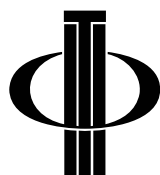


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CITIC PACIFIC

CITIC Pacific Limited **中信泰富有限公司**

(incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

ANNOUNCEMENT OF RESULTS **FOR THE YEAR ENDED 31 DECEMBER 2011**

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

CITIC Pacific recorded a profit attributable to ordinary shareholders of HK\$9,233 million in 2011, which was 4% higher than 2010. It is worth noting that 77% was from our continuing business operations, whereas it was 58% in 2010.

During 2011, we raised a total of HK\$34 billion in new financing from banks and the capital markets, including the issuance of US\$750 million in preferred securities which strengthened our equity account. At the end of the year, we had bank deposits and available committed facilities of HK\$46 billion, sufficient to meet our near-term investment needs. I take note that we have maturing debt that needs to be refinanced, and this process is well underway. The sale of our 50% interest in CITIC Guoan, once approved, will give us over HK\$4 billion in additional cash. Gearing is still at a fairly high level of 46%, reflecting continued investment in our main businesses, particularly the Sino Iron project in Western Australia. However, I believe this is a short-term phenomenon. Substantial cash is expected to be generated to reduce the debt once our mine enters production.

A final dividend of HK\$0.30 per share has been recommended by our board to give shareholders a full year dividend of HK\$0.45 per share. Both are at the same level as last year. The dividend has to balance the needs of the shareholders and the investment needs of the company, and when the latter diminish in future years the board will consider recommending a higher dividend.

I have two objectives when writing to shareholders. First, I want to update you on the progress of our business during the year under review and, second, to reflect on my expectations for the year ahead. Until our iron ore mine becomes operational, my focus, time and energy, and indeed that of the entire management team, will be on completing the construction of the mine and paving the way for its successful operation for many years to come. My message to you in this year's report is that we consider bringing the mine into operation as early as possible to be our primary and most pressing task. We are committed to what we have set out to do, and I say with confidence that we will get there.

CITIC Pacific has transformed itself from a company with a diverse set of investments into an operating company that focuses on three main businesses. They now account for over 70% of our total assets. We are a much stronger company structurally with improved systems and a strengthened management team.

The special steel business has established itself as a leader in its field, and our property business is doing well and is self-funding. Our most important investment, Sino Iron, will help shape our future. Building this mine has been no easy task. I, along with Zhang Jijing, our managing director, and Dr. Hua Dongyi, our senior project leader in Australia, have had many sleepless nights as we set out to do something no one else had done before on this scale, and not on our home territory. We have learned a tremendous amount and the insights we have gained on all fronts have been rich, strengthening our ability to run the company.

Iron Ore Mining

Let me address two issues, which I am sure are on your mind: construction progress and the capital required to build the project. Construction of the Sino Iron project is divided into two parts. The first — mining, the building of the power station, desalination plant and port area — is managed directly by CITIC Pacific Mining. The second involves China Metallurgical Corporation ("MCC"), the engineering, procurement and construction contractor for the processing activities such as the concentrators, crushers, slurry pipeline, and related facilities. As mentioned in our December 2011 update, facilities under our direct responsibility are all ready for integrated commissioning. Many areas under MCC's management have experienced delays. By design, the Sino Iron concentration activity will have six production lines. In the agreement signed in December, MCC committed to having the first and second production lines commence production no later than August 31 and December 31 of 2012.

Significant progress was made in 2011. In addition to getting the power station, desalination plant and port area ready, the 30-kilometre slurry pipeline was also completed. Construction and installation of the processing and dewatering plants for the first production line are in their final phases. Work remaining is mainly related to the installation and testing of instruments as well as electrical and control systems. For the second production line, work on the steel structure, equipment installation, piping and electrical systems has commenced. The four grinding mills that make up lines three and four are now on site.

CITIC Pacific Mining is in the process of taking over equipment procurement, and forming a joint task force with MCC to direct work related to the commissioning and safety aspects of the project, even though all these remain the contractual responsibility of MCC.

We agreed in December to pay MCC an additional US\$822 million, which brings the total contractual amount for MCC's work to US\$3,407 million. The additional amount is necessary for them to complete the construction and commissioning of the first two production lines as well as the shared facilities for all six lines. We are certainly unhappy about the increased costs. MCC told us that they underestimated the complexity and the amount of work involved in constructing and commissioning a project in Australia. The reality is that construction costs for all mining projects have risen significantly in the last few years due to rising equipment and labour costs as well as the increased value of the Australian dollar. At this point, we are at a crucial stage of the project's development and we are convinced that changing contractors now would mean further delays and potentially even higher costs. Having given this matter great consideration, we believe that working with MCC to ensure the completion and commissioning of the first two lines is the optimal course.

I am often asked about my view on the future price of iron ore. No one can claim to predict market movements with certainty, and I do not pretend to be an expert on this subject. What I can say is that there are approximately seven billion people on the planet, and most of them are in developing countries. The industrialisation and urbanisation of these developing economies will drive demand for steel and thus for iron ore. CITIC Pacific will not only be selling iron ore, but we will also be using the material ourselves for our special steel plants in China, so we are on both ends of the market. This gives us a great strategic advantage in terms of vertical integration. The project will not only provide a secure source of iron ore to our steel plants but also to other steel manufacturers in China. As I am also the Chairman of CITIC Group, I can assure you that CITIC Group has and will continue to provide full support to the future development of the Sino Iron project.

In November 2011, there were two important developments in the Australian parliament. The Minerals Resource Rent Tax ("MRRT") was passed by the lower house and, if approved by the upper house, will become law with effect from 1 July 2012. We were disappointed that magnetite iron ore was not excluded from the MRRT. However, the legislation sets the taxing at the first point of processing — the primary crusher — where the value of the material is low. Thus, the tax we are likely to pay should also be low.

The Clean Energy Act also became law in November, resulting in the imposition of a fixed price on carbon emissions beginning 1 July 2012 up until the point when Australia transitions to an emissions trading scheme. The introduction of this carbon charge will clearly have a financial impact on our project, but fortunately our gas fired power station — the primary source of CO₂ emissions — has been built with one of the most energy-efficient designs available. The magnetite industry creates economic and employment benefits in Australia and reduces carbon emissions on a global basis. The government has agreed to provide some assistance, although this is insufficient in our view. We will continue to work with other magnetite producers to lobby the government for further assistance.

Special Steel

The first half of 2011 showed strong demand for steel products but the second half, particularly the last quarter of the year, was much weaker. Still, our special steel business was able to achieve HK\$1,994 million in profit contribution. Excluding the loss incurred on eliminating outdated facilities, the contribution from our steel mills was 11% more than last year.

In China's 12th Five-year Plan for the iron and steel industry published in late 2011, CITIC Pacific Special Steel was acknowledged as a leader in the special steel industry. As a relative newcomer, we are very proud of this recognition. When we went into special steel in 1993, the annual production capacity at the Jiangyin Xingcheng plant was just 210,000 tonnes. In the last 18 years, through organic growth and the addition of the Hubei Xin Yegang plant we have become the biggest dedicated special steel manufacturer in China with 9 million tonnes of annual production capacity. Despite facing a great deal of scepticism early on, we have persevered and proved to be an industry leader.

As in any industry, merely being the biggest is not enough; in order to stay ahead of the pack we must lead in technology. China's 12th Five-year Plan for the steel industry encourages manufacturers to raise product quality, provide technological innovations, eliminate outdated facilities, and step up energy conservation and emission reduction. We have put a lot of effort into these areas over the years, and this work will continue. Our steel plants are now supplying over 3,000 different types and specifications of special steel to customers, and 39% of them in 2011 were high-end products. My colleagues running this business operate under the principle that each year a certain percentage of lower-end products should be substituted with higher ones. This effort has paid off as we are now producing some of the best quality products in the industry, and I am proud to say some of our steel has been put into orbit as a component part of China's Shenzhou spacecrafts. I was told recently by my steel colleagues that we are now the only company in the world capable of producing one-metre diameter big casting round billet. To reduce emissions and increase efficiency, two smaller blast furnaces and one electric arc furnace were closed in 2011, and bigger, more efficient ones were built.

I am pleased at what we achieved in 2011 despite the challenging market. Looking at 2012, we believe that it will likely be another tough year for steel producers in China. A tightened credit policy and other measures taken at all levels of the government to moderate the rapid growth of the property market in China will filter down to impact the demand for steel in general, which will also put pressure on special steel prices. The global economic outlook remains unclear and thus may affect steel exports. However, despite these challenges my colleagues at the steel plants remain confident that the business can continue to be profitable by increasing the quality of our products and improving our ability to respond to market changes. These efforts, coupled with technology innovation and excellent customer relationships, will ensure our leadership position in the industry.

Property in mainland China

In 2011, completed residential units in a number of our mainland China projects together with the twin office towers in Shanghai were delivered to buyers. However, sales of residential projects were markedly slower in the second half of 2011 as a result of measures put in place by the Chinese government to regulate the property market. We believe that the current situation is likely to continue for some time and affect the level of sales in 2012.

So what do we do in a slow market? Although property development is one of the key businesses of CITIC Pacific, we are not solely dependent on property development for our profit. The relatively low cost of our land banks, together with our financial strength, gives us the flexibility to adjust our development pace and sales strategy. Although residential sales have slowed, commercial properties have not been much affected. We continue to see strong interest in our Lu Jia Zui financial district project in Shanghai, where many financial institutions want to place their regional headquarters. We are now in negotiations with interested parties to do so.

In a difficult market, it is all the more important to differentiate ourselves from others by offering customers quality products and superb services, thereby creating brand loyalty. In fact, in 2011 we re-positioned some of our developments and created the CITIC Pacific Property brand for all of our projects. Long term, we are still strong believers that the Chinese property market will grow and develop with the country's economy.

At the board and senior management level, we continue to focus on building a culture of strong corporate governance, fiduciary responsibility and respect for all shareholders. We take seriously our mission to create long-term value for all our shareholders, and we strive to create a positive workplace for our employees and developing them to their fullest.

In closing, I want to thank our employees for all their hard work. I would also like to say thank you to our board, our investors and banks for their trust and support.

2012 is the year of the dragon in the Chinese zodiac. The dragon is feisty, dynamic and self-assured, and these are attributes I like to associate with CITIC Pacific, especially at this point in time. I strongly believe that at CITIC Pacific we have the spirit and the strength to succeed. I am very proud of what we have achieved both in business and as an organisation, and I am honoured and humbled to be leading this company.

Chang Zhenming
Chairman

Hong Kong, 1 March 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK\$m	As restated 2010 HK\$m
Revenue	2	100,086	70,614
Cost of sales		(85,850)	(59,662)
Gross profit		14,236	10,952
Other income and net gains	3	1,843	4,395
Distribution and selling expenses		(2,854)	(2,084)
Other operating expenses		(5,101)	(4,472)
Change in fair value of investment properties		1,835	1,294
Profit from consolidated activities	2	9,959	10,085
Share of results of			
Jointly controlled entities	2	3,080	2,000
Associated companies	2	914	673
Profit before net finance charges and taxation		13,953	12,758
Finance charges		(1,105)	(704)
Finance income		695	356
Net finance charges	5	(410)	(348)
Profit before taxation		13,543	12,410
Taxation	6	(2,560)	(2,239)
Profit for the year		10,983	10,171
Attributable to:			
Ordinary shareholders of the Company	2	9,233	8,893
Holders of perpetual capital securities		331	-
Non-controlling interests		1,419	1,278
		10,983	10,171
Dividends	7	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK\$)			
Basic	8	2.53	2.44
Diluted	8	2.53	2.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 HK\$m	As restated 2010 HK\$m
Profit for the year	10,983	10,171
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	(2,923)	(513)
Transfer from investment revaluation reserve to profit and loss account on disposal of other financial assets	-	(1,232)
Fair value changes from other financial assets	(112)	761
Transfer to profit and loss account on impairment of other financial assets	98	74
Surplus on revaluation of properties transferred from self-use properties to investment properties	-	116
Share of other comprehensive income of associated companies and jointly controlled entities	43	56
Exchange translation differences	2,488	2,346
Reserves released on disposal/dilution of interest in jointly controlled entities	(132)	(298)
Reserves released on disposal of interest in associated companies and non-current assets held for sale	-	(421)
Reserve released upon disposal/ liquidation of subsidiary companies	(109)	5
Total comprehensive income for the year	10,336	11,065
Total comprehensive income for the year attributable to		
Ordinary shareholders of the Company	8,404	9,611
Holders of perpetual capital securities	331	-
Non-controlling interests	1,601	1,454
	10,336	11,065

CONSOLIDATED BALANCE SHEET **AS AT 31 DECEMBER 2011**

	Note	2011 HK\$m	As restated 31 December 2010 HK\$m	As restated 1 January 2010 HK\$m
Non-current assets				
Property, plant and equipment		85,132	63,334	40,032
Investment properties		15,270	13,579	11,164
Properties under development		6,628	9,881	9,065
Leasehold land – operating leases		2,277	1,597	1,581
Jointly controlled entities		21,278	21,681	22,097
Associated companies		7,222	6,345	5,797
Other financial assets		345	448	2,198
Intangible assets		16,202	12,944	10,868
Deferred tax assets		1,647	763	603
Derivative financial instruments	11	928	1,854	748
Non-current deposits and prepayment		4,031	6,403	6,480
		<u>160,960</u>	<u>138,829</u>	<u>110,633</u>
Current assets				
Properties under development		3,189	2,280	2,172
Properties held for sale		1,493	1,870	1,651
Other assets held for sale		2,388	298	1,765
Inventories		14,125	11,191	6,983
Derivative financial instruments	11	401	73	92
Debtors, accounts receivable, deposits and prepayments	9	16,253	14,070	11,082
Cash and bank deposits		30,930	24,558	21,553
		<u>68,779</u>	<u>54,340</u>	<u>45,298</u>
Current liabilities				
Bank loans, other loans and overdrafts				
- secured		1,329	598	105
- unsecured		26,328	14,629	4,252
Creditors, accounts payable, deposits and accruals	10	30,577	26,911	19,992
Derivative financial instruments	11	159	55	167
Provision for taxation		1,514	936	243
		<u>59,907</u>	<u>43,129</u>	<u>24,759</u>
Net current assets		<u>8,872</u>	<u>11,211</u>	<u>20,539</u>
Total assets less current liabilities		<u>169,832</u>	<u>150,040</u>	<u>131,172</u>
Non-current liabilities				
Long term borrowings		71,050	68,456	61,318
Deferred tax liabilities		3,373	2,569	1,935
Derivative financial instruments	11	4,747	2,543	1,727
Provisions and deferred income		2,649	2,254	807
		<u>81,819</u>	<u>75,822</u>	<u>65,787</u>
Net assets		<u>88,013</u>	<u>74,218</u>	<u>65,385</u>

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2011

	Note	2011 HK\$m	As restated 31 December 2010 HK\$m	As restated 1 January 2010 HK\$m
Equity				
Share capital		1,460	1,459	1,459
Perpetual capital securities		5,951	-	-
Reserves		72,452	65,792	58,020
Proposed dividend	7	1,095	1,095	912
Total ordinary shareholders' funds and perpetual capital securities		80,958	68,346	60,391
Non-controlling interests in equity		7,055	5,872	4,994
Total equity		88,013	74,218	65,385

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements (“the Accounts”) of CITIC Pacific Limited (the “Company”) and its subsidiary companies (together the “Group”) are set out below. These policies have been consistently applied to each of the years presented, other than the adoption or early adoption of new or revised Hong Kong Financial Reporting Standards (“HKFRS”) in 2011 as set out below. The Accounts have been prepared in accordance with HKFRS, and under the historical cost convention, except as disclosed in the accounting policies. The following revised standards, amendments or interpretations which became effective in or after 2011 are relevant to the Group.

Standard No.	Title	Effect
HKAS 24 (revised)	Related Party Disclosures	Note (i)
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	Note (ii)
Improvements to HKFRS 2010		Insignificant

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

- (i) HKAS 24 (Revised) clarifies and simplifies the definition of a related party.
- (ii) The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Previously deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use.

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

1 Significant accounting policies (Continued)

Effect on consolidated balance sheet	31 December 2011 HK\$m	31 December 2010 HK\$m	1 January 2010 HK\$m
Increase/ (decrease) in deferred tax liabilities, net of deferred tax assets	256	101	(5)
Increase in associated companies	319	229	186
Increase in non-controlling interests	32	19	14
Decrease in goodwill	45	45	45
(Decrease)/ increase in reserves	(14)	64	132

Effect on consolidated profit and loss account and consolidated statement of comprehensive income	For the year ended	
	2011 HK\$m	2010 HK\$m
Increase in income tax expense	134	61
Increase in share of profits less losses of associated companies	90	43
Decrease in profit attributable to the Company's shareholders	57	23
Increase in profit attributable to the non-controlling interests	13	5
Decrease in other comprehensive income attributable to the Company's shareholders	21	45

Notes:

1. Adoption of the above revised standard does not have a significant impact on basic and diluted earnings per share for both years.
2. If the investment properties were acquired as part of a business combination which took place in prior years, the related deferred tax would be adjusted against goodwill.

1 Significant accounting policies (Continued)

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 2011 may impact the Group in future years but are not yet effective for the year ended 31 December 2011:

Standard No.	Title	Applicable accounting period to the Group
HKAS 1(Amendment)	Presentation of financial statements	2012
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

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

2 Segment information

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

Year ended 31 December 2011	Revenue Note (a) 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	Finance income HK\$m	Finance charges HK\$m	Group total HK\$m	Segment allocations Note (b) HK\$m	Segment profit/(loss) HK\$m	Taxation HK\$m	Non- controlling interests HK\$m	Profit/(loss) attributable to ordinary shareholders of the Company 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
CITIC Telecom	3,196	374	-	185	1	(1)	559	-	559	(65)	(195)	299
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
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 the notes to the accounts.
(b) Segment allocations arising from property leases between segments were carried out at arms' length rentals.

2 Segment information (Continued)

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

Year ended 31 December 2010 (As restated)	Revenue Note (a) 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	Finance income HK\$m	Finance charges HK\$m	Group total HK\$m	Segment allocations Note (b) HK\$m	Segment profit/(loss) HK\$m	Taxation HK\$m	Non- controlling interests HK\$m	Profit/(loss) attributable to ordinary shareholders of the Company HK\$m
Special steel	30,478	2,646	386	29	192	(355)	2,898	(7)	2,891	(522)	(267)	2,102
Iron ore mining	27	(470)	-	-	1	-	(469)	-	(469)	123	-	(346)
Property												
Mainland China	3,791	987	-	-	51	(31)	1,007	10	1,017	(379)	(55)	583
Hong Kong	258	207	-	108	-	-	315	85	400	(23)	-	377
Energy	-	966	1,043	-	11	-	2,020	-	2,020	(61)	-	1,959
Tunnels	775	523	193	-	-	-	716	-	716	(86)	(128)	502
Dah Chong Hong	32,211	1,885	50	21	15	(115)	1,856	(89)	1,767	(355)	(637)	775
CITIC Telecom	2,966	355	-	108	1	-	464	1	465	(44)	(173)	248
Other investments	108	2,092	328	69	2	(2)	2,489	-	2,489	(502)	-	1,987
Change in fair value of investment properties	-	1,294	-	338	-	-	1,632	-	1,632	(316)	(18)	1,298
Corporate												
General and administration expenses	-	(511)	-	-	-	-	(511)	-	(511)	(34)	-	(545)
Exchange gain	-	111	-	-	-	-	111	-	111	-	-	111
Net finance charges	-	-	-	-	83	(201)	(118)	-	(118)	(40)	-	(158)
Total	70,614	10,085	2,000	673	356	(704)	12,410	-	12,410	(2,239)	(1,278)	8,893
Profit attributable to:												-
Holders of perpetual capital securities												8,893

Notes:

- (a) Companies making up each reportable segment are set out in the notes to the accounts.
(b) Segment allocations arising from property leases between segments were carried out at arms' length rentals.

2 Segment information (Continued)

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

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

	2011 HK\$m	2010 HK\$m
Mainland China	78,804	54,102
Hong Kong	12,547	11,574
Other countries	8,735	4,938
	<u>100,086</u>	<u>70,614</u>

2 Segment information (Continued)

(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)	
	As restated						As restated			As restated			As restated			As restated				
	31 December	31 December	As restated 1 January	31 December	31 December	1 January	31 December	31 December	As restated 1 January	31 December	31 December	As restated 1 January	31 December	31 December	As restated 1 January	31 December	31 December	As restated 1 January	31 December	31 December
	2011 HK\$m	2010 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
By principal activities																				
Special steel	53,175	45,243	34,271	2,872	2,923	4,291	226	185	148	56,273	48,351	38,710	(27,295)	(23,409)	(18,146)	28,978	24,942	20,564	6,507	7,032
Iron ore mining	66,997	53,397	36,026	-	-	-	-	-	-	66,997	53,397	36,026	(42,059)	(38,678)	(25,977)	24,938	14,719	10,049	13,672	19,434
Property																				
Mainland China	33,304	31,733	24,218	7,048	5,677	5,465	-	-	-	40,352	37,410	29,683	(9,616)	(10,332)	(7,428)	30,736	27,078	22,255	1,819	2,833
Hong Kong	7,685	6,959	6,438	-	-	-	6,319	5,534	4,890	14,004	12,493	11,328	(283)	(293)	(280)	13,721	12,200	11,048	300	285
Energy	2,011	1,181	301	6,899	6,659	6,567	-	-	-	8,910	7,840	6,868	(352)	(101)	(52)	8,558	7,739	6,816	4	-
Tunnels	956	972	980	1,021	991	948	-	-	-	1,977	1,963	1,928	(153)	(181)	(194)	1,824	1,782	1,734	2	4
Dah Chong Hong	20,355	14,158	11,072	239	356	258	228	203	130	20,822	14,717	11,460	(12,347)	(7,562)	(5,671)	8,475	7,155	5,789	2,088	888
CITIC Telecom	2,884	2,652	2,532	43	-	-	427	408	-	3,354	3,060	2,532	(1,153)	(1,131)	(749)	2,201	1,929	1,783	320	330
Other investments	2,687	534	4,040	3,156	5,075	4,568	22	15	629	5,865	5,624	9,237	(571)	(617)	(113)	5,294	5,007	9,124	-	300
Corporate	11,185	8,314	8,159	-	-	-	-	-	-	11,185	8,314	8,159	(47,897)	(36,647)	(31,936)	(36,712)	(28,333)	(23,777)	7	1
Segment assets/(liabilities)	201,239	165,143	128,037	21,278	21,681	22,097	7,222	6,345	5,797	229,739	193,169	155,931	(141,726)	(118,951)	(90,546)	88,013	74,218	65,385	24,719	31,107

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.

2 Segment information (Continued)

(b) Assets and liabilities (Continued)

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

	31 December 2011 HK\$m	As restated 31 December 2010 HK\$m	As restated 1 January 2010 HK\$m
Mainland China	75,103	68,327	59,087
Australia	62,017	48,798	30,215
Hong Kong	20,344	18,092	19,120
Other countries	576	995	860
	<u>158,040</u>	<u>136,212</u>	<u>109,282</u>

3 Other income and net gains

	2011 HK\$m	2010 HK\$m
Other income		
Commission income, subsidy income, rebates and others	753	531
Dividend income from other financial assets		
- Listed shares	7	53
	<u>760</u>	<u>584</u>
	-----	-----
Net exchange gain	348	335
	-----	-----
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies	209	2,117
Net gain from sale of other financial assets, mainly listed investments	-	1,228
Net gain from disposal of property, plant and equipment	-	131
Net gain from disposal of subsidiary companies	230	-
Net gain from disposal of investment properties	296	-
	<u>735</u>	<u>3,476</u>
	-----	-----
	<u>1,843</u>	<u>4,395</u>

4 Profit from consolidated activities

	2011 HK\$m	2010 HK\$m
The profit from consolidated activities is arrived at after charging:		
Cost of inventories/ properties sold	70,835	48,087
Depreciation of property, plant and equipment	1,994	1,456
Amortisation of leasehold land – operating lease	37	34
Amortisation of intangible assets	149	140
Impairment losses on other financial assets	98	74
Impairment losses on property, plant and equipment	526	345
Impairment losses on trade and other receivables	28	18
Impairment losses on intangible assets	-	32
	<u> </u>	<u> </u>

5 Net finance charges

	2011 HK\$m	2010 HK\$m
Finance charges		
Interest expense	4,067	3,101
Amount capitalised	(2,891)	(2,335)
	<u> </u>	<u> </u>
	1,176	766
Other finance charges	106	107
Other financial instruments		
-Fair value loss	98	51
-Ineffectiveness on cash flow hedges	(275)	(220)
	<u> </u>	<u> </u>
	1,105	704
Finance income		
Interest income	(695)	(356)
	<u> </u>	<u> </u>
	410	348
	<u> </u>	<u> </u>

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2010: 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:

	2011 HK\$m	As restated 2010 HK\$m
Current taxation		
Hong Kong profits tax	265	268
Tax outside Hong Kong	1,803	1,534
Deferred taxation		
Changes in fair value of investment properties	390	316
Origination and reversal of other temporary differences	113	121
Effect of tax rate changes	(11)	-
	<u>2,560</u>	<u>2,239</u>

7 Dividends

	2011 HK\$m	2010 HK\$m
2010 Final dividend paid: HK\$0.30 (2009: HK\$0.25) per share	<u>1,095</u>	<u>912</u>
Interim		
2011 Interim dividend paid: HK\$ 0.15 (2010: HK\$0.15) per share	547	547
Final		
2011 Final dividend proposed: HK\$0.30 (2010: HK\$0.30) per share	<u>1,095</u>	<u>1,095</u>
	<u>1,642</u>	<u>1,642</u>
Dividend per share (HK\$)	<u>0.45</u>	<u>0.45</u>

8 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company of HK\$9,233 million (2010: HK\$8,893 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, which the effect is not material to the Group.

The basic and diluted earnings per share are based on the weighted average number of 3,649,232,965 shares in issue during the year (2010: 3,648,688,160 shares in issue) 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 2011.

9 Debtors, accounts receivable, deposits and prepayments

	2011 HK\$m	2010 HK\$m
Trade debtors and bills receivable aged:		
- Within 1 year	7,375	5,002
- Over 1 year	48	178
	7,423	5,180
Accounts receivable, deposits and prepayments	8,830	8,890
	16,253	14,070

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\$185 million (2010: HK\$227 million) and dividend receivable from jointly controlled entities of HK\$1,738 million (2010: HK\$1,077 million) which are unsecured, interest free and recoverable on demand, and amounts due from associated companies of HK\$138 million (2010: HK\$95 million) which are unsecured, interest free and recoverable on demand.

10 Creditors, accounts payable, deposits and accruals

	2011 HK\$m	2010 HK\$m
Trade creditors and bills payable aged:		
- Within 1 year	13,173	9,744
- Over 1 year	204	456
	13,377	10,200
Accounts payable, deposits and accruals	17,200	16,711
	30,577	26,911

Note:

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

11 Derivative financial instruments

	2011		2010	
	Assets HK\$m	Liabilities HK\$m	Assets HK\$m	Liabilities HK\$m
Qualified for hedge accounting – cash flow hedges				
- Interest-rate instruments	-	4,566	33	2,379
- Forward foreign exchange instruments	1,047	-	1,635	-
	<u>1,047</u>	<u>4,566</u>	<u>1,668</u>	<u>2,379</u>
	-----	-----	-----	-----
Not qualified for hedge accounting				
- Interest-rate instruments	279	276	246	204
- Forward foreign exchange instruments	3	64	13	15
	<u>282</u>	<u>340</u>	<u>259</u>	<u>219</u>
	-----	-----	-----	-----
	<u>1,329</u>	<u>4,906</u>	<u>1,927</u>	<u>2,598</u>
	-----	-----	-----	-----
Less: current portion				
- Interest-rate instruments	73	95	60	40
- Forward foreign exchange instruments	328	64	13	15
	<u>401</u>	<u>159</u>	<u>73</u>	<u>55</u>
	-----	-----	-----	-----
	<u>928</u>	<u>4,747</u>	<u>1,854</u>	<u>2,543</u>
	=====	=====	=====	=====

12 Comparative Figures

Certain comparative figures for 2010 have been adjusted to conform with the current accounting standards described in note 1(ii) to the Accounts. In accordance with accounting standard, HKAS1 – Presentation of Financial Statements, an additional balance sheet and the relevant notes as at the beginning of the comparative year are also presented.

FINANCIAL REVIEW AND ANALYSIS

Group Debt and Liquidity

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

<i>HK\$ million</i>	2011	2010
Total debt	98,893	83,857
Cash and bank deposits	30,930	24,558
Net debt	67,963	59,299

Leverage (Net debt to Total capital*)	46%	46%
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* Total capital = Total ordinary shareholders' funds and perpetual capital securities + Net debt

The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 31 December 2011 is summarised as follows:

<i>HK\$ million equivalent</i>	Denomination					Total
	HK\$	US\$	RMB	JPY	Other	
Total debt in original currency	20,756	58,116	18,876	1,003	142	98,893
Total debt after conversion	21,415	58,116	18,876	344	142	98,893
Cash and bank deposits	8,406	6,375	15,730	192	227	30,930
Net debt / (cash) after conversion	13,009	51,741	3,146	152	(85)	67,963

As at 31 December 2011, iron ore mining assets of HK\$53.0 billion were pledged under its financing documents. Contracts for building 8 ships (HK\$3.4 billion in aggregate) and four completed ship with carrying value of HK\$1,765 million for transporting iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK\$1,724 million (2010: HK\$1,263 million) were pledged to secure banking facilities, which mainly related to Dah Chong Hong's overseas business and to a property subsidiary in mainland China.

Maturity Profile of Outstanding Debt

The maturity of the debt outstanding at 31 December 2011 is:

<i>HK\$ million</i>	Total outstanding debt	Maturing in these years					
		2012	2013	2014	2015	2016	2017 and beyond
CITIC Pacific Limited	44,923	13,940	5,950	8,950	3,159*	1,331	11,593
Subsidiaries	53,970	13,714	5,329	5,572	2,077	2,049	25,229
Total	98,893	27,654	11,279	14,522	5,236	3,380	36,822

* Including through wholly-owned special purpose vehicle.

The maturing banking facilities have to be renewed. The funding programme is planned so that the amount maturing in any given year will not exceed the company's ability to raise new funds in that year.

Available Sources of Finance

As at 31 December 2011, CITIC Pacific and its consolidated subsidiaries had cash and deposits of HK\$30.9 billion, and available loan and trade facilities of HK\$23.6 billion:

<i>HK\$ million</i>	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage of unutilised
Committed facilities				
Term loans	98,120	83,170	14,950	63%
Short term loan	400	-	400	2%
Commercial Paper (RMB commercial paper)	987	987	-	-
Global bond (USD bond)	3,900	3,900	-	-
Private placement (JPY & USD note & RMB bond)	3,063	3,063	-	-
Total committed facilities	106,470	91,120	15,350	65%
Uncommitted facilities				
Money market lines and short-term facilities	10,703	7,376	3,327	14%
Trade facilities	8,258	3,315	4,943	21%
Total uncommitted facilities	18,961	10,691	8,270	35%

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

Risk Management

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

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

Liquidity Management

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

Derivatives Policy

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

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

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

Foreign Exchange Risk

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

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

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

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

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

Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business, as at 31 December 2011, the Australian mining operation had plain vanilla forward contracts with a notional amount of A\$0.7 billion outstanding with maturities up to the first quarter of 2013 which qualify as accounting hedges. The average rate of these contracts is 0.82 USD to one AUD.

CITIC Pacific's investment in businesses whose functional currency is USD is mostly from the iron ore mining business, which had USD gross assets of HK\$66 billion. The company uses its USD borrowings to hedge these USD assets through a net investment hedge. As at 31 December 2011, CITIC Pacific had HK\$58.1 billion equivalent of US dollar debt.

Businesses in mainland China had RMB gross assets of approximately HK\$124 billion as at 31 December 2011, offset by debts and other liabilities of HK\$47 billion. This gave the company an RMB net asset exposure of HK\$77 billion. As investment in mainland China is expanding, CITIC Pacific will have an increasing exposure to the Renminbi. CITIC Pacific issued RMB 1 billion notes in the second half of 2011, under the MTN programme with the money being used to fund the capital needs of the special steel business. These notes will become due in 2016.

Interest Rate Risk

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

The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments. The ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 33% as at 31 December 2011.

CITIC Pacific's overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for 2011 was approximately 4.0% compared with 3.8% in 2010.

Commodity Risk

As CITIC Pacific produces and purchases commodities across its various businesses, it has exposure to commodity price and quantity risk. To manage its raw material exposure, CITIC Pacific has entered into long term supply contracts for certain inputs, such as gas for the Australian mining operations and coal for its power generation business. 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 commissioning for the first production line for the Australian mining operations being pushed back to the middle of 2012, 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 three years (up to January 2015) to be re-delivered back to the project from January 2019 to June 2029. Further negotiations are ongoing 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 2011, CITIC Pacific did not have any exposure to commodity derivatives. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes.

Counterparty Risk

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

Major external risks and uncertainties

Economic risks

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

infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented to affect the whole economy, or sections of it, may adversely affect our business for periods of time.

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

Competitive markets

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

Agency relationships

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

Regulation

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

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

Capital expenditure

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

Natural disasters or events, terrorism and disease

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

Capital Commitments and Contingent Liabilities

As at 31 December 2011, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK\$13 billion and the contingent liabilities had not changed significantly from the previous year end.

On 15 July 2011, CITIC Pacific announced that MCC, the iron ore mining project's engineering, procurement and construction contractor, has put forward a proposal for an additional payment of approximately US\$900 million, part of which they claimed to be due to design and scope of work changes made by CITIC Pacific. On 30 December 2011 CITIC Pacific signed a supplemental agreement with MCC, agreeing to pay MCC an additional sum of US\$822 million to complete the construction and commissioning of the project's first and second production lines, as well as common facilities for all six lines. MCC has also contractually committed that the first and second production lines will commence production no later than August 31 and December 31, 2012. CITIC Pacific is still working to determine the estimated completion and commissioning timetable for production lines three to six.

HUMAN RESOURCES

CITIC Pacific has a team of committed and competent employees who possess the variety of skills and experience required to support its operations and sustainable development. As of December 2011, CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 33,295 employees (2010: 29,886). The growth of workforce in 2011 was mainly due to Dah Chong Hong's expansion of its motor business in mainland China.

CITIC Pacific offers competitive remuneration packages and reviews remuneration packages annually to ensure internal equity and market competitiveness. In 2011, CITIC Pacific conducted the following reviews:

1. In January, the remuneration policy for employees serving on the boards of subsidiary or associated companies to represent the interests of the Group was reviewed. It is concluded that no additional remuneration, including share options should be given to employees concerned.
2. In May, the pay policies and procedures were reviewed in response to the new Minimum Wage Ordinance in Hong Kong. A total of 485 affected cases were properly addressed.
3. In September, Towers Watson (TW) was engaged to conduct a thorough review on the reward strategy and the pay position of directors and employees in the headquarter in Hong Kong. At a result, the remuneration mix (ie the ratio of guaranteed pay to variable pay) of this group of employees was re-structured to enhance the market competitiveness in terms of guaranteed pay and bring the remuneration mix more in line with prevailing market practices. This re-structuring exercise has brought no increase in the total cash for an individual.
4. CITIC Pacific China Holdings, the headquarter of our property business in mainland China, engaged Aon Hewitt to design a set of market competitive human resources-related policies and programs that are applicable to all its subsidiaries and associate companies.

To support CITIC Pacific's commitment to providing an environment that is conducive to the development of its staff, a number of professional/functional and generic skills training as well as management training were organised throughout 2011. In January 2012, CITIC Pacific successfully completed its 1st CITIC Pacific Leadership Development Programme (CPLDP) with around 40 senior managers from headquarter and subsidiary companies graduated from the programme. CITIC Pacific will hold the 2nd CPLDP in the middle of 2012.

To enhance the sense of engagement, pride and community, CITIC Pacific and its subsidiaries continue their efforts to organize numerous activities and interest classes for employees and their families for fun, education, wellness and charity throughout the year of 2011.

Corporate Social Responsibility

As a socially responsible organisation, CITIC Pacific continues its efforts in contributing to the community in the areas of environmental protection, nurturing youth, charitable organizations and making donations. With the continuous efforts devoted to the community, CITIC Pacific proudly displays the Caring Company logo sponsored by the Hong Kong Council of Social Service.

With business mainly focused on special steel manufacturing, iron ore mining, property development as well as power plants and coal mining projects, CITIC Pacific strives to ensure its businesses are operated in an environmentally responsible manner in compliance with local regulations pertaining to environmental protection.

CITIC Pacific supported the nurturing and education of the younger generation through the running of technical and graduate traineeship programmes for fresh graduates; hosting student and community visits to the Eastern Harbour Tunnels; and the 3-year partnership between CITIC Pacific Mining and Clontarf Foundation to support young Aboriginal men to improve their education and employment in the Roebourne and Karratha communities in Australia.

CITIC Pacific and its subsidiaries have contributed to local communities through active participation in charitable events, donations and fundraising initiatives organised by various charitable organizations in Hong Kong, mainland China, Australia and other locations. To support the voluntary services for building a caring community, in addition to CITIC Pacific sponsorship to the Hong Kong Volunteer Award (HKVA) organised by the Agency for Voluntary Service (AVS), Dah Chong Hong, CITIC Telecom International and New Hong Kong Tunnel have established dedicated volunteer teams to regularly provide voluntary services to those in need.

During the year, apart from the active participation in the volunteer services for the children and senior citizens in local communities, various subsidiaries made donations to local charitable organizations to support the relief efforts for the 311 earthquake in Japan and to provide financial assistance to children from poor families in mainland China and let them have the opportunity to receive basic education.

SHARE OPTION PLAN

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 (“the Plan 2000”) on 31 May 2000 which expired on 30 May 2010, pursuant to which the board may invite any director, executive or employee of CITIC Pacific or any of its subsidiary companies to subscribe for options over CITIC Pacific’s shares.

During the period between the adoption of the Plan 2000 and its expiry, CITIC Pacific has granted six lots of share options:

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

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant. None of the share options granted under the Plan 2000 were cancelled, but options for 756,000 shares were exercised and options for 5,290,000 shares have lapsed during the year ended 31 December 2011.

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

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (“the Plan 2011”) on 12 May 2011. No share options were granted under the Plan 2011 during the year ended 31 December 2011.

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 promote investor confidence and protect the interest of our shareholders. A full description of CITIC Pacific’s corporate governance will be set out in the section of Corporate Governance contained in the Annual Report 2011.

CITIC Pacific has fully complied throughout the year 2011 with all the code provisions of the code on corporate governance practices contained in Appendix 14 of the Listing Rules in force prior to 1 April 2012. The audit committee of the board reviewed the 2011 financial statements with management and the company’s auditor and recommended its adoption by the board. The committee consists of three non-executive directors of whom two are independent.

DIVIDEND AND CLOSURE OF REGISTER

The directors have resolved to recommend to shareholders the payment of a final dividend of HK\$0.30 per share (2010: HK\$0.30 per share), which together with the interim dividend of HK\$0.15 per share (2010: HK\$0.15 per share) already paid makes a total dividend of HK\$0.45 per share (2010: HK\$0.45 per share) for the year ended 31 December 2011. The total dividend of HK\$0.45 per share will amount to HK\$1,642 million of CITIC Pacific's profit for the year ended 31 December 2011 (2010: HK\$1,642 million).

The proposed final dividend of HK\$0.30 per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of CITIC Pacific to be held on Friday, 18 May 2012 ("2012 AGM"), is to be payable on Wednesday, 6 June 2012 to shareholders whose names appear on the Register of Members of CITIC Pacific on 28 May 2012.

The register of members of the Company will be closed during the following periods:

- (i) from Monday, 14 May 2012 to Friday, 18 May 2012, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 AGM. In order to be eligible to attend vote at the 2012 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 11 May 2012; and
- (ii) from Thursday, 24 May 2012 to Monday, 28 May 2012, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 23 May 2012.

SHARE CAPITAL

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2011. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the year ended 31 December 2011.

FORWARD LOOKING STATEMENTS

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

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on CITIC Pacific's website (www.citicpacific.com) and the Hong Kong Stock Exchange's website (www.hkex.com.hk). The full Annual Report will be made available on the websites of CITIC Pacific and the Hong Kong Stock Exchange around 20 March 2012.

By Order of the Board
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 1 March 2012

As at the date of this announcement, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Carl Yung Ming Jie, Vernon Francis Moore, Liu Jifu, Milton Law Ming To and Kwok Man Leung; the non-executive directors of CITIC Pacific are Messrs 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, Gregory Lynn Curl and Francis Siu Wai Keung.