Pacific has major operations in Hong Kong, the PRC and Australia whose functional currency is Hong Kong Dollar ("**HK$**"), Renminbi ("**RMB**") and United States dollar ("**USD**"). Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. CITIC Pacific is subject to the risk of loss or profit due to changes in USD, RMB and Australian dollar ("**AUD**") exchange rates. There are also exposures to the Japanese Yen ("**JPY**") (from operations and assets related to DCH), Euro ("**EUR**") (from equipment and product purchases) and other currencies.

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

1) capital expenditures relating to its iron ore mining operations in Australia and steel operations in the PRC

2) purchase of raw materials by steel and property companies in the PRC

3) USD denominated debt

4) RMB denominated debt

5) Purchases of finished products for sale by Dah Chong Hong; and

6) Registered capital of investment in the PRC.

CITIC Pacific strives to reduce currency exposures by matching assets with borrowings in the same currency to the extent possible. CITIC Pacific's policy is to hedge transactions where value or time to execution will give rise to material currency exposure, provided that the cost of the hedging instrument is not prohibitively expensive in comparison to the underlying exposure. CITIC Pacific uses forward contracts and cross currency swaps to manage its foreign exchange risk. Hedging is only considered for firm commitments and highly probable forecast transactions.

The consolidated financial statement is presented in Hong Kong dollars which is the Group's presentation currency and the Company's functional and presentation currency. Translation exposures from the consolidation of subsidiaries whose functional currency is not Hong Kong dollars are not hedged using derivative instruments, as this is not a cash exposure.

US Dollar (USD) – CITIC Pacific's investment in businesses whose functional currency is USD is mainly the iron ore mining business, which had USD total assets of HK$79 billion. CITIC Pacific uses its USD borrowings to hedge these USD assets through establishing a net investment hedge. As at 31 December 2012, CITIC Pacific had HK$78.6 billion equivalent of US dollar debt.

Renminbi (RMB) – Businesses in the PRC had RMB gross assets of approximately HK$126 billion as at 31 December 2012, offset by debts and other liabilities of HK$42 billion. This gave CITIC Pacific an RMB net asset exposure of HK$84 billion at 31 December 2012. Renminbi is currently not a freely convertible currency and 'registered capital', which usually accounts for at least one third of the total investment amount for projects in the PRC, may be required to be paid in foreign currency by foreign investors such as CITIC Pacific.

Australian Dollar (AUD) – CITIC Pacific's Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business, as at 31 December 2012 the Australian mining operation had plain vanilla forward contracts with a notional amount of A$112 million outstanding with maturities up to April 2013, which qualify as accounting hedges. The average rate of these contracts is 0.82 USD to 1.00 AUD. In 2013, the Australian mining operation will adopt a new policy to stabilise the effective exchange rate over time by entering into plain vanilla forward contracts to hedge its forecast future AUD expenditures with the objective of reducing the volatility of expenditure in non-USD currency.

Japanese Yen (JPY) – CITIC Pacific issued a JPY8.1 billion bond in 2005. From an economic perspective, this JPY exposure is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge under the specific rules in HKAS 39, therefore changes in its fair value are reflected in the profit and loss account. The JPY bond is the only significant JPY exposure as at 31 December 2012.

Interest Rate Risk

CITIC Pacific's interest rate risk arises primarily from borrowings. Borrowings at variable rates expose CITIC Pacific to cash flow interest rate risk; whilst borrowings at fixed rates economically expose CITIC Pacific to fair value interest rate risk. In the current low interest rate environment, CITIC Pacific manages the ratio of fixed/floating debt to achieve a balance between minimising its interest expense and hedging against large interest rate movements.

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

The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments. As at 31 December 2012, CITIC Pacific's floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK$22.1 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 61% of the borrowings of CITIC Pacific were linked to floating interest rates. In addition, CITIC Pacific has entered into HK$3.2 billion of forward starting swaps to lock in fixed rates for periods up to 8 years.

Commodity risk

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

Due to the delay in the commissioning of the first production line for the Australian mining operations, the projected delivery of natural gas under a long-term supply contract for the mining operations has exceeded the current needs of the project. To avoid breaking the contract and to retain the gas for future usage, the mining operation has entered into a commercial agreement to swap a portion of the excess gas for the next two years (up to January 2015) to be re-delivered back to the project from January 2019 to June 2029. Further negotiations are on-going with other gas companies to swap the remainder of the excess gas under similar terms and arrangements.

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 31 December 2012, CITIC Pacific did not have any exposure to commodity derivatives.

Counterparty Risk

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

The Group Treasury department is responsible for allocating and monitoring the limits with the list of approved financial institutions. Management does not expect any losses from non-performance by CITIC Pacific's financial counterparties.

Competition

CITIC Pacific has operations in the special steel, iron ore mining and property business segments. CITIC Pacific competes with different companies depending on business segment and geographical area. The process technology know-how required to manufacture products, the range of its products, the performance characteristics of its products and the quality of services provided by CITIC Pacific Special Steel differentiates CITIC Pacific from competitors in the special steel market.

In iron ore mining, CITIC Pacific expects that post-processing and beneficiation, Sino Iron Project's magnetite iron ore concentrate will allow it to compete on product quality and price, as the magnetite iron ore has a higher iron content and is in a form that PRC steel makers are accustomed to processing. The scale of the targeted production level will allow the Sino Iron Project to provide CITIC Pacific's own steel plants with a stable supply of iron ore as well as sell to other steel plants who desire a stable supply of this important raw material.

The PRC property development market is fragmented. Many property developers are concentrated on particular geographic regions and specific developments. CITIC Pacific's property developments are located around the Yangtze River Delta area, a region with strong growth and economic activities, where it is considered a developer of quality residential and commercial properties. CITIC Pacific's other major property portfolio is located in Hainan Island, where it is also the prime developer of an integrated resort. In January 2010, the central government of the PRC announced plans to establish Hainan Island as an international tourist destination. This could potentially drive demand for properties on the island.

Environment

Special Steel

In 2012, all major indices in CITIC Pacific's steel plants of sulphur dioxide emission per tonne steel, chemical oxygen demand per tonne steel and comprehensive utilization rate of solid wastes met the standards set out in the PRC government's 12th Five-year Plan for the Iron & Steel Industry. Pollutant discharges also met the national standard.

CITIC Pacific's steel plants continue to focus on reducing emissions and saving energy as this not only supports the sustainable development of the business but also reflects their commitment to social responsibility.

CITIC Pacific's energy controlling centre is responsible for managing energy usage by both steel plants and planning for and dealing with contingencies. The centre helps reduce energy consumption by lowering the gas and oxygen releasing rate while increasing the water recycling rate.

CITIC Pacific's research centre for energy conservation and emission reduction works closely with universities and research institutes in the PRC to jointly develop new methods and new technology to improve existing production techniques.

CITIC Pacific treats pollutants discharged from the production process, such as fumes and dust, and recycles and treats waste water, gas and other waste residuals.

Iron Ore Mining

CITIC Pacific Mining strives to minimise the impact of construction and the future operation of the mine on the environment. In 2012, CITIC Pacific Mining complied with all regulatory requirements and demonstrated ability to manage the site in an environmentally-responsible manner. Monitoring of vegetation, groundwater, corals, turtles, shorebirds, dust, noise, coastal stability and mangroves have all shown results in line with the approvals required by the government. While the project is being constructed, there will be unavoidable disturbances to the environment at the project site. However, this disturbance is managed in accordance within approval limits.

As the Sino Iron project advances towards production, the environment team is working closely with the regulators to ensure that the project obtains all the necessary approvals and fulfils all requirements before operation begins. The Environment Management System ("**EMS**") provides the framework for identifying and managing the environmental aspects of the project. It is now being enhanced to prepare for first line production. Enhancements include dust and noise control, commissioning, quarantine and vegetation clearing. CITIC Pacific Mining is progressing with the final approval of the EMS and associated environmental Management Programme. The EMS and other control mechanisms on site help CITIC Pacific Mining to monitor and report performance and identify areas for improvement.

A database is being developed that will be the primary source of environmental information. For dust and weather data, CITIC Pacific Mining has live data streams that allow it to monitor and where required promptly respond to any trigger levels to avoid regulatory breaches where possible.

Health and Safety

Special Steel

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

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

The effectiveness of senior managers in promoting health and safety is one of the most important measures of performance of CITIC Pacific's steel plants.

Iron ore mining

The Sino Iron Project has continued to improve in the area of safety. In 2011, a number of key initiatives were carried out with the aim to further improve the safety performance on site. One of them was the Time Out for Safety program in which CITIC Pacific Mining and its contractors identified areas for improvement and drafted an action plan accordingly. The program helped to increase health and safety information and awareness to employees and contractors, further improve procedures in the area of health and safety and establish closer coordination with contractors on safety awareness and management initiatives.

In the area of occupational health, CITIC Pacific Mining continues to review and improve procedures to ensure that the company is ready to meet ongoing construction challenges and prepared for the first production. Among the safety initiatives, the company has developed a comprehensive plan to mitigate the health risk posed by exposure to fibrous material contained in some parts of the mine.

Filtered-air-cab systems as well as decontamination facilities that are regarded as the best solutions in the world have been set up. A licensing system is in place that only allows trained staff and contractors to work with substances that may contain fibrous material, and to supervise others who are working with this material.

Insurance

The CITIC Pacific Group is covered by a range of insurance policies underwritten by reputable insurance companies for each of its businesses. The CITIC Pacific Group believes that its operations and assets are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage.

Insurance coverage for its special steel operations includes all risk property insurance, import-export good insurance, export credit insurance, public liability and employer's liability insurance. The Sino Iron Project is covered by contract works insurance, combined construction liability insurance and marine transit insurance for any material damage and delay in start up, as well as workers compensation insurance. The CITIC Pacific Group's property business is insured with policies such as all risk property insurance, business interruption, public liability, money all risk insurance and employees' compensation.

Notwithstanding the CITIC Pacific Group's insurance coverage, damage to the CITIC Pacific Group's buildings, facilities, equipment, plants, mills, natural resource sites or other properties or assets as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons, earthquakes and other natural disasters could nevertheless have a material adverse effect on the CITIC Pacific Group's financial condition and results of operations.

Employees

CITIC Pacific has a widespread and diverse workforce. With Hong Kong as the base, CITIC Pacific's businesses serve the fast-growing PRC market and its employees largely located in the PRC, Hong Kong and Western Australia. As at 31 December 2012, CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 34,781 employees, as compared to 33,295 employees as at 31 December 2011. CITIC Pacific has maintained a workforce with stable turnover for a number of years. In 2012, the overall turnover rate was 16.2% compared to 17.4% in 2011.

Legal Proceedings and Regulatory Investigations

In the course of the CITIC Pacific Group's business, there are a number of claims currently outstanding by or against the CITIC Pacific Group. While the outcome of such claims cannot be readily predicted, CITIC Pacific believes that such claims will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the CITIC Pacific Group.

SFC Investigation

CITIC Pacific announced on 20 October 2008 that its results for fiscal year 2008 were expected to be affected by losses arising from certain leveraged foreign exchange derivative contracts (See "*Documents Incorporated by Reference*"). On 22 October 2008, the Securities and Futures Commission ("**SFC**") announced that a formal investigation had been commenced into the affairs of CITIC Pacific. On 2 January 2009, CITIC Pacific made a further announcement in relation to the investigation (See "*Documents Incorporated by Reference*").

On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force ("**CCB**") executed a series of search warrants requiring CITIC Pacific and its directors to provide certain materials with regards to the foreign exchange contracts entered into in 2007 and 2008 and announcements made by CITIC Pacific from 1 July 2007 to 16 March 2009.

On 23 June 2010, the Secretary for Financial Services and the Treasury stated in the Legislative Council that "[a]ccording to the Department of Justice ("**DOJ**"), the SFC has submitted a request for legal advice following the completion of its investigation. The CCB is also investigating the same conduct but its investigation is not yet concluded. The investigation by the CCB involves a large volume of documents and computer evidence. CITIC Pacific Limited and the directors claimed legal professional privilege in respect of the documents seized and the claim is currently being litigated in the High Court. Since the investigation by both the SFC and the CCB concern the same set of facts, it is appropriate for the DOJ to finalise its advice to the SFC and the CCB after it has had an opportunity to consider the results of the Police investigation."

As at the date of this Offering Circular, the SFC has not announced the results of its investigation and CCB's investigation is continuing.

A hearing was held from 9 March 2011 to 11 March 2011 in relation to the seizure and retention by CCB of certain information and documents which CITIC Pacific contended was subject to legal professional privilege or outside the scope of the original search warrants. A judgment to the hearing, HCMP767/2010, CITIC Pacific Limited v Secretary of Justice and Another, relating to certain specific matters before the court was handed down on 18 March 2011. The judgment of the hearing is available publicly. See "*Documents Incorporated by Reference*".

In December 2011, the Court of Appeal heard CITIC Pacific's appeal against the judgment of the Court of First Instance of the High Court dated 18 March 2011.

On 28 March 2012, the Court of Appeal handed down judgment overturning the Court of First Instance's judgment of 18 March 2011, ruling that the six documents voluntarily handed to the SFC were protected by legal professional privilege. The Court of Appeal's judgment is final and conclusive and no appeal has been made. CITIC Pacific is in the process of recovering its legal costs for this part of the proceedings and seeking the return of the relevant privileged documents.

Further hearings were held in September and October 2011 in respect of the remaining information and documents seized by CCB which CITIC Pacific contended to be subject to legal professional privilege or outside the scope of the original search warrants. A judgment to the hearing, HCMP767/2010, CITIC Pacific Limited v Secretary of Justice and Another was handed down on 19 December 2011. The judgment of the hearing is available publicly. See "*Documents Incorporated by Reference*".

CITIC Pacific filed a notice of appeal on 9 January 2012 against the judgment in relation to approximately 1,600 further items handed down by the Court of First Instance of the High Court on 19 December 2011. The hearing dates of this part of the proceedings remain to be fixed pending response from the Department of Justice.

Dispute with Mineralogy

Between 2006 and 2008, CITIC Pacific entered into a number of mining right and site lease agreements (the "**Mining Right and Site Lease Agreements**") with Mineralogy, which set out the terms for CITIC Pacific to acquire the right to take two billion tonnes of magnetite ore in Western Australia and the parties' ongoing obligations.

CITIC Pacific has four options pursuant to an option agreement (the "**Option Agreement**") to acquire a further total of four billion tonnes of magnetite iron ore resource. In April 2012, the Group exercised the first option to acquire a further one billion tonnes of magnetite ore.

CITIC Pacific has received notices from Mineralogy alleging that certain terms of the Mining Right and Site Lease Agreements have been breached and suggesting that the Option Agreement has been repudiated. CITIC Pacific is firmly of the view that Mineralogy's claims are without foundation. While CITIC Pacific has consistently maintained to Mineralogy that it is ready, willing and able to discuss the commercial issues between the parties and the matters which are the subject of the dispute, CITIC Pacific will take all necessary actions to protect its investment.

There is a disagreement between CITIC Pacific and Mineralogy as to the interpretation of the royalty clause in the Mining Right and Site Lease Agreements concerning the proper construction of the provision pursuant to which royalty is payable to Mineralogy for Magnetite Ore which has been 'taken' under these agreements. CITIC Pacific maintains that ore is "taken" once it has passed through the primary crusher. The royalty under the relevant limb of the royalty provision is AUD0.30 per tonne of magnetite ore, escalated for CPI changes since March 2006. In November 2012, CITIC Pacific obtained an injunction from the Supreme Court of Western Australia which restrains Mineralogy from purporting to terminate the Mining Right and Site Lease Agreements until the court makes a decision in relation to the issues in dispute between the parties concerning the Mining Right and Site Lease Agreements. This matter was heard by the Court on 23 April 2013 and judgment is pending.

Under the Option Agreement, Mineralogy has an obligation to nominate a company acceptable to CITIC Pacific which holds the right to extract 1 billion tonnes of ore. CITIC Pacific considers that Mineralogy has not satisfied the requirement. Mineralogy has alleged that CITIC Pacific has repudiated the option and purported to accept that repudiation. As a result, CITIC Pacific has sought declarations from the court and this matter is expected to be heard later this year.

On 18 March 2013, CITIC Pacific's Australian counsel received court documents from Mineralogy seeking declarations and related relief from the courts of Australia. Those documents identify CITIC Pacific and certain of its wholly-owned Australian subsidiaries as parties to those proceedings.

They relate to a matter described in Note 34 of the Notes to the Financial Statements of CITIC Pacific for the year ended 31 December 2012, appearing on F-70, which provides that:

> "The Mining Right and Site Lease Agreements entered into by two subsidiary companies of the Group 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 6 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 6 million tonnes of iron ore concentrate. Due to changes in the iron ore market the formula for determining the amount in the contract is not capable of calculation. In the event that a liability crystallises as a result of such clause, a provision has been made for this liability as reasonably estimated by the Group and as required by accounting standards. Therefore, the amount provided for in the accounts may differ from any eventual liability. A corresponding increase in intangible mining assets has been made in relation to this provision. The Group has commenced a reassessment of its liability under these clauses."

The date by which a payment under those clauses would be required was 21 April 2013. Prior to this date, CITIC Pacific informed Mineralogy that it does not consider that any liability has arisen under the clauses and that it will not be making any payment unless required to do so by the Court. Nevertheless, Mineralogy is seeking orders that an aggregate amount of US$202,753,760 (approximately HK$1,581 million) be paid to Mineralogy. The provision in the accounts referred to above is HK$1,524 million.

In April 2013, Mineralogy withdrew its existing claims relating to access to the Port of Cape Preston (the "**Port**") and entitlement to construct a temporary workshop on the breakwater, then re-issued new proceedings concerning the respective rights of the parties at the Port. Mineralogy is seeking declarations that the Port and the facilities thereon have vested in it, that it is entitled to possession and control of the Port and the facilities, and that relevant CITIC Pacific entities and agents be restrained from occupying the port to the exclusion of Mineralogy. CITIC Pacific is of the view that it has a valid and enforceable right to access and use the Port and all of the facilities it has constructed at Cape Preston for the purposes of exporting the output of the Sino Iron Project notwithstanding any rights relating to vesting, possession and control claimed by Mineralogy.

CITIC Pacific continues with the operations and the development of the Sino Iron Project.

The legal proceedings and regulatory investigations outlined above are continuing and in the absence of any findings or judgment other than in relation to procedural aspects being made available to CITIC Pacific as well as the inherent difficulties involved in attempting to predict the outcome of regulatory matters 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, CITIC Pacific is not aware of any matters arising from the above investigations and proceedings that might have a material adverse financial impact on the consolidated financial position or liquidity of the CITIC Pacific Group.

DIRECTORS AND MANAGEMENT TEAM OF THE CITIC PACIFIC GROUP

Board of Directors and Management Team of CITIC Pacific

Board of directors

CHANG Zhenming (Chairman, Executive Director)

Age 56: Mr. Chang is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for CITIC Pacific. From 2000 to 2005 he served as an executive director, from 2006 as a non-executive director, and since 2009 as the chairman of CITIC Pacific. He is the chairman of CITIC Group Corporation, CITIC Limited and CITIC Hong Kong (Holdings) Limited, the vice chairman of CITIC International Financial Holdings Limited and a non-executive director of China CITIC Bank International Limited. He was the vice-chairman and a non-executive director of China CITIC Bank Corporation Limited and a non-executive director and deputy chairman of Cathay Pacific Airways Limited. Mr. Chang is the chairman of both the investment committee and the nomination committee.

Gregory Lynn CURL (Independent Non-executive Director)

Age 64: a director since 2011. He joined Temasek Holdings (Private) Limited as president on 1 September 2010, following his retirement from Bank of America in March 2010. He is also a director of Post Holdings, Inc. He was a director of the University of Virginia's Jefferson Scholars Foundation, The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation. Mr. Curl is a member of both the remuneration committee and the nomination committee.

André DESMARAIS (Non-executive Director)

Age 56: a director since 1997. He is deputy chairman, president and co-chief executive officer of Power Corporation of Canada and a senior advisor to the International Advisory Council of China Association for the Promotion of Industrial Development.

Alexander Reid HAMILTON (Independent Non-executive Director)

Age 71: a director since 1994. He is an independent non-executive director of Shangri-La Asia Limited, Esprit Holdings Limited, COSCO International Holdings Limited, Octopus Cards Limited, DBS Bank (Hong Kong) Limited and JF China Region Fund, Inc. He was a partner of PricewaterhouseCoopers. Mr. Hamilton is a member of the audit committee, the remuneration committee and the nomination committee.

JU Weimin (Non-executive Director)

Age 49: a director since 2009. He is the chairman and a non-executive director of Asia Satellite Telecommunications Holdings Limited and CITIC Resources Holdings Limited, a non-executive director of CITIC Securities Company Limited, China CITIC Bank Corporation Limited and China CITIC Bank International Limited and a director of CITIC International Financial Holdings Limited and CITIC Hong Kong (Holdings) Limited. He is also a vice president, the chief financial officer and secretary of CITIC Limited. He was the chairman of CITIC Trust Co. Ltd, an executive director and a vice president of CITIC Group Corporation. Mr. Ju is a member of the special committee.

LIU Jifu (Executive Director)

Age 69: a director since 2001. He is a director of CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited, and a non-executive director of CITIC Telecom International Holdings Limited. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited and the chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd. Mr. Liu is a member of the executive committee.

Vernon Francis MOORE (Chief Financial Officer, Executive Director)

Age 66: Mr. Moore is responsible for treasury, financial control, risk management and corporate communications and investor relations for the CITIC Pacific Group. He has been a director since 1990, transferring from CITIC Hong Kong (Holdings) Limited ("CITIC HK"). He is a director of CITIC Pacific Mining Management Pty Ltd, the chairman of New Hong Kong Tunnel Company Limited and Western Harbour Tunnel Company Limited, and an independent non-executive director of CLP Holdings Limited. He was a non-executive director of Cathay Pacific Airways Limited, and from 1987 to 2007 an executive director of CITIC HK. Mr. Moore is the chairman of the asset and liability management committee, a member of both the executive committee and the investment committee.

Francis SIU Wai Keung (Independent Non-executive Director)

Age 58: a director since 2011. He is an independent non-executive director of GuocoLand Limited and Hua Xia Bank Co., Limited, and has been appointed as an independent non-executive director of China Communications Services Corporation Limited, Hop Hing Group Holdings Limited and Beijing Hualian Hypermarket Co., Ltd with effect from 28 June 2012, 1 September 2012 and 13 September 2012 respectively. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China. Mr. Siu is the chairman of both the audit committee and remuneration committee, and a member of the special committee.

XU Jinwu (Dr. -Ing.) (Independent Non-executive Director)

Age 63: a director with effect from 31 December 2012. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of the University of Science and Technology Beijing in 2004 and retired with effect from 27 January 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

YIN Ke (Non-executive Director)

Age 49: a director since 2009. He is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited, an executive director and vice chairman of CITIC Securities Company Limited, and a non-executive director of Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust, which was listed on the Hong Kong Stock Exchange in April 2011). He is also a director of Hui Xian Investment Limited and Beijing Oriental Plaza Co., Ltd. He resigned as a non-executive director of Dah Chong Hong Holdings Limited with effect from 31 December 2012. He was a non-executive director of Zhongxing Shenyang Commercial Building Group Co., Ltd. and CITIC Dameng Holdings Limited. Mr. Yin is a member of the audit committee.

Carl YUNG Ming Jie (Non-executive Director)

Age 44: re-designated as non-executive director with effect from 31 December 2012. He joined CITIC Pacific in 1993. He was an executive director since 2000 and deputy managing director from 2007 to 2012.

ZHANG Jijing (President, Executive Director)

Age 57: Mr. Zhang is responsible for the day-to-day management of CITIC Pacific and the effective implementation of corporate strategy and policies. He served as a non-executive director from April 2009 and re-designated as an executive director from November 2009. He is a vice president of CITIC Limited, the chairman of CITIC Pacific China Holdings Limited, a director of CITIC Hong Kong (Holdings) Limited and a non-executive director of CITIC Resources Holdings Limited. He was as an executive director and a vice president of CITIC Group Corporation, the head of the strategy and planning department of CITIC Limited, a non-executive director of CITIC Securities Company Limited and a non-executive director of China CITIC Bank Corporation Limited. He also previously served as the managing director of CITIC Australia Group and a director and vice president of CITIC Australia Pty. Ltd. Mr. Zhang is the chairman of the executive committee and a member of both the investment committee and the special committee.

Peter KRUYT (Alternate Director to André Desmarais)

Age 57: an alternate director to André Desmarais since 2003. He is vice president of Power Corporation of Canada, chairman of Power Pacific Corporation Limited and the Canada China Business Council, and president and chief executive officer of Victoria Square Ventures Inc.

Management Team

Group Executives

Chang Zhenming, Chairman and Executive Director of CITIC Pacific

Zhang Jijing, President and Executive Director of CITIC Pacific

Vernon Francis Moore, Chief Financial Officer and Executive Director of CITIC Pacific

Liu Jifu, Executive Director of CITIC Pacific

Kwok Man Leung

Age 44: executive vice president of CITIC Pacific, joined CITIC Pacific in 1993. Mr. Kwok is responsible for coordinating new project developments as well as assisting the President in managing the operations of the Group with a focus in coordinating the special steel, PRC property, Dah Chong Hong Holdings Limited, CITIC Telecom International Holdings Limited, infrastructure and other businesses of CITIC Pacific. Mr. Kwok is in charge of the business development and group human resources & administration of CITIC Pacific. Mr. Kwok is a member of the executive committee, the investment committee and the asset and liability management committee.

Milton Law Ming To

Age 49: executive vice president of CITIC Pacific, joined CITIC Pacific in 1992. Mr. Law is responsible for managing the operations of Hong Kong property, shipping and resources trading, and assisting the President in liaising with the iron ore mining and energy businesses. Mr. Law is a member of the executive committee, the investment committee and the asset and liability management committee.

Yu Yapeng

Age 57: vice president of CITIC Pacific, chairman of CITIC Pacific Special Steel Co., Ltd. since 2012, joined CITIC Pacific in 1993. Mr. Yu is in charge of the special steel business of CITIC Pacific. From 1988 to June 2008, he has been the chief engineer, executive vice general manager and general manager of Jiangyin Xingcheng Special Steel Works Co., Ltd. He was the vice chairman of China Special Steel Enterprises Association since 1997 and now is the chairman of China Special Steel Enterprises Association. He is a director and the president of CITIC Pacific Special Steel group since 2008 and the chairman of Daye Special Steel Co., Ltd since 2010. He is a member of the executive committee.

Liu Yong

Age 49: vice president of CITIC Pacific, managing director of CITIC Pacific China Holdings Limited, which assumes the overall management responsibility of CITIC Pacific's property business portfolio in the PRC. Mr. Liu has more than 20 years' business experience of real estate development and operation in mainland China. He has served as general manager of Shenzhen Changcheng Investment Holding Co., Ltd and the chairman of CITIC Real Estate Investment (Shanghai) Company. He is a senior professional manager. Mr. Liu is a member of the executive committee.

Li Yajun

Age 49: vice president of CITIC Pacific, general manager of CITIC Pacific energy department, joined the Ligang Power plant in 1987. Mr. Li is in charge of the energy business of CITIC Pacific. He is the chairman of Sunburst Energy Development Co., Ltd., Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited. Mr. Li has over 23 years' practical experience in power plant management. In recent years, he has been involved in coal and other energy industries. He also has extensive experience in investment and capital management. Mr. Li is a member of the executive committee.

Fei Yiping

Age 49: vice president of CITIC Pacific, group financial controller, appointed in 2009. He joined CITIC Group Corporation in 1991. He is a director and chief financial officer of CITIC Hong Kong (Holdings) Limited, and a non-executive director of Dah Chong Hong Holdings Limited. He is responsible for the financial control, tax services and financial information management systems of the Group. He has over 13 years of experience in accounting and financial management. Mr. Fei is a member of both the executive committee and the asset and liability management committee.

Luan Zhenjun

Age 45: vice president of CITIC Pacific, group treasurer, joined CITIC Pacific in 2012. He joined China CITIC Bank in 1992. He was a deputy general manager in the finance department of CITIC Group Corporation before joining CITIC Pacific. Mr. Luan is responsible for the Group's financing, banking relations and risk management. Mr. Luan is a member of both executive committee and the asset and liability management committee.

Ricky Choy Wing Kay

Age 38: vice president of CITIC Pacific, company secretary and group general counsel, joined CITIC Pacific in 2008. He is a qualified solicitor in Hong Kong. He previously practiced as a commercial lawyer in private practice in Hong Kong. He is a member of the executive committee.

Corporate Functional Leaders

Holly Chen Meng

Age 46: director of group investor relations & corporate communications, joined CITIC Pacific in 2001. Prior to that, she worked for over 10 years at investment banks including Lehman Brothers, Merrill Lynch and Citibank, where she obtained extensive experience in corporate finance and corporate communications. She is a member of the executive committee.

Alan Lee Kwok Wing

Age 50: director of financial control department, joined the internal audit department of Dah Chong Hong Holdings Limited in 1992 and had been CITIC Pacific's head of internal audit since 1996 until 2000. He is a certified public accountant, previously worked for an international accountant firm. He is a member of the asset and liability management committee.

Raymond Ma Wai Man

Age 46: group internal auditor, joined CITIC Pacific in 2008. He has over 24 years of experience in auditing and finance. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He is a member of the executive committee.

Other Operating Business Leaders

Special Steel

Xie Wei

Age 48: president of CITIC Pacific Special Steel Co., Ltd., joined CITIC Pacific in 2010. From 1996 to June 2008, he has been the vice general manager, general manager, chairman of Baosteel No.5 Steel Co., Ltd. and the assistant general manager of Baosteel Group. From May 2006 to May 2010, he has been the assistant general manager of Baoshan Iron & Steel Co., Ltd., general manager of Baosteel Special Steel Co., Ltd. and general manager of Baosteel Special Steel Business Unit. He is the deputy director of China Special Steel Institute and Shanghai Institute of Metal since 2000. He has been a director, executive vice president and the president of CITIC Pacific Special Steel group since May 2010. He is a director of Daye Special Steel Co., Ltd. since April 2011 and the chairman of Jiangyin Xingcheng Special Steel Works Co., Ltd. since August 2012.

Iron Ore Mining

Liu Shuchun

Age 49: managing director and chief operating officer of CITIC Pacific Mining Management Pty Ltd. Before becoming the managing director and chief operating officer of CITIC Pacific Mining, he was previously the executive director of mining, processing and infrastructure at the CITIC Pacific Mining Sino Iron Project. He joined CITIC Pacific Mining in 2009. He has over 20 years' experience having previously held engineering, project management and senior management positions within the China Jiangsu International Group, and CITIC Construction. Mr. Liu has overseen large projects in the Middle East, Latin America and Africa. He holds a master degree in Civil Engineering.

Property

Aaron Wong Ha Hang

Age 54: director, property department in Hong Kong, joined CITIC Pacific in 1996. He is an executive director of Hong Kong Resort Company Limited and a director of New Hong Kong Tunnel Company Limited. Before that, he worked for an international consulting firm in the United Kingdom and in Hong Kong. Mr. Wong is a member of the executive committee.

Tunnels

Miranda Yip Siu Wai

Age 49: general manager of New Hong Kong Tunnel Company Limited ("NHKTC"), joined NHKTC in 1999 as deputy general manager. She was appointed as executive director and general manager in 2004. She has extensive experience in public administration.

Dah Chong Hong Holdings

Yip Moon Tong

Age 60: chief executive officer of Dah Chong Hong Holdings Limited ("DCH Holdings"), listed on the Hong Kong Stock Exchange, joined DCH Holdings Group in 1992. He has over 30 years of experience, in both the public and private sectors, in engineering and motor vehicle businesses.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2012, none of the directors of CITIC Pacific had nor were they taken to or deemed to have, under Part XV of the Securities and Futures Ordinance ("**SFO**"), any interests or short positions in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations or any interests which were required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which were required to be notified to CITIC Pacific and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

1. Shares in CITIC Pacific and associated corporations

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

Note:

1. Trust interest

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

2. Share options in CITIC Pacific

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Pacific are stated as follows:

CITIC Pacific directors

Name of director	Date of grant	Exercise price *HK$*	Number of share options: Balance as at 01.01.12	Exercised/ cancelled during the year ended 31.12.12	Lapsed during the year ended 31.12.12	Balance as at 31.12.12	Percentage to issued share capital
Chang Zhenming	16.10.07	47.32	500,000	–	500,000	–	
	19.11.09	22.00	600,000	–	–	600,000	
						600,000	0.016
Zhang Jijing	19.11.09	22.00	500,000	–	–	500,000	0.014
Vernon Francis Moore .	16.10.07	47.32	600,000	–	600,000	–	
	19.11.09	22.00	500,000	–	–	500,000	
						500,000	0.014
Liu Jifu	16.10.07	47.32	700,000	–	700,000	–	
	19.11.09	22.00	500,000	–	–	500,000	
						500,000	0.014
Carl Yung Ming Jie . . .	16.10.07	47.32	800,000	–	800,000	–	
	19.11.09	22.00	500,000	–	–	500,000	
						500,000	0.014
Kwok Man Leung	16.10.07	47.32	600,000	–	600,000	N/A	N/A
	19.11.09	22.00	500,000	–	–	*(Note 1)*	*(Note 1)*
Milton Law Ming To . .	16.10.07	47.32	800,000	–	800,000	N/A	N/A
	19.11.09	22.00	500,000	–	–	*(Note 1)*	*(Note 1)*

Note:

1. Mr Kwok Man Leung and Mr Milton Law Ming To resigned as directors with effect from 31 December 2012.

3. Share options in associated corporations

CITIC Resources Holdings Limited

Name of director	Date of grant	Exercise price HK$	Exercise period	Number of share options: Balance as at 01.01.12	Granted during the year ended 31.12.12	Exercised/ lapsed/ cancelled during the year ended 31.12.12	Balance as at 31.12.12	Percentage to issued share capital
Zhang Jijing . . .	02.06.05	1.018	02.06.06 – 01.06.13	10,594,315	–	–	10,594,315	0.135

Save as disclosed above, as at 31 December 2012, none of the directors of CITIC Pacific had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations or any interests which are required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which are required to be notified to CITIC Pacific and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

SHAREHOLDERS' INTERESTS IN SECURITIES

Substantial Shareholders

As at 31 December 2012, the interests of the substantial shareholders, other than the directors of CITIC Pacific or their respective associate(s), in the shares of CITIC Pacific as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Interest in the shares of CITIC Pacific

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group Corporation	2,098,736,285	57.508
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC Hong Kong (Holdings) Limited	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522

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

Name of subsidiary company of CITIC Group Corporation	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC Hong Kong (Holdings) Limited	747,486,203	20.482
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342

CITIC Hong Kong (Holdings) Limited is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

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

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

Accordingly,

(i) the interests of CITIC Group Corporation in CITIC Pacific duplicate the interests of CITIC Limited in CITIC Pacific;

(ii) the interests of CITIC Limited in CITIC Pacific duplicate the interests of CITIC Investment (HK) Limited and CITIC Hong Kong (Holdings) Limited in CITIC Pacific;

(iii) the interests of CITIC Investment (HK) Limited in CITIC Pacific duplicate the interests of Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited in CITIC Pacific;

(iv) the interests of CITIC Hong Kong (Holdings) Limited in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

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

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

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

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

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

USE OF PROCEEDS

The net proceeds from the offering of the Securities, after deducting underwriting commissions and expenses are estimated to be approximately U.S.$791,265,250. The net proceeds shall be used for general corporate purposes of the Group including refinancing of indebtedness.

TAXATION

The following is a general description of certain tax considerations relating to the Securities and is based on law, published practice and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change (which could be made on a retroactive basis), and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations which may be relevant to a decision to purchase, own or dispose of any Securities. Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or Distributions on the Securities or in respect of any capital gains arising from the sale of the Securities.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chap 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Securities where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Distributions on the Securities may be subject to profits tax in Hong Kong in the following circumstances:

(i) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

(ii) Distribution on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) Distribution on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security.

PRC Taxation

Pursuant to the New EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China shall be PRC tax resident enterprises for the purpose of the New EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC.

As confirmed by the Issuer, as of the date of the Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New EIT Law and related implementation regulations in the future.

Pursuant to the New EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the incomes sourced inside the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of Distribution in respect of the Securities for any non-PRC enterprise holder of Security. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Securities so that holders of Securities would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Securities. In addition, if the Issuer is treated as a PRC tax resident enterprise under the New EIT Law and related implementation regulations in the future, any gain realised by the non-resident enterprise holders of the Securities from the transfer of the Securities may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008, the European Commission published a proposal for amendments to the Directive. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with The Hongkong and Shanghai Banking Corporation Limited and UBS AG, Hong Kong Branch (the "**Joint Lead Managers and Bookrunners**") dated 14 May 2013 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Joint Lead Managers and Bookrunners, and the Joint Lead Managers and Bookrunners, agreed to severally but not jointly subscribe for the aggregate principal amount of the Securities indicated opposite its name in the following table.

	Aggregate principle amount of securities
The Hongkong and Shanghai Banking Corporation Limited	US$400,000,000
UBS AG, Hong Kong Branch	US$400,000,000
Total	US$800,000,000

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers and Bookrunners against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers and Bookrunners are subject to certain conditions precedent, and entitles the Joint Lead Managers and Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer. In addition, the Issuer has agreed to pay to certain private banks a rebate based on the principal amount of the Securities purchased by private bank clients.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

The Joint Lead Managers and Bookrunners and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

The Joint Lead Managers and Bookrunners and certain of their respective affiliates may purchase the Securities and be allocated Securities for asset management and/or proprietary purposes and not with a view to distribution.

The Joint Lead Managers and Bookrunners or certain of their respective affiliates may purchase the Securities for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

General

No action has been or will be taken in any jurisdiction by the Joint Lead Managers and Bookrunners or the Issuer that would, or is intended to, permit a public offering of the Securities, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Securities should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Securities should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer or the Joint Lead Managers and Bookrunners.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("Regulation S").

The Securities are being offered and sold outside the United States a reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area – Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Joint Lead Managers and Bookrunners has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Dealers; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Company or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Selling Restrictions Addressing United Kingdom Securities Laws

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

PRC

Each Joint Lead Manager has represented, warranted and agreed that the offer of the Securities is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the People's Republic of China and the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

    (iii) where the transfer is by operation of law; or

    (iv) as specified in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the announcements by CITIC Pacific dated 20 October 2008 and 2 January 2009 published on The Stock Exchange of Hong Kong Limited, the publicly available part of the judgment dated 18 March 2011 in the proceedings of CITIC Pacific Limited v Secretary of Justice and Another, the judgment dated 19 December 2011 in the proceedings of CITIC Pacific Limited v Secretary of Justice and Another, and the judgment dated 28 March 2012 in the proceedings of CITIC Pacific Limited v Secretary of Justice and Another, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Issuer set out at the end of this Offering Circular.

GENERAL INFORMATION

(1) Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Securities by way of debt issues to professional investors only. It is expected that dealing in, and listing of, the Securities on the Hong Kong Stock Exchange will commence on or about 23 May 2013. The Securities to be listed on the Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the issue and offering of the Securities. The issue and offering of the Securities were authorised by resolution of the Board of Directors of the Issuer passed on 19 March 2013.

(3) There has been no material adverse change in the financial or trading position of the Issuer or of the Group since 31 December 2012.

(4) None of the Issuer or the Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Securities and, so far as the Issuer or any member of the Group is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

(5) The Securities have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems under Common Code number 093385535. The International Securities Identification Number for the Securities is XS0933855354.

(6) Copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Issuer at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong and at the specified office of the Paying Agents:

(i) the Trust Deed;

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of the Issuer;

(iv) the published annual report of the Issuer and audited consolidated accounts of the Group for the two preceding financial years ended 31 December 2012 (the Issuer currently prepares consolidated audited accounts on an annual basis);

(v) the most recently published audited consolidated annual accounts of the Group and the most recently published unaudited consolidated interim accounts of the Group from time to time (at the date of this Offering Circular, other than the financial statements of the Group, the Issuer has not published any audited or unaudited financial statements and does not propose to publish any financial statements); and

(vi) a copy of this Offering Circular.

Copies of the documents referred to in sub-paragraphs (i) to (vi) above will also be available free of charge during the hours referred to above at the following address of The Bank of New York Mellon, Hong Kong Branch: Level 24, Three Pacific Place, 1 Queen's Road East, Hong Kong, so long as any of the Notes is outstanding.

(7) The consolidated financial statements of the Group for the year ended 31 December 2012 included in this Offering Circular have been audited by its independent auditor, PricewaterhouseCoopers, Certified Public Accountants, as stated in their report appearing herein.

PricewaterhouseCoopers have given and not withdrawn their written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules to the inclusion in this Offering Circular of their report in relation to the Group in the form and context in which they are included.

With effect from 16 May 2013 and subject to the approval of its shareholders at the annual general meeting on 16 May 2013, CITIC Pacific will appoint KPMG as its independent auditor to hold office until the conclusion of the next annual general meeting.

INDEX TO FINANCIAL STATEMENTS

Note:

(1) The Independent Auditor's Report on the consolidated financial statements of CITIC Pacific for the year ended 31 December 2012 set out herein are reproduced from CITIC Pacific's annual report for the year ended 31 December 2012 and page references included in the Independent Auditor's Report refer to pages set out in such annual report.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

	Note	2012	As restated 2011
		HK$m	HK$m
Continuing operations			
Revenue	3	93,272	96,890
Cost of sales		(83,529)	(83,636)
Gross profit		9,743	13,254
Other income and net gains	4	3,673	1,843
Distribution and selling expenses		(3,202)	(2,854)
Other operating expenses		(4,315)	(4,493)
Change in fair value of investment properties		1,506	1,835
Profit from consolidated activities	5 & 6	7,405	9,585
Share of results of			
Jointly controlled entities	5	2,145	3,080
Associated companies	5	690	729
Profit before net finance charges and taxation		10,240	13,394
Finance charges		(1,862)	(1,104)
Finance income		720	694
Net finance charges	7	(1,142)	(410)
Profit before taxation		9,098	12,984
Taxation	8	(1,347)	(2,495)
Profit for the year from continuing operations		7,751	10,489
Discontinued operations			
Profit for the year from discontinued operations	35a	497	494
Profit for the year		8,248	10,983
Attributable to:			
Ordinary shareholders of the Company	9	6,954	9,233
Holders of perpetual capital securities		463	331
Non-controlling interests		831	1,419
		8,248	10,983
Profit attributable to ordinary shareholders of the Company arising from:			
Continuing operations		6,655	8,934
Discontinued operations		299	299
		6,954	9,233
Dividends	10	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)	11		
Basic earnings per share from:			
Continuing operations		1.83	2.45
Discontinued operations		0.08	0.08
		1.91	2.53
Diluted earnings per share from:			
Continuing operations		1.83	2.45
Discontinued operations		0.08	0.08
		1.91	2.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	As restated 2011
	HK$m	HK$m
Profit for the year	8,248	10,983
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	(1,139)	(2,923)
Fair value changes from other financial assets	(5)	(112)
Transfer to profit and loss account on impairment of other financial assets	15	98
Surplus on revaluation of properties transferred from self-use properties to investment properties	61	–
Share of other comprehensive income of jointly controlled entities and associated companies	(39)	43
Exchange translation differences	(43)	2,488
Reserves released on disposal/dilution of interest in jointly controlled entities and non-current assets held for sale	(431)	(132)
Reserve released upon disposal/liquidation of subsidiary companies	(1)	(109)
Total comprehensive income for the year	6,666	10,336
Total comprehensive income for the year attributable to		
Ordinary shareholders of the Company	5,368	8,404
Holders of perpetual capital securities	463	331
Non-controlling interests	835	1,601
	6,666	10,336
Total comprehensive income for attributable to Ordinary shareholders of the Company arising from:		
Continuing operations	5,070	8,110
Discontinued operations	298	294
	5,368	8,404

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012	2011
		HK$m	HK$m
Non-current assets			
Property, plant and equipment	15	100,445	85,132
Investment properties	15	16,359	15,270
Properties under development	15	8,712	6,628
Leasehold land – operating leases	15	2,524	2,277
Jointly controlled entities	17	20,443	21,278
Associated companies	18	7,499	7,222
Other financial assets	19	351	345
Intangible assets	20	17,253	16,202
Deferred tax assets	33	2,342	1,647
Derivative financial instruments	32	121	928
Non-current deposits and prepayments	21	1,908	4,031
		177,957	160,960
Current assets			
Properties under development		1,144	3,189
Properties held for sale		3,830	1,493
Other assets held for sale	22	379	2,388
Inventories	23	11,803	14,125
Derivative financial instruments	32	255	401
Debtors, accounts receivable, deposits and prepayments	24	15,464	16,253
Cash and bank deposits		32,821	30,930
		65,696	68,779
Assets of disposal group classified as held for sale	35b(i)	3,733	–
		69,429	68,779
Current liabilities			
Bank loans, other loans and overdrafts			
secured	29	1,456	1,329
unsecured	29	20,677	26,328
Creditors, accounts payable, deposits and accruals	25	24,402	30,577
Derivative financial instruments	32	201	159
Provision	34	1,870	–
Provision for taxation		1,065	1,514
		49,671	59,907
Liabilities of disposal group classified as held for sale	35b(ii)	1,260	–
		50,931	59,907
Net current assets		18,498	8,872

	Note	2012	2011
		HK$m	HK$m
Total assets less current liabilities		196,455	169,832
Non-current liabilities			
Long term borrowings	29	94,496	71,050
Deferred tax liabilities	33	3,343	3,373
Derivative financial instruments	32	4,777	4,747
Provisions and deferred income	34	1,973	2,649
		104,589	81,819
Net assets	5	91,866	88,013
Equity			
Share capital	26	1,460	1,460
Perpetual capital securities	27	5,953	5,951
Reserves	28	76,170	72,452
Proposed dividend		1,095	1,095
Total ordinary shareholders' funds and perpetual capital securities		84,678	80,958
Non-controlling interests in equity		7,188	7,055
Total equity		91,866	88,013

BALANCE SHEET

As at 31 December 2012

	Note	2012	2011
		HK$m	**HK$m**
Non-current assets			
Property, plant and equipment	15	17	10
Subsidiary companies	16	98,940	80,889
Jointly controlled entities	17	5,127	5,138
Associated companies	18	1,879	1,987
Derivative financial instruments	32	–	161
		105,963	88,185
Current assets			
Derivative financial instruments	32	27	326
Amounts due from subsidiary companies	16	6,127	4,896
Debtors, accounts receivable, deposits and prepayments	24	257	193
Cash and bank deposits		13,989	10,715
		20,400	16,130
Current liabilities			
Bank loans, other loans and overdrafts – unsecured	29	10,407	13,936
Amounts due to subsidiary companies	16	6,528	6,223
Creditors, accounts payable, deposits and accruals	25	745	293
Derivative financial instruments	32	99	419
Provision for taxation		1	1
		17,780	20,872
Net current assets/(liabilities)		2,620	(4,742)
Total assets less current liabilities		108,583	83,443
Non-current liabilities			
Long term borrowings	29	52,451	30,221
Derivative financial instruments	32	2,674	2,739
		55,125	32,960
Net assets		53,458	50,483
Equity			
Share capital	26	1,460	1,460
Perpetual capital securities	27	5,953	5,951
Reserves	28	44,950	41,977
Proposed dividend		1,095	1,095
Total ordinary shareholders' funds and perpetual capital securities		53,458	50,483

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Note	2012	As restated 2011
		HK$m	HK$m
Cash flows from operating activities			
Profit before taxation from continuing operations	5	9,098	12,984
Profit before taxation from discontinued operations	5	538	559
Share of results of jointly controlled entities and associated companies		(3,026)	(3,994)
Net finance charges		1,144	410
Net exchange gain		(51)	(348)
Income from other financial assets		(4)	(7)
Depreciation and amortisation		3,098	2,180
Impairment losses		173	652
Provision for gas contract		415	109
Share-based payment		31	11
Loss on disposal of property, plant and equipment		2	–
Gain on disposal of investment properties		–	(296)
Net gain on properties reclassified as asset held for sale		(78)	–
Change in fair value of investment properties		(1,506)	(1,835)
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies		(2,454)	(209)
Net gain on disposal of subsidiary companies		(165)	(230)
Operating profit before working capital changes		7,215	9,986
Decrease in properties held for sale		1,610	2,777
Decrease/(increase) in inventories		2,407	(2,468)
Decrease/(increase) in debtors, accounts receivable, deposits and prepayments		283	(2,182)
(Decrease)/increase in creditors, accounts payable, deposits and accruals		(2,068)	1,121
Effect of foreign exchange rate changes		(13)	470
Cash generated from operating activities		9,434	9,704
Income taxes paid		(1,915)	(1,770)
Cash generated from operating activities after income taxes paid		7,519	7,934
Interest received		586	647
Interest paid		(4,724)	(3,815)
Realised exchange (loss)/gain		(8)	70
Other finance charges and financial instruments		(289)	(106)
Net cash from consolidated activities before increase of properties under development		3,084	4,730
Increase in properties under development		(1,718)	(2,065)
Net cash generated from consolidated activities		1,366	2,665

	Note	2012	As restated 2011
		HK$m	HK$m
Cash flows from investing activities			
Purchase of:			
Subsidiary companies (net of cash and cash equivalents acquired)	38	(1,405)	(185)
Properties under development for own use		(237)	(1,070)
Property, plant and equipment		(14,378)	(14,450)
Leasehold land – operating leases		(308)	(67)
Intangible assets		(2,056)	(2,112)
Other financial assets		(13)	–
Proceeds of:			
Disposal of property, plant and equipment and investment properties		863	892
Sale of other financial assets		5	–
Disposal of interests in jointly controlled entities		4,294	1,727
Disposal of subsidiary companies (net of cash and cash equivalents disposed)	38	220	1,799
Refund of deposit received		(842)	–
Settlement of consideration payable for acquisition of a subsidiary company		(48)	–
Increase in bank deposits maturing after more than 3 months		(365)	(1,379)
Decrease/(increase) in pledged deposits with banks		1,099	(1,243)
Net payments for non-current deposits and prepayments		(2,534)	(1,405)
Investment in jointly controlled entities and associated companies		(63)	(94)
Deposit paid for acquisition of a subsidiary company		(76)	–
Repayment in loans to jointly controlled entities and associated companies		2	226
Dividend received from jointly controlled entities and associated companies		1,964	823
Income received from other financial assets		4	7
Net cash used in investing activities		(13,874)	(16,531)
Cash flows from financing activities			
Issue of shares pursuant to the share option plan	28	–	16
New borrowings		65,775	41,420
Repayment of loans		(47,498)	(27,581)
Decrease in non-controlling interests		(653)	(724)
Dividends paid to shareholders of the Company		(1,642)	(1,642)
Proceeds of issue of perpetual capital securities, net of transaction costs		–	5,782
Distribution made to holders of perpetual capital securities		(461)	(230)
Net cash from financing activities		15,521	17,041

	Note	2012	As restated 2011
		HK$m	HK$m
Net increase in cash and cash equivalents		3,013	3,175
Cash and cash equivalents at 1 January		27,964	24,237
Effect of foreign exchange rate changes		(16)	552
Cash and cash equivalents at 31 December		30,961	27,964
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		30,610	27,964
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		32,821	30,930
Bank deposits with maturities over 3 months		(1,744)	(1,379)
Bank overdrafts and pledged deposits		(467)	(1,587)
		30,610	27,964

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
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, net of tax, for the year							
Share of other comprehensive income of jointly controlled entities 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
Surplus on revaluation of properties transfer from self-used properties to investment properties	–	–	61	–	61	–	61
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	–	–	(1)	–	(1)	–	(1)
Reserves released on disposal/dilution of interest in jointly controlled entities	–	–	(252)	(179)	(431)	–	(431)
Total comprehensive income for the year	–	463	(1,325)	6,693	5,831	835	6,666
Transactions with owners							
Acquisition of subsidiaries	–	–	–	–	–	20	20
Dilution disposal of interest in subsidiary companies	–	–	4	–	4	(4)	–
Dividends paid to 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	–	–	18	–	18	13	31
Transfer from profits to general and other reserves	–	–	159	(159)	–	–	–
Release upon lapse of share options	–	–	(188)	188	–	–	–
Capital contributed from 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

	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**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Balance at 1 January 2011	1,459	–	44,492	22,395	68,346	5,872	74,218
Profit for the year	–	331	–	9,233	9,564	1,419	10,983
Other comprehensive income, net of tax, for the year							
Share of other comprehensive income of jointly controlled entities and associated companies	–	–	122	(80)	42	1	43
Fair value changes of other financial assets	–	–	(112)	–	(112)	–	(112)
Transfer to profit and loss account on impairment of other financial assets	–	–	98	–	98	–	98
Exchange translation differences	–	–	2,307	–	2,307	181	2,488
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	–	–	(2,923)	–	(2,923)	–	(2,923)
Reserves released on disposal of a subsidiary	–	–	(109)	–	(109)	–	(109)
Reserves released on disposal/dilution of interest in jointly controlled entities	–	–	(95)	(37)	(132)	–	(132)
Total comprehensive income for the year	–	331	(712)	9,116	8,735	1,601	10,336
Transactions with owners							
Acquisition of subsidiaries	–	–	–	–	–	284	284
Dilution/disposal of interest in subsidiary companies	–	–	8	–	8	(1)	7
Dividends paid to shareholders of the Company	–	–	–	(1,642)	(1,642)	–	(1,642)
Dividends paid to non-controlling interests	–	–	–	–	–	(623)	(623)
Acquisition of interests from non-controlling interests	–	–	(64)	–	(64)	(63)	(127)
Distribution to holders of perpetual capital securities	–	(230)	–	–	(230)	–	(230)
Share-based payment	–	–	7	–	7	4	11
Transfer from profits to general and other reserves	–	–	322	(322)	–	–	–
Issue of shares pursuant to the share option plan	1	–	15	–	16	–	16
Issuance of perpetual capital securities	–	5,850	–	–	5,850	–	5,850
Capital contributed from non-controlling interest	–	–	–	–	–	48	48
Distribution to non-controlling interest	–	–	–	–	–	(67)	(67)
Transaction costs related to issuance of perpetual capital securities	–	–	–	(68)	(68)	–	(68)
	1	5,620	288	(2,032)	3,877	(418)	3,459
Balance at 31 December 2011	1,460	5,951	44,068	29,479	80,958	7,055	88,013

NOTES TO THE FINANCIAL STATEMENTS

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 HKFRS, and under the historical cost convention, except as disclosed in the accounting policies below in (h) and (w). Adoption of the amendments which became effective in 2012 does not have a significant impact on the Accounts.

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 2012 may impact the Group in future years but are not yet effective for the year ended 31 December 2012:

Standard No.	**Title**	**Applicable accounting period to the Group**
HKAS 1 (Amendment)	Presentation of financial statements	2013
HKFRS 9	Financial instruments	2015
HKFRS 10	Consolidated financial statements	2013
HKFRS 11	Joint arrangements	2013
HKFRS 12	Disclosures of interest in other entities	2013
HKFRS 13	Fair value measurements	2013
HK (IFRIC) Int 20	Stripping costs in the production phase of a surface mine	2013
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	2014
HKFRS 7 (Amendment)	Financial instruments: disclosures – disclosures – offsetting financial assets and financial liabilities	2013
Annual Improvements 2009-2011 Cycle		2013

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

(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, jointly controlled entities 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 is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within jointly controlled entities 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 profit and loss account immediately on acquisition.

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

A subsidiary company is a company which is controlled by the Company through share ownership or otherwise. Control represents the power to govern the financial and operating policies of that company.

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.

Non-controlling interest is the equity in a subsidiary 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 subsidiaries 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 subsidiaries 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 is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders 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) ***Jointly controlled entities***

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to joint control.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year, unless the jointly controlled entity 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 jointly controlled entities and goodwill on acquisition.

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

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

Share of results of jointly controlled entities 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 jointly controlled entities are stated at cost less any impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(f) ***Associated companies***

Associated companies are companies, other than subsidiary companies and jointly controlled entities, 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 entities 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. The results of associated companies are only reflected to the extent dividends are received or are receivable.

(g) ***Property, plant and equipment***

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

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. 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 mining 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.

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.

Other buildings	2%-10% or the remaining lease period of the land where applicable
Plant and machinery	6%-20%
Other property, plant and equipment, comprising vessels, telecommunications equipment, traffic equipment, cargo lighters, computer installations, motor vehicles, furniture, fixture and equipment	4%-25%

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 within Note 4, 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.

(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. 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 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. Building costs are stated at cost less any impairment.

(l) ***Other assets held for sale and discontinued operations***

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

A discontinued operation is a component of the Group 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 acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, 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. 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 loss, if any. They comprise goodwill, expenditure on mining rights, car dealerships and a vehicular tunnel concessions. 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***

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).

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 or loss 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 consolidated profit or loss 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.

(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. Gain from leveraged foreign exchange contracts and net exchange gain are 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.

(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.

Revenue from the provision of telecommunications services is recognised upon delivery of the service.

(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.

(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.

(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.

(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 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, jointly controlled entities 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.

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) ***Deferred taxation***

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.

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.

(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.

Mining operation

The Group's mining 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 mining operations have suffered any impairment. The recoverable amount of the mining operation 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.

Property, plant and equipment

The Group reviews property, plant and equipment, other than mining operation plant, 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.

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 realised. 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.

Jointly controlled entities and associated companies

The Group regularly reviews investments in jointly controlled entities 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 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.

(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 transactions 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 Ltd ("MCCL") 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 is US$3.4 billion.

On 30 January 2013, MCCL 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 MCCL's obligations under the contract.

As at the date of this report MCCL 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 Company believes the Group has satisfied all 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 date the cumulative days delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

No amounts have been recognised as either receivable from or payable to MCCL 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 30 January 2013 (the "Announcement"), the Company will decide on the appropriate steps to take including entering into commercial negotiations with MCCL at the completion of the project to resolve any outstanding issues including the above delay payments and the independent assessment referred to in the Announcement. However, should the Group enter into commercial negotiations with MCCL and these negotiations result in additional contractual 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 2 billion tonnes of magnetite ore.

The Company is also a party to an Option Agreement with Mineralogy, pursuant to which the Company has four options to acquire a company each with a right to extract 1 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. Mineralogy has an obligation under the Agreement to nominate a company acceptable to the Company (with the right to extract the 1 billion tonnes under a Mining Right and Site Lease Agreement). So far, Mineralogy has nominated three companies and subsequently withdrawn two of its nominations. The Company is of the view that the remaining company does not satisfy the requirements of the Option Agreement.

The Group has received notices from Mineralogy alleging that certain terms of the Mining Right and Site Lease Agreements have been breached and suggesting that the Option Agreement has been repudiated.

In relation to the Mining Right and Site Lease Agreements, Mineralogy has asked the Supreme Court of Western Australia to make declarations in connection with the following aspects of the Mining Right and Site Lease Agreements: (1) the proper construction of the provision pursuant to which royalty is payable to Mineralogy for Magnetite Ore which has been 'taken' under these agreements, and (2) the subsidiary companies' entitlement to construct a temporary workshop on the breakwater at Cape Preston. The Company maintains that ore is "taken" once it has passed through the primary crusher. The royalty under the relevant limb of the royalty provision is AUD0.30 per tonne of magnetite ore, escalated for CPI changes since March 2006. The Company considers its subsidiary companies are entitled to construct the temporary workshop without first seeking Mineralogy approval.

On 22 November 2012, the Supreme Court of Western Australia granted the Company, and the relevant affected subsidiaries, an injunction against Mineralogy to restrain Mineralogy from purporting to terminate the Mining Right and Site Lease Agreements in connection with the royalty issue. The injunction will remain in place until the court makes a decision on the issues in dispute between the parties as described above.

On 15 February 2013 the Court set the first matter down for hearing on 23 to 24 April 2013.

In relation to the Option Agreement, the Company (and the relevant affected members of the Group) have sought declarations from the Supreme Court of Western Australia as to the continuation of their rights under the Option Agreement.

This matter is likely to be heard later in the year.

The Company is firmly of the view that Mineralogy's claims are without foundation and will continue to contest all claims vigorously and as such 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, jointly controlled entities and associated companies (collectively the "Investee Companies"), and raising finance. Revenue generating activities of the Group are conducted through the subsidiaries. The principal activities of the Investee Companies are set out in Note 44 to the financial statements.

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

	Group	
		As restated
	2012	2011
	HK$m	HK$m
Sale of goods	85,541	87,669
Services rendered to customers	3,084	2,637
Properties sales	2,824	4,845
Rental income	868	869
Toll income	812	797
Others	143	73
Continuing operation	93,272	96,890
Discontinued operations		
Telecommunications (note 35)	3,610	3,196
	96,882	100,086

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	
		As restated
	2012	2011
	HK$m	HK$m
Other income		
Commission income, subsidy income, rebates and others	999	753
Dividend income from other financial assets		
– Listed shares	4	7
	1,003	760
Net exchange gain (note i)	51	348
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies	2,454	209
Net gain from disposal of subsidiary companies	165	230
Net gain from disposal of investment properties	–	296
	2,619	735
	3,673	1,843

Notes:

(i) The net exchange gain of HK$51 million (2011: HK$348 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 2012	Revenue Note (a)	Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations Note (b)	Segment profit/(loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to ordinary shareholders of the Company
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Special steel	40,358	735	270	59	220	(901)	383	(7)	376	(52)	(113)	211
Iron ore mining	213	(700)	–	–	–	(331)	(1,031)	(1)	(1,032)	251	–	(781)
Property												
Mainland China	3,523	1,077	271	–	184	(69)	1,463	13	1,476	(603)	38	911
Hong Kong	243	370	–	264	–	–	634	126	760	(26)	–	734
Energy	18	(34)	1,294	–	29	–	1,289	–	1,289	(153)	–	1,136
Tunnels	812	528	247	–	3	–	778	–	778	(87)	(130)	561
Dah Chong Hong	48,014	1,821	12	(1)	33	(270)	1,595	(131)	1,464	(522)	(406)	536
Other investments	91	2,425	51	18	–	–	2,494	–	2,494	205	–	2,699
Change in fair value of investment properties	–	1,506	–	350	–	–	1,856	–	1,856	(287)	(22)	1,547
Corporate												
General and administration expenses	–	(397)	–	–	–	–	(397)	–	(397)	(73)	–	(470)
Exchange gain	–	74	–	–	–	–	74	–	74	–	–	74
Net finance charges	–	–	–	–	251	(291)	(40)	–	(40)	–	–	(40)
Continuing operations total	93,272	7,405	2,145	690	720	(1,862)	9,098	–	9,098	(1,347)	(633)	7,118
Discontinued operations:												
CITIC Telecom	3,610	349	1	190	1	(3)	538	–	538	(41)	(198)	299
Total	96,882	7,754	2,146	880	721	(1,865)	9,636	–	9,636	(1,388)	(831)	7,417
								Profit attributable to:				
								Holders of perpetual capital securities				(463)
												6,954

Notes:

(a) Companies making up each reportable segment are set out in note 44.

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

Year ended 31 December 2011 (as restated)	Revenue Note (a)	Profit/(loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations Note (b)	Segment profit/(loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to ordinary shareholders of the Company
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Special steel	44,043	2,926	142	28	317	(676)	2,737	(6)	2,731	(440)	(297)	1,994
Iron ore mining	83	(256)	–	–	–	(188)	(444)	–	(444)	21	–	(423)
Property												
Mainland China	5,459	2,116	1,141	–	94	(14)	3,337	10	3,347	(853)	(170)	2,324
Hong Kong	249	516	–	132	–	–	648	86	734	(26)	–	708
Energy	23	287	1,367	–	11	–	1,665	–	1,665	(77)	–	1,588
Tunnels	797	539	198	–	2	–	739	–	739	(89)	(132)	518
Dah Chong Hong	46,109	1,946	23	4	23	(248)	1,748	(90)	1,658	(513)	(528)	617
Other investments	127	(55)	209	19	–	–	173	–	173	(5)	–	168
Change in fair value of investment properties	–	1,835	–	546	–	–	2,381	–	2,381	(393)	(97)	1,891
Corporate												
General and administration expenses	–	(441)	–	–	–	–	(441)	–	(441)	(40)	–	(481)
Exchange gain	–	172	–	–	–	–	172	–	172	–	–	172
Net finance charges	–	–	–	–	247	22	269	–	269	(80)	–	189
Continuing operations total	96,890	9,585	3,080	729	694	(1,104)	12,984	–	12,984	(2,495)	(1,224)	9,265
Discontinued operations:												
CITIC Telecom	3,196	374	–	185	1	(1)	559	–	559	(65)	(195)	299
Total	100,086	9,959	3,080	914	695	(1,105)	13,543	–	13,543	(2,560)	(1,419)	9,564
								Profit attributable to:				
								Holders of perpetual capital securities				(331)
												9,233

Notes:

(a) Companies making up each reportable segment are set out in note 44.

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

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

	Group	
		As restated
	2012	2011
	HK$m	HK$m
Mainland China	75,255	78,804
Hong Kong	10,123	9,711
Other countries	7,894	8,375
	93,272	96,890

(b) *Assets and liabilities*

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

	Segment assets[#]		Investments in jointly controlled entities		Investments in associated companies		Total assets		Segment liabilities[#]		Total net assets		Additions of non-current assets[1] (other than financial instruments and deferred tax assets)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
By principal activities														
Special steel	52,421	53,175	2,866	2,872	335	226	55,622	56,273	(26,058)	(27,295)	29,564	28,978	4,256	6,507
Iron ore mining	81,577	66,997	–	–	–	–	81,577	66,997	(40,393)	(42,059)	41,184	24,938	15,278	13,672
Property														
Mainland China	34,459	33,304	6,164	7,048	–	–	40,623	40,352	(8,466)	(9,616)	32,157	30,736	3,213	1,819
Hong Kong	8,671	7,685	–	–	6,902	6,319	15,573	14,004	(325)	(283)	15,248	13,721	–	300
Energy	2,960	2,011	6,756	6,899	–	–	9,716	8,910	(423)	(352)	9,293	8,558	219	4
Tunnels	942	956	1,266	1,021	–	–	2,208	1,977	(144)	(153)	2,064	1,824	1	2
Dah Chong Hong	19,816	20,355	254	239	236	228	20,306	20,822	(11,402)	(12,347)	8,904	8,475	1,077	2,088
Other investments	411	2,687	3,137	3,156	26	22	3,574	5,865	(66)	(571)	3,508	5,294	–	–
Corporate	14,454	11,185	–	–	–	–	14,454	11,185	(66,983)	(47,897)	(52,529)	(36,712)	–	7
Continuing operations total	215,711	198,355	20,443	21,235	7,499	6,795	243,653	226,385	(154,260)	(140,573)	89,393	85,812	24,044	24,399
Discontinued operations														
CITIC Telecom	3,733	2,884	–	43	–	427	3,733	3,354	(1,260)	(1,153)	2,473	2,201	362	320
Segment assets/(liabilities)	219,444	201,239	20,443	21,278	7,499	7,222	247,386	229,739	(155,520)	(141,726)	91,866	88,013	24,406	24,719

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.

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

	Group	
	2012	**2011**
	HK$m	**HK$m**
Mainland China	78,817	75,103
Australia	75,973	62,017
Hong Kong	19,804	20,344
Other countries	549	576
	175,143	158,040

6 Profit from consolidated activities

	Group	
		As restated
	2012	**2011**
	HK$m	**HK$m**
The profit from consolidated activities is arrived at after crediting:		
Rental income from:		
(i) Investment properties		
– gross income	878	883
– less: direct outgoings	(79)	(50)
	799	833
(ii) Other operating leases	204	187

	Group	
	2012	As restated 2011
	HK$m	HK$m
and after charging:		
Continuing operations		
Cost of inventories/properties sold	71,846	70,835
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	4,279	3,765
Depreciation of property, plant and equipment	2,732	1,878
Amortisation of leasehold land – operating lease	52	37
Amortisation of intangible assets	162	140
Other operating expenses	4,315	4,493
Auditor's remuneration	65	50
Contributions to staff retirement schemes	150	131
Impairment losses provision on (Note)		
Jointly controlled entity	30	–
Other financial assets	15	98
Property, plant and equipment	98	526
Trade and other receivables	23	15
Operating lease rentals		
Land and buildings	500	396
Discontinued operations		
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	338	291
Depreciation of property, plant and equipment	138	116
Amortisation of intangible assets	14	9
Auditor remuneration	4	3
Contributions to staff retirement schemes	15	9
Impairment losses provision on (Note)		
Trade and other receivables	7	13

Note:

	2012	As restated 2011
	HK$m	HK$m
Impairment losses by operating segment:		
Continuing operations		
Iron ore mining (a)	64	147
Special steel (b)	6	344
Dah Chong Hong (c)	51	50
Other investments (d)	45	98
	166	639
Discontinued operations		
CITIC Telecom	7	13
	173	652

(a) An impairment loss provision was made for the surplus project equipment for Iron Ore Mining segment.

(b) An impairment loss was recognised in 2011 for two blast furnaces, a converter and other facilities that have ceased their production due to certain environmental issue.

(c) Impairment loss of Dah Chong Hong was mainly related to fixed assets and other receivables.

(d) Impairment provision was made for listed and unlisted investments.

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

	Group	
	2012	2011
	HK$m	HK$m
Within 1 year	830	796
After 1 year but within 5 years	1,048	776
After 5 years	158	81
	2,036	1,653

7 Net finance charges

	Group	
	2012	As restated 2011
	HK$m	HK$m
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	2,305	2,041
Bank loans not wholly repayable within five years	1,930	1,622
Other loans wholly repayable within five years	111	136
Other loans not wholly repayable within five years	882	267
	5,228	4,066
Amount capitalised	(3,513)	(2,891)
	1,715	1,175
Other finance charges	135	106
Other financial instruments		
Fair value loss	38	98
Ineffectiveness on cash flow hedges	(26)	(275)
	1,862	1,104
Finance income		
Interest income	(720)	(694)
	1,142	410

The capitalisation rates applied to funds borrowed are between 2.5% and 5.3% per annum (2011: 2.7% and 4.9% per annum).

8 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2011: 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	
	2012	As restated 2011
	HK$m	HK$m
Continuing operations		
Current taxation		
Hong Kong profits tax	220	220
Tax outside Hong Kong	1,251	1,799
Deferred taxation (Note 33)		
Changes in fair value of investment properties	284	390
Origination and reversal of other temporary differences	(408)	97
Effect of tax rate changes	–	(11)
	1,347	2,495
Discontinued operations		
Current taxation		
Hong Kong profits tax	55	45
Tax outside Hong Kong	1	4
Deferred taxation (Note 33)		
Origination and reversal of other temporary differences	(15)	16
	41	65

(b) Aggregate current and deferred tax relating to items credited to hedging reserve:

	Group	
	2012	2011
	HK$m	HK$m
Deferred tax relating to mining assets and others	455	759

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	
		As restated
	2012	2011
	HK$m	HK$m
Profit before taxation	9,098	12,984
Less: share of results of		
jointly controlled entities	(2,145)	(3,080)
associated companies	(690)	(729)
	6,263	9,175
Calculated at Hong Kong profits tax rate of 16.5% (2011:16.5%)	1,033	1,514
Effect of different taxation rates in other jurisdictions	138	282
Effect of non-taxable income and non-deductible expenses	(416)	(286)
Utilisation of tax losses previously unrecognised net of tax losses not recognised	245	69
Under provision in prior years	30	73
Effect of tax rate changes	–	(11)
Withholding tax on interest income and undistributed profits of certain PRC operations	223	335
Others	94	519
Taxation	1,347	2,495

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$4,692 million (2011: HK$1,951 million).

10 Dividends

	2012	2011
	HK$m	HK$m
2011 Final dividend paid: HK$0.30 (2010: HK$0.30) per share	1,095	1,095
Interim		
2012 Interim dividend paid: HK$0.15 (2011: HK$0.15) per share	547	547
Final		
2012 Final dividend proposed: HK$0.30 (2011: HK$0.30) per share	1,095	1,095
	1,642	1,642
Dividend per share (HK$)	0.45	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$6,954 million (2011: HK$9,233 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 (2011: weighted average number of 3,649,232,965 shares). The diluted earnings per share for 2012 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 2012.

12 Directors' emoluments

The remuneration of each director for the year ended 31 December 2012 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	2012 Total	2011 Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Chang Zhenming#	–	1.23	1.00	–	2.23	2.22
Zhang Jijing#	–	4.12	1.40	0.01	5.53	6.12
Vernon Francis Moore#	–	5.25	6.52	0.01	11.78	13.16
Liu Jifu#	–	1.68	4.43	0.01	6.12	8.01
André Desmarais	0.35	–	–	–	0.35	0.35
Ju Weimin	0.35	–	–	–	0.35	0.35
Yin Ke[1]	0.63	–	–	–	0.63	0.59
Carl Yung Ming Jie#	–	5.17	–	0.20	5.37	2.67
Alexander Reid Hamilton	0.55	–	–	–	0.55	0.50
Gregory Lynn Curl	0.44	–	–	–	0.44	0.27
Francis Siu Wai Keung	0.60	–	–	–	0.60	0.36
Xu Jinwu	–	–	–	–	–	–
Steve Kwok Man Leung#	–	4.22	6.23	0.20	10.65	11.95
Milton Law Ming To#	–	4.30	5.92	0.20	10.42	12.02
Li Shilin	–	–	–	–	–	0.21
Wang Ande	–	–	–	–	–	0.86
Willie Chang	–	–	–	–	–	0.18
Hansen Loh Chung Hon	–	–	–	–	–	0.16
Norman Ho Hau Chong	–	–	–	–	–	0.14
	2.92	25.97	25.50	0.63	55.02	60.12

Dr. Xu Jinwu has been appointed as an Independent Non-executive Director with effect from 31 December 2012.

Mr. Carl Yung Ming Jie has been re-designated as a Non-executive Director with effect from 31 December 2012.

Mr. Steve Kwok Man Leung and Mr. Milton Law Ming To resigned as Executive Directors with effect from 31 December 2012.

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

[1] *Included fee of HK$0.18 million from listed subsidiary companies of the Group.*

13 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2011: three) are directors whose emoluments are disclosed in note 12.

The aggregate emoluments in respect of the other two individuals (2011: two) are as follows:

	2012	2011
	HK$m	HK$m
Salaries and other emoluments	5.63	4.67
Discretionary bonuses	14.97	22.31
Retirement scheme contribution	0.54	0.36
Share based payment	2.26	–
	23.40	27.34

The numbers of the two individuals with emoluments within the following bands were:

	2012	2011
HK$8,000,001 – HK$9,000,000	1	–
HK$11,000,001 – HK$12,000,000	–	1
HK$14,000,001 – HK$15,000,000	1	–
HK$15,000,001 – HK$16,000,000	–	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								
	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**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
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									
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 (Note (ix))	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

	Fixed assets								
	Property, plant and equipment								
	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
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Cost or valuation									
At 1 January 2011 . . .	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Exchange adjustments .	383	759	289	70	1,501	366	75	342	2,284
Additions (Note (vii)) .	308	499	15,646	777	17,230	1	86	1,976	19,293
Acquisition of subsidiary companies	91	89	12	157	349	–	16	–	365
Disposals	(161)	(637)	(27)	(192)	(1,017)	(511)	(10)	(1,746)	(3,284)
Change in fair value of investment properties	–	–	–	–	–	1,835	–	–	1,835
Transfer upon completion	2,010	3,549	(5,763)	2,387	2,183	–	509	(2,692)	–
Transfer to investment properties/properties under development classified under current assets/inventories . . .	–	–	(77)	(30)	(107)	190	–	(1,408)	(1,325)
Transfer from properties held for sale	–	–	–	–	–	–	–	246	246
Transfer from non-current deposits	–	–	2,118	1,787	3,905	–	–	–	3,905
Reclassification	(359)	4	–	494	139	(190)	51	–	–
At 31 December 2011 .	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916
Accumulated depreciation, amortisation and impairment									
At 1 January 2011 . . .	2,110	5,040	150	2,543	9,843	–	172	191	10,206
Exchange adjustments .	77	236	1	36	350	–	11	–	361
Acquisition of subsidiary companies	19	37	–	66	122	–	1	–	123
Charge for the year (Note (ix))	365	1,120	–	509	1,994	–	37	1	2,032
Depreciation capitalised to construction in progress	52	183	–	21	256	–	–	–	256
Written back on disposals	(139)	(563)	(26)	(111)	(839)	–	(2)	(30)	(871)
Impairment loss	95	250	148	33	526	–	–	–	526
Transfer to investment properties/current assets	–	1	–	(25)	(24)	–	–	–	(24)
Reclassification	(193)	–	–	193	–	–	–	–	–
At 31 December 2011 .	2,386	6,304	273	3,265	12,228	–	219	162	12,609
Net book value									
At 31 December 2011 .	11,284	17,168	50,439	6,241	85,132	15,270	2,277	6,628	109,307
Represented by									
Cost	13,670	23,472	50,712	9,506	97,360	–	2,496	6,790	106,646
Valuation	–	–	–	–	–	15,270	–	–	15,270
	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916

Notes:

(i) During the year, interest capitalised in properties under development and construction in progress amounted to HK$375 million (2011: HK$453 million) and HK$3,101 million (2011: HK$1,935 million) respectively.

(ii) As at 31 December 2012, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$54,384 million (2011: HK$43,323 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

(iii) As at 31 December 2012, construction in progress is comprised of the development of an iron ore mine in Western Australia amounted to HK$48,760 million (2011: HK$42,072 million), expansion of the Group's special steel mills amounted to HK$3,497 million (2011: HK$8,479 million) and others of HK$333 million (2011: HK$161 million).

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

(v) As at 31 December 2012 and 2011, 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:

	2012	2011
	HK$m	HK$m
Authorised but not contracted for property, plant and equipment, properties under development and leasehold land classified as operating leases	1,635	602
Contracted but not provided for property, plant and equipment, properties under development and leasehold land classified as operating leases	5,898	11,954

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

	2012	2011
	HK$m	HK$m
Special steel	3,711	5,436
Iron ore mining	10,902	10,413
Property	1,741	2,010
Tunnels	1	2
Dah Chong Hong	1,051	1,233
CITIC Telecom	173	187
Other investments	12	12
	17,591	19,293

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

	2012	2011
	HK$m	HK$m
Mainland China	6,226	8,249
Hong Kong	355	591
Overseas	11,010	10,453
	17,591	19,293

(ix) Depreciation and amortisation charge for the year by segment:

	2012	2011
	HK$m	HK$m
Special steel	1,910	1,421
Iron ore mining	141	24
Property	250	92
Energy	1	–
Tunnels	5	5
Dah Chong Hong	472	366
CITIC Telecom	138	118
Other investments	5	6
	2,922	2,032

(b) ***Company***

	Motor vehicles, equipment, furniture and fixtures	
	2012	**2011**
	HK$m	**HK$m**
Cost		
At 1 January	110	104
Additions	11	7
Disposals	(3)	(1)
At 31 December	118	110
Accumulated depreciation		
At 1 January	100	97
Charge for the year	4	4
Written back on disposals	(3)	(1)
At 31 December	101	100
Net book value, at cost		
At 31 December	17	10

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

	Leasehold land – finance leases and self-use properties		Investment properties		Properties under development (note)		Leasehold land – operating leases		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Leasehold properties held										
In Hong Kong										
Leases of over 50 years	37	37	581	845	–	–	–	–	618	882
Leases of between 10 to 50 years	1,832	1,982	6,355	5,420	502	441	–	–	8,689	7,843
Leases of less than 10 years	12	12	–	–	–	–	–	–	12	12
In mainland China										
Leases of over 50 years	127	119	2,029	1,998	2,928	2,500	527	510	5,611	5,127
Leases of between 10 to 50 years	12,844	11,092	7,036	6,589	5,444	3,849	2,261	1,976	27,585	23,506
Leases of less than 10 years	185	159	–	–	–	–	–	–	185	159
Properties held overseas										
Freehold	233	229	358	418	–	–	–	–	591	647
Leases of between 10 to 50 years	4,424	40	–	–	–	–	10	10	4,434	50
	19,694	13,670	16,359	15,270	8,874	6,790	2,798	2,496	47,725	38,226

Note: The total amount includes properties under development for sale classified as non-current assets of HK$6,725 million (2011: HK$4,662 million) and the remaining balance represents properties under development for own use.

(d) ***Property Valuation***

Investment properties were revalued at 31 December 2012 by the following independent, professionally qualified valuers.

Properties located in	**Valuers**
Hong Kong and Shanghai	Knight Frank Petty Limited
Japan	Network Real Estate Appraisal Co Ltd

(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:***

	Investment-properties	**Leasehold land – finance leases and self-use properties**	**Other fixed assets**	**Fixed assets total**	**Properties held for sale**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Cost or valuation	16,359	638	361	17,358	1,652
Accumulated depreciation/impairment	–	(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	–
Cost or valuation	15,270	184	318	15,772	–
Accumulated depreciation/impairment	–	(19)	(162)	(181)	–
Net book value at 31 December 2011	15,270	165	156	15,591	–
Depreciation charges/amortisation charges for the year	–	5	47	52	–

16 Subsidiary companies

	Company	
	2012	**2011**
	HK$m	**HK$m**
Non-current		
Unlisted shares, at cost less impairment losses	1,996	1,996
Amounts due from subsidiary companies (Note)	96,944	78,893
	98,940	80,889
Current		
Amounts due from subsidiary companies (Note)*	6,127	4,896
Amounts due to subsidiary companies (Note)*	(6,528)	(6,223)
	(401)	(1,327)

Particulars of the principal subsidiary companies are shown in Note 44.

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$42,423 million (2011: HK$42,886 million) and amounts due to subsidiary companies of approximately HK$6,495 million (2011: HK$6,179 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$274 million which was made in 2012 (2011: HK$485 million).

* These amounts approximate their fair value.

17 Jointly controlled entities

	Group	
	2012	**2011**
	HK$m	**HK$m**
Share of net assets	15,359	15,746
Goodwill and intangible assets		
At 1 January	2,011	2,018
Acquisition during the year	–	29
Disposal	–	(63)
Amortisation	(51)	(48)
Exchange differences	–	75
Transfer to assets of disposal group classified as held for sale	(29)	–
At 31 December	1,931	2,011
	17,290	17,757
Loans due from jointly controlled entities (Note b)	3,153	3,522
Loans due to jointly controlled entities (Note b)	–	(1)
	20,443	21,278

	Company	
	2012	**2011**
	HK$m	**HK$m**
Unlisted shares, at cost	4,244	4,244
Less: Impairment less on investment	(30)	–
Loans due from jointly controlled entities	913	894
	5,127	5,138

Note:

(a) Jointly controlled entities 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 jointly controlled entities (including WHTCL) have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2012 and 2011.

(b) Loans due from jointly controlled entities and loans due to jointly controlled entities are interest bearing at market rates except for loans to jointly controlled entities of approximately HK$930 million (2011: HK$1,317 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) The following amounts represent the Group's share of the assets and liabilities, and revenue and results of jointly controlled entities and are included in the consolidated balance sheet and the consolidated profit and loss account using the equity method and after adjusting for goodwill and amortisation:

	2012	2011
	HK$m	HK$m
Assets:		
Non-current assets	17,487	17,537
Current assets	17,811	15,746
	35,298	33,283
Liabilities:		
Non-current liabilities	(7,305)	(7,509)
Current liabilities	(12,702)	(9,477)
	(20,007)	(16,986)
Net assets	15,291	16,297
Revenue	21,678	28,468
Expenses	(18,883)	(24,361)
	2,795	4,107
Taxation	(658)	(853)
Profit for the year	2,137	3,254
Share of jointly controlled entities' capital commitments (Note i)		
authorised but not contracted for	455	346
contracted but not provided for	1,182	1,147

Note:

(i) The Group has fully contributed its attributable portion of capital and loans to the respective jointly controlled entities.

(ii) There are no material contingent liabilities for 2012 and 2011 to be shared by the Group.

(d) Particulars of the principal jointly controlled entities are shown in Note 44.

18 Associated companies

	Group	
	2012	2011
	HK$m	HK$m
Share of net assets	5,282	4,922
Goodwill		
At 1 January	65	65
Transfer to assets of disposal group classified as held for sale	(65)	–
At 31 December	–	65
Loans due from associated companies (Note b)	2,224	2,243
Loans due to associated companies (Note b)	(7)	(8)
	7,499	7,222
Investment at cost:		
Unlisted shares	2,637	2,879

	Company	
	2012	2011
	HK$m	HK$m
Investment at cost:		
Unlisted shares	53	53
Loans due from associated companies	1,833	1,942
Loans due to associated companies	(7)	(8)
	1,879	1,987

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

	Group	
	2012	2011
	HK$m	HK$m
Unlisted associated companies	198	166

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 2012 and 2011.

(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$7 million (2011: HK$8 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 except for a provision for impairment loss of HK$24 million made in 2007 for the loans due from an associated company. The carrying amounts of the loans approximate their fair value.

(c) Particulars of the principal associated companies are shown in Note 44.

Summarised financial information of the associated companies on a gross basis:

	2012	2011
	HK$m	HK$m
Assets	24,368	24,516
Liabilities	14,371	14,760
Revenue	7,735	9,416
Profit	1,949	1,579
Capital commitments		
authorised but not contracted for	113	261
contracted but not provided for	396	561
Contingent liabilities	116	125

19 Other financial assets

	Group	
	2012	2011
	HK$m	HK$m
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	257	252
	257	252
Others		
Unlisted investments		
Shares, at cost	13	13
Investment fund, at fair value	81	80
	351	345

Other financial assets are denominated in the following currencies:

	Group	
	2012	2011
	HK$m	HK$m
Hong Kong dollars	269	264
Other currencies	82	81
	351	345

20 Intangible assets

	Goodwill	Other intangible assets			
		Mining assets	Vehicular tunnel	Others	Total
	HK$m	HK$m	HK$m	HK$m	HK$m
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	451	673	17,253
Cost					
At 1 January 2011	1,213	10,820	2,000	361	14,394
Exchange adjustment	7	(14)	–	21	14
Additions	–	2,700	–	21	2,721
Acquisition of subsidiary companies	190	–	–	485	675
At 31 December 2011	1,410	13,506	2,000	888	17,804
Accumulated amortisation and impairment losses					
At 1 January 2011	54	21	1,320	55	1,450
Exchange adjustments	–	–	–	3	3
Charge for the year	–	–	112	37	149
At 31 December 2011	54	21	1,432	95	1,602
Net book value					
At 31 December 2011	1,356	13,485[1]	568	793	16,202

[1] Including mining rights provision of HK$1,192 million (2011: HK$1,648 million), which consists of a non-current portion of HK$Nil (2011: HK$1,524 million). For details see Note 34.

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

As at 31 December 2012, 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 33 years.

Analysed by:

	31 December 2012				31 December 2011			
	Goodwill	Other intangible assets			Goodwill	Other intangible assets		
		Mining assets	Vehicular tunnel [a]	Others		Mining assets	Vehicular tunnel [a]	Others
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Special steel	265	–	–	2	265	–	–	2
Iron ore mining	23	15,213	–	–	23	13,485	–	–
Property								
Mainland China	277	–	–	1	277	–	–	1
Tunnels	7	–	451	–	7	–	568	–
CITIC Telecom	–	–	–	–	437	–	–	80
Dah Chong Hong	344	–	–	670[b]	347	–	–	710[b]
	916	15,213	451	673	1,356	13,485	568	793

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$625 million (2011: HK$660 million).

21 Non-current deposits and prepayments

	Group	
	2012	2011
	HK$m	HK$m
Non-current deposits represent deposit payments for:		
Construction of vessels	–	2,728
Acquisition and construction of other property, plant and equipment mainly in relation to the Group's steel plant new phases and the Australian iron ore mining project	1,908	1,194
Prepayment for rental of certain telecommunication facilities	–	109
	1,908	4,031

22 Other assets held for sale

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

As at 31 December 2011, interests in a jointly controlled entity (see Note 40 (c)) and certain properties located in PRC were classified as other assets held for sale.

23 Inventories

	Group	
	2012	2011
	HK$m	HK$m
Raw materials	2,953	3,845
Work-in-progress	1,368	1,711
Finished goods	6,866	7,987
Others	616	582
	11,803	14,125

An amount of HK$287 million (2011: HK$121 million) for write-down and HK$24 million (2011: HK$28 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	
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Trade debtors and bills receivable aged:				
Within 1 year	6,579	7,375	–	–
Over 1 year	20	48	–	–
	6,599	7,423	–	–
Accounts receivable, deposits and prepayments	8,865	8,830	257	193
	15,464	16,253	257	193

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.

(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 jointly controlled entities of HK$311 million (2011: HK$185 million), dividend receivable from jointly controlled entities of HK$2,120 million (2011: HK$1,738 million), and amounts due from associated companies of HK$122 million (2011: HK$138 million) which are unsecured, interest free and recoverable on demand.

As of 31 December 2012, trade debtors of HK$380 million (2011: HK$332 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:

	2012	2011
	HK$m	HK$m
Less than 3 months	197	274
3 to 6 months	66	35
Over 6 months	117	23
	380	332

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

	2012	2011
	HK$m	HK$m
At 1 January	128	123
Exchange adjustments	(1)	3
Acquisition of subsidiary companies	7	–
Provision for impairment loss during the year	16	22
Receivables written off during the year	(1)	(6)
Provision written back during the year	(8)	(14)
Transfer to assets of disposal group classified as held for sale	(42)	–
At 31 December	99	128

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

As of 31 December 2012, trade debtors of HK$91 million (2011: HK$187 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$16 million (2011: HK$44 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

	Group		Company	
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Trade creditors and bills payable aged:				
Within 1 year	10,666	13,173	–	–
Over 1 year	308	204	–	–
	10,974	13,377	–	–
Accounts payable, deposits and accruals	13,428	17,200	745	293
	24,402	30,577	745	293

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

26 Share capital

	Number of shares of HK$0.40 each	HK$ million
Authorised:		
At 31 December 2011 and 2012	6,000,000,000	2,400
Issued and fully paid:		
At 1 January 2011	3,648,688,160	1,459
Issue of shares pursuant to the Plan 2000	756,000	1
At 31 December 2011	3,649,444,160	1,460
At 1 January 2012 and 31 December 2012	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 2012	At 31 December 2011
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	–	11,800,000
19 November 2009	13,890,000	0.38%	22.00	21.40	12,130,000	12,650,000
14 January 2010	880,000	0.02%	20.59	19.98	880,000	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.

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 2012, 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 years ended 31 December 2012 and 2011.

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

	2012		**2011**	
	Average exercise price in HK$ per share	**Options**	**Average exercise price in HK$ per share**	**Options**
	HK$m	**HK$m**	**HK$m**	**HK$m**
At 1 January		25,330,000		31,376,000
Granted	–	–	–	–
Exercised	–	–	22.10	(756,000)
Lapsed	46.25	(12,320,000)	23.53	(5,290,000)
At 31 December		13,010,000		25,330,000
Weighted average remaining contractual life		1.89 years		1.92 years

Details of share options exercised during the year:

Exercise price HK$	**Number of shares**	
	2012	**2011**
22.10	–	756,000
	–	756,000

There were no share options exercised in 2012. The related weighted average share price at the time of exercise in 2011 was HK$23.56 per share.

27 Perpetual capital securities

In April 2011, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) for cash. These securities are perpetual and the 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 2012 and 2011 included the accrued distribution payments.

28 Reserves

(a) *Group*

	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
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 jointly controlled entities	–	–	–	–	–	37	4	–	(82)	(41)
Exchange translation differences	–	–	–	–	–	(45)	–	–	–	(45)
Reserves released on disposal/dilution of interest in jointly controlled entities	–	–	(79)	279	(7)	(423)	–	(22)	(179)	(431)
Reserves released upon 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 loss 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-used 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	–	–	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
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
Jointly controlled entities	–	–	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

	Share premium	Capital redemp-tion reserve	Capital reserve	Goodwill	Invest-ment revalua-tion reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 1 January 2011	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887
Share of reserves of associated companies and jointly controlled entities	–	–	(5)	–	–	121	7	(1)	(80)	42
Exchange translation differences	–	–	–	–	–	2,307	–	–	–	2,307
Reserves released on disposal of a jointly controlled entity	–	–	(10)	37	–	(122)	–	–	(37)	(132)
Reserves released upon disposal of a subsidiary company	–	–	–	–	–	(109)	–	–	–	(109)
Cash flow hedges										
Fair value loss in the year	–	–	–	–	–	–	(2,716)	–	–	(2,716)
Transfer to construction in progress	–	–	–	–	–	–	(1,631)	–	–	(1,631)
Transfer to net finance charges	–	–	–	–	–	–	665	–	–	665
Tax effect	–	–	–	–	–	–	759	–	–	759
	–	–	–	–	–	–	(2,923)	–	–	(2,923)
Fair value loss of other financial assets	–	–	–	–	(112)	–	–	–	–	(112)
Transfer to profit and loss account on impairment of other financial assets	–	–	–	–	98	–	–	–	–	98
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	8	–	8
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(64)	–	(64)
Issue of shares pursuant to the share option plan	18	–	(3)	–	–	–	–	–	–	15
Share-based payments	–	–	7	–	–	–	–	–	–	7
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	322	(322)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	9,233	9,233
Dividends (Note 10)	–	–	–	–	–	–	–	–	(1,642)	(1,642)
Transaction costs related to issuance of perpetual capital securities	–	–	–	–	–	–	–	–	(68)	(68)
At 31 December 2011	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
Representing										
At 31 December 2011 after proposed final dividend										72,452
2011 final dividend proposed										1,095
										73,547
Retained by										
Company and subsidiary companies	36,533	29	927	(1,618)	130	8,074	(2,514)	1,581	20,524	63,666
Jointly controlled entities	–	–	26	–	5	332	1	25	5,824	6,213
Associated companies	–	–	(5)	–	–	18	–	–	2,115	2,128
Non-current assets held for sale	–	–	71	–	7	446	–	–	1,016	1,540
	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547

(b) ***Company***

	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
At 1 January 2012	36,533	29	880	(2,489)	8,119	43,072
Issue of shares pursuant to the share option plan	–	–	–	–	–	–
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
At 1 January 2011	36,515	29	883	(1,338)	7,878	43,967
Issue of shares pursuant to the share option plan	18	–	(3)	–	–	15
Cash flow hedges						
Fair value loss in the year	–	–	–	(1,728)	–	(1,728)
Transfer to net finance charges	–	–	–	577	–	577
				(1,151)	–	(1,151)
Profit attributable to shareholders of the Company (Note 9)	–	–	–	–	1,951	1,951
Dividends (Note 10)	–	–	–	–	(1,642)	(1,642)
Transaction costs related to issuance of perpetual capital securities	–	–	–	–	(68)	(68)
At 31 December 2011	36,533	29	880	(2,489)	8,119	43,072
Representing						
At 31 December 2011 after proposed final dividend						41,977
2011 final dividend proposed						1,095
						43,072

(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 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$7,992 million (2011: HK$4,836 million).

29 Borrowings

(a)

	Group		Company	
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Short term borrowings				
Bank loans				
unsecured	9,604	7,815	3,900	1,000
secured	441	757	–	–
	10,045	8,572	3,900	1,000
Other loans				
unsecured	987	–	–	–
secured	137	189	–	–
	1,124	189	–	–
Current portion of long term borrowings	10,964	18,896	6,507	12,936
Total short term borrowing	22,133	27,657	10,407	13,936
Long term borrowings				
Bank loans				
unsecured	68,127	69,900	36,411	36,875
secured	13,340	13,124	–	–
	81,467	83,024	36,411	36,875
Other loans				
unsecured	23,993	6,922	22,547	6,282
Less: current portion of long term borrowings	(10,964)	(18,896)	(6,507)	(12,936)
Total long term borrowings	94,496	71,050	52,451	30,221
Total borrowings	116,629	98,707	62,858	44,157
Analysed into:				
unsecured	102,711	84,637	62,858	44,157
secured	13,918	14,070	–	–
	116,629	98,707	62,858	44,157

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 at 31 December 2012.

(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"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the USD Notes remained outstanding at 31 December 2012.

(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 Bond 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 8 April 2011. All of the USD Bond 1 remained outstanding at 31 December 2012.

(iv) On 3 August 2011, the Company issued and sold a total of RMB1 billion principal amount of 2.7% notes due 2016 ("RMB Bond") 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 Bond remained outstanding at 31 December 2012.

(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 ("Commercial Paper") to investors. All of the Commercial Paper remained outstanding at 31 December 2012.

(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 Bond 2") 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 Bond 2 remained outstanding at 31 December 2012.

(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 1") to investors. All of the RMB Notes 1 remained outstanding at 31 December 2012.

(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 Bond 3") 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 Bond 3 remained outstanding at 31 December 2012.

(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 2") to investors. All of the RMB Notes 2 remained outstanding at 31 December 2012.

(x) 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.

(xi) As at 31 December 2012, certain of the Group's inventories, deposits, accounts receivable, and self-use properties with an aggregate carrying value of HK$0.9 billion (2011: HK$1.7 billion) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$63.3 billion (2011: HK$53 billion) of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$1.1 billion (2011: HK$1.3 billion). 12 completed ships with carrying value of HK$5.4 billion (2011: 4 completed ships with carrying value of HK$1.8 billion and shipbuilding contracts of HK$3.4 billion for 8 ships being built) 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$69.6 billion (2011: HK$59.9 billion).

(xii) Bank loans of the Group and the Company not wholly repayable within five years amounted to HK$39.4 billion (2011: HK$39.9 billion) and HK$6.5 billion (2011: HK$6.5 billion) respectively. Other loans of the Group and the Company not wholly repayable within five years amounted to HK$21.5 billion (2011: HK$5.1 billion) and HK$21.5 billion (2011: HK$5.1 billion) respectively.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Bank loans are repayable				
in the first year	10,964	18,896	6,507	12,936
in the second year	17,565	11,268	10,322	5,940
in the third to fifth years inclusive	23,386	21,170	13,118	11,476
after the fifth year	29,552	31,690	6,464	6,523
	81,467	83,024	36,411	36,875
Other loans are repayable				
in the third to fifth years inclusive	2,677	1,871	1,231	1,231
after the fifth year	21,316	5,051	21,316	5,051
	23,993	6,922	22,547	6,282
	105,460	89,946	58,958	43,157

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

	Group		Company	
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Total borrowings	116,629	98,707	62,858	44,157
Borrowing at fixed rates for more than one year (from balance sheet date)	(23,708)	(6,382)	(22,761)	(6,382)
Interest rate swaps converting floating to fixed	(26,729)	(27,790)	(18,029)	(19,365)
Borrowings subject to interest-rate changes . .	66,192	64,535	22,068	18,410

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) was as follows:

	Group		Company	
	2012	2011	2012	2011
Total borrowings	4.3%	4.0%	4.1%	3.7%

(d) The fair value of borrowings is HK$115,100 million (2011: HK$97,101 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrealised gain of HK$1,529 million (2011: HK$1,606 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	
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Hong Kong dollar	20,019	20,696	17,112	18,279
US dollar	78,351	58,012	44,515	24,647
Renminbi	17,196	18,873	1,231	1,231
Other currencies	1,063	1,126	–	–
	116,629	98,707	62,858	44,157

The Group has the following undrawn borrowing facilities:

	Group		Company	
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Floating rate				
expiring within one year	10,043	4,382	2,121	1,723
expiring beyond one year	14,233	14,295	12,600	13,660
	24,276	18,677	14,721	15,383

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 2012, HK$50.4 billion (2011: HK$34.2 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$3.2 billion forward starting swaps were outstanding that had not become effective as of 31 December 2012 (2011: HK$2 billion).

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**	
	Hypothetical impact on profit/(loss)	**Hypothetical impact on equity increase/(decrease)**	**Hypothetical impact on profit/(loss)**	**Hypothetical impact on equity increase/(decrease)**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Bank borrowings	(287)	–	287	–
Cash and bank deposits	163	–	(163)	–
Derivatives	45	850	(44)	(877)

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

At 31 December 2011, 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**	
	Hypothetical impact on profit/(loss)	**Hypothetical impact on equity increase/(decrease)**	**Hypothetical impact on profit/(loss)**	**Hypothetical impact on equity increase/(decrease)**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Bank borrowings	(165)	–	165	–
Cash and bank deposits	154	–	(154)	–
Derivatives	44	916	(40)	(948)

	Company			
	0.5% higher		0.5% lower	
	Hypothetical impact on profit/(loss)	**Hypothetical impact on equity increase/ (decrease)**	**Hypothetical impact on profit/(loss)**	**Hypothetical impact on equity increase/ (decrease)**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Bank borrowings	(93)	–	93	–
Cash and bank deposits	54	–	(54)	–
Derivatives	44	542	(46)	(551)

The Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD112 million outstanding at 31 December 2012 (2011: AUD733 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 profit and loss.

(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 in 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 mining project is denominated in USD and this is its functional currency for accounting purposes. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. As of 31 December 2012 the plain vanilla forward contracts had a notional amount of AUD112 million (2011: AUD733 million).

CITIC Pacific has funded the iron ore mining project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore mining project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. 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					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
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	–

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

	Group					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
2011						
USD	1%	(234)	–	1%	234	–
RMB	1%	51	–	1%	(51)	–
AUD	15%	(32)	877	15%	32	(877)
YEN	10%	(10)	–	10%	14	–
Pound Sterling	10%	(153)	–	10%	153	–
EURO	10%	4	–	10%	(4)	–

	Company					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity increase/(decrease)
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
2011						
USD	1%	(237)	–	1%	237	–
RMB	1%	(9)	–	1%	9	–

(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 2012, 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$13 million (2011: 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.

(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 cashflows 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 2012 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 2013 and 2014, the funding requirements of the Group are expected to continue 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.

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

	Group			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
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)	–
At 31 December 2011				
Bank and other borrowings	(30,606)	(13,479)	(28,217)	(48,794)
Derivative financial instruments	(921)	(781)	(1,744)	(1,821)
Trade creditors, accounts and other payable	(30,104)	(427)	(46)	–

	Company			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
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)	–
At 31 December 2011				
Bank and other borrowings	(15,057)	(6,769)	(14,170)	(14,968)
Derivative financial instruments	(592)	(463)	(947)	(925)
Trade creditors and accounts payable	(293)	–	–	–
Amounts due to subsidiary companies	(6,223)	–	–	–
Financial guarantee (Note)	(13,653)	(10,477)	(8,386)	(811)

Note: These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised, however based on the operating results, the Company does not expect them to be crystalised.

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

	Group			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
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

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

	Group			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
At 31 December 2011				
Forward foreign exchange contracts – cash flow hedges				
outflow	(3,961)	(720)	–	–
inflow	4,901	884	–	–
Forward foreign exchange contracts – not qualified for hedge accounting				
outflow	(2,887)	(6)	(30)	(670)
inflow	2,814	3	13	1,147

	Company			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
At 31 December 2011				
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 2012 consist of cross currency swap contracts and forward exchange contracts for hedging JPY Notes and trade flows in foreign currencies respectively. The gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

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.

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 for disclosure purpose 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 of 31 December 2012 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 7, Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

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

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

	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
2012								
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

	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
2011								
Assets								
Available-for-sale financial assets								
Listed	252	–	–	252	–	–	–	–
Unlisted	–	–	80	80	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	279	–	279	–	–	–	–
Forward exchange contracts	–	1,050	–	1,050	–	487	–	487
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	4,842	–	4,842	–	2,671	–	2,671
Forward exchange contracts	–	64	–	64	–	487	–	487

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

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

	Group Unlisted available-for-sale equity securities
	HK$m
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
At 1 January 2011	58
Purchase	11
Net unrealized gains recognised in other comprehensive income during the year	11
At 31 December 2011	80

(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 2012 and 2011 except as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$m	HK$m	HK$m	HK$m
The Group				
Bank loans	91,647	88,900	91,785	90,257
Global bonds (USD Notes/Bond)	20,150	21,111	3,885	3,669
Domestic bond (RMB Notes)	864	981	–	–
Commercial paper	987	987	–	–
Private placement (USD Notes, JPY Notes & RMB Bond)	2,981	3,121	3,037	3,175
The Company				
Bank loans	40,311	37,854	37,875	36,470
USD Bond	20,150	21,111	3,885	3,669
Private placement (USD Note & RMB Bond)	2,397	2,532	2,397	2,514

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 2012 and 2011 were as follows:

	2012	2011
	HK$m	HK$m
Total borrowings	116,629	98,707
Less: Cash and bank deposits	32,821	30,930
Net debt	83,808	67,777
Total ordinary shareholders' funds and perpetual capital securities	84,678	80,958
Total capital	168,486	148,735
Leverage ratio	50%	46%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 31 December 2012 are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these ratios on a regular basis and was in compliance with these loan covenants as at 31 December 2012.

32 Derivative financial instruments

	Group			
	2012		2011	
	Assets	Liabilities	Assets	Liabilities
	HK$m	HK$m	HK$m	HK$m
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	4,690	–	4,566
Forward foreign exchange instruments	184	–	1,047	–
	184	4,690	1,047	4,566
Not qualified for hedge accounting				
Interest-rate instruments	187	279	279	276
Forward foreign exchange instruments	5	9	3	64
	192	288	282	340
	376	4,978	1,329	4,906
Less: current portion				
Interest-rate instruments	66	192	73	95
Forward foreign exchange instruments	189	9	328	64
	255	201	401	159
	121	4,777	928	4,747

	Company			
	2012		2011	
	Assets	Liabilities	Assets	Liabilities
	HK$m	HK$m	HK$m	HK$m
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	2,469	–	2,397
Forward foreign exchange instruments	27	27	487	487
	27	2,496	487	2,884
Not qualified for hedge accounting				
Interest-rate instruments	–	277	–	274
Forward foreign exchange instruments	–	–	–	–
	–	277	–	274
	27	2,773	487	3,158
Less: current portion				
Interest-rate instruments	–	72	–	93
Forward foreign exchange instruments	27	27	326	326
	27	99	326	419
	–	2,674	161	2,739

(i) ***Forward foreign exchange instruments***

The notional amount of the outstanding forward foreign exchange instruments at 31 December 2012 was HK$1,018 million (2011: HK$7,552 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 4 months are recognised in the hedging reserve in equity as of 31 December 2012 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

(ii) ***Interest rate instruments***

The notional amount of outstanding interest rate swap contracts at 31 December 2012 was HK$29,929 million (2011: HK$29,790 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$644 million (2011: HK$400 million). At 31 December 2012, the fixed interest rates under interest rate swaps varied from 0.56% to 5.10% per annum (2011: 0.84% to 5.24% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 31 December 2012 are recognised in the hedging reserve in equity and are released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 1 January	(409)	(415)	3,063	2,281	(2,086)	(1,626)	(2,294)	(2,046)	(1,726)	(1,806)
Exchange adjustment	4	(2)	2	(1)	5	(77)	(3)	(31)	8	(111)
Credited to reserve	–	–	–	–	–	–	455	759	455	759
Effect of tax rate change	–	6	–	–	–	7	–	(2)	–	11
(Charged)/credited to consolidated profit and loss account										
– continuing operations	53	13	385	788	(284)	(390)	(30)	(898)	124	(487)
– discontinued operations	(2)	(11)	14	(5)	–	–	3	–	15	(16)
Transfer to disposal group classified as held for sales	63	–	(49)	–	–	–	12	–	26	–
Others	–	–	–	–	–	–	97	(76)	97	(76)
At 31 December	(291)	(409)	3,415	3,063	(2,365)	(2,086)	(1,760)	(2,294)	(1,001)	(1,726)

	Group	
	2012	2011
	HK$m	HK$m
Net deferred tax assets recognised on the consolidated balance sheet	2,342	1,647
Net deferred tax liabilities recognised on the consolidated balance sheet	(3,343)	(3,373)
	(1,001)	(1,726)

(b) ***Deferred tax assets unrecognised***

The Group has not recognised deferred tax assets in respect of the following items:

	Group	
	2012	2011
	HK$m	HK$m
Deductible temporary differences	15	22
Tax losses	5,514	4,006
Taxable temporary differences	(880)	(814)
	4,649	3,214

	Company	
	2012	2011
	HK$m	HK$m
Deductible temporary differences	11	18
Tax losses	825	757
	836	775

Note: Tax losses in certain tax jurisdictions of HK$905 million (2011: HK$554 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 2012, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$3,248 million (2011: HK$2,425 million). Deferred tax liabilities of HK$163 million (2011: HK$124 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

	Site restoration	Mining rights	Gas contract	Deferred income	Total
	HK$m	HK$m	HK$m	HK$m	HK$m
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
Balance at 1 January 2011	338	1,511	302	103	2,254
Provisions made/additions during the year	123	13	187	72	395
Balance at 31 December 2011	461	1,524	489	175	2,649

Site restoration

A provision of HK$896 million (2011: HK$123 million) was made during the year ended 31 December 2012 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 and Site Lease Agreements entered into by two subsidiary companies of the Group 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 6 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 6 million tonnes of iron ore concentrate. Due to changes in the iron ore market the formula for determining the amount in the contract is not capable of calculation. In the event that a liability crystalises as a result of such clause, a provision has been made for this liability as reasonably estimated by the Group and as required by accounting standards. Therefore, the amount provided for in the accounts may differ from any eventual liability. A corresponding increase in intangible mining assets has been made in relation to this provision. The Group has commenced a reassessment of its liability under these clauses.

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 assets and liabilities related to CITIC Telecom International Holdings Limited (CITIC Telecom), a 60.58% owned subsidiary of the Company, have been presented as held for sale following the Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, an ultimate holding company, on 18 December 2012 to dispose 18.63% interest in CITIC Telecom. Upon completion, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom will no longer be consolidated with that of the Group. After completion, the Company expects to equity account for its shareholding in CITIC Telecom. On 21 February 2013, all the conditions precedent of the Sale and Purchase Agreement had been fulfilled and the transaction was completed.

The presentation of comparative information in respect of the year ended 31 December 2011 has been restated to show the discontinued operations separately from continuing operations.

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

	2012	2011
	HK$m	**HK$m**
Revenue	3,610	3,196
Expenses	(3,072)	(2,637)
Profit before tax of discontinued operations	538	559
Taxation	(41)	(65)
Profit for the year from discontinued operations	497	494
Profit for the year from discontinued operations attributable to:		
Ordinary shareholders of the company	299	299
Non-controlling interests	198	195
Profit for the year from discontinued operations	497	494

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

	2012
	HK$m
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***

	2012
	HK$m
Trade and other payables	801
Other current liabilities	305
Other non-current liabilities	154
Total	1,260

(c) ***Cash flows from discontinued operations***

	2012	2011
	HK$m	**HK$m**
Operating cash flows	284	271
Investing cash flows	(60)	(89)
Financing cash flows	(128)	(254)
Total cash flows	96	(72)

36 Capital commitments

	Group	
	2012	2011
	HK$m	HK$m
Authorised but not contracted for (Note a)	1,902	792
Contracted but not provided for (Note b)	5,972	13,009

	Company	
	2012	2011
	HK$m	HK$m
Contracted but not provided for	–	–

Note a

	Group	
	2012	As restated 2011
	HK$m	HK$m
Authorised but not contracted for Analysis by operating segment		
Continuing operations		
Special Steel	1,262	270
Dah Chong Hong	594	446
Property – Mainland China	11	10
	1,867	726
Discontinued operations		
CITIC Telecom	35	66
	1,902	792

Note b

	Group	
	2012	As restated 2011
	HK$m	HK$m
Contracted but not yet paid nor accrued Analysis by operating segment		
Continuing operations		
Special steel	1,303	3,225
Iron ore mining	1,455	7,696
Property		
Mainland China	2,773	1,866
Hong Kong	234	29
Dah Chong Hong	155	117
Other investments	31	32
	5,951	12,965
Discontinued operations		
CITIC Telecom	21	44
	5,972	13,009

37 Operating lease commitments

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

	Group		Company	
		As restated		As restated
	2012	2011	2012	2011
	HK$m	HK$m	HK$m	HK$m
Properties commitments				
Continuing operations				
Within 1 year	483	387	51	49
After 1 year but within 5 years	1,030	716	20	65
After 5 years	1,223	830	–	–
	2,736	1,933	71	114
Discontinued operations				
Within 1 year	31	33	–	–
After 1 year but within 5 years	33	12	–	–
After 5 years	–	–	–	–
	64	45	–	–
Other commitments				
Continuing operations				
Within 1 year	129	42	–	–
After 1 year but within 5 years	533	174	–	–
After 5 years	335	374	–	–
	997	590	–	–
Discontinued operations				
Within 1 year	38	49	–	–
After 1 year but within 5 years	5	28	–	–
After 5 years	–	–	–	–
	43	77	–	–
	3,840	2,645	71	114

38 Business combinations, acquisitions and disposals

(a) ***Purchase of subsidiary companies***

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.

During the year ended 31 December 2011, the subsidiaries of the Group completed several business acquisitions. The major acquisitions are as follows:

(i) On 1 January 2011, a subsidiary gained control over Shenzhen Shenye Shiye Limited ("Shenye") through obtaining a casting vote in all shareholders' meetings as stated in the equity transfer agreement with no further transfer of consideration. As a result, Shenye Group changed from jointly controlled entities to subsidiaries of the Group. Shenye Group is engaged in sales of motor vehicles and spare parts, provision of after-sales services and conducting customer surveys for the manufacturers or suppliers.

(ii) In November 2011, a subsidiary acquired a 49% equity interest in Smart Joint Investment Limited and its subsidiaries and together with a 50% equity interest in each of Power Success Management Limited and Smartways Limited and their subsidiaries (collectively known as "Target Group") and the related shareholders' loans. The Target Group is engaged in sales of motor vehicles and spare parts, provision of after-sales services and conducting customer surveys for the manufacturers or suppliers.

(iii) On 2 September 2010, a subsidiary entered into the Framework Agreement with CITIC Group Corporation, CE-SCM Network Technology Co., Ltd. ("CE-SCM"), Information Centre of State-owned Assets Supervision & Administration Commission of the State Council ("SASACIC") and China Enterprise Communications Ltd. ("CEC"), pursuant to which the Group will acquire the entire equity interest of China Enterprise Netcom Corporation Limited ("CEC-HK") from China Enterprise Communication Technology (Holding) Limited. The Group completed the acquisitions of CEC-HK on 29 July 2011. CEC-HK is engaged in the provision of telecommunications leasing and technology services.

(iv) In August 2011, a subsidiary of the Group acquired 55% equity interest in 湖北新冶鋼汽車零部件有限公司(「新冶鋼零部件」). 新冶鋼零部件 is engaged in production and sale of auto parts. In October 2011, the subsidiary increased its equity interest in 新冶鋼零部件 to 80%.

The acquired companies contributed an aggregate revenue of HK$3,743 million and aggregate net profit of HK$259 million to the Group for the period from the date of acquisition to 31 December 2011.

If these business combination had occurred on 1 January 2011, the Group's turnover and profit for the year would have been approximately HK$101,353 million and approximately HK$11,018 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and leasehold land – operating lease had been applied from 1 January 2011, together with the consequential tax effects.

The acquisitions completed during the years ended 31 December 2012 and 31 December 2011 had the following effect on the Group's assets and liabilities on their respective dates of acquisitions:

	2012	**2011**
	HK$m	**HK$m**
Net assets acquired		
Property, plant and equipment	50	227
Properties under development	1,536	–
Leasehold land-operating lease	–	15
Intangible assets	32	485
Inventories	85	451
Debtors, accounts receivable, deposits and prepayments	191	1,011
Deferred tax assets	–	2
Cash and bank deposits	144	308
Creditors, accounts payable, deposits and accruals	(380)	(1,162)
Bank loans and other loans	–	(364)
Taxation	(6)	(10)
Deferred tax liabilities	(3)	(82)
Less: Previously held interests in jointly controlled entities	(116)	(174)
Less: Loss on disposal of jointly controlled entities	–	2
Fair value of net assets acquired	1,533	709
Goodwill (Note)	36	190
Non-controlling interests arising from acquisitions of subsidiaries	(20)	(284)
	1,594	615
Less: consideration payable	–	(52)
Less: deposit for acquisition of a subsidiary	–	(66)
Less: consideration satisfied by property, plant and equipment	–	(4)
Consideration paid, satisfied in cash	1,594	493
Less: cash acquired	(144)	(308)
Net cash outflow	1,405	185

Note:

Goodwill arose from the acquisitions represents the control premium paid, the benefits of expected synergies to be achieved from integrating the subsidiaries 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.

(b) ***Disposal of subsidiary companies***

	2012	2011
	HK$m	HK$m
Net assets disposed		
Investment properties	56	–
Properties under development	–	1,716
Debtors, accounts receivable, deposits and prepayments	–	1
Cash and bank deposits	–	34
Creditors, accounts payable, deposits and accruals	(1)	(39)
	55	1,712
Gain on disposal	165	230
Release of reserve	–	(109)
Consideration	220	1,833
Satisfied by:		
Cash	220	1,833
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies		
Cash consideration	220	1,833
Cash and bank deposits disposed of	–	(34)
	220	1,799

Subsidiary companies disposed during the year ended 31 December 2012 and 31 December 2011 mainly represent a company holdings a property in Hong Kong and Shanghai respectively.

39 Contingent liabilities

	Company	
	2012	2011
	HK$m	HK$m
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies	33,941	34,744
Associated company	45	35
Other performance guarantees		
Subsidiary companies	3,616	4,577
	37,602	39,356

Note:

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

(ii) The Company has provided a guarantee to support the offtake guarantee between the wholly owned subsidiaries 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.

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 2012, there were derivative liabilities of HK$4,027 million (2011: HK$3,894 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

	2012	**2011**
	HK$m	**HK$m**
Bank balances and deposits	20,263	18,945
Bank loans	63,550	73,319

(iii) Transactions with China Metallurgical Group

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

Sino Iron and MCC also agreed that the remaining works (other than 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.

	2012	**2011**
	HK$m	**HK$m**
Balances with MCC		
Trade, other receivables and prepayment	–	7,484
Trade payable and other payable to MCC	–	(1,813)
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	(1,288)	(2,130)
Transaction with MCC		
Incurred costs on the Contract	6,487	5,937

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 approximately HK$2,130 million from MCC for the acquisition of 20% interest in Sino Iron. As at 31 December 2012, such deposit balance was reduced from approximately HK$2,130 million to approximately HK$1,288 million with the reduced amount being applied by MCC to the Sino Iron Project. The Company will be discussing with MCC in relation to further arrangement on the Sale and Purchase Agreement.

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

(b) ***Transactions with other related parties***

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

	2012	2011
	HK$m	**HK$m**
Transactions with jointly controlled entities		
(i) Recurring transactions		
Interest income	151	270
Dividend income	2,487	1,312
Sales	446	418
Service income	14	20
	3,098	2,020
Purchases	3,406	303
Service charges	59	79
	3,465	382
Transactions with associated companies		
(i) Recurring transactions		
Dividend income	198	166
Sales	85	733
Service income	14	15
	297	914
Purchases	190	69
Rental charge	16	69
Service charge	9	7
	215	145

(c) ***Transactions with CITIC Group Corporation***

	2012	2011
	HK$m	**HK$m**
Balances with fellow subsidiary companies within CITIC Group Corporation		
(i) Bank balances	1,058	632
(ii) Bank loans	740	553
(iii) Trade and other payables	76	260
(iv) Trade, other receivable and prepayment	2	65
Transactions with fellow subsidiary and associated companies within CITIC Group Corporation		
(i) Sales	2	102
(ii) Service fee paid	102	139

On 2 September 2010, a subsidiary company of the Group, CITIC Telecom proposed to acquire from CITIC Group Corporation (i) a 8.23% equity interest in China Enterprise Communications Ltd. ("CEC"), a then 53.32% owned subsidiary of CITIC Group Corporation, (ii) a 100% equity interest in China Enterprise Netcom Corporation Limited, a then wholly owned subsidiary of CEC, and (iii) the right to purchase an additional 45.09% interest in CEC. Total consideration for the proposed acquisition amounted to HK$167 million. The acquisition of the 100% equity interest in China Enterprise Netcom Corporation Limited was completed on 29 July 2011, and the remaining transaction was completed during the year.

On 15 July 2011, a subsidiary company of the Group entered into a Sale and Purchase Agreement with a subsidiary company of CITIC Group Corporation to dispose of its 50% non-controlling interest in CITIC Guoan Co, Ltd, a jointly controlled entity, at a profit of approximately HK$2.5 billion. The consideration for the disposal is RMB3,511 million. The transaction was completed in June 2012.

On 20 November 2012, a subsidiary company of the Group entered into a capital injection agreement with a subsidiary company of CITIC Group Corporation and 上海信泰置業有限公司. Pursuant to the agreement, the Group injected capital of RMB1,240 million into 上海信泰置業有限公司 and thereby acquire a 99.2% equity interest in 上海信泰置業有限公司. For details, please refer to Note 38(a)(i).

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 Post balance sheet events

Subsequent to the balance sheet date, a subsidiary company, CITIC Telecom, of the Group entered into two sale and purchase agreements with Sable Holding Limited (a wholly-owned subsidiary of Cable & Wireless Communications Plc) and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A., respectively to acquire their entire interests in Companhia de Telecomunicações de Macau, S.A.R.L. (being a total of 79% interest), for a total cash consideration of approximately HK$9 billion, subject to adjustments as set out in the relevant sale and purchase agreements. Completion of the aforesaid acquisitions are conditional upon each other.

43 Approval of financial statements

The financial statements were approved by the Board of Directors on 28 February 2013.

44 Principal subsidiary companies, jointly controlled entities and associated companies

The following are the principal subsidiary companies, jointly controlled entities 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.

			Interest in equity shares held by		Particulars of issued shares+		
Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Company %	Subsidiary %	No. of 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
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 Steel Products 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

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
Wuxi Xingcheng Steel Products Co.,Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Production and sale of ferrous metal materials
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
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
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
Associated companies:							
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
IRON ORE MINING *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	3	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	Pastoral lease management
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
Sino Iron Holdings Pty Ltd	Australia	100	–	100	2,605,473,744	N/A	Parent company of Sino Iron Pty Ltd, Balmoral Iron Holdings 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

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
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
Cheng Xin Chartering Pte. Ltd.	Singapore	100	–	100	1	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	1	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
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
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
上海利通置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	100	96.93	3.07	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
江陰興澄置業有限公司	People's Republic of China (Limited liability company)	100	–	100	N/A	N/A	Property development
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
萬寧中意發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development

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
萬寧中榮發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development
萬寧中宏發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development
萬寧仁和發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[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
萬寧百納發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development
萬寧金信發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development
萬寧金誠發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development
萬寧創遠發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[1]	–	99.9	N/A	N/A	Property development
中信泰富萬寧天富發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.91[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
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
Jointly controlled entities[@]:							
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[Ø]	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
中船置業有限公司[Ø]	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development

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
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
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 Ø	Hong Kong	50	–	50	–	–	Property development
Konorus Investment Limited Ø	Hong Kong	15	–	15	–	–	Property investment and development
Shinta Limited	Hong Kong	20	–	20	–	–	Property investment
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
Jointly controlled entities@:							
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 Ø	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 Ø	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
CIVIL INFRASTRUCTURE TUNNELS							
Subsidiary company:							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK$10	Tunnel operation
Jointly controlled entity@:							
Western Harbour Tunnel Company Limited Ø	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
ENVIRONMENTAL							
Jointly controlled entities@:							
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

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
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
CITIC Telecom International Holdings Limited (Listed In Hong Kong) #*	Hong Kong	60.57	–	60.57	2,386,675,370	HK$0.10	Investment holding
Dah Chong Hong Holdings Limited (Listed In Hong Kong) #	Hong Kong	55.68	–	55.68	1,829,743,000	HK$0.15	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
Dah Chong Hong (Engineering) Limited	Hong Kong	100	–	100	1,551,000	HK$100	Engineering services
Jointly controlled entities@:							
CITIC Capital Holdings Limited	Hong Kong	21.39	–	21.39	–	–	Investment holding
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 Ø	Hong Kong	40	–	40	–	–	Financing

Note:

+ Represents ordinary shares, unless otherwise stated.

Ø Affiliates which have been given financial assistance by the Company or its subsidiaries at 31 December 2012.

Subsidiaries 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 agreement, the Company is entitled to 80% of the distributable profit of the joint venture.

* On 21 February 2013, all the conditions precedent of the Sale and Purchase Agreement had been fulfilled and the transaction was completed. CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom will no longer be consolidated with that of the Group and the Company expects to equity account for its shareholding in CITIC Telecom.

INDEPENDENT AUDITOR'S REPORT
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 154 to 260, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our 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.

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 2012, 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2013

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