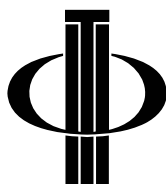


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CITIC PACIFIC

CITIC Pacific Limited **中信泰富有限公司**

(Incorporated in Hong Kong with limited liability)
(Stock Code: 267)

ANNOUNCEMENT OF RESULTS **FOR THE SIX MONTHS ENDED 30 JUNE 2010**

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

I am happy to report that for the first six months of 2010 CITIC Pacific achieved a profit attributable to shareholders of HK\$4,884 million as compared with HK\$2,468 million for the same period in 2009. Included in the result is HK\$1,774 million of one-time gains, mostly from the completion of sales of North United Power, CTM and HACTL.

Our company's balance sheet remains strong with cash and available committed facilities of HK\$46 billion at the end of June. The board has recommended paying an interim dividend of HK\$0.15 per share.

Our main businesses of special steel, iron ore mining and property in mainland China continued their development, as described in my earlier letters. The special steel business had a very good first half, during which its profit contribution increased 120% compared with the first six months of 2009. We sold more steel at higher prices and continued to expand our production capacity in order to broaden our product portfolio. Recently, however, we have been seeing some softness in demand in the steel sector, which could affect our special steel business if this trend persists. In response, we will leverage our market leading position, customer relationships and excellent product quality. Our experience and track record of operating in weak markets gives us the confidence that we will continue to excel.

There has been a lot of talk about the property market in mainland China. In the first half of this year, the government put in place measures to moderate the rapid rise of property prices in order to ensure the sustainable growth of a healthy property market. Because of this, we expect near-term property sales will be affected. However, we remain positive about the long-term prospects of the Chinese real estate market and believe these actions will benefit developers with staying power. As CITIC Pacific is not a pure property company, we do not have to rely solely on the cash flow generated by property sales. We also have sufficient resources to withstand short-term market volatility and will await a market recovery.

Looking at the second half of 2010, we remain cautiously optimistic. Although a worldwide economic recovery will likely take longer than previously expected, our principal advantage is that our major market is China, which is performing well against its global peers. We will continue to be smart, diligent and nimble in order to maximise our opportunities and remain competitive and successful.

Completing our iron ore mine in Australia remains a top priority for us. I have spent a lot of time on this project, which has now entered the critical stage. Besides visiting the site, I have held a number of meetings with the management team of our main contractor, MCC, to identify and discuss issues. The project's steering committee, led by CITIC Pacific's managing director Mr. Zhang Jijing, holds its meeting in Perth every month, during which various aspects of the projects are reviewed and solutions to problems proposed and implemented. Targets are also set during these meetings. In May, we agreed to increase the amount to be paid to MCC, due to changes in the cost structure of the industry. Although we are unhappy about this, we believe it was a prudent decision as it is in our interest to get the mine in operation as soon as possible.

Periodically, we carry out thorough reviews of all aspects of the project. Having done so recently, we are comfortable that major individual components of the first production line should be ready for operational testing by the end of the year. Shipment of concentrate is expected in the first half of next year. We continue to work closely with all contractors to move the project forward. Tremendous progress has been made in the past few months. Two massive grinding mills, which are the core of the first production line, have been set on their foundations, and modules for the desalination plant have arrived on site and are being installed. These are just two examples of the numerous activities taking place at the mine site.

The journey to build this ambitious project has been both exciting and very challenging. For a project of this magnitude, there will inevitably be bumps along the road but the important thing is clearing them. In building the largest magnetite project in Australia, we have no past examples to follow or experiences to draw on. However, this is a project we must build. I have never had any doubt that we will successfully complete this mine, which is very important to CITIC Pacific and its future. I look forward to sharing with you our sense of fulfilment once we reach our goal and start receiving cash flow from production.

As many of you are aware, the Australian government has proposed the Minerals Resource Rent Tax ("MRRT"). Although details are lacking at the moment, in its current form our project will be subject to the MRRT. We strongly believe that magnetite projects such as ours should be excluded from the MRRT as the intent of the proposal is to tax the value of the resource rather than the value added by the miner. Magnetite ore, which has low iron content, when extracted is not a saleable product. Significant value added and capital intensive downstream processing is required to yield a product that can be used for steel making. Together with other magnetite producers, we are working hard to get our voice heard. I have also personally written to senior Australian government personnel to argue our case.

Of all my years of working, I have found being the chairman of CITIC Pacific the most stimulating as well as the most demanding. It is hard to believe that it has already been six months since my last letter to you. I am increasingly confident of our strength and direction, and I have a clear vision on how to position the company strategically: to be leaders in the businesses in which we operate; to be a leader in corporate governance; and to make CITIC Pacific a place where employees are proud to work. To achieve these objectives, we need to work hard and adapt rapidly to market conditions.

I have had a passion for the game of Go since I was a student, and running a company reminds me of this game. With Go, you must always be ready to anticipate changes and to think and plan ahead clearly. These are also prerequisites to guiding a company, as we can only be successful if we know our businesses and their operating environment. Positioning each one of the pieces strategically on the game board is essential to winning. However, success at Go requires intuition and sensitivity as well as analytical and strategic skills. The Go player has to understand the character and playing style of the person sitting across from him in order to anticipate his moves. Similarly, in business we need to understand our competitors and the external environment in which they operate in order to optimise our performance.

We also need to understand our own internal operating environment and respect the cultures and characteristics of our colleagues. We are a company based in Hong Kong with businesses serving the fast-growing China market and employees originating from mainland China, Hong Kong and Western Australia. Their cultural diversity is fascinating as well as challenging. We respect and value this cultural diversity and work hard to communicate effectively with one another. Our Hong Kong staff speak better Mandarin now, and I can certainly carry on a simple conversation in my not-so-standard Cantonese. In Australia, our Chinese managers are also improving their communication with their Australian counterparts.

I have now chaired two annual general meetings — one immediately after I became chairman and one just three months ago. I strongly believe that the annual general meeting is a valuable opportunity for us as managers to hear what our shareholders have to say and to remind us of our responsibilities to them. We are fortunate that CITIC Pacific has many loyal shareholders who have supported us during both the good times and hard times. Shareholders speak their minds, and I welcome that. I have to admit that it has not always been easy to sit and listen to sometimes very critical comments but, as the Chinese say, good medicine always tastes bitter. I have a great sense of responsibility to deliver on our goal of creating value and generating superior returns for our shareholders. I believe that with the support of our board and management team, we will continue to make progress and make the right decisions.

At this point, I would like to say thank you to all our hard working employees, loyal shareholders and lenders, as it would not have been possible to achieve what we have without you.

Chang Zhenming

Chairman

Hong Kong, 18 August 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Note	2010 HK\$m	2009 HK\$m
Turnover	2	31,873	18,098
Cost of sales		(26,676)	(14,616)
Gross profit		5,197	3,482
Other income and net gains	3	2,030	1,118
Distribution and selling expenses		(911)	(671)
Other operating expenses		(1,718)	(1,186)
Change in fair value of investment properties		755	(54)
Profit from consolidated activities	2	5,353	2,689
Share of results of			
Jointly controlled entities	2	851	753
Associated companies	2	328	353
Profit before net finance charges and taxation		6,532	3,795
Finance charges		(356)	(540)
Finance income		142	114
Net finance charges	5	(214)	(426)
Profit before taxation		6,318	3,369
Taxation	6	(934)	(522)
Profit for the period		5,384	2,847
Profit attributable to:			
Shareholders of the Company	2	4,884	2,468
Non-controlling interests		500	379
		5,384	2,847
Dividends			
Proposed dividends	7	(547)	(547)
Earnings per share for profit attributable to shareholders of the Company during the period (HK\$)			
Basic	8	1.34	0.68
Diluted	8	1.34	0.68

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	2010 HK\$m	2009 HK\$m
Profit for the period	5,384	2,847
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	(2,277)	3,173
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	-	(66)
Fair value changes of other financial assets	75	84
Share of other comprehensive income of associated companies and jointly controlled entities	61	49
Exchange translation differences	629	37
Revaluation gain recognised upon transfer from property held for own use to investment properties	120	22
Partial disposal of an associated company	(433)	-
Reserve released on disposal of an associated company	(421)	-
Reserve released on disposal of a jointly controlled entity	(298)	-
Reserve released upon liquidation of subsidiary companies	5	-
	<u>2,845</u>	<u>6,146</u>
Total comprehensive income for the period	<u>2,845</u>	<u>6,146</u>
Total comprehensive income for the period attributable to		
Shareholders of the Company	2,731	5,755
Non-controlling interests	114	391
	<u>2,845</u>	<u>6,146</u>

**CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2010**

	Note	30 June 2010 HK\$m	As restated 31 December 2009 HK\$m
Non-current assets			
Property, plant and equipment		48,991	40,032
Investment properties		12,310	11,164
Properties under development		9,921	9,065
Leasehold land		1,618	1,581
		<u>72,840</u>	<u>61,842</u>
Jointly controlled entities		20,278	22,097
Associated companies		5,539	5,611
Other financial assets		2,207	2,198
Intangible assets		12,018	10,913
Deferred tax assets		1,071	554
Derivative financial instruments	11	287	748
Non-current deposits		5,873	6,480
		<u>120,113</u>	<u>110,443</u>
Current assets			
Properties under development		2,138	2,172
Properties held for sale		1,280	1,651
Other assets held for sale		276	1,765
Inventories		9,983	6,983
Derivative financial instruments	11	94	92
Debtors, accounts receivable, deposits and prepayments	9	13,392	11,082
Cash and bank deposits		24,711	21,553
		<u>51,874</u>	<u>45,298</u>
Current liabilities			
Bank loans, other loans and overdrafts			
- secured		306	105
- unsecured		16,834	4,252
Creditors, accounts payable, deposits and accruals	10	22,790	19,992
Derivative financial instruments	11	84	167
Provision for taxation		339	243
		<u>40,353</u>	<u>24,759</u>
Net current assets		<u>11,521</u>	<u>20,539</u>
Total assets less current liabilities		<u>131,634</u>	<u>130,982</u>
Non-current liabilities			
Long term borrowings		57,631	61,318
Deferred tax liabilities		2,130	1,891
Derivative financial instruments	11	3,712	1,727
Provisions		1,290	807
		<u>64,763</u>	<u>65,743</u>
Net assets		<u>66,871</u>	<u>65,239</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED) (Continued)
AS AT 30 JUNE 2010

	Note	30 June 2010 HK\$m	As restated 31 December 2009 HK\$m
Equity			
Share capital		1,459	1,459
Reserves		59,829	57,888
Proposed dividend	7	547	912
		<u>61,835</u>	<u>60,259</u>
Equity attributable to shareholders of the Company			
		61,835	60,259
Non-controlling interests in equity		5,036	4,980
		<u>5,036</u>	<u>4,980</u>
Total equity		<u>66,871</u>	<u>65,239</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

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

The accounting policies used in preparation of the Accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2009 other than the adoption of certain new or revised Hong Kong Financial Reporting Standards (“HKFRS”) in 2010, of which the most significant and relevant to the Group as set out below.

HKFRS 3 (revised)	Business combinations
HKAS 27 (revised)	Consolidated and separate financial statements
The improvements to HKFRS (2009)	

Adoption of the above revised standards and amendments do not result in a significant change of the Company’s accounting policy except for HKFRS 3 and HKAS 27 as stated below which are applied prospectively.

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

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

HKAS 17 (amendments) is part of the 2009 improvement project. It specifies that a land lease may be classified as a finance lease when significant risks and rewards associated with the land are transferred to the lessee despite there being no transfer of the title at the end of the lease term. The amendments to HKAS 17 are required to be applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. The effect of the adoption of this change in accounting policy is a reclassification of certain leasehold land to property, plant and equipment in the consolidated balance sheet for the amount of HK\$696 million as at 30 June 2010 and HK\$796 million as at 31 December 2009 respectively.

2 Segment information

Turnover and profit attributable to shareholders of the Company :

Six months ended 30 June 2010	Turnover HK\$m	Profit / (Loss) from consolidated activities HK\$m	Share of results of jointly controlled entities HK\$m	Share of results of associated companies HK\$m	Net finance income/ (charges) HK\$m	Group total HK\$m	Segment allocations HK\$m	Segment profit/(loss) HK\$m	Taxation HK\$m	Non-controlling interests HK\$m	Profit / (loss) attributable to shareholders of the Company HK\$m
Special steel	14,372	1,485	164	-	(82)	1,567	-	1,567	(274)	(139)	1,154
Iron ore mining	13	(78)	-	-	-	(78)	-	(78)	(36)	-	(114)
Property											
Mainland China	1,527	404	-	-	2	406	1	407	(122)	13	298
Hong Kong	127	103	-	50	-	153	43	196	(15)	-	181
Energy	-	920	537	-	5	1,462	-	1,462	(29)	-	1,433
Tunnels	376	262	86	-	-	348	-	348	(43)	(64)	241
Dah Chong Hong	14,117	702	43	9	(51)	703	(44)	659	(190)	(216)	253
CITIC 1616	1,291	186	-	26	1	213	-	213	(29)	(80)	104
Other investments *	50	818	21	62	-	901	-	901	(4)	-	897
Change in fair value of Investment Properties	-	755	-	181	-	936	-	936	(145)	(14)	777
Corporate											
General and administration expenses	-	(244)	-	-	-	(244)	-	(244)	(8)	-	(252)
Exchange gain	-	40	-	-	-	40	-	40	-	-	40
Net finance charges	-	-	-	-	(89)	(89)	-	(89)	(39)	-	(128)
Totals	31,873	5,353	851	328	(214)	6,318	-	6,318	(934)	(500)	4,884

Segment allocations arising from property leases between segments are based on arms' length rentals.

* Other investments segment includes Aviation segment following the disposal of the Group's interest in Cathay Pacific Airways Ltd. in 2009.

2 Segment information (Continued)

Turnover and profit attributable to shareholders of the Company :

Six months ended 30 June 2009 (as restated)	Turnover HK\$m	Profit / (Loss) from consolidated activities HK\$m	Share of results of jointly controlled entities HK\$m	Share of results of associated companies HK\$m	Net finance income/ (charges) HK\$m	Group total HK\$m	Segment allocations HK\$m	Segment profit/(loss) HK\$m	Taxation HK\$m	Non-controlling interests HK\$m	Profit / (loss) attributable to shareholders of the Company HK\$m
Special steel	6,027	663	114	13	(51)	739	-	739	(104)	(111)	524
Iron ore mining	9	360	-	-	-	360	-	360	(76)	-	284
Property											
Mainland China	752	362	-	-	14	376	-	376	(96)	5	285
Hong Kong	128	93	-	66	5	164	45	209	(11)	-	198
Energy	-	13	372	(16)	-	369	-	369	(17)	-	352
Tunnels	348	238	70	-	-	308	-	308	(39)	(59)	210
Aviation	-	-	-	168	3	171	-	171	-	-	171
Dah Chong Hong	9,470	496	32	15	(60)	483	(45)	438	(156)	(129)	153
CITIC 1616	1,333	212	-	(1)	3	214	-	214	(36)	(85)	93
Other investments	31	63	165	70	-	298	-	298	5	-	303
Change in fair value of Investment Properties	-	(54)	-	38	-	(16)	-	(16)	25	-	9
Corporate											
General and administration expenses	-	(204)	-	-	-	(204)	-	(204)	19	-	(185)
Gain from leveraged foreign exchange contracts	-	285	-	-	-	285	-	285	(88)	-	197
Exchange gain	-	162	-	-	-	162	-	162	-	-	162
Net finance charges	-	-	-	-	(340)	(340)	-	(340)	52	-	(288)
Totals	18,098	2,689	753	353	(426)	3,369	-	3,369	(522)	(379)	2,468

Segment allocations arising from property leases between segments are based on arms' length rentals.

2 Segment information (Continued)

(a) Segment turnover and profit

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

	Six months ended 30 June	
	2010	2009
	HK\$m	HK\$m
By geographical area		
Mainland China	24,306	12,572
Hong Kong	5,401	4,628
Overseas	2,166	898
	<u>31,873</u>	<u>18,098</u>

(b) Assets and liabilities

An analysis of the Group's assets and liabilities by 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 (other than financial instruments and deferred tax assets)	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	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	39,968	34,271	2,764	4,291	150	148	42,882	38,710	(20,897)	(18,146)	21,985	20,564	3,048	6,296
Iron ore mining	43,325	36,026	-	-	-	-	43,325	36,026	(32,486)	(25,977)	10,839	10,049	7,180	10,310
Property														
Mainland China	26,427	24,263	5,535	5,465	-	-	31,962	29,728	(8,132)	(7,158)	23,830	22,570	1,506	3,325
Hong Kong	6,674	6,389	-	-	4,879	4,704	11,553	11,093	(519)	(473)	11,034	10,620	-	20
Energy	1,308	301	6,024	6,567	-	-	7,332	6,868	(83)	(52)	7,249	6,816	-	-
Tunnels	992	980	1,034	948	-	-	2,026	1,928	(213)	(194)	1,813	1,734	-	-
Dah Chong Hong	12,157	11,072	277	258	163	130	12,597	11,460	(6,511)	(5,704)	6,086	5,756	227	524
CITIC 1616	2,153	2,532	-	-	326	-	2,479	2,532	(754)	(749)	1,725	1,783	46	376
Other investments	2,307	4,040	4,644	4,568	21	629	6,972	9,237	(115)	(113)	6,857	9,124	8	15
Corporate	10,859	8,159	-	-	-	-	10,859	8,159	(35,406)	(31,936)	(24,547)	(23,777)	-	-
Segment assets/(liabilities)	<u>146,170</u>	<u>128,033</u>	<u>20,278</u>	<u>22,097</u>	<u>5,539</u>	<u>5,611</u>	<u>171,987</u>	<u>155,741</u>	<u>(105,116)</u>	<u>(90,502)</u>	<u>66,871</u>	<u>65,239</u>	<u>12,015</u>	<u>20,866</u>

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.

3 Other income and net gains

	Six months ended 30 June	
	2010 HK\$m	2009 HK\$m
Other income		
Commission income, subsidy income, rebates and others	239	222
Dividend income from other financial assets		
Listed shares	15	3
	<u>254</u>	<u>225</u>
	-----	-----
Net gains		
Gain from leveraged foreign exchange contracts (note (i))	-	285
Realised and unrealised exchange (loss)/gain (note (ii))	(62)	563
Net gain from disposal of jointly controlled entities and associated companies	1,835	-
Net gain from disposal of other financial assets	-	43
Others	3	2
	<u>1,776</u>	<u>893</u>
	-----	-----
	<u><u>2,030</u></u>	<u><u>1,118</u></u>

Notes:

- (i) In 2008, the Group entered into multiple Australian dollar (AUD), Euro and Renminbi (RMB) leveraged foreign exchange contracts with the intention of minimizing currency exposure of the Group's iron ore project. These contracts were not eligible for hedge accounting and gains and losses arising from changes in fair market value of these contracts were reflected in the profit and loss account.

All of the leveraged foreign exchange contracts were novated to the CITIC Group, terminated or restructured into plain vanilla forward contracts (that are eligible for hedge accounting), during the period from December 2008 to May 2009 with the exception of three RMB leveraged foreign exchange contracts. Two of the RMB contracts matured in January 2010 and the final contract matured in July 2010. A net gain of HK\$285 million was recognized for the six months ended 30 June 2009 in relation to leveraged foreign exchange contracts, which comprised gains and costs incurred upon termination or restructuring of outstanding AUD and Euro leveraged foreign exchange contracts, realized gains and losses on taking delivery of foreign currencies under these leveraged contracts, and unrealized gains on revaluation of the RMB leveraged foreign exchange contracts.

- (ii) The realised and unrealised exchange loss of HK\$62 million (2009: gain of HK\$563 million which mainly represents the net exchange gain on Australian dollar bank balances arising from deliveries under leveraged and plain vanilla contracts subsequent to their delivery date) above mainly represents the net exchange loss on revaluation of monetary items in foreign currencies.

4 Profit from consolidated activities

	Six months ended 30 June	
	2010	2009
	HK\$m	HK\$m
The profit from consolidated activities is arrived at after charging:		
Cost of inventories sold	24,682	13,056
Depreciation and amortisation	764	596
Impairment losses on other financial assets	74	3
Impairment losses on trade and other receivables	6	32
Impairment losses on goodwill and intangible assets	32	-
Impairment losses on fixed assets	2	2
	<u> </u>	<u> </u>

5 Net finance charges

	Six months ended 30 June	
	2010	2009
	HK\$m	HK\$m
<i>Finance charges</i>		
Interest expense	1,386	1,091
Amount capitalised	(1,026)	(745)
	<u> </u>	<u> </u>
	360	346
Other finance charges	55	19
Other financial instruments		
- net realised loss	-	155
- fair value (gain) / loss	(59)	20
	<u> </u>	<u> </u>
	356	540
	-----	-----
<i>Finance income</i>		
Interest income	(142)	(114)
	<u> </u>	<u> </u>
	214	426
	<u> </u>	<u> </u>

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (Six months ended 30 June 2009: 16.5%) on the estimated assessable profit for the period. Overseas taxation is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

	Six months ended 30 June	
	2010	2009
	HK\$m	HK\$m
Current taxation		
Hong Kong profits tax	129	102
Overseas taxation	501	231
Deferred taxation		
Changes in fair value of investment properties	145	(26)
Origination and reversal of other temporary differences	159	215
	<u>934</u>	<u>522</u>

7 Dividends

	Six months ended 30 June	
	2010	2009
	HK\$m	HK\$m
2009 Final dividend paid : HK\$0.25 (2008:Nil) per share	<u>912</u>	<u>-</u>
2010 Interim dividend proposed: HK\$0.15 (2009: HK\$0.15) per share	<u>547</u>	<u>547</u>

8 Earnings per share

The calculation of earnings per share is based on the consolidated profit attributable to shareholders of HK\$4,884 million (six months ended 30 June 2009: profit of HK\$2,468 million).

The basic earnings per share is based on the number of 3,648,688,160 shares in issue during the period (six months ended 30 June 2009: 3,646,274,160 shares in issue). Diluted earnings per share for 2010 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 period ended 30 June 2010.

9 Debtors, accounts receivable, deposits and prepayments

	30 June 2010 HK\$m	31 December 2009 HK\$m
Trade debtors and bills receivable aged:		
- Within 1 year	5,479	5,322
- Over 1 year	85	134
	<u>5,564</u>	<u>5,456</u>
Accounts receivable, deposits and prepayments	7,828	5,626
	<u>13,392</u>	<u>11,082</u>

Note:

- (i) Trade debtors are net of provisions and the ageing is classified based on invoice date.
- (ii) Each business unit has its own defined credit policy.
- (iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximates their fair value.
- (iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK\$170 million (31 December 2009: HK\$183 million), which are unsecured, interest free and recoverable on demand, and amounts due from associated companies of HK\$28 million (31 December 2009: HK\$27 million) which are unsecured, interest free and recoverable on demand.

10 Creditors, accounts payable, deposits and accruals

	30 June 2010 HK\$m	31 December 2009 HK\$m
Trade creditors and bills payable aged:		
- Within 1 year	8,347	6,983
- Over 1 year	588	482
	<u>8,935</u>	<u>7,465</u>
Accounts payable, deposits and accruals	13,855	12,527
	<u>22,790</u>	<u>19,992</u>

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

11 Derivative financial instruments

	30 June 2010		31 December 2009	
	Assets HK\$m	Liabilities HK\$m	Assets HK\$m	Liabilities HK\$m
Qualified for hedge accounting – cash flow hedge				
- Interest-rate instruments	-	3,174	-	1,470
- Forward foreign exchange instruments	142	357	585	148
	<u>142</u>	<u>3,531</u>	<u>585</u>	<u>1,618</u>
	-----	-----	-----	-----
Not qualified for hedge accounting				
- Interest-rate instruments	206	235	218	151
- Forward foreign exchange instruments	33	30	37	125
	<u>239</u>	<u>265</u>	<u>255</u>	<u>276</u>
	<u>381</u>	<u>3,796</u>	<u>840</u>	<u>1,894</u>
	-----	-----	-----	-----
Less: current portion				
- Interest-rate instruments	61	54	58	40
- Forward foreign exchange instruments	33	30	34	127
	<u>94</u>	<u>84</u>	<u>92</u>	<u>167</u>
	-----	-----	-----	-----
	<u>287</u>	<u>3,712</u>	<u>748</u>	<u>1,727</u>
	=====	=====	=====	=====

12 Comparative figures

Certain comparative figures for 2009 have been adjusted to conform with the current accounting standards described in note 1 to the Accounts.

FINANCIAL REVIEW

Group Debt and Liquidity

The net debt of CITIC Pacific as at 30 June 2010 as compared with 31 December 2009 and 30 June 2009 is as follows:

<i>HK\$ million</i>	30 June 2010	31 December 2009	30 June 2009
Total debt	74,771	65,675	64,400
Cash and bank deposits	24,711	21,553	20,946
Net debt	50,060	44,122	43,454

Leverage (Net debt to Total capital*)	45%	42%	44%
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* Total capital = Shareholders' funds + Net debt

The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 30 June 2010 is summarised as follows:

<i>HK\$ million equivalent</i>	Denomination					Total
	HK\$	US\$	RMB	JPY	Other	
Total debt in original currency	14,024	46,067	14,055	584	41	74,771
Total debt after hedging	17,605	43,041	14,055	29	41	74,771
Cash and bank deposits	5,546	8,276	10,435	146	308	24,711
Net debt / (cash) after hedging	12,059	34,765	3,620	(117)	(267)	50,060

As at 30 June 2010, assets of HK\$1,004 million (31 December 2009: HK\$903 million) were pledged to secure banking facilities, which mainly related to Dah Chong Hong's overseas business and to a property subsidiary in mainland China. In addition, iron ore mining assets of HK\$29 billion were pledged under its project financing. Contracts for building 12 ships (HK\$5 billion in aggregate) to transport iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing.

Maturity Profile of Outstanding Debt

CITIC Pacific emphasises raising long-term debt over short-term debt and actively manages its debt portfolio to ensure that the debt maturing in each year will not exceed the anticipated cash flow and CITIC Pacific's ability to refinance the debt in that year.

<i>HK\$ million</i>	2010	2011	2012	2013	2014	2015 and beyond	Total	Percentage
Parent company ¹	0	9,494 ¹	7,550	5,400	3,493	7,175 ¹	33,112	44%
Subsidiaries	3,965	6,438	3,701	2,646	2,015	22,894	41,659	56%
Total maturing debt	3,965	15,932	11,251	8,046	5,508	30,069	74,771	100%

¹ Including through wholly-owned special purpose vehicles.

Available Sources of Financing

In addition to the cash and deposits balance of HK\$25 billion, as at 30 June 2010 CITIC Pacific had available loan and trade facilities totalling HK\$24 billion and HK\$4 billion respectively. Borrowings by source of financing as at 30 June 2010 are summarised as follows:

<i>HK\$ million</i>	Total facilities	Amount utilised	Available unutilised facilities
Committed facilities			
Term loans	88,298	66,943	21,355
Commercial Paper (RMB paper)	920	920	-
Global bonds (USD bond)	3,510	3,510	-
Private placement (JPY bond)	555	555	-
<i>Total committed facilities</i>	93,283	71,928	21,355
Uncommitted facilities			
Money market lines and short-term facilities	5,139	2,824	2,315
Trade facilities	6,184	1,780	4,404
<i>Total uncommitted facilities</i>	11,323	4,604	6,719

As at 30 June 2010, total committed facilities were HK\$93 billion, of which HK\$21 billion (23%) remain undrawn. In addition to the above facilities, CITIC Pacific has established cooperative agreements with major banks in mainland China. Under these cooperative agreements, CITIC Pacific's projects in mainland China can apply for credit facilities subject to the banks' approval on a project-by-project basis in accordance with banking regulations in mainland China.

Treasury Risk Management

Responsibilities

CITIC Pacific's overall risk management programme seeks to minimise the impact of fluctuations in exchange rates, interest rates and various input cost fluctuations on its financial performance and to ensure that all our businesses have adequate capital to meet their operating needs.

The asset and liability management committee ("ALCO"), established by the board in October 2008, meets monthly to set out the policies and procedures to be followed throughout the organisation and to monitor risk exposures. With the growth of the businesses, especially overseas, our risk management programme is moving towards a multi-disciplinary approach, involving management of a wider set of risks, such as tax, regulatory and market risks, and instilling a culture of risk awareness at CITIC Pacific and the business unit level.

Derivatives Policy

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

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

The use of financial instruments is currently restricted to loans, deposits, interest rate swaps and plain vanilla 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. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes.

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

Foreign Exchange Risk

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

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

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

- (1) capital expenditures relating to its iron ore mining operations in Australia and steel operations in China
- (2) purchase of raw materials by steel and property operations in mainland China
- (3) USD denominated debt and
- (4) purchases of finished products for sale by DCH

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

Our Australian mining operations' 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. USD/AUD forward contracts are currently employed to hedge these currency exposures up to the end of 2012 at an average rate of 0.82.

CITIC Pacific's investment in businesses whose functional currency is USD is mostly attributable to the iron ore mining business, which had USD gross assets of HK\$42 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 30 June 2010, CITIC Pacific had HK\$46 billion equivalent of US dollar debt, of which HK\$3 billion was economically hedged using plain vanilla forwards and cross currency swaps.

Businesses in mainland China had RMB gross assets of approximately HK\$95 billion as at 30 June 2010, offset by debts and other liabilities of HK\$33 billion. This gave the company an RMB net asset exposure of HK\$62 billion. As investment in mainland China is expanding, CITIC Pacific has an increasing exposure to the Renminbi.

Interest Rate Risk

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

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

The appropriate ratio of fixed/floating 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. The current extremely low interest rate environment is unlikely to persist if there are inflationary concerns, and CITIC Pacific is considering further opportunities to lock in fixed rate borrowings and reduce the impact of interest rate fluctuations. The current ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific stands at 32%.

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

Counterparty Risk

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

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

Liquidity Risk

CITIC Pacific takes liquidity risk into consideration when deciding its source of funds and their respective tenors. It manages its liquidity risk 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 and to minimise substantial refinancing in any one period. In addition, CITIC Pacific has established cooperative agreements with major banks in mainland China. Under these cooperative agreements, CITIC Pacific's projects in mainland China can apply for credit facilities, subject to the banks' approval on a project-by-project basis in accordance with banking regulations in the Mainland.

ALCO monitors rolling forecasts of CITIC Pacific's liquidity reserve (comprised of undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows). In addition, CITIC Pacific's liquidity management procedures involve projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these cash flow requirements. The group finance department also monitors balance sheet liquidity ratios against internal requirements and maintains debt financing plans.

Capital Commitments and Contingent Liabilities

As at 30 June 2010, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK\$24 billion and the contingent liabilities had not changed significantly from the previous year end.

HUMAN RESOURCES

CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 27,116 employees as at 30 June 2010 (30 June 2009: 28,471). Of these, 80% were based in mainland China; 17% in Hong Kong; 2% in Australia; and 1% in Japan, Taiwan and Canada.

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

CITIC Pacific supports the nurturing and education of the younger generation, which in return enables the company to build its bench strength for meeting the future needs of the business. Following the successful implementation of the Management Trainee Programme in 2006, CITIC Pacific once again held this program during the year. The programme is designed to groom a pool of highly trained graduates in support of business growth as well as to prepare for future management succession. CITIC Pacific's Management Trainee Programme provides comprehensive training and development to equip graduates with required skills and competencies.

Corporate Social Responsibility

CITIC Pacific and its employees continued to contribute to local communities through active participation in charitable events and donations such as the Community Chest and the Outward Bound School of Hong Kong. In April, CITIC Pacific sent a team to take part in the 6th annual MTR HONG KONG Race Walking Competition to raise money for the Hospital Authority Health InfoWorld, supporting disease prevention and health education.

CORPORATE GOVERNANCE

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to maintain and promote investor confidence, protect the interests of shareholders and enhance shareholder value. Details of our corporate governance practices can be found on page 76 of the 2009 annual report and CITIC Pacific's website www.citicpacific.com. In order to promote a high standard of corporate governance, the board has undertaken the following:

- Established the executive committee, which serves as a channel for communicating the direction and priorities of CITIC Pacific and for sharing information about key developments and issues affecting the various businesses of CITIC Pacific. This committee is chaired by the managing director, and its membership includes the chairman, deputy managing director, group finance director, other executive directors and the leaders of the major businesses in the group.
- Established the investment committee to consider the strategy and planning of CITIC Pacific, and to review investment proposals. The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors.
- Established the asset and liability management committee ("ALCO"). ALCO meets monthly to review the asset and liability balance of CITIC Pacific. It monitors and sets limits on exposure in relation to asset and liability mismatches, counterparties, currencies, interest rates, commitments and contingent liabilities. It also establishes hedging policies, reviews and approves financing plans, and approves the use of new financial products. Chaired by the group finance director, the committee comprises two executive directors and a non-executive director, the group treasurer, group financial controller, the executive with responsibility for financial risk management and other finance team representatives in CITIC Pacific.
- Updated the terms of reference of the audit committee since 2009. The audit committee's oversight function in its annual review of the system of internal control includes consideration of the adequacy of resources, qualifications and experience of staff of CITIC Pacific's accounting and financial reporting functions, including their training programmes and training budget.

CITIC Pacific complied throughout the six months ended 30 June 2010 with all of the provisions in the code on corporate governance practices contained in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

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

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

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of HK\$0.15 per share (2009: HK\$0.15 per share) for the year ending 31 December 2010 payable on Wednesday, 22 September 2010 to shareholders whose names appear on CITIC Pacific's register of members on Wednesday, 15 September 2010. CITIC Pacific's register of members will be closed from Thursday, 9 September 2010 to Wednesday, 15 September 2010, both days inclusive, during which period no share transfer will be effected. To qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with CITIC Pacific's Share Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 September 2010.

SHARE CAPITAL

CITIC Pacific has not redeemed any of its shares during the six months ended 30 June 2010. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the six months ended 30 June 2010.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses of the Group. These forward looking statements represent CITIC Pacific's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

HALF-YEAR REPORT AND FURTHER INFORMATION

A copy of the announcement can be found on CITIC Pacific's website (www.citicpacific.com) and the Hong Kong Stock Exchange's website (www.hkex.com.hk). The full Half-Year Report will be made available on the website of CITIC Pacific and the Hong Kong Stock Exchange around 31 August 2010.

By Order of the Board
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 18 August 2010

As at the date hereof, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Carl Yung Ming Jie, Vernon Francis Moore, Li Shilin, Liu Jifu, Milton Law Ming To, Wang Ande and Kwok Man Leung; the non-executive directors of CITIC Pacific are Messrs Willie Chang, André Desmarais, Ju Weimin, Yin Ke and Peter Kruyt (alternate director to Mr André Desmarais); and the independent non-executive directors of CITIC Pacific are Messrs Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.