IMPORTANT NOTICE

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

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

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, The Hongkong and Shanghai Banking Corporation Limited nor UBS AG, Hong Kong Branch (the "**Arrangers**") nor Deutsche Bank AG, Singapore Branch nor Standard Chartered Bank (together with the Arrangers, the "**Dealers**") nor any person who controls the Arrangers or the Dealers, nor any director, officer, employee nor agent of the Issuer or the Arrangers or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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CITIC PACIFIC

CITIC Pacific Limited

(incorporated in Hong Kong with limited liability)

U.S.$2,000,000,000
Medium Term Note Programme

Under the Medium Term Note Programme described in this Offering Circular (the "**Programme**"), CITIC Pacific Limited (the "**Issuer**" or "**CITIC Pacific**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies), subject to increases as described herein.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, Notes issued under the Programme to professional investors during the 12 month period from the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined in "*Summary of the Programme*" in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system).

Each Series (as defined in "*Summary of the Programme*") of Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**") and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933 (the "**Securities Act**"). Interests in temporary Global Notes generally will be exchangeable for interests in permanent Global Notes, or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche upon certification as to non-US beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "Summary of Provisions Relating to the Notes while in Global Form". Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Global Certificates (as defined below) may be deposited on the issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") (the "**Common Depositary**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**").

The Notes of each Series to be issued in registered form ("**Registered Notes**") and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**") will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear, Clearstream, Luxembourg and/or the CMU, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or, as the case may be, a sub-custodian for the CMU and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear, Clearstream, Luxembourg and/or the CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s). Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**" and, together with the Unrestricted Global Certificate, the "**Global Certificates**"), without interest coupons, which will be deposited on the relevant issue date with (i) a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**") or (ii) a common depository on behalf of Euroclear and Clearstream, Luxembourg or, as the case may be, a sub-custodian for the CMU. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes and in Global Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Programme has been rated "Ba1" by Moody's Investor Service, Inc. ("**Moody's**") and "BB+" by Standard & Poor's Rating Services, a division of the McGraw-Hill companies ("**S&P**"). Tranches of Notes (as defined in "Summary of the Programme") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular in connection with an investment in the Notes.

Arrangers

HSBC **UBS**

Dealers

Deutsche Bank **HSBC** **Standard Chartered Bank** **UBS**

Dated 12 March 2012

The Issuer having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries taken as a whole (the "Group") and the Notes that is material in the context of the issue and offering of the Notes, (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer and the Group, or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche (as defined in "*Summary of the Programme*") of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "Conditions") as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "Pricing Supplement"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

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

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

The distribution of this Offering Circular and any Pricing Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States.

The Notes are being offered and sold, in the case of Bearer Notes and Unrestricted Notes outside the United States in reliance on Regulation S and, in the case of Restricted Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular see "*Subscription and Sale*" and "*Transfer Restrictions*".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for, or purchase, any Notes.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purposes of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

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

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

financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee or the Agents.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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

For the convenience of the reader, this Offering Circular presents translations into U.S. dollars of certain Hong Kong dollar amounts at the rate of HK$7.80 = US$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate. On 24 February 2012, the noon buying rate in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), was HK$7.7538 = US$1.00. This Offering Circular also includes certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955 ("**RSA 421-B**"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a corporation organised under the laws of Hong Kong. All or a substantial portion of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or to enforce against the Issuer in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities and Exchange Act of 1934 (the "**Exchange Act**"). The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the Group's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Circular:

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

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

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Issuer will during any period that it is neither subject to section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of such restricted securities or any prospective purchaser designated by any such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner or, prospective purchaser or, as the case may be, the Trustee, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

TABLE OF CONTENTS

Summary of the Programme

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	CITIC Pacific Limited.
Programme Description	Medium Term Note Programme.
Programme Size	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the programme in accordance with the terms of the Dealer Agreement.
Arrangers	The Hongkong and Shanghai Banking Corporation Limited UBS AG, Hong Kong Branch.
Dealers	Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS AG, Hong Kong Branch The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	The Bank of New York Mellon, London Branch.
Issuing and Paying Agents	The Bank of New York Mellon, London Branch (in respect of Unrestricted Notes other than CMU Notes) and The Bank of New York Mellon (in respect of Restricted Notes other than CMU Notes)
Registrars	The Bank of New York Mellon (Luxembourg) S.A. (in respect of Unrestricted Notes other than CMU Notes), The Bank of New York Mellon (in respect of Restricted Notes other than CMU Notes) and The Bank of New York Mellon, Hong Kong Branch (in relation to CMU Notes).
Transfer Agents	The Bank of New York Mellon, London Branch (in respect of Unrestricted Notes other than CMU Notes) and The Bank of New York Mellon (in respect of Restricted Notes other than CMU Notes)
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch.

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer form only ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "— *Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as "**Global Certificates**". Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.
Clearing Systems	Clearstream, Luxembourg, Euroclear, the CMU, DTC and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and deposited on or about the issue date with the DTC Custodian or deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to LIBOR, LIBID, LIMEAN, EURIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes	The Notes will be direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (*Negative Pledge*), unsecured obligations of the Issuer and will rank (save for certain obligations required to be preferred by law) equally with all other unsecured obligations and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Tax Redemption	Except as described in "— *Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 6(c) (*Redemption, Purchase and Options — Redemption for Taxation Reasons)*.
Negative Pledge	The Notes will have the benefit of a negative pledge as described in "*Terms and Conditions of the Notes — Covenants — Negative Pledge*".
Cross Default	The Notes will have the benefit of a cross default provision as described in "*Terms and Conditions of the Notes — Events of Default*".
Ratings	The Programme has been rated "Ba1" by Moody's and "BB+" by S&P. Tranches of Notes may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "— *Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong, subject to customary exceptions (including the ICMA Standard EU tax exemption language), all as described in "*Terms and Conditions of the Notes — Taxation*".
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes issued under the Programme to professional investors during the 12 month period from the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Hong Kong, Singapore, Japan, the Netherlands and the PRC. See "*Subscription and Sale*". Category 1 selling restrictions will apply for the purposes of Regulation S under the Securities Act. The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Bearer Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.
Transfer Restrictions	There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See "*Transfer Restrictions*".
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

Summary Financial Information

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

The summary consolidated financial information for the years ended 31 December 2010 and 31 December 2011 set forth below is derived from the Issuer's published audited consolidated financial statements for the year ended 31 December 2011 (which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included in this Offering Circular) and should be read in conjunction with such published audited consolidated financial statements and the notes thereto.

Consolidated Profit and Loss Account

	For the year ended 31 December		
			As restated(i)
	2011	**2011**	**2010**
	(US$ million)	**(HK$ million)**	
Revenue	12,832	100,086	70,614
Cost of sales	(11,006)	(85,850)	(59,662)
Gross profit	1,826	14,236	10,952
Other income and net gains	236	1,843	4,395
Distribution and selling expenses	(366)	(2,854)	(2,084)
Other operating expenses	(654)	(5,101)	(4,472)
Change in fair value of investment properties	235	1,835	1,294
Profit from consolidated activities	1,277	9,959	10,085
Share of results of			
Jointly controlled entities	395	3,080	2,000
Associated companies	117	914	673
Profit before net finance charges and taxation	1,789	13,953	12,758
Finance charges	(142)	(1,105)	(704)
Finance income	89	695	356
Net finance charges	(53)	(410)	(348)
Profit before taxation	1,736	13,543	12,410
Taxation	(328)	(2,560)	(2,239)
Profit for the year	1,408	10,983	10,171
Attributable to:			
Ordinary shareholders of the Company	1,184	9,233	8,893
Holders of perpetual capital securities	42	331	—
Non-controlling interests	182	1,419	1,278
	1,408	10,983	10,171
Dividends	(211)	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)			
Basic	0.32	2.53	2.44
Diluted	0.32	2.53	2.44

Note:

(i) Certain comparative figures for the year ended 31 December 2010 have been adjusted to conform with the current accounting standards.

Consolidated Balance Sheet

	As at 31 December		
			As restated[(i)]
	2011	2011	2010
	(US$ million)	(HK$ million)	
Non-current assets			
Property, plant and equipment	10,914	85,132	63,334
Investment properties	1,958	15,270	13,579
Properties under development	850	6,628	9,881
Leasehold land — operating leases	292	2,277	1,597
Jointly controlled entities	2,728	21,278	21,681
Associated companies	926	7,222	6,345
Other financial assets	44	345	448
Intangible assets	2,077	16,202	12,944
Deferred tax assets	211	1,647	763
Derivative financial instruments	119	928	1,854
Non-current deposits and prepayment	517	4,031	6,403
	20,636	160,960	138,829
Current assets			
Properties under development	409	3,189	2,280
Properties held for sale	191	1,493	1,870
Other assets held for sale	306	2,388	298
Inventories	1,811	14,125	11,191
Derivative financial instruments	51	401	73
Debtors, accounts receivable, deposits and prepayments	2,084	16,253	14,070
Cash and bank deposits	3,965	30,930	24,558
	8,817	68,779	54,340
Current liabilities			
Bank loans, other loans and overdrafts			
secured	170	1,329	598
unsecured	3,376	26,328	14,629
Creditors, accounts payable, deposits and accruals	3,920	30,577	26,911
Derivative financial instruments	20	159	55
Provision for taxation	194	1,514	936
	7,680	59,907	43,129

Note:

(i) Certain comparative figures for the year ended 31 December 2010 have been adjusted to conform with the current accounting standards.

	As at 31 December		
			As restated[(i)]
	2011	2011	2010
	(US$ million)	(HK$ million)	
Net current assets	1,137	8,872	11,211
Total assets less current liabilities	21,773	169,832	150,040
Non-current liabilities			
Long term borrowings	9,109	71,050	68,456
Deferred tax liabilities	432	3,373	2,569
Derivative financial instruments	609	4,747	2,543
Provisions and deferred income	340	2,649	2,254
	10,490	81,819	75,822
Net assets	11,283	88,013	74,218
Equity			
Share capital	187	1,460	1,459
Perpetual capital securities	763	5,951	—
Reserves	9,289	72,452	65,792
Proposed dividend	140	1,095	1,095
Total ordinary shareholders' funds and perpetual capital securities	10,379	80,958	68,346
Non-controlling interests in equity	904	7,055	5,872
Total equity	11,283	88,013	74,218

Note:

(i) Certain comparative figures for the year ended 31 December 2010 have been adjusted to conform with the current accounting standards.

Risk Factors

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

General Risks Relating to CITIC Pacific's Business

Economic risks

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

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

Competitive markets

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

Laws and regulations

CITIC Pacific's businesses operate primarily under three different systems of law, regulation and business practice: Australia, the PRC and Hong Kong. Each of these systems, and the systems of other places in which branches or offices are located or where sales and purchases are made, have their own characteristics, and may be subject to changes of substance or interpretation that could adversely affect CITIC Pacific's business. These may include tariffs, trade barriers, licences, approvals, health and safety and environmental regulation, emission controls, taxation, exchange controls, employment legislation, and other matters.

For example, the electric power business is subject to price regulation, and if tariffs are not permitted to increase in line with cost increases, CITIC Pacific's results would be adversely affected. See also "*— Risk Factors — Risks Relating to the Special Steel Business — Regulations affecting the special steel business*".

Environmental regulation

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

Large-scale capital intensive business

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

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

Natural disasters or events, terrorism and disease

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

Holding company

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

Under PRC laws, rules and regulations, all of CITIC Pacific's PRC entities which are not Sino-foreign joint ventures are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50% of their respective registered capital, while Sino-foreign joint ventures are required to set aside part of their net profit as reserve at the discretion of their boards of directors.[1] As a result, all of CITIC Pacific's PRC entities are restricted in their ability to transfer a portion of their net income to CITIC Pacific in the form of dividends. Such restricted reserves are not distributable as cash dividends. Any limitation on the ability of CITIC Pacific's subsidiaries, jointly controlled companies or associated companies to pay dividends to CITIC Pacific could limit CITIC Pacific's funding arrangements.

Uninsured risks

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

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

Third party contractors

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

Legal disputes and proceedings

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

Key personnel

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

Financial and internal control risks

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

Credit ratings

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

Changes in PRC taxation and applicability to CITIC Pacific

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

Fluctuations in currency exchange rates

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

Restrictions on currency exchange

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

Risks Relating to the Special Steel Business

Competition

CITIC Pacific competes with other market players on the basis of product quality, responsiveness to customer needs and price. While CITIC Pacific believes that the price and quality of its products are superior to many other manufacturers, some of CITIC Pacific's competitors may be better capitalised, may have more experience or may have deeper ties in the markets in which CITIC Pacific's products are sold. Competition may increase as a whole with the entry of foreign companies into such markets. This may limit CITIC Pacific's opportunities for growth, lead to price pressure and reduce its profitability.

CITIC Pacific may not be able to compete favourably and this increased competition may harm its business, business prospects and results of operations.

Profit margins and raw materials

Save for periods of financial turmoil in 2008, 2009 and late 2011, CITIC Pacific's special steel business has experienced a relatively stable margin between sales and raw material prices due to its ability to pass on changes in raw material costs to customers either directly or through changes in product mix. During 2011, approximately 45% of the iron ore requirements of CITIC Pacific were sourced through supply contracts, but due to market changes, the pricing mechanism of iron ore in such contracts has generally been replaced by monthly or quarterly pricing. There can be no assurance that CITIC Pacific will be able to continue to pass on changes in costs to its customers, and to the extent that future fluctuations in the selling price of special steel products do not correspond to fluctuations in raw material prices, the mismatch could have a material adverse impact on CITIC Pacific's operating results.

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

Electricity and water supplies

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

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

Malfunction of equipment

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

Products

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

Regulations affecting the special steel business

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

CITIC Pacific believes that most of its special steel facilities are substantially in compliance with the requirements of existing environmental protection laws and regulations. It is currently in the process of conducting certain required environmental impact assessments in respect of some of its special steel facilities, and the imposition of the requirement to obtain and satisfy the requirements of an environmental impact assessment could impose significant costs on CITIC Pacific in respect of its existing and any future operations. The requirement to obtain a satisfactory environmental impact assessment could cause significant delays or additional costs to any planned new or expanded operations or to any future upgrades to the plants and other parts of the operations of the special steel business. Failure to comply with the requirements or the results of an environmental impact assessment could give rise to significant fines or penalties, or restrict CITIC Pacific's ability to utilise its infrastructure, plant and machinery. Any of these factors could have a material adverse effect on CITIC Pacific's financial condition and results of operations.

Production capacity and technological improvements

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

Equity interest in steel plants

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

Risks Relating to the Iron Ore Business

New venture

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

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

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

Cost overruns in relation to the Sino Iron Project

CITIC Pacific's original estimates and budgets for the Sino Iron Project have been exceeded. CITIC Pacific agreed to pay additional sums of U.S. $835 million and U.S.$822 million in May 2010 and

December 2011, respectively, to MCC, the contractor for the Sino Iron Project, in respect of additional construction and labour costs. See "*— The CITIC Pacific Group — Material Agreements with MCC*" for more details about the supplemental contracts with MCC. There can be no assurance that there will not be further cost overruns prior to the project coming into operation.

In addition, delays in the completion of parts of the Sino Iron Project have led to certain potential mismatching of contractual delivery schedules and actual requirements for, amongst other things, gas deliveries under an offtake agreement entered into in relation to the Sino Iron Project. CITIC Pacific has concluded negotiation with the counterparty to restructure certain terms of the offtake agreement with the intention of mitigating the impact of this mismatch. In addition, swap agreements have been signed with a third party to optimise the utilisation of the gas delivered before actual requirements. During 2011, CITIC Pacific made further accounting provisions for an estimated loss that it may incur primarily due to a potential mismatch of contracted gas delivery against its requirements at the Sino Iron Project. There can be no assurance that this provision will be sufficient, or that no further substantial provisions will be required in relation to this or other consequences of delays in completion of the Sino Iron Project. Furthermore, although CITIC Pacific continues to monitor its businesses and operations with gas suppliers closely to minimise potential financial exposure, there can be no assurance that CITIC Pacific's rights in relation to the gas offtake, contract or related financing arrangements will not be adversely impacted by the current or any future potential mismatches.

Operating cost pressures and resource shortages

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

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

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

Disputes with contractors

CITIC Pacific relies on contractors and sub-contractors to carry out certain construction activities at the Sino Iron Project. From time to time, disputes with contractors and sub-contractors may arise including, without limitation, disputes as to the quality of the work, timeliness of delivery and incurrence of costs. In late 2010, Sino Iron Pty Ltd. a subsidiary of CITIC Pacific through Sino Iron Holdings Pty Ltd, terminated its Contract with AE&E Australia Pty Ltd ("**AE&E**"), the contractor responsible for construction of the power plant due to failure to comply with certain terms under the construction agreement. Sino Iron Pty Ltd. has since entered into various agreements with separate contractors, many of which were originally contracted through AE&E, to complete construction of the power plant. The dispute with AE&E is currently the subject of arbitration, in which AE&E is claiming damages from Sino Iron Pty Ltd. and Sino Iron Pty Ltd. has filed a defence and counter-claim. There can be no assurance that additional or residual claims will not be brought by AE&E or that Sino Iron Pty Ltd. will be successful in its defence or counter-claim. Furthermore, although CITIC Pacific will engage in dialogue and attempt to resolve disputes with contractors and sub-contractors prior to terminating any contracts and resorting to its legal remedies under those contracts, there can be no assurance that future disputes with contractors and sub-contractors will not occur or that they can be resolved in a manner that is satisfactory to CITIC Pacific. Any such dispute may have a material adverse impact on the results of operations and financial condition of CITIC Pacific.

Iron ore price

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

Native Title Act

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

Australian minerals resource taxes

The Australian government proposes to introduce a Minerals Resource Rent Tax ("**MRRT**") from 1 July 2012 which will apply to iron ore and coal projects, including magnetite projects. In late November 2011, the lower house of the Australian parliament approved the MRRT. The MRRT is likely to be approved by the upper house of the parliament in 2012 and upon such approval, will become law. If the MRRT is applied, the cost of production at the Sino Iron Project could increase.

Clean energy legislation

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

Health and safety

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

Site remediation and rehabilitation costs

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

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

Unexpected natural and operational events

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

Resource estimates of the Sino Iron Project

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

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

Properties of magnetite iron ore

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

Right to mine

The right to mine at the Sino Iron Project is granted under a contractual agreement from Mineralogy Pty Ltd. ("**Mineralogy**"), whose right to mine is derived from the mining leases granted to it under the Mining Act. In the event of a breach by Mineralogy of the mining leases or other tenements, Mineralogy's capacity as a lessor may cease. While CITIC Pacific may be able to negotiate directly with the Western Australian government to obtain the necessary approvals to continue to mine at the Sino Iron Project, this could result in production slow down or stoppage and would have material adverse impact on the operations of the Sino Iron Project and the business, financial condition and results of operations of CITIC Pacific as a whole. Furthermore, in the event of a contractual breach by CITIC Pacific under the project documents, CITIC Pacific's right to mine at the Sino Iron Project may be affected or cease. As a result, CITIC Pacific may be involved in disputes or legal proceedings with Mineralogy. There can be no assurance that such disputes or legal proceedings can be resolved in a manner that is satisfactory to CITIC Pacific. Any of the above may have a material adverse impact on the results of operations and financial conditions of CITIC Pacific.

Risks Relating to the Property Business

Property market in the PRC and Hong Kong

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

Land grant conditions

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

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

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

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

Financing development projects in the PRC

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

Profit margins

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

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

Failure to deliver

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

Construction delays or the failure to complete the construction of a project according to CITIC Pacific's planned specifications, schedule or budget as a result of the above factors may affect CITIC Pacific's results of operations and financial position and may also adversely affect its reputation. CITIC Pacific cannot assure you that it will not experience any significant delays in the completion or delivery of its projects, or that CITIC Pacific will not be subject to any liabilities to its tenants, any purchasers or relevant government authorities for any such delays. Liabilities arising from any delays in the completion or delivery of CITIC Pacific's projects could have a material adverse effect on its business, results of operations and financial position.

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

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

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

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

Restrictions on land usage

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

Rental income

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

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

Hotel Operations

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

Cost increases

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

Risks Relating to Other Businesses

Energy

Electricity tariff costs and output

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

Demand for electric power

The output that each of CITIC Pacific's power plants dispatches is set and controlled by the relevant provincial governmental authorities which itself reflects the demand for power from end-users. Reductions in the amount of power that CITIC Pacific may dispatch to levels below its projections would adversely affect CITIC Pacific's revenue and profit.

Coal supply

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

Coal mining operations

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

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

Performance by joint venture partner

CITIC Pacific has 30% equity share in its joint venture with Xinwen Mining Group Co. Ltd in the Xin Ju Long coal mine. The success of this joint venture depends, in large part, on the satisfactory performance by the joint venture partner of its obligations. Risks associated with joint ventures include the possibility that the joint venture partner may: (i) have conflicting economic or business interests; (ii) take actions contrary to CITIC Pacific's policies or objectives; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; and (iv) experience financial or other difficulties. Any of the foregoing may prevent the joint venture from adequately performing or delivering its contracted services and may have a material adverse effect on the operations or financial condition of CITIC Pacific.

Competition

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

Tunnels

Tunnel revenue

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

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

Dah Chong Hong

Selling arrangements

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

Exposure to Japan

Part of Dah Chong Hong's business is located in, and some of its revenues are therefore derived from, Japan. There remains some uncertainty as to how the effects of the Japanese earthquake and tsunami that began on 11 March 2011 will impact Japan and its economy. Any supply problems caused by the earthquake and tsunami and the effects thereof, any prolonged interruption in business activity in Japan or any economic downturn affecting Japan could have an adverse effect on the business, financial condition and results of Dah Chong Hong, and in turn the contribution of Dah Chong Hong to CITIC Pacific.

CITIC Telecom International

Network reliability

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

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

General Risks

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

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

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

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

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

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

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

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

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

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

Risks relating to the Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes, and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

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

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, with

DTC or lodged with CMU (each of Euroclear, Clearstream, Luxembourg, DTC and CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, CITIC Pacific will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg, to DTC or, as the case may be, to CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. CITIC Pacific has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against CITIC Pacific (including rights to receive principal or interest or to vote) in respect of such Notes.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by CITIC Pacific may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that CITIC Pacific would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, CITIC Pacific may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when CITIC Pacific may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

CITIC Pacific may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual currency notes have features which are different from single currency issues

CITIC Pacific may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

CITIC Pacific may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("**LIBOR**"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that CITIC Pacific may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. CITIC Pacific's ability to convert the interest rate will affect the secondary market and the market value of such Notes since CITIC

Pacific may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If CITIC Pacific converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If CITIC Pacific converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index linked Notes issued

If, in the case of a particular tranche of Notes, the relevant Pricing Supplement specifies that the Notes are index-linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of CITIC Pacific. If the Notes are trading at a discount, investors may not be able as receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the Stock Exchange of Hong Kong Limited, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

CITIC Pacific will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risks Relating to Renminbi-denominated Notes

Notes denominated in RMB ("**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover the whole nation and to make RMB trade and other current account item settlement available in all countries worldwide.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the Renminbi accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of a domestic residence of PRC, such onshore enterprise shall be required to submit the prior relevant Ministry of Commerce's ("**MOFCOM**") approval which shall clearly indicates such RMB transaction to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in RMB shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 12 October 2011, MOFCOM promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的通知) (the "**MOFCOM RMB FDI Circular**"). Pursuant to the MOFCOM RMB FDI Circular, MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions which require the application to be signed by the provincial counterpart of MOFCOM and be submitted to MOFCOM for approval. The MOFCOM RMB FDI Circular also states that the proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC RMB FDI Measures**"), to roll out PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Notice is no longer necessary. The MOFCOM Circular, the PBOC Notice, the MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures, which are new regulations, will be subject to interpretation and application by the relevant PRC authorities. See "*PRC Currency Controls*".

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

Holders of beneficial interests in the Notes denominated in Renminbi may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer 's ability to source Renminbi outside the PRC to service such RMB Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC Central Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The PBOC, the central bank of China, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**RMB Clearing Bank**") to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. As of December 2011, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB588,529 million. In addition, participating banks are also required by the HKMA to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to

RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of its RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes

All payments to investors in respect of RMB Notes will be made solely by (i) when RMB Notes are represented by global certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Terms and Conditions of the Notes

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplements. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 6 April 2011 between the Issuer and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 6 April 2011 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon, London Branch and The Bank of New York Mellon as the initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agents, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar), the "**Exchange Agent(s)**" and the "**Calculation Agent(s)**" (such Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar, Transfer Agent(s) Exchange Agent(s)" and the Calculation Agent(s) being together referred to as the "**Agents**"). For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, 40th Floor, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require) in respect of tax or charges.

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4 Negative Pledge

The Issuer will not, and will not permit any of its Principal Non-Listed Subsidiaries to create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness of the Issuer or such Principal Non-Listed

Subsidiary (or any guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the Notes and the Coupons will be secured either at least equally and rateably with such Indebtedness or by such other Lien as shall have been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, for so long as such Indebtedness shall be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness entered into after the date on which agreement is reached to issue the first Tranche of Notes does not exceed 30 per cent. of the Issuer's Consolidated Net Worth as at such date.

The forgoing restriction will not apply to:

(i) any Lien which is in existence prior to the date on which agreement is reached to issue the first Tranche of Notes and any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount of any such Lien may not be increased);

(ii) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith and by appropriate proceedings;

(iii) any Lien over goods (or any documents relating thereto) arising either in favour of a bank issuing a form of documentary credit in connection with the purchase of such goods or by way of retention of title by the supplier of such goods where such goods are supplied on credit, subject to such retention of title, and in both cases where such goods are acquired in the ordinary course of business;

(iv) any right of set-off or combination of accounts arising in favour of any bank or financial institution as a result of the day-to-day operation of banking arrangements;

(v) any Lien either over any asset acquired after the date on which agreement is reached to issue the first Tranche of Notes which is in existence at the time of such acquisition or in respect of the obligations of any company which becomes a Subsidiary of the Issuer after the date on which agreement is reached to issue the first Tranche of Notes which is in existence at the date on which it becomes a Subsidiary of the Issuer and, in both cases, any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Lien may not be increased); *provided* that any such Lien was not incurred in anticipation of such acquisition or of such company becoming a Subsidiary of the Issuer;

(vi) any Lien over any property or asset acquired or developed after the date on which agreement is reached to issue the first Tranche of Notes, which Lien is created in order to and does secure only the repayment of principal borrowed money (together with interest, fees and other charges attributable thereto) to finance or refinance the acquisition or development of such property or asset;

(vii) any Lien pursuant to any order of attachment, execution, enforcement, distraint or similar legal process arising in connection with other proceedings; *provided* that such process is effectively stayed, discharged or otherwise set aside within 30 days;

(viii) any Lien on assets leased to the Issuer or any of its Principal Non-Listed Subsidiaries under a financial lease which are deemed under any relevant law to be assets of the Issuer or such Principal Non-Listed Subsidiary, as the case may be, or on claims arising from the use of, or damage to, such assets so leased; *provided* that the Lien secures only the amounts payable under such lease or with respect thereto;

(ix) any Lien created or outstanding in favour of the Issuer or any of its Principal Non-Listed Subsidiaries;

(x) easements, rights of way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary course of business of the Issuer and its Principal Non-Listed Subsidiaries; or

(xi) leases, sub-leases, licences and sub-licences granted to third parties in the ordinary course of business.

For the purposes of these Conditions:

"**Consolidated Net Worth**" as at any date means the sum of (a) all amounts paid up (or credited as paid up) on all classes of the Issuer's issued share capital, revenue or capital reserves, capital contributions, or any other accounts that are included as shareholders' funds under HK GAAP as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries and (b) the aggregate principal amount of Subordinated Indebtedness outstanding as at such date;

"**HK GAAP**" means generally accepted accounting principles in Hong Kong from time to time;

"**Indebtedness**" of any Person means, at any date, without duplication (a) all obligations of such Person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (d) all obligations of such Person as lessee which are capitalised in accordance with HK GAAP as in effect at such time; (e) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit of similar instrument; and (f) all Indebtedness of others guaranteed by such Person;

"**Lien**" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency of political subdivision thereof or any other entity;

"**Principal Non-Listed Subsidiary**" means any Principal Subsidiary of the Issuer other than one which is listed on The Stock Exchange of Hong Kong Limited or any other stock exchange, and their respective Subsidiaries;

"**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose turnover or (in the case of a Subsidiary which itself has Subsidiaries) consolidated turnover, as shown by its latest audited profit and loss account is at least 5 per cent. of the consolidated turnover as shown by the latest published audited consolidated profit and loss account of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(b) whose profit after taxation and minority interest ("**after-tax profit**") or (in the case of a Subsidiary which itself has Subsidiaries) consolidated after-tax profit, as shown by its latest audited profit and loss account is at least 5 per cent. of the consolidated after-tax profit as shown by the latest published audited consolidated profit and loss account of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests; or

(d) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a), (b) or (c) above,

provided that, in relation to paragraphs (a), (b) and (c) above:

(1) in the case of a Person becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(2) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, turnover, after-tax profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer;

(3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its turnover, after-tax profit or gross assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(4) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the turnover (or consolidated turnover if the Subsidiary itself has Subsidiaries), after-tax profit (or consolidated after-tax profit if the Subsidiary itself has Subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the turnover (or consolidated turnover if appropriate), after-tax profit (or consolidated after-tax profit if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which either (x) Liens are created or existing other than as permitted by paragraphs (i) or (xi) above or (y) any of the events referred to in Condition 10 has occurred since the date on which agreement is reached to issue the first Tranche of Notes, exceeds 5 per cent. of the consolidated turnover, consolidated after-tax profit or consolidated gross assets of the Issuer and its Subsidiaries.

"**Subordinated Indebtedness**" means Indebtedness of the Issuer (including perpetual debt, which the Issuer is not required to repay) which (i) has a final maturity and a weighted average life to maturity longer than the maturity of the Notes and (ii) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the Notes including (x) a provision that in the event of bankruptcy, insolvency or other similar proceeding in respect of the Issuer, the Noteholders shall be entitled to receive payment in full in cash of all principal, interest or other amounts on the Notes (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (y) a provision that if an Event of Default (as defined in Condition 10) has occurred the holder or holders of such Subordinated Indebtedness shall not be entitled to payment of any principal, interest, premium or other amounts in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (z) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default thereto so long as any Note is outstanding; and

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

5 **Interest and other Calculations**

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference

Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iii) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the

Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(m), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall appoint an agent on its behalf to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(vii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) **Calculation Agents:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(m) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it, and an opinion of independent legal or tax advisors of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled without further enquiry to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) **Purchases:** The Issuer and its Subsidiaries as defined in the Trust Deed may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this paragraph, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this paragraph, "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Issuing and Paying Agents, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents, any Exchange Agent appointed under the Agency Agreement and the Calculation Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, any Exchange Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Agency Agreement, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

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

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), the Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required), in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

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

(b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day or

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

(d) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured and/or pre-funded by the Noteholders or by a third party on their behalf to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(i) **Non-Payment:** the Issuer fails to pay any amount of principal in respect of any of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of any of the Notes within 14 days of the due date for the payment thereof or

(ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 45 days after notice of such default shall have been given to the Issuer by the Trustee or

(iii) **Cross-Default:** (A) any other present or future Indebtedness of the Issuer or any of its Principal Subsidiaries (as defined in Condition 4) becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds U.S.$30,000,000 or its equivalent (as reasonably determined by the Trustee) or

(iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 30 days or

(v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) or

(vi) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries or

(vii) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Principal Subsidiaries or

(viii) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of England and Wales is not taken, fulfilled or done or

(ix) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or

(x) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs;

Provided that in the case of Condition 10(ii) and, in relation only to a Principal Subsidiary, Condition 10(iv), 10(v) and 10(x), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interest of the Noteholders.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

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

(c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require and subject to the Trustee obtaining approval by way of an Extraordinary Resolution of the Noteholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. No Noteholder, Couponholder or Receiptholder shall, in connection with any such substitution be entitled to claim any indemnification or payment in respect of any tax consequence thereof to such Noteholder, Couponholder or Receiptholder except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

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

12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

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

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

14 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

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

16 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg, DTC or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

18 Contracts (Rights of Third Parties) Act 1999

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

19 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

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

(c) **Service of Process:** The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

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

Summary of Provisions Relating to the Notes While in Global Form

1 Initial Issue of Notes

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Bearer Global Note or for Definitive Notes is improperly withheld or refused.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

(a) Unrestricted Global Certificates

If the Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) in whole or in part with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(b) Restricted Global Certificates

If the Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC or Euroclear and Clearstream, Luxembourg or the CMU. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of that clearing system, but will limit the circumstances in which the Notes may be withdrawn from that clearing system. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole, but not in part, if the Notes are held on behalf of Euroclear or Clearstream, Luxembourg or CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(iii) in whole or in part, with the Issuer's consent,

provided that, in either case, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in "Transfer Restrictions".

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for enfacement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which enfacement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**business day**" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) at the close of business on the Clearing System Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

4.2 **Prescription**

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 **Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the register of the certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.5 **Purchase**

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU, DTC or any other clearing system (as the case may be).

4.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of

Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

4.8 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee or sub-custodian for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.9 Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg, DTC or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

5 Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

Use of Proceeds

The net proceeds of any Notes issued under the Programme shall be used for the general corporate purposes of the Group including, without limitation, refinancing of indebtedness of the Group or as may otherwise be disclosed in the relevant Pricing Supplement.

Capitalisation and Indebtedness

Capitalisation of the Group

The following table sets out the consolidated capitalisation of the Group as derived from its audited consolidated financial statements as at 31 December 2011. The table should be read in conjunction with the Group's audited consolidated financial statements as at 31 December 2011 and the notes thereto:

	As at 31 December 2011	
	(US$ million)	**(HK$ million)**
Short term borrowings		
Bank loans	1,099	8,572
Other loans	24	189
Current portion of long term borrowings	2,423	18,896
Total short term borrowing	3,546	27,657
Long term borrowings		
Bank loans	10,644	83,024
Other loans	888	6,922
Less: current portion of long term borrowings	(2,423)	(18,896)
Total long-term borrowings	9,109	71,050
Total borrowings	12,655	98,707
Equity		
Share capital	187	1,460
Perpetual capital securities	763	5,951
Reserves	9,289	72,452
Proposed dividend	140	1,095
Non-controlling interests in equity	904	7,055
Total Equity	11,283	88,013
Total capitalisation[(v)]	23,938	186,720

Notes:

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

(ii) As at 31 December 2011, certain of the Group's inventories, deposits, accounts receivable, properties under development, leasehold land and self-use properties with an aggregate carrying value of HK$1.7 billion were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$53 billion of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$1.3 billion. Shipbuilding contracts of HK$3.4 billion for the eight ships being built and four completed ships with carrying value of HK$1.8 billion to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$59.9 billion.

(iii) Bank loans of the Group and the Company not wholly repayable within five years amounted to HK$39.9 billion and HK$6.5 billion respectively. Other loans of the Group and the Company not wholly repayable within five years amounted to HK$5.1 billion and HK$5.1 billion respectively.

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

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

Save as indicated above, there has been no material change in the capitalisation of the Group since 31 December 2011.

The CITIC Pacific Group

Strategy

CITIC Pacific is a company with multiple businesses focused on a limited number of core industries, and it expects to remain so in the coming years. CITIC Pacific operates three major businesses: the manufacture of special steel, the development of an iron ore mine, and development of property in the PRC. Together, these businesses represented 71 per cent. of the CITIC Pacific Group's assets at 31 December 2011, and are the destination of the CITIC Pacific Group's current and planned capital expenditure. CITIC Pacific may consider investments if such investments have synergies with, or supplement and enhance the value of the CITIC Pacific Group's businesses.

For the years ended 31 December 2010 and 31 December 2011, cash inflow from non-business operations amounted to HK$8 billion and HK$6 billion, respectively.

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

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

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

- CITIC Pacific plans to grow its special steel business organically in its existing two locations.

- CITIC Pacific also plans to upgrade product quality and to develop new products. Traditionally, the different grades of steel have been delivered to customers as bars. New production lines have enabled the production of seamless steel pipes, 3.5 metre and 4.5 metre flat plates.

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

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

Corporate Background

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

As at the close of business on 31 December 2011, CITIC Pacific had a market capitalisation of approximately HK$51 billion and is a constituent stock of the Hang Seng Index. As at 31 December 2011, CITIC Pacific had an authorised share capital of HK$2,400 million divided into 6,000 million shares with a nominal value of HK$0.4 each, of which 3,649,444,160 shares had been issued and are fully paid up. Its registered office is at 32/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

As at 31 December 2011, approximately 54 per cent. of the CITIC Pacific Group's assets were in the PRC, 16 per cent. were in Hong Kong and 29 per cent. were in Australia.

Main Businesses

CITIC Pacific's three main businesses are:

Special Steel

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

In 2011, total production of special steel by CITIC Pacific Special Steel was seven million tonnes, 13 per cent. more than that of 2010. The increase was mainly attributable to the addition of new capacity. The contribution of CITIC Pacific's special steel business to the CITIC Pacific Group's total profit contribution[1] for the years ended 31 December 2011 and 31 December 2010 was HK$1,994 million, accounting for 21 per cent. of the CITIC Pacific Group's total profit contribution and HK$2,102 million, accounting for 22 per cent. of the CITIC Pacific Group's total profit contribution, respectively. The HK$1,994 million profit contribution for the year ended 31 December 2011 included a HK$342 million loss due to the closure of two small blast furnaces and one electric arc furnace in Xin Yegang in an effort to eliminate outdated facilities. Excluding this loss, profit contribution from CITIC Pacific's steel plants for the year ended 31 December 2011 was 11 per cent. higher than in 2010. The assets of CITIC Pacific's special steel business represented 24 per cent. of the CITIC Pacific Group's total assets as at 31 December 2011, compared to 25 per cent. as at 31 December 2010.

Iron Ore Mining

CITIC Pacific, via its subsidiary Sino Iron Holdings Pty Ltd ("**Sino Iron**"), owns 100 per cent. of the Sino Iron Project. The Sino Iron Project is a magnetite iron ore mine located at Cape Preston, 100 kilometres southwest of Karratha in Western Australia's Pilbara region. The magnetite iron ore mine is currently under construction and development. Significant progress was made in 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.

1 The CITIC Pacific Group's total profit contribution represents the CITIC Pacific Group's profit attributable to shareholders of CITIC Pacific, excluding corporate general and administrative expenses, gains from leveraged foreign exchange contracts, corporate exchange gains and corporate net finance charges.

The Sino Iron Project was granted major project facilitation status by the Australian federal government in 2006, thus ensuring a timely and efficient approvals process by the government. CITIC Pacific has rights to extract 2,000 million tonnes of resource over 25 years.

The six production lines, when completed, will have an annual design capacity of 24 million tonnes, based on available samples taken from the mine pit. Actual production volume will depend on the characteristics of the rocks being mined. Contractually, no more than 27.6 million tonnes can be exported per annum, although the port is able to handle a greater capacity. CITIC Pacific has options to acquire rights to extract an additional 4,000 million tonnes of magnetite iron ore resources. When CITIC Pacific's iron ore mine in Australia is in full production, it will be able to meet CITIC Pacific's need for high quality concentrates. The iron ore product produced by the Sino Iron Project will not only be used in CITIC Pacific's special steel mills in the PRC, but will also be sold to other steel mills in the PRC.

The assets of the CITIC Pacific Group's iron ore mining business accounted for 29 per cent. of the CITIC Pacific Group's total assets as at 31 December 2011, compared to 28 per cent. as at 31 December 2010.

Property

The CITIC Pacific Group's property business focuses on developing medium and large-scale projects in prime locations such as Shanghai and major cities in the Yangtze River Delta area as well as Shenzhou Peninsula on Hainan Island. Total gross floor area ("**GFA**") of the CITIC Pacific Group's PRC development properties was approximately 3.57 million square metres as at 31 January 2012.

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

In 2011, the PRC government implemented a number of measures to moderate the rapid rise in property prices, including home purchase restrictions, increases in mortgage rates and down payment requirements, and property tax on new residences. Sales of CITIC Pacific's residential projects were also affected as a result.

2011 was a year of rapid development for the CITIC Pacific Group's commercial and office properties. The market saw strong demand for high-quality office building in prime locations, in terms of both sales and rentals. This demand was reflected in increased transactions, property prices and occupancy rates. CITIC Square, located on a prime site in Puxi, enjoyed an occupancy rate of over 98% at the end of last year.

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

The profit contribution of the CITIC Pacific Group's PRC property business to the CITIC Pacific Group for the years ended 31 December 2011 and 31 December 2010 was HK$2,160 million, accounting for 22 per cent. of the CITIC Pacific Group's total profit contribution and HK$583 million, accounting for 6 per cent. of the CITIC Pacific Group's total profit contribution, respectively. As at 31 December 2011, the assets of the PRC property business represented 18 per cent. of the total assets of the CITIC Pacific Group, compared to 19 per cent. as at 31 December 2010.

Other Businesses

The CITIC Pacific Group has an interest in a number of power stations and a coal mine in the PRC. It has the majority equity ownership in the Ligang power plant in Jiangsu, minority equity interests in the Hanfeng power plant in Hebei, the Huaibei power plant in Anhui, the Hohhot power plant in Inner Mongolia and the Chenming power plant in Shandong and a 30 per cent. equity interest in the Xin Ju Long coal mine in Shandong. The Xin Ju Long coal mine has a raw coal design production capacity of 6 million tonnes per annum which products include high quality coking coal and thermal coal. As at 31 December 2011, the power generating capacity attributable to the CITIC Pacific Group was approximately 3,118.75MW. The energy segment's profit contribution to the CITIC Pacific Group for the year ended 31 December 2011 was HK$1,384 million (excluding the gain on disposal of Zhengzhou power plant of HK$204 million, accounting for 14 per cent. of the CITIC Pacific Group's total profit contribution, against HK$1,045 million for the year ended 31 December 2010 (excluding the gain on disposal of North United Power of HK$914 million).

CITIC Pacific owns 56 per cent. of Dah Chong Hong, which is engaged in the distribution of motor vehicles and consumer and food products, as well as logistics business. It has established networks in Hong Kong, Macau and the PRC, and operations in Japan, Singapore, Taiwan and Canada. Dah Chong Hong's profit contribution to the CITIC Pacific Group for the years ended 31 December 2011 and 31 December 2010 was HK$617 million, accounting for 6 per cent. of the CITIC Pacific Group's total profit contribution and HK$775 million, accounting for 8 per cent. of the CITIC Pacific Group's total profit contribution, respectively. Dah Chong Hong is listed on the Hong Kong Stock Exchange.

The CITIC Pacific Group owns 60.6 per cent. of CITIC Telecom, which is a hub-based telecommunications service provider of voice, SMS, mobile VAS and data services. CITIC Telecom's key markets are the PRC and Hong Kong. CITIC Telecom's profit contribution to the CITIC Pacific Group for the years ended 31 December 2011 and 31 December 2010 was HK$299 million, accounting for 3 per cent. of the CITIC Pacific Group's total profit contribution and HK$248 million, accounting for 3 per cent. of the CITIC Pacific Group's total profit contribution, respectively. CITIC Telecom is listed on the Hong Kong Stock Exchange.

The CITIC Pacific Group has investment properties in Hong Kong including CITIC Tower, in which it has a 40 per cent. interest and DCH Commercial Centre, in which it has a 100 per cent. interest. The CITIC Pacific Group also owns 50 per cent. of the Hong Kong Resort Company Limited, developer of Discovery Bay, which is under development in several phases.

The CITIC Pacific Group has a 71 per cent. equity stake in New Hong Kong Tunnel Company Limited, the company which operates and manages the Eastern Harbour Tunnel and a 35 per cent. equity stake in Western Harbour Tunnel Company Limited, the company which operates and manages the Western Harbour Tunnel. These tunnels are two of three tunnels linking the island of Hong Kong to Kowloon. The profit contribution of the CITIC Pacific Group's investment in tunnels for the years ended 31 December 2011 and 31 December 2010 was HK$518 million, accounting for 5 per cent. of the CITIC Pacific Group's total profit contribution and HK$502 million, accounting for 5 per cent. of the CITIC Pacific Group's total profit contribution, respectively. The concession to operate the Eastern Harbour Tunnel expires in 2016 and that of the Western Harbour Tunnel in 2023.

Relationship with CITIC Group Corporation

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

As a listed company, CITIC Pacific has been managed independently of its shareholders in accordance with best corporate practice through a board of directors (the "**Board**") currently of 13 directors, the majority of whom are not associated with CITIC Group Corporation.

As at the date of this Offering Circular, the directors of CITIC Pacific are Chang Zhenming (Chairman), Zhang Jijing, (Managing Director), Carl Yung Ming Jie (Deputy Managing Director), Vernon Francis Moore (Group Finance Director), Liu Jifu (Executive Director), Milton Law Ming To (Executive Director), Kwok Man Leung (Executive Director), Alexander Reid Hamilton (Independent Non-executive Director), André Desmarais (Non-executive Director), Ju Weimin (Non-executive Director), Yin Ke (Non-executive Director), Gregory Lynn Curl (Independent Non-executive Director), Francis Siu Wai Keung (Independent Non-executive Director) and Peter Kruyt (Alternate Director to André Desmarais).

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

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

Competitive Strengths

The key competitive strengths of CITIC Pacific are:

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

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

  Given the highly customised nature of its business, the CITIC Pacific Group has been able to attract and retain its customers and established a reputation for producing high quality products. Approximately 73 per cent. of total sales by value in 2011 were sold directly to end users. Many of the CITIC Pacific Group's customers are affiliated with, or supply companies such as SAIC Group, GM, Toyota, Honda, Hyundai, Volkswagen, Volvo, Caterpillar, Delphi and SKF.

  The CITIC Pacific Group's products cater primarily for the PRC market. In 2011, exports represented only 13 per cent. of total sales of the CITIC Pacific Group's special steel business.

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

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

  When the Sino Iron Project reaches full production capacity, Sino Iron will be the largest producer of magnetite concentrate in Australia. CITIC Pacific has options to acquire rights to extract an additional 4,000 million tonnes of magnetite iron ore resources and could increase its annual magnetite concentrate production if the reserves are proved and with the installation of additional equipment. The iron ore product produced by the Sino Iron Project will not only be used in CITIC Pacific's special steel mills in the PRC, but will also be sold to third party steel mills in the PRC.

- ***Vertical integration***

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

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

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

  CITIC Pacific has a high quality land bank of approximately 3.57 million square metres of GFA, concentrated in cities in the Yangtze River Delta and on Hainan Island, the development of which will extend through 2018.

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

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

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

  The CITIC Pacific Group's reported earnings before interest, tax, depreciation and amortisation have remained relatively stable (excluding one-time extraordinary gains and charges) for the five years ended 31 December 2011. Its liquidity position has improved by a continuous program of securing new committed credit facilities and extending maturities. As of 31 December 2011, the CITIC Pacific Group had HK$31 billion in cash balances and HK$15 billion of undrawn committed bilateral and syndicated credit facilities.

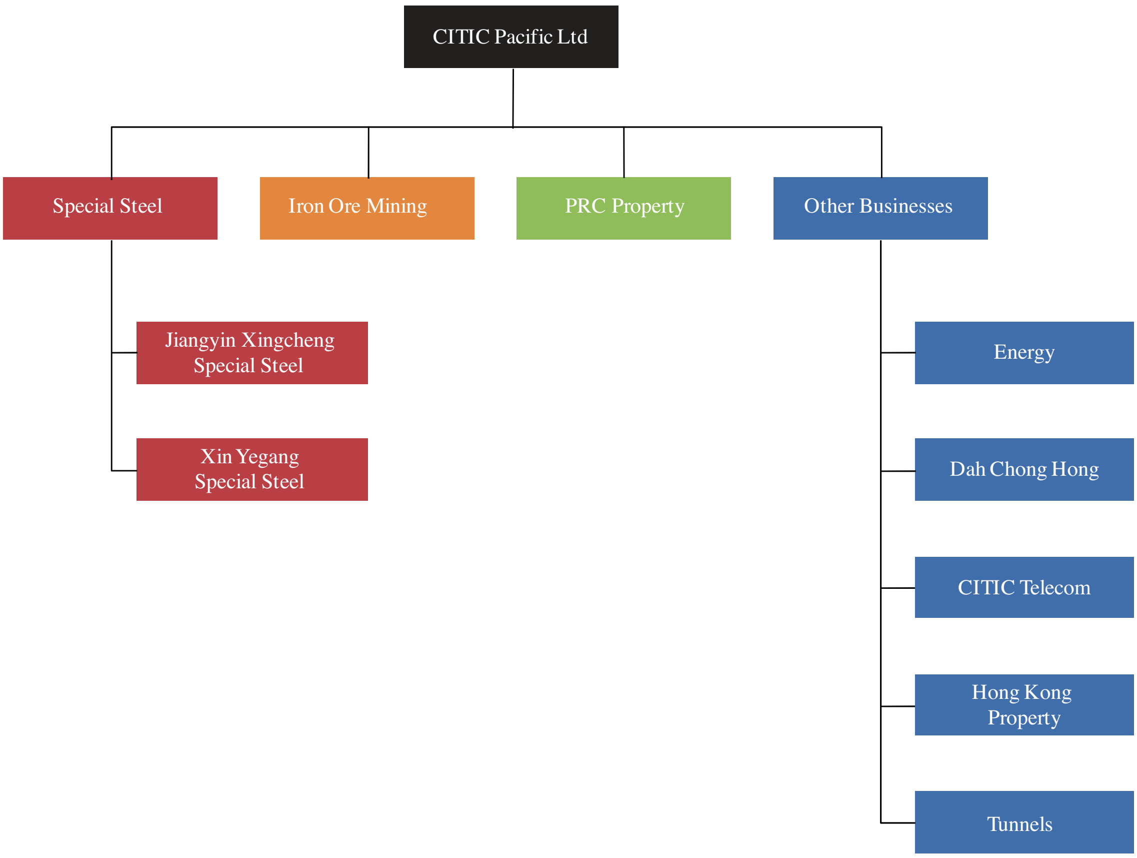
- ***Experienced management team***

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

  The other executive directors have been with the CITIC Pacific Group for between 11 and 24 years, and many employees have long service records with the CITIC Pacific Group. The special steel business is led by executives who have been with the CITIC Pacific Group as long as 17 years, and many employees have been with the CITIC Pacific Group for long periods. The Sino Iron Project is managed by executives with extensive experience of large scale construction projects — including with experience at CITIC Construction, a subsidiary of CITIC Group Corporation — and mining operations. In other business segments, the CITIC Pacific Group's senior executives have extensive experience and expertise in their fields.

Organisation

Set forth below is an organisation of the businesses of CITIC Pacific as of 31 December 2011.



Special Steel

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

Special steel refers to steel that has added special qualities such as hardness, flexibility, heat resistance, anti-corrosion or anti-fatigue properties. CITIC Pacific's special steel is mostly supplied in bars, but special seamless tubes, wires and special medium-heavy plates are also supplied. In 2011, approximately 55 per cent. of the products of the CITIC Pacific Group's special steel business were bar steel, 16 per cent. were plates, 9 per cent. were seamless tubes and 3 per cent. were wire steel. These were sold to manufacturers of bearings, gears and springs, power stations and oil facilities. The remaining 17 per cent. were billets and forging steel.

In the first six months of 2011, the market for steel and special steel was firm, followed by weakness in the second half of 2011, particularly the last quarter of the year. In the first six months of 2011, the domestic market in the PRC was driven by solid demand from sectors such as automobiles, infrastructure, construction of social housing, oil and shipbuilding as well as by the high cost of raw materials, as a result of which, the price of special steel products also increased. In the second six months of the year, the PRC government's policy on restricting purchases of properties and monetary tightening began to impact the steel market. Investments in some of special steel's downstream industries such as railway and infrastructure slowed which led to a decline in demand for steel products.

In the export market, the special steel sector performed better than the general steel sector. In the first nine months of 2011, global economic recovery led to increased demand for special steel products. As a result, both export volume and product price increased. Beginning in the fourth quarter, market demand was weakened by significant dislocations and liquidity disruptions in the credit of the United States and European Union. This resulted in monthly export volume in the fourth quarter dropping to approximately the same level as at the beginning of 2011.

For the year ended 31 December 2011, export volume of the CITIC Pacific Group's special steel business rose to 13 per cent. from 10 per cent. in 2010 and prices for CITIC Pacific's special steel products saw an increase of 14 per cent. from 2010.

For the year ended 31 December 2011, the CITIC Pacific Group's special steel business contributed HK$1,994 million, accounting for approximately 21 per cent. of the CITIC Pacific Group's total profit contribution and when excluding an impairment loss of HK$342 million, represents an increase of 11 per cent. compared to the contribution of HK$2,102 million for the year ended 31 December 2010. Turnover for the year ended 31 December 2011 was HK$44,043 million compared to HK$30,478 million for the year ended 31 December 2010, an increase of 45 per cent.

The special steel business accounted for approximately 24 per cent. of the CITIC Pacific Group's total assets at 31 December 2011 with asset values of HK$56,273 million compared to 25 per cent. and HK$48,351 million as at 31 December 2010.

Production and sales

In 2011, total production of special steel by CITIC Pacific Special Steel was seven million tonnes, 13 per cent. more than that of 2010. Sales volume was approximately the same amount. This is because CITIC Pacific's plants normally only produce products based on customer orders. In 2011, the established bar and wire production lines were running at close to full capacity, utilisation rate of seamless steel tube facilities was approximately 57 per cent. and utilisation rate of plate lines was approximately 51 per cent.

CITIC Pacific Special Steel embarked on an expansion programme approximately four years ago with the construction of a 3,200 cubic metre blast furnace, two 150-tonne converters and two special steel plate lines at Xingcheng Special Steel. The addition of the two lines provides another three million tonnes of special steel production capacity to the plant per annum and broadens Xingcheng Special Steel's existing product portfolio.

At Xin Yegang, a 1,780m^3 blast furnace and a 120-tonne capacity converter were completed in 2011, adding 1.1 million tonnes of steel making capacity to the plant and bringing its total annual special steel production capacity to three million tonnes.

The following table sets out the key products in the special steel segment and CITIC Pacific's market share for the years ended 31 December 2011 and 31 December 2010, respectively and sales volumes for the year ended 31 December 2011:

	Sales ('000 tonnes)*	Market share	
Product	**2011**	**2011**	**2010**
Gear steel	920	32%	32%
Bearing steel	840	26%	29%
Alloy spring steel	330	20%	23%
Alloy structural steel	1,700	15%	19%

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

For the year ended 31 December 2011, the CITIC Pacific Group's total production of special steel was approximately seven million tonnes compared to approximately 6.6 million tonnes for the year ended 31 December 2010 while total sales for the year ended 31 December 2011 were approximately seven million tonnes as against approximately 6.6 million tonnes for the year ended 31 December 2010.

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

	Sales ('000 tonnes)*	% of total sales	
Industry	**2011**	**2011**	**2010**
Auto components	2,020	30%	34%
Machinery manufacturing	1,530	22%	17%
Shipbuilding	950	14%	11%
Power generation	900	13%	10%
Oil and petrochemical	620	9%	10%
Metal works	390	6%	9%
Railway	140	2%	3%
Others	300	4%	6%
Total	**6,850**	**100%**	**100%**

* *Does not include Shijiazhuang Steel.*

Customers

CITIC Pacific Special Steel's primary market is the PRC, where it had approximately 2,900 customers in 2011 compared with 2,800 customers in 2010. The increase in the number of customers was primarily driven by the development of new markets for steel plates. In 2011, CITIC Pacific Special Steel's top ten customers accounted for approximately 18 per cent. of sales revenue.

In 2011, 73 per cent. of CITIC Pacific Special Steel's products were sold directly to end-users, a major characteristic of its business. This provides more stability in terms of both volume and the price of products. It also enables CITIC Pacific Special Steel to better understand the needs of its customers and the market. Many of CITIC Pacific's customers are producers affiliated with or contracted to manufacturers in the automotive, machinery manufacturing, oil and petrochemical industries. End users include Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and SKF.

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

The automotive components industry remains an important segment of CITIC Pacific's special steel business. In 2011, 30 per cent. of CITIC Pacific Special Steel's products were sold to automotive component manufacturers, compared with 34 per cent. in 2010. The change was due to the commencement of steel plate production lines which led to an increase in sales volume of shipbuilding plates and structural plates. In 2012, with two special steel plate lines in regular production, CITIC Pacific expects to develop new markets and expand into supplying the shipbuilding, machinery manufacturing, petrochemical and other specialised industries.

Raw materials

The following table sets out the major raw materials used by the CITIC Pacific Group in its special steel business by tonnage used and percentage of total raw material cost in each case for the year ended 31 December 2011:

	2011	
Type	**('000 tonnes)**	**% of raw material costs**
Iron ore	9,500	32
Scrap steel	1,610	14
Coke	1,400	8
Alloy	270	11
Coal	4,330	16
Total	**17,110**	**81**

Of the total 9.5 million tonnes of iron ore purchased in 2011, approximately 45 per cent. was sourced through supply contracts. The balance was purchased on the spot market.

Operations

Xingcheng Special Steel

Owned by CITIC Pacific since November 1993, Xingcheng Special Steel is located in Jiangsu Province in the eastern part of the PRC and is a leading manufacturer of special steel in the country. Total annual steel producing capacity reached six million tonnes by the end of 2011. Its main products include bearing steel, gear steel, spring steel and special steel plates. They are used in industries such as automotive components, machinery manufacturing, energy and shipbuilding. End customers include Toyota, Honda, General Motors, Volkswagen and Citroen. Xingcheng Special Steel is also the first and only plant in the world capable of producing casting round tube billet with a diameter of 1,000mm for use in machinery manufacturing.

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

Xin Yegang Steel (Xin Yegang)

At the end of 2011, Xin Yegang had an annual special steel production capacity of three million tonnes, including the capacity of Daye Special Steel Co., Ltd., an A-share listed company in which CITIC Pacific indirectly holds a 58 per cent. interest. Xin Yegang's products include bearing steel, gear steel, carbon structural steel, tool and die steel, anchor and mooring chain steel, high pressure boiler tube and seamless steel tubes. These products are used in the aviation, aerospace, petrochemical, engineering machinery, auto, military and new energy sectors.

A quick forging machine and ring-rolled machine were put in place in 2011, adding 50,000 tonnes of capacity to produce high-end forging products, taking total forging capability to 100,000 tonnes a year.

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

Iron Ore Mining

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

The Sino Iron Project is being developed by CITIC Pacific Mining Management Pty Ltd ("**CITIC Pacific Mining**"), a wholly-owned subsidiary of CITIC Pacific. It is located at Cape Preston, 100 kilometres southwest of Karratha on the coast of Western Australia's North Western region of the Pilbara and will be the largest producer of magnetite iron ore in Australia when in full production. The magnetite iron ore mine is currently under construction and development. Significant progress was made in 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. The production targets for the first and second production lines are 31 August and 31 December 2012, respectively. Once the Sino Iron Project is in full production, it will provide CITIC Pacific's two special steel mills reliable access to this important raw material which accounted for 32 per cent. of the CITIC Pacific Group's total special steel raw material costs for the year ended 31 December 2011. In 2011, CITIC Pacific's special steel segment purchased 9.5 million tonnes of iron ore of which 55 per cent. were sourced from the spot market.

As at 31 December 2011, iron ore mining accounted for approximately 29 per cent. of the CITIC Pacific Group's total assets with asset values of HK$66,997 million compared to 28 per cent. and HK$53,397 million as at 31 December 2010.

Mineral Resource Estimate

The Sino Iron Project was granted major project facilitation status by the Australian federal government in 2006. CITIC Pacific has rights to extract two billion tonnes of magnetite resources from its mine at Cape Preston, which has a mine life of 25 years. There will be six production lines with a total designed production capacity of 24 million tonnes a year. Actual production volume will depend on the characteristics of the rocks being mined. Contractually, no more than 27.6 million tonnes can be exported annually, although the port is able to handle a greater capacity. CITIC Pacific also has rights to acquire rights to mine an additional four billion tonnes of magnetite resource.

The latest mineral resource estimation has identified resources in excess of two billion tonnes.

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

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

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

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

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

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

Material Agreements with MCC

Agreements relating to the construction of Sino Iron Project

On 24 January 2007, Sino Iron entered into a general construction contract (the "**General Construction Contract**") with MCC for the construction of the Sino Iron Project. Pursuant to the General Construction Contract, MCC is responsible for the procurement of mining equipment, design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities (the "**Works**") at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works was capped and no increase to the contract sum could be made unless otherwise agreed by both parties.

On 20 August 2007, Sino Iron entered into supplemental agreements with MCC in relation to, amongst other things, the adjustment to the scope of the works to be conducted by MCC to extend to the second 1 billion tonnes of iron ore to be extracted. The contract sum was revised to US$1,750 million (approximately HK$13,650 million).

On 11 May 2010, Sino Iron and MCC entered into a supplemental contract to increase the contract sum by an additional US$835 million to US$2,585 million due to the changes in the cost structure of the industry.

On 15 July 2011, CITIC Pacific announced that MCC had put forward a proposal for an additional payment of approximately US$900 million, part of which they claimed to be due to design and scope of work changes made by the CITIC Pacific Group. On 30 December 2011, Sino Iron entered into a supplemental agreement with MCC pursuant to which Sino Iron would pay an additional US$822 million to MCC for the completion of the first two production lines and the common facilities for the whole six production lines of the Sino Iron Project. The contract sum was revised from US$2,585 million to US$3,407 million. MCC has committed that the first and second production lines commence production by 31 August 2012 and 31 December 2012, respectively. MCC's liabilities and obligations under the General Construction Contract remain unchanged for the remaining four production lines.

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

Sale and Purchase Agreement

On 20 August 2007, a wholly owned subsidiary of CITIC Pacific and MCC entered into an agreement for MCC to purchase 20% of Sino Iron for a consideration equivalent to 20% of all the funds provided to Sino Iron by CITIC Pacific for the development of the iron ore project up to the date of completion, plus interest. As at 31 December 2011, the CITIC Pacific Group received a deposit of HK$2,130 million (31 December 2010: HK$2,130 million) from MCC for the sale of 20% interest in Sino Iron which had not been completed as at 31 December 2011.

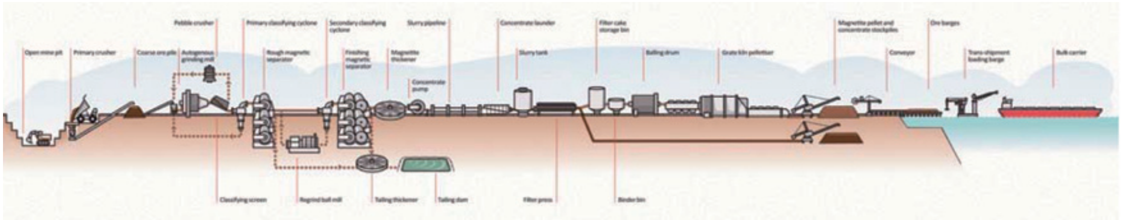
Approvals

In December 2009, the project obtained approval under the Western Australian Government's *Environmental Protection Act and Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act* to build a port and expand the project to export concentrate product. All major government, environmental and heritage approvals for the construction and operation of the Sino Iron Project were in place as at 31 December 2011.

Key processes

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

Magnetite process flowchart



Progress at a glance

Mining

More than 130 million tonnes of waste and magnetite has been removed from the mine pit and approximately 830,000 tonnes of magnetite ore has been stockpiled.

Processing

<u>Crushing & conveyor</u>

No-load testing on the first crusher has been completed. The second crusher is being installed while the third and fourth crushers are being assembled.

One of the two conveyor corridors to be used for the first production line has been installed and is undergoing commissioning preparation. The other is currently being installed.

<u>Concentrator</u>

All major equipment for the first production line has been installed, including an autogenous grinding mill, ball mill, classifying cyclones, magnetic separators and thickener. Commissioning preparation for the first production line is underway.

For the second production line, construction of the steel structure and the mechanical installation are in progress.

<u>Slurry and water pipelines</u>

All slurry and water pipelines have been installed and have completed their hydro test.

<u>Dewatering plant</u>

First of four filter buildings including seven pressure filters has been completed while piping and electrical connection of the filter feed tanks is underway.

Civil works and structure for the second to fourth filter banks are completed. Mechanical and piping installation for the dewatering plant is in progress.

<u>Product stockpile</u>

Stackers and reclaimers have been installed and commissioning preparation is underway.

Tailings storage facility

Construction of the first tailings dam and part of the tailings pipeline hydro test have been completed.

Power station and gas pipeline

Five of the gas turbines are now ready to supply power while the gas pipeline is already in operation.

Desalination plant

The east section of the desalination plant is completed, substantially commissioned and awaiting high voltage power to supply water. The construction of the west section is on-going.

Port

Construction of the port has been completed. The barge loader and conveyor are under commissioning preparation and all transshipment facilities for the first production line have arrived.

The first seven of the 12 ships have been delivered while the rest are expected to be delivered by September 2012.

Construction progress

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

Mine pit

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

Equipped with some of the world's largest and most powerful machines, the mining team has removed over 130 million tonnes of material from the pit in order to access the magnetite ore body. Sufficient magnetite iron ore has already been stockpiled for commissioning and initial production.

Crushers

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

These are some of the largest in-pit crushers in Australia. The crushed ore is transported by conveyors to the coarse ore stockpile before going into the autogenous grinding mill in the concentrator area. Testing of the first crusher has been completed, and the second crusher is being installed. Two large conveyors are being constructed to transport crushed ore to the concentrator area. The first conveyor is completed, and the second is being constructed.

Concentrator

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

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

Crushed ore first goes into the autogenous grinding mill and the ball mill, where water is added to the grinding and separating process. The mills grind the crushed ore into a fine size, which then goes into classifying cyclones and magnetic separators to separate out the magnetite concentrate and further, into the concentrate thickener for thickening before being pumped into the dewatering plant. Preparation for the commissioning of the first production line and the processing equipment is underway with production scheduled for the end of August 2012.

For the second production line, construction of the steel structure and mechanical installation are in progress for the second production line. Production is expected to commence by 31 December 2012.

Slurry and water pipelines

Length:	29.4km

After magnetite ore is processed into fine concentrate, it is pumped into the dewatering plant through the slurry pipeline. In addition to the slurry pipeline, one pipe supplies desalinated water to the concentrator plant, and another pipe transports the water recovered from the dewatering of the slurry to the concentrator for reuse. The three pipelines have been completed and tested.

Dewatering plant

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

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

Port stockyard

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

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

Tailings storage facility

First dam capacity:	18.2 million tonnes

The tailings storage facility is for the storage of waste, called *tailings*, from the processing of the magnetite ore. Once separated from the magnetite content of the ore, the tailings are then thickened and pumped to the tailings dam. The first tailings dam and hydro test of pipelines from the concentrator area to the tailing storage facility is completed. The rest of the piping and equipment for the area is being installed.

Port

Breakwater:	2.6km long
Four barges:	deadweight tonnes 15,000-16,000 each
Two tugs:	bollard pull 40 tonnes each
Two transshippers:	maximum capacity of 4,500 tph each
12 ships:	deadweight 115,000 million tonnes each

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

Port construction has been completed and commissioning preparation is underway. The transshipment fleet includes four barges, two tugs and two transshippers. All vessels except the second transshipper, which is expected to come in August 2012, have arrived at the port. The first seven of CITIC Pacific's own fleet of 12 bulk carriers have been delivered and the rest are scheduled to arrive in September 2012.

Power station

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

Sino Iron Project's power station is the first combined cycle, gas-fired power station in the Pilbara. Combined cycle is energy efficient as the system converts waste heat generated from the gas turbines to generate steam, which is then put into the steam turbine to generate more electrical power. Five gas turbines have achieved firing and 20% load testing. The power station is now ready to supply power for the project's commissioning. Gas is being supplied from the offshore Reindeer Gas Field and other providers through the Dampier-to-Bunbury natural gas pipeline, before connecting to Sino Iron's own 14km long pipeline to the power station.

Desalination plant

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

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

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

The east section of the plant is completed, substantially commissioned and awaiting high voltage power to supply water. The construction for the west section is close to completion.

PRC Property

For the year ended 31 December 2011, the CITIC Pacific Group's property business contributed HK$2,572 million, or approximately 26 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$960 million for the year ended 31 December 2010 or approximately 10 per cent. of the CITIC Pacific Group's total profit contribution. This represents a 168 per cent. increase in profit contribution. The CITIC Pacific Group's Hong Kong properties contributed HK$412 million, or approximately four per cent. of the CITIC Pacific Group's total profit contribution and properties in the PRC contributed HK$2,160 million or 22 per cent. of the CITIC Pacific Group's total profit contribution. Turnover for the CITIC Pacific Group's property business for the year ended 31 December 2011 was HK$5,708 million compared to HK$4,049 million for the year ended 31 December 2010, an increase of 41 per cent.

The CITIC Pacific Group's property business accounted for approximately 24 per cent. of the CITIC Pacific Group's total assets as at 31 December 2011 with asset values of HK$54,356 million compared to 26 per cent. and HK$49,903 million, respectively, as at 31 December 2010. The geographical split of these assets by value was 26 per cent. in Hong Kong and 74 per cent. in the PRC as at 31 December 2011. As at 31 December 2010, 25 per cent. of the CITIC Pacific Group's properties by asset value were located in Hong Kong and 75 per cent. were located in the PRC.

Development Properties in the PRC

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

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

CITIC Pacific may co-operate with CITIC Real Estate on future projects. CITIC Real Estate is the property development arm of CITIC Pacific's parent company, CITIC Group Corporation. The two companies will share knowledge, market information and other resources such as the CITIC Pacific Group's sales offices throughout the PRC.

As at 31 January 2012, the total GFA of the CITIC Pacific Group's land bank in the PRC was approximately 3.57 million square metres.

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

Project	Usage	Ownership	Approx. GFA[(1)] (m^2)	Expected completion
Shanghai				
New Westgate Garden Phase II	Residential, retail	100%	137,300	Resettlement in progress
Lu Jia Zui New Financial District Project	Office, hotel, residential, retail	50%	644,900	In phases from 2011 onwards (approx. 202,200 m^2 completed)
Zhujiajiao New Town, Qingpu	Residential, hotel, retail	100%	432,900	In phases from 2009 onwards (approx. 142,300 m^2 completed)
CITIC Plaza Shenhong, Hongkou	Office, retail	100%	53,300	To be completed in 2012
The Centre, Jiading	Office, hotel, residential, retail	100%	445,300	In phases from 2011 onwards (approx. 92,600 m^2 completed)
Jiangsu Province				
Noble Manor, *Yangzhou*	Residential, retail	100%	254,300	In phases from 2008 onwards (approx. 182,600 m^2 completed)
Xingcheng Jinyuan, *Jiangyin*	Retail	70%	18,100	In phases from 2011 onwards (approx. 160,000 m^2 completed)
Hainan Island				
Shenzhou Peninsula, *Wanning*	Hotel, retail, residential	80%-100%[(2)]	1,580,800	In phases from 2011 onwards (approx. 218,400 m^2 completed)
Total			**3,566,900**	

Figures are as of the end of January 2012.

Remarks: (1) *GFA = gross floor area, i.e. the total area of permitted construction above ground, completed GFA was deducted from the above table*

(2) *As per the cooperative agreement, for project companies with ownership less than 100%, the profit after deduction of development cost will be distributed 80:20 between CITIC Pacific and its partner.*

Details of the major development properties are set out below.

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

Site area:	249,400 square metres
Gross floor area:	847,100 square metres
Completed:	202,200 square metres (GFA)
Usage:	Office, retail, hotel and residential
Expected completion:	In phases from 2011 onwards

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

Phase I comprises two Grade A office buildings and a five star hotel with serviced apartments, which will be managed by the Mandarin Oriental Hotel Group. The two office towers have been completed and handed over to China Construction Bank and Agricultural Bank of China to operate as their Shanghai headquarters. Mandarin Oriental Pudong hotel in Shanghai, which will feature 362 guestrooms and 210 serviced apartments, is scheduled to open at the end of 2012. As at January 2012, CITIC Pacific was negotiating with potential buyers for the sale of the entire office buildings in other phases.

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

Site area:	796,800 square metres
Gross floor area:	575,200 square metres
Completed:	142,300 square metres (GFA)
Usage:	Low density residential, retail and hotel
Expected completion:	In phases from 2009 onwards

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

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

In 2011, 170 residential units (17,500 m^2 GFA) were sold with an average selling price of RMB13,400/m^2.

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

Site area:	156,000 square metres
Gross floor area:	537,900 square metres Phase I — approx. 92,600 square metres; other phases — approx. 445,300 square metres
Completed:	92,600 square metres (GFA)
Usage:	Office, retail, hotel and residential
Expected completion:	In phases from 2011 onwards

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

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

In 2011, 155 residential units (17,500 m^2 GFA) had been sold at an average selling price of RMB15,400/m^2.

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

Site area:	328,600 square metres
Gross floor area:	436,900 square metres
Completed:	182,600 square metres (GFA)
Usage:	Residential and retail
Expected completion:	In phases from 2008 onwards

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

In 2011, 329 residential units (46,900 m^2 GFA) had been sold with an average selling price of RMB9,800/m^2.

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

Site area:	6,790,400 square metres
Gross floor area:	1,799,300 square metres
Completed:	218,400 square metres (GFA)
Usage:	Residential, hotel, retail and recreation
Expected completion:	In phases from 2011 onwards

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

The project will also benefit from the newly completed express railway line running along the east coast of Hainan Island connecting the cities of Haikou and Sanya. Railway station at Wanning city located approximately six kilometres from the Shenzhou Peninsula site, improved its accessibility from the international airports of Haikou and Sanya. A new train station will open in 2012, which will be only 5 minutes drive from CITIC Pacific's development.

Two Starwood-managed hotels, the Sheraton and Four Points, commenced operations in August 2011 and January 2012, respectively. The Dunes, a golf course in Shenzhou Peninsula, also opened in 2011.

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

In 2011, 350 apartment units (38,000 m^2 GFA) were sold with an average selling price of RMB16,500/m^2.

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

Phase II

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

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

CITIC Plaza Shenhong, Hongkou, Shanghai (100 per cent. owned)

Site area:	13,300 square metres
Gross floor area:	53,300 square metres
Usage:	Office and retail
Expected completion:	2012

CITIC Plaza Shenhong is situated in central Shanghai above the Sichuan Beilu Metro Station of Metro Line No. 10, which has been in operation since mid-2010. The project, comprising office and retail space with a retail basement connected to the Metro Station, will benefit from the pedestrian flow generated by the metro line and the overall geographical advantages offered by Hongkou. The project includes office and retail space and will be completed in 2012.

Residential projects

Project	Approx. GFA (m^2)	Sales launched	Available for sale (units & GFA)	Sold (up to end January 2012) %=sold/ available	Average selling price (RMB/m^2)
Zhujiajiao New Town project, Qingpu	522,700	In phases from September 2007	1,485 units (170,300 m^2)	1,124 units (123,300 m^2) (72%)	11,000 (apartment) 14,800 (low-rise house)
The Centre, Jiading	213,500	In phases from July 2010	921 units (87,300 m^2)	878 units (81,700 m^2) (94%)	13,600 (apartment)
Noble Manor, Yangzhou	419,200	In phases from September 2007	2,041 units (269,200 m^2)	1,840 units (237,900 m^2) (88%)	7,300 (apartment)
Taihu Jinyuan, Wuxi	228,200	In phases from May 2009	926 units (187,900 m^2)	678 units (133,000 m^2) (71%)	13,900 (apartment) 31,100 (low-rise house)
Shenzhou Peninsula, Wanning	1,427,100	In phases from October 2010	1,102 units (128,600 m^2)	538 units (60,100 m^2) (47%)	16,100 (apartment)
Total	2,810,700		**6,475 units (843,300 m^2)**	5,058 units (636,000 m^2) (75%)	

__Hotel Operations in the PRC__

The CITIC Pacific Group's projects in Zhujiajiao New Town in Qingpu, Lu Jia Zui New Financial District in Shanghai, The Centre in Jiading and Shenzhou Peninsula in Wanning contain hotel operations managed by hotel management companies including the Mandarin Oriental Hotel Group and Starwood Hotels Group. Sheraton Shenzhou Peninsula Resort and Four Points by Sheraton Shenzhou Peninsula commenced operations in August 2011 and January 2012, respectively. Sheraton's performance from September 2011 to January 2012 is satisfactory with an average occupancy rate of 32% and positive operation cash flow.

__Investment Properties in the PRC__

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

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

CITIC Pacific's investment properties in the PRC continue to enjoy steady rental income, with an overall occupancy of approximately 93 per cent. as at 31 December 2011. The main contribution of rental income came from CITIC Square, located on Nanjing Xilu, Shanghai, with an occupancy rate of over 98 per cent.

Other Businesses

__Energy__

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

CITIC Pacific's power plants

					Electricity generated				Heat generated		
Power plant	Location (province)	Installed capacity (MW)	Ownership as at 31 December 2011[2]	Type	Utilisation hours	2011 (m kWh)	2010 (m kWh)	Change	2011 (kGJ)	2010 (kGJ)	Change
Ligang I &II	Jiangsu	1,440	65%	Coal fired	5,592	8,052	8,328	-3.3%	4,442	892	397.98%
& IV	Jiangsu	2,460	71.4%	Coal fired	5,861	14,418	10,887	32.4%	NA	NA	NA
Hanfeng	Hebei	1,320	15%	Coal fired	5,586	7,373	7,303	0.96%	NA	NA	NA
Huaibei	Anhui	640	12.5%	Coal fired	5,073	3,247	3,260	-0.4%	NA	NA	NA
Hohhot	Inner Mongolia	400	35%	Co-generation	4,690	1,876	1,992	-5.8%	2,715	3,336	-18.62%
Chenming	Shandong	18	49%	Co-generation	5,611	101	111	-9.0%	3,307	3,021	9.47%
Total		6,278				35,067	31,881	9.99%	10,464	7,249	44.35%

For the year ended 31 December 2011, the energy segment contributed HK$1,384 million, excluding the gain on disposal of Zhengzhou power plant of HK$204 million, or approximately 14 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$1,045 million for the year ended 31 December 2010 (excluding the gain on disposal of North United Power of HK$914 million).

The energy segment accounted for approximately four per cent. of the CITIC Pacific Group's total assets as at 31 December 2011 with asset values of HK$8,910 million compared to four per cent. and HK$7,840 million as at 31 December 2010.

In 2011, the demand for electricity increased, especially in the first half of the year. Total electricity and heat generated by power plants in which CITIC Pacific has an interest rose 10 per cent. and 44 per cent., respectively, on a year-on-year basis. Although the price of coal rose to comparatively higher levels in 2011 from 2010, CITIC Pacific was able to control the cost of this raw material through effective management.

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

Dah Chong Hong

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

For the year ended 31 December 2011, Dah Chong Hong contributed HK$617 million or approximately 6 per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$775 million for 2010. The results of Dah Chong Hong in 2010 included an exceptional gain on disposal of Shiseido franchise, a jointly controlled entity. Excluding this and other non-operating items, the adjusted net profit of Dah Chong Hong increased by 16% in 2011. Turnover for the year ended 31 December 2011 was HK$46,109 million compared to HK$32,211 million for the year ended 31 December 2010, an increase of 43 per cent.

Dah Chong Hong accounted for approximately 9 per cent. of the CITIC Pacific Group's total assets as at 31 December 2011 with asset values of HK$20,822 million compared to 8 per cent. and HK$14,717 million as at 31 December 2010. Liabilities were HK$12,347 million as at 31 December 2011 compared to HK$7,562 million as at 31 December 2010.

CITIC Telecom International

CITIC Telecom International ("**CITIC Telecom**") is a hub-based telecommunications service provider which is 60.6 per cent. owned by CITIC Pacific. It is listed on the Hong Kong Stock Exchange. CITIC Telecom is one of Asia's leading hub-based service provider. Its main businesses include voice, SMS, mobile VAS, VPN and data services. CITIC Telecom owns and operates an independent telecoms hub that provides interoperability and interconnections services to 596 telecoms operators in 71 countries and regions.

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

For the year ended 31 December 2011, CITIC Telecom contributed HK$299 million or approximately three per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$248 million for the year ended 31 December 2010, a 21 per cent. increase. Turnover for the year ended 31 December 2011 was HK$3,196 million compared to HK$2,966 million for the year ended 31 December 2010, an increase of 8 per cent.

CITIC Telecom accounted for approximately one per cent. of the CITIC Pacific Group's total assets as at 31 December 2011 with asset values of HK$3,354 million compared to two per cent. and HK$3,060 million as at 31 December 2010. Liabilities were HK$1,153 million as at 31 December 2011 compared to HK$1,131 million as at 31 December 2010.

Development Properties in Hong Kong

As at 31 December 2011, the total GFA of the CITIC Pacific Group's properties in Hong Kong was approximately 0.5 million square metres, of which 43 per cent. was development properties and 57 per cent. was investment properties.

Discovery Bay which is 50 per cent. owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. The current development at Yi Pak Bay is located in the northern part of Discovery Bay. The construction of Phase 14 AMALFI (a mid-rise development of approximately 16,000 square metres GFA) was completed at the end of 2011 and will be ready for sale in 2012. Construction of Phase 15 (a low-rise development of approximately 17,000 square metres GFA) is underway, and sale is tentatively planned for 2013. The interior fitting out work of the hotel development (approximately 26,000 square metres GFA) is in progress with schedule to start operation in the fourth quarter of 2012.

The redevelopment project at Kadoorie Hill is located in an exclusive low density residential district covered by extensive greenery and mature trees in Kowloon. Demolition of the existing buildings commenced at the end of 2011. The project will provide approximately 14,200 square metres GFA and is scheduled to complete in 2015.

Investment Properties in Hong Kong

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

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

Tunnels

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

Eastern Harbour Tunnel

The Eastern Harbour Tunnel registered average daily traffic of 69,520 vehicles in 2011, an increase of three per cent. from 2010. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 28 per cent. market share of total traffic in 2011. The franchise to operate the Eastern Harbour Tunnel will expire in 2016.

Western Harbour Tunnel

The Western Harbour Tunnel is a key section of the Route 3 highway connecting Hong Kong Island with the PRC and Chek Lap Kok Airport. In 2011, average daily traffic was 56,950 vehicles, an increase of six per cent. from 2010. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 23 per cent. market share of total traffic in 2011. The concession to operate the Western Harbour tunnel will expire in 2023.

For the year ended 31 December 2011, tunnels contributed HK$518 million or approximately five per cent. of the CITIC Pacific Group's total profit contribution, compared to HK$502 million for the year ended 31 December 2010. This represents a three per cent. increase. Turnover for the year ended 31 December 2011 was HK$797 million compared to HK$775 million for 2010, an increase of three per cent.

The tunnels segment accounted for approximately one per cent. of the CITIC Pacific Group's total assets as at the end of 2011 with asset values of HK$1,977 million compared to HK$1,963 million for the year ended 31 December 2010.

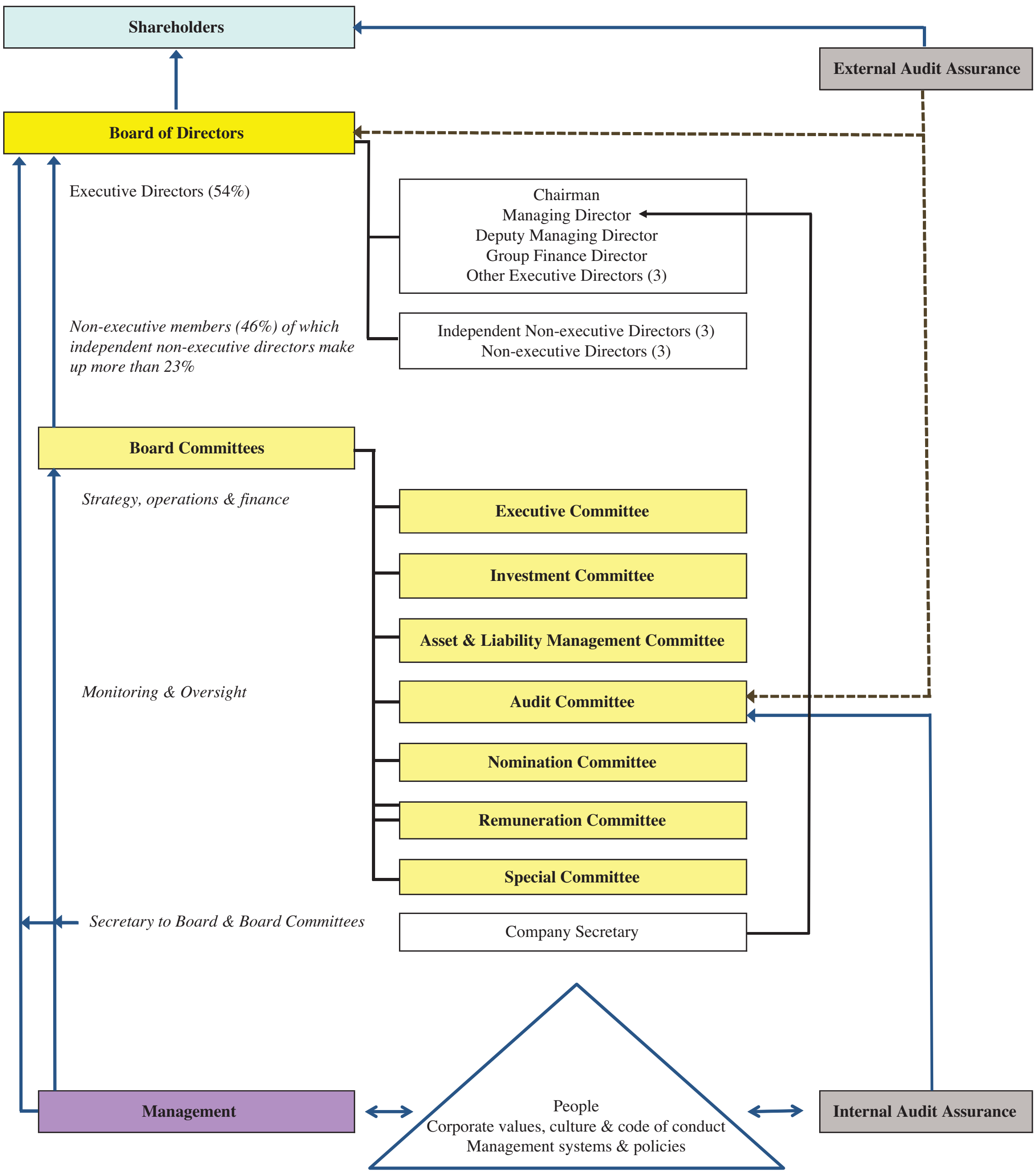
Corporate Governance

Corporate Governance Practices

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of shareholders. CITIC Pacific has fully complied throughout the year 2011 with all the code provisions of the code on corporate governance practices (the "Code") contained in Appendix 14 to the Listing Rules in force prior to 1 April 2012.

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

Corporate Governance Structure



Corporate Governance Practices

Overall accountability

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

Board composition and changes during 2011

The board currently comprises seven executive directors, three independent non-executive directors and three non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than 46% of the board of which independent non-executive directors make up more than 23%. CITIC Pacific will comply with the revised Listing Rules requirement of independent non-executive directors representing at least one-third of the board before the end of 2012. Currently, three non-executive directors are not independent (as defined by the Stock Exchange), as one director is the president of a shareholder owning a stake of more than 1% in CITIC Pacific; one is a vice president of CITIC Limited (a substantial shareholder of CITIC Pacific); and one is a director of a company in which CITIC Limited is a substantial shareholder. CITIC Pacific has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent.

In 2011, Messrs Li Shilin and Wang Ande retired as executive directors of CITIC Pacific by rotation and did not seek for re-election at the annual general meeting held on 12 May 2011 (the '**2011 AGM**'). In addition, due to personal commitments, Mr Willie Chang resigned as non-executive director of CITIC Pacific, Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong resigned as independent non-executive directors of CITIC Pacific, all effective from the conclusion of the 2011 AGM.

Messrs Gregory Lynn Curl and Francis Siu Wai Keung were appointed as independent non-executive directors of CITIC Pacific with effect from the conclusion of the 2011 AGM. They were re-elected at the general meeting of CITIC Pacific held on 29 September 2011. Induction materials and briefing sessions were given to the new directors during the year.

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

Nomination of directors

The board of directors determines the nomination and appointment of new directors having regard to the relevant skills and experience of the proposed new directors. CITIC Pacific has on 1 March 2012 established a nomination committee, further details of which are set out below.

Board responsibilities and delegation

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

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

CITIC Pacific has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers.

Board meetings and attendance

The board meets regularly to review financial and operating performance of CITIC Pacific and to discuss future strategy. Four board meetings were held in 2011. At the board meetings, the board reviewed significant matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and connected transactions. At each of its meetings, the board receives a written report from the managing director on CITIC Pacific's major businesses, investments and projects, and corporate activities. During the year the board received detailed briefings on the progress of the Sino Iron project. The dates of the next regular board meetings are fixed at the close of each board meeting, and a schedule of board meetings dates is fixed for each year ahead whenever possible. At least 14 days' notice of all regular board meetings is given to all directors and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least 3 days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary and are available to all directors for inspection.

Chairman and Managing Director

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

Board Committees

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

Executive Committee

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

- receiving guidance from the chairman and managing director on CITIC Pacific's strategic direction and priorities;
- receiving and considering reports from group finance and group financial control department on CITIC Pacific's results and forecasts;

- receiving and considering reports from leaders of CITIC Pacific's major businesses on their results, activities and prospects of their respective businesses; and

- receiving and considering quarterly reports from group internal auditor on internal controls of the group, and reports from other corporate functional leaders when required.

The executive committee is chaired by the managing director and its membership includes the group finance director, three other executive directors, leaders of major businesses in the group and leaders of key head office functions. The chairman has the right to attend any executive committee meetings. The executive committee met twelve times in 2011. The relevant executive directors, corporate functional leaders and leaders of major operating business attended the executive committee meetings. Full minutes of the meetings were kept by the Company Secretary, which were sent to the committee members after each meeting.

Remuneration Committee

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

The committee currently comprises three independent non-executive directors with Mr Francis Siu Wai Keung as the chairman. The director of Group Human Resources serves as the secretary of the committee and minutes for the meetings are sent to the committee members within a reasonable time after the meetings.

Audit Committee

The audit committee reviews financial information of CITIC Pacific, monitors the effectiveness of the external audit process and oversees the appointment, remuneration and terms of engagement of the CITIC Pacific's external auditor, as well as their independence. The audit committee is also responsible for reviewing the financial reporting process and the systems of internal controls and risk management, including CITIC Pacific Group's internal audit function as well as arrangements for concerns raised by staff as to financial reporting and other relevant matters. On 1 March 2012 the board delegated certain corporate governance functions to the audit committee, including, the review and monitoring of (a) the training and continuous professional development of directors and senior management; (b) CITIC Pacific's policies and practices on compliance with legal and regulatory requirements; (c) the code of conduct of CITIC Pacific; and (d) CITIC Pacific's compliance with the Code and disclosure in the Corporate Governance Report. The committee reviews the terms of reference annually to ensure they continue to be in line with the requirements of the Code. Proposed amendments to the terms of reference are submitted to the board for approval.

The audit committee consists of three non-executive members, two of whom are independent non-executive directors having the relevant professional qualifications and expertise in accounting matters. With effect from the conclusion of the board meeting held on 1 March 2012, Mr. Alexander Reid Hamilton ceased to act as the chairman of the audit committee but remains as a member while Mr. Francis Siu Wai Keung was appointed as the chairman of the audit committee. The audit committee must meet at least twice a year with CITIC Pacific's external auditors. The company secretary acts as secretary to the committee. Sufficient resources are made available to the committee when required.

The group finance director, group financial controller and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee chairman and other committee members also meet in separate private sessions with the external auditors and group internal auditor.

The audit committee held four meetings in 2011 with full attendance by the committee members in person or by telephone. An agenda and accompanying committee papers were sent to the committee members at least three days prior to each meeting. The company secretary prepared full minutes of the audit committee meetings with details of discussions and decisions reached. The draft minutes were sent to all committee members for comment after each meeting.

Nomination Committee

The Board established a nomination committee on 1 March 2012. The nomination committee is authorised by the board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship.

The nomination committee comprises three members, a majority of whom are independent non-executive directors and is chaired by the chairman of the board. The members are:

- Chang Zhenming
- Alexander Reid Hamilton
- Gregory Lynn Curl

As the nomination committee was formed in March 2012, no meetings have yet been held.

Investment Committee

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

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

The committee is chaired by the chairman of the board; the other members are the managing director, group finance director and two other executive directors. Prior to the committee meetings, business proposals and feasibility studies are prepared by the proposing business, and the CITIC Pacific Group's business development department provides analysis to facilitate discussions. Depending on the availability of members, discussions are made either in physical meetings or in writings. Discussion results will be notified to people concerned with implementation for information and follow up.

The committee meets on an "as required" basis. In 2011, there were 15 discussions of the committee covering 23 topics attended by relevant executive directors and management personnel.

Asset and Liability Management Committee

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

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

The committee is chaired by the group finance director. Other members include two executive directors, the group treasurer, group financial controller, the executives with responsibility for treasury, treasury risk management and financial control.

The chief financial officers of major business units attend and report at the meetings of the asset and liability management committee from time to time. The committee met twelve times during 2011 to consider the matters within its terms of reference.

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

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

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

The committee comprised two members upon inception, namely, Mr Zhang Jijing and Mr Ju Weimin. Following his appointment as independent non-executive director of CITIC Pacific, Mr Francis Siu Wai Keung was appointed to the special committee on 8 August 2011. The committee members reviewed the matters concerning the protection of legal professional privilege and received independent legal advice and had discussions on the matters with independent legal counsel.

Directors' Securities Transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ("**model code**") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2011.

Treasury Risk Management

Financial risks are inherent in any business. Systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and commodity risks arising from the activities of CITIC Pacific's existing and proposed businesses. Many of the current systems have a significant manual component, and an automated treasury management system is currently being installed.

Treasury policies are established by the Asset and Liability Management Committee ('ALCO') and reported to the Board. The group finance department, headed by the group treasurer, is responsible for implementing treasury policies, disseminating them to operating units, monitoring adherence to them, and preparing reports of the actual situation to be presented to ALCO, the executive committee and the Board.

All business units, whether they are subsidiaries, associates or jointly controlled entities are responsible for managing their liquidity, interest rate, foreign exchange and commodity risks within the confines of the overall ALCO policies and specific delegations. They are responsible for identifying areas of risk within their organisations and reporting them to ALCO on a timely basis.

Listed subsidiaries CITIC Telecom International, Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs themselves within the framework of the CITIC Pacific Group's treasury policies.

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 CITIC Pacific 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 dollars. CITIC Pacific has major operations in Hong Kong, the PRC and Australia and is subject to the risk of loss or profit due to changes in United States dollar, Renminbi and Australian dollar exchange rates. There are also exposures to the Japanese Yen (from operations and assets related to Dah Chong Hong), Euro (from equipment and product purchases) and other currencies.

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

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

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

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

3) USD denominated debt

4) RMB denominated debt

5) purchases of finished products for sale by Dah Chong Hong, and

6) registered capital of investment in the PRC

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

US Dollar — 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. CITIC Pacific 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.

Renminbi — Businesses in the PRC 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 CITIC Pacific an RMB net asset exposure of HK$77 billion. (2010: RMB gross asset exposure of approximately HK$107 billion, offset by debt and other liabilities of HK$38 billion, with RMB net asset exposure of HK$69 billion). The Renminbi is currently not a freely convertible currency and 'registered capital', which usually accounts for at least one third of the total investment amount for projects in the PRC, may be required to be paid in foreign currency by foreign investors such as CITIC Pacific. As investment in the PRC 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.

Australian Dollar — The functional currency of CITIC Pacific's Australian mining operation 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.

Japanese Yen — CITIC Pacific issued a JPY8 billion bond in 2005. From an economic perspective, this bond is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge, therefore changes in its value are reflected in the profit and loss account. Other than the JPY bond, as at 31 December 2011 there were no other JPY exposures at the corporate level.

Euro — EUR exposure amounted to €192 million as at 31 December 2011. Most of this exposure is related to contracts for procurement and design services for the Australian mining project and equipment or finished goods purchases by the special steel business and Dah Chong Hong.

Interest Rate Risk

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

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

The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments. In 2011, CITIC Pacific entered into HK$3.4 billion of swaps to lock in fixed rates for periods up to 5 years. In the current extremely low interest rate environment CITIC Pacific is considering further opportunities to lock in fixed rate borrowings and reduce the impact of interest rate fluctuations. The ratio of fixed rate to the total borrowings of the portfolio for CITIC Pacific was 33 per cent. as at 31 December 2011.

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 operations have 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.

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 CITIC Pacific's financial counterparties.

Competition

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

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

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

Environment

Special Steel

In 2011, all major indices in CITIC Pacific's steel plants of sulphur dioxide emission per tonne steel, chemical oxygen demand per tonne steel and comprehensive utilization rate of solid wastes met the standards set out in the PRC government's 12th Five-year Plan for the Iron & Steel Industry. Pollutant discharges also met the national standard.

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

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

In 2011, CITIC Pacific eliminated obsolete capacity in order to comply with the national industry policies. Xin Yegang closed two small blast furnaces and one electric furnace which not only followed policy but also increased efficiency.

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

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

Iron Ore Mining

CITIC Pacific Mining strives to minimise the impact of construction and the future operation of the mine on the environment. In 2011, CITIC Pacific Mining complied with all regulatory requirements and demonstrated ability to manage the site in an environmentally-responsible manner. Monitoring of vegetation, groundwater, corals, turtles, shorebirds, dust, noise, coastal stability and mangroves have all shown results in line with the approvals required by the government. While the project is being constructed, there will be unavoidable disturbances to the environment at the project site. However, this disturbance is managed in accordance within approval limits.

As the Sino Iron project advances towards production, the environment team is working closely with the regulators to ensure that the project obtains all the necessary approvals and fulfils all requirements before operation begins. The Environment Management System (EMS) provides the framework for identifying and managing the environmental aspects of the project. It is now being enhanced to prepare for first line production. Enhancements include dust and noise control, commissioning, quarantine and vegetation clearing. In 2012, CITIC Pacific Mining's focus will be on ensuring a smooth transition from the commissioning period to obtaining all the necessary regulatory approvals.

Health and Safety

Special Steel

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

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

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

Iron ore mining

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

In the area of occupational health, CITIC Pacific Mining continues to review and improve procedures to ensure that the company is ready to meet ongoing construction challenges and prepared for the first production. Among the safety initiatives, the companyhas developed a comprehensive plan to mitigate the health risk posed by exposure to fibrous material contained in some parts of the mine. Filtered-air-cab systems as well as decontamination facilities that are regarded as the best solutions in the world have been set up. A licensing system is in place that only allows trained staff and contractors to work with substances that may contain fibrous material, and to supervise others who are working with this material.

Insurance

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

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

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

Employees

CITIC Pacific has a widespread and diverse workforce. With Hong Kong as the base, CITIC Pacific's businesses serve the fast-growing PRC market and its employees largely located in the PRC, Hong Kong and Western Australia. As at 31 December 2011, CITIC Pacific, including its principal subsidiaries worldwide, employed a total of 33,295 employees, as compared to 29,886 employees as at 31 December 2010. Of these, 83 per cent. were based in the PRC, 14 per cent. in Hong Kong, 3 per cent. in Australia and the remainder in other countries including Japan, Singapore, Taiwan and Canada.

Legal Proceedings and Regulatory Investigations

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

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

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

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

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

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

In December 2011, the Court of Appeal heard CITIC Pacific's appeal against the judgment of the Court of First Instance of the High Court dated 18 March 2011. As at the date of this Offering Circular, CITIC Pacific has not received a decision from the Court of Appeal in relation to this appeal.

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

CITIC Pacific has, on 9 January 2012, lodged a Notice of Appeal with the Court of Appeal against the judgment of the Court of First Instance of the High Court dated 19 December 2011.

In June 2010, the SFC commenced formal inquiries into the management of the affairs of CITIC Pacific and the SFC has confirmed that this is linked to the Hainan Wanning Shenzhou Peninsula development project, for which CITIC Pacific is the primary developer.

As at the date of this Offering Circular, CITIC Pacific is unaware of any outcome to the inquiry by the SFC.

The legal proceedings and regulatory investigations outlined above are continuing and in the absence of any findings or judgment other than in relation to procedural aspects being made available to CITIC Pacific as well as the inherent difficulties involved in attempting to predict the outcome of regulatory matters and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, CITIC Pacific is not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the CITIC Pacific Group.

Directors and Senior Managers of the CITIC Pacific Group

Directors and Senior Managers of CITIC Pacific

Executive Directors

Chang Zhenming

Age 55: chairman of CITIC Pacific since 2009. From 2000 to 2005 he served as an executive director, and from 2006 as a non-executive director, of CITIC Pacific. He has been appointed as the chairman of CITIC Group Corporation (formerly CITIC Group) since December 2010 and previously served as vice chairman and president of CITIC Group Corporation. He has been appointed as the chairman of CITIC Limited with effect from 27 December 2011. He was the managing director of CITIC Hong Kong (Holdings) Limited ("CITIC HK") since August 2009 and has been re-designated as the chairman of CITIC HK with effect from 9 May 2011. He is also the vice chairman of CITIC International Financial Holdings Limited ("CIFH") and a non-executive director of CITIC Bank International Limited ("CITIC Bank International"). He has resigned as the vice-chairman and a non-executive director of China CITIC Bank Corporation Limited ("China CITIC Bank") with effect from 25 May 2011. He was a non-executive director and deputy chairman of Cathay Pacific Airways Limited ("Cathay"). Mr. Chang is the chairman of both the investment committee and the nomination committee.

Zhang Jijing

Age 56: managing director of CITIC Pacific and re-designated as executive director since November 2009. He has been a non-executive director since April 2009. He has been appointed as a vice president and the head of the strategy and planning department of CITIC Limited with effect from 27 December 2011 and a director of CITIC HK with effect from 9 May 2011. He is also a non-executive director of CITIC Resources Holdings Limited and CITIC Securities Company Limited ("CITIC Securities"). He ceased to act as an executive director and a vice president of CITIC Group Corporation with effect from 27 December 2011. He has resigned as a non-executive director of China CITIC Bank with effect from 8 November 2011. He was also the managing director of CITIC Australia Group and a director and vice president of CITIC Australia Pty. Ltd. He is the chairman of CITIC Pacific China Holdings Limited. Mr. Zhang is the chairman of the executive committee and a member of both the investment committee and the special committee.

Carl Yung Ming Jie

Age 43: deputy managing director since 2007 and a director since 2000, joined CITIC Pacific in 1993. He is a director of certain group companies involved in property projects.

Vernon Francis Moore

Age 65: group finance director and a director since 1990, transferring from CITIC HK. He is a director of CITIC Pacific Mining Management Pty Ltd ("CP Mining"), the chairman of New Hong Kong Tunnel Company Limited ("NHKTC") and Western Harbour Tunnel Company Limited ("WHT"), and an independent non-executive director of CLP Holdings Limited. He was a non-executive director of Cathay, and from 1987 to 2007 an executive director of CITIC HK. Mr. Moore is the chairman of the asset and liability management committee, and a member of both the executive committee and the investment committee.

Liu Jifu

Age 68: a director since 2001. He is a director of CITIC HK, a non-executive director of CIFH and CITIC Telecom International Holdings Limited ("CITIC Telecom"). He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited and the chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd. Mr. Liu is a member of the executive committee.

Milton Law Ming To

Age 48: a director since 2006, joined CITIC Pacific in 1992. He is a director of NHKTC, WHT and CP Mining and certain group companies involved in shipping trading and property projects in Hong Kong. He has resigned as a director of Daye Special Steel Co., Ltd. ("Daye") with effect from 13 April 2011. Mr. Law is a member of the executive committee, the investment committee and the asset and liability management committee.

Kwok Man Leung

Age 43: a director since 2008, joined CITIC Pacific in 1993. He is a non-executive director of Dah Chong Hong Holdings Limited ("DCH Holdings"). He is also a director of CITIC Pacific China Holdings Limited ("CP China"), NHKTC and certain group companies involved in special steel and property projects in the PRC. He has been appointed as a director of Daye with effect from 13 April 2011. He was a non-executive director of CITIC Telecom until November 2010. Mr. Kwok is a member of the executive committee, the investment committee and the asset and liability management committee.

Non-executive Directors

André Desmarais

Age 55: a director since 1997. He is deputy chairman, president and co-chief executive officer of Power Corporation of Canada and a senior advisor to the International Advisory Council of China Association for the Promotion of Industrial Development.

Ju Weimin

Age 48: a director since 2009. He is the chairman of CITIC Trust Co. Ltd, a non-executive director of CITIC Securities, China CITIC Bank, Asia Satellite Telecommunications Holdings Limited, CIFH and CITIC Bank International. He has been appointed as a vice president and the chief financial officer of CITIC Limited with effect from 27 December 2011. He has also been appointed as a director of CITIC HK with effect from 9 May 2011. He ceased to act as an executive director and a vice president of CITIC Group Corporation with effect from 27 December 2011. Mr. Ju is a member of the special committee.

Yin Ke

Age 48: a director since 2009. He is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited, an executive director and vice chairman of CITIC Securities, a non-executive director of DCH Holdings and Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust which was listed on the Hong Kong Stock Exchange in April 2011). He has been appointed as a director of Hui Xian Investment Limited and Beijing Oriental Plaza Co., Ltd. with effect from 29 April 2011 and 5 August 2011 respectively. He was a non-executive director of Zhongxing Shenyang Commercial Building Group Co., Ltd. and resigned as a non-executive director of CITIC Dameng Holdings Limited with effect from 25 August 2011. Mr. Yin is a member of the audit committee.

Peter Kruyt

Age 56: an alternate director to André Desmarais since 2003. He is vice president of Power Corporation of Canada, chairman of Power Pacific Corporation Limited, the Canada China Business Council, and Concordia University, and president and chief executive officer of Victoria Square Ventures Inc.

Independent Non-executive Directors

Alexander Reid Hamilton

Age 70: a director since 1994. He is an independent non-executive director of Shangri-La Asia Limited, Esprit Holdings Limited, Octopus Cards Limited, DBS Bank (Hong Kong) Limited, JF China Region Fund, Inc. and COSCO International Holdings Limited. He was a partner of PricewaterhouseCoopers. Mr. Hamilton is a member of both the remuneration committee and the nomination committee. With effect from the conclusion of the board meeting held on 1 March 2012, he ceased to act as the chairman of the audit committee but remains as a member.

Gregory Lynn Curl

Age 63, a director since May 2011. He joined Temasek Holdings (Private) Limited as President on 1 September 2010, following his retirement from Bank of America in March 2010. He was a director of the University of Virginia's Jefferson Scholars Foundation, The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation. Mr. Curl is a member of both the remuneration committee and the nomination committee.

Francis Siu Wai Keung

Age 57, a director since May 2011. He is an independent non-executive director of GuocoLand Limited and Hua Xia Bank Co., Limited. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China. Mr. Siu is the chairman of the remuneration committee and a member of the special committee. He was appointed as the chairman of the audit committee with effect from the conclusion of the board meeting held on 1 March 2012.

Company Secretary and Group General Counsel

Ricky Choy Wing Kay

Age 37: company secretary, appointed in 2010 and group general counsel, appointed in 2011. He joined CITIC Pacific in 2008. He is a qualified solicitor in Hong Kong. He previously practiced as a commercial lawyer in private practice in Hong Kong.

Corporate Functional Leaders

Fei Yiping

Age 48: group financial controller, appointed in 2009. He is a director and chief financial officer of CITIC HK, and a non-executive director of CITIC Telecom and DCH Holdings. He joined CITIC Group Corporation in 1991. He has over 12 years of experience in accounting and financial management. Mr. Fei is a member of the asset and liability management committee.

Wei Yen

Age 62: group treasurer, joined CITIC Pacific in 2009. He is a director of WHT. Before joining CITIC Pacific, he was a managing director with Nomura International and Lehman Brothers. From 2004 to 2006, Mr. Yen was a managing director in financial institutions with Moody's Asia Pacific. He has over 21 years of financial industry experience in New York and Hong Kong. Mr. Yen is a member of the asset and liability management committee.

Mr. Yen has submitted his resignation from his position as group treasurer of CITIC Pacific with effect from 1 May 2012. A replacement has already been identified from within CITIC Group Corporation. The appointment of the replacement for Mr. Yen will be made in due course.

Paul Lo Kai Sing

Age 56, director of group human resources, joined CITIC Pacific group in 2005. He has many years of experience in human resources management in a variety of industries and once served as the general manager, group human resources and communications, of DCH Holdings from 1997 to 2000.

Holly Chen Meng

Age 45: director of group investor relations & corporate communications, joined CITIC Pacific in 2001. Prior to that, she worked for over 10 years at investment banks including Lehman Brothers, Merrill Lynch and Citibank, where she obtained extensive experience in corporate finance and corporate communications.

Raymond Ma Wai Man

Age 45: group internal auditor, joined CITIC Pacific in 2008. He has over 23 years of experience in auditing and finance. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Operating Business Leaders

Special Steel

Yu Yapeng

Age 56: president of CITIC Pacific Special Steel Co., Ltd., joined CITIC Pacific group in 1993. From 1988 to June 2008, he has been the chief engineer, executive vice general manager and general manager of Jiangyin Xingcheng Special Steel Works Co., Ltd. He was the vice chairman of China Special Steel Enterprises Association since 1997 and now is the chairman of China Special Steel Enterprises Association. He is a director and the president of CITIC Pacific Special Steel group since July 2008 and the chairman of Daye since April 2010.

Iron Ore Mining

Hua Dongyi *PhD*

Age 47: chairman of CP Mining, appointed in January 2010. He joined CITIC Group Corporation in 2002. During the past 20 years, Dr Hua has held executive management positions in international projects in the PRC, the Philippines, Pakistan, Angola and Algeria. He has extensive experience in project management, FIDIC contract management, and cost and risk management. Dr. Hua is a member of the executive committee.

Property

Liu Yong

Age 48: managing director of CITIC Pacific China Holdings Limited, which assumes the overall management responsibility of CITIC Pacific's property business portfolio in the PRC. Mr. Liu has more than 20 years business experience of real estate development and operation in mainland China. He has served as general manager of Shenzhen Changcheng Investment Holding Co., Ltd and the chairman of CITIC Real Estate Investment (Shanghai) Company. He is a senior professional manager. Mr. Liu is a member of the executive committee.

Aaron Wong Ha Hang

Age 53: director, property department, joined CITIC Pacific in 1996. He is a director of NHKTC. Before that he worked for an international consulting firm in the United Kingdom and in Hong Kong. Mr. Wong is a member of the executive committee.

Energy

Li Yajun

Age 48: general manager of CITIC Pacific energy department, joined the Ligang Power plant in 1987. He is the chairman of Sunburst Energy Development Co., Ltd., Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited. Mr. Li has over 22 years' practical experience in power plant management. In recent years, he has been involved in coal and other energy industries. He also has extensive experience in investment and capital management. Mr. Li is a member of the executive committee.

Tunnels

Miranda Yip Siu Wai

Age 48: general manager of NHKTC, joined NHKTC in 1999 as deputy general manager. She was appointed as executive director and general manager in 2004. She has extensive experience in public administration.

Listed Subsidiaries

Dah Chong Hong Holdings

Yip Moon Tong

Age 59: chief executive officer of DCH Holdings, joined DCH Holdings group in 1992. He has over 30 years of experience, in both the public and private sectors, in engineering and motor vehicle businesses.

CITIC Telecom

Xin Yue Jiang

Age 63: chairman of CITIC Telecom, joined CITIC Telecom in 2008. He possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation.

Norman Yuen Kee Tong

Age 63: chief executive officer of CITIC Telecom, joined CITIC Pacific group in 2001. Before that, he was the deputy chief executive of Hong Kong Telecommunications Limited and later, Pacific Century CyberWorks Limited. He has more than 20 years of extensive experience in all aspects of telecoms industry.

Directors' Interests in Securities

Save as disclosed below, as at 31 December 2011, none of the directors of CITIC Pacific had nor were they taken to or deemed to have, under Part XV of the Securities and Futures Ordinance ("SFO"), any interests or short positions in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations or any interests which were required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which were required to be notified to CITIC Pacific and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

1. Shares in CITIC Pacific and associated corporations

Name of director	Number of shares Personal interests unless otherwise stated	Percentage to issued share capital
CITIC Pacific Limited		
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000 (Note 1)	0.115
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
André Desmarais	8,145,000 (Note 2)	0.223
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC Telecom International Holdings Limited		
Vernon Francis Moore	200,000 (Note 1)	0.008
Kwok Man Leung	150,000	0.006

Note:

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

2. Share options in CITIC Pacific

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

Name of director	Date of grant	Exercise price HK$	Number of share options: Balance as at 01.01.11	Exercised during the year ended 31.12.11	Lapsed during the year ended 31.12.11	Balance as at 31.12.11	Percentage to issued share capital
Chang Zhenming..........	16.10.07	47.32	500,000	—	—	500,000	
	19.11.09	22.00	600,000	—	—	600,000	0.030
						1,100,000	
Zhang Jijing	19.11.09	22.00	500,000	—	—	500,000	0.014
Carl Yung Ming Jie......	20.06.06	22.10	600,000	—	600,000	—	
	16.10.07	47.32	800,000	—	—	800,000	
	19.11.09	22.00	500,000	—	—	500,000	0.036
						1,300,000	
Vernon Francis Moore..	20.06.06	22.10	700,000	—	700,000	—	
	16.10.07	47.32	600,000	—	—	600,000	
	19.11.09	22.00	500,000	—	—	500,000	0.030
						1,100,000	
Liu Jifu	20.06.06	22.10	700,000	—	700,000	—	
	16.10.07	47.32	700,000	—	—	700,000	
	19.11.09	22.00	500,000	—	—	500,000	0.033
						1,200,000	
Milton Law Ming To....	20.06.06	22.10	800,000	—	800,000	—	
	16.10.07	47.32	800,000	—	—	800,000	
	19.11.09	22.00	500,000	—	—	500,000	0.036
						1,300,000	
Kwok Man Leung	16.10.07	47.32	600,000	—	—	600,000	
	19.11.09	22.00	500,000	—	—	500,000	0.030
						1,100,000	
Li Shilin	16.10.07	47.32	500,000	—	—	N/A *(Note 1)*	N/A *(Note 1)*
Wang Ande	20.06.06	22.10	350,000	—	350,000	N/A	N/A
	16.10.07	47.32	800,000	—	—	*(Note 1)*	*(Note 1)*
	19.11.09	22.00	500,000	—	—		

Note:

1. Mr Li Shilin and Mr Wang Ande retired at the 2011 annual general meeting on 12 May 2011.

3. Share options in associated corporations

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Telecom and CITIC Resources Holdings Limited are stated as follows:

CITIC Telecom

				Number of share options				
Name of director	**Date of grant**	**Exercise price HK$**	**Exercise period**	**Balance as at 01.01.11**	**Exercised during the year ended 31.12.11**	**Lapsed during the year ended 31.12.11**	**Balance as at 31.12.11**	**Percentage to issued share capital**
Kwok Man Leung	17.09.09	2.10	17.09.10 — 16.09.15	150,000	150,000	—	—	—
	17.09.09	2.10	17.09.11 — 16.09.16	150,000	—	150,000	—	—

CITIC Resources Holdings Limited

				Number of share options				
Name of director	**Date of grant**	**Exercise price HK$**	**Exercise period**	**Balance as at 01.01.11**	**Granted during the year ended 31.12.11**	**Exercised / lapsed / cancelled during the year ended 31.12.11**	**Balance as at 31.12.11**	**Percentage to issued share capital**
Zhang Jijing	02.06.05	1.018	02.06.06 — 01.06.13	10,594,315	—	—	10,594,315	0.135

Save as disclosed above, at no time during the period from 1 January 2011 to 31 December 2011 were there any subsisting agreements enabling the directors of CITIC Pacific to acquire benefits by means of acquisition of shares in, or debentures of, CITIC Pacific or any other corporate, which at the relevant time, CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies was a party.

Shareholders' Interests in Securities

Substantial Shareholders

As at 31 December 2011, the interests of the substantial shareholders, other than the directors of CITIC Pacific or their respective associate(s), in the shares of CITIC Pacific as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Interest in the shares of CITIC Pacific

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group Corporation	2,098,736,285	57.508
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC HK	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522
Larry Yung Chi Kin	281,928,000	7.725
Earnplex Corporation	218,747,000	5.994

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

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

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

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

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

Accordingly,

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

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

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

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

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

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

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

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

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

Mr Larry Yung Chi Kin is a substantial shareholder of CITIC Pacific and directly holds 100% interest in Earnplex Corporation. Accordingly, the interests of Mr Larry Yung Chi Kin in CITIC Pacific duplicate the interests held by Earnplex Corporation.

Taxation

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

Hong Kong

Withholding Tax

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

Profits Tax

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

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

Interest on the Notes may be subject to profits tax in Hong Kong in the following circumstances:

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

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bearer Notes may be subject to profits tax. Sums derived from the sale, disposal or redemption of the Bearer Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or financial institution may be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.1% by each of the seller and the purchaser by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC Taxation

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

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

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

EU Directive on the Taxation of Savings Income

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

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

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

PRC Currency Controls

The following is *a general description of certain currency controls in the PRC and* is *based on the law and relevant interpretations thereofin effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis ofall applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.*

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau and Association of Southeast Asian Nations (ASZAN). On 17 June 2010, the PRC Government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (關於擴大跨境貿易人民幣結算試點有關問題的通知) (the "**Circular**"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 18 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only been effected by approved pilot enterprises in designated pilot districts in the PRC. In August 2011, the PRC government further expanded Renminbi cross-border trade settlement nationwide.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

Capital Account Items

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the SAFE Circular, which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the Renminbi accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of a domestic residence of PRC, such onshore enterprise shall be required to submit the relevant MOFCOM's prior, approval which shall clearly indicates such RMB transaction, to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in RMB shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 12 October 2011, MOFCOM promulgated the MOFCOM RMB FDI Circular. In accordance with the MOFCOM RMB FDI Circular, MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the application to be signed by the provincial counterpart of MOFCOM and be submitted to MOFCOM for approval: (i) RMB FDI with the capital contribution in Renminbi ofRMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminum, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placement or share transfers by agreement.

On 13 October 2011, PBOC promulgated the PBOC RMB FDI Measures, pursuant to which, PBOC special approval for RMB FDI and shareholder loans which is required by the PBOC Notice is no longer necessary. The PBOC RMB FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, a foreign investor is allowed to open a Renminbi expense account (人民幣前期費用專用存款賬戶)to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民幣資本金專用存款賬戶)of such foreign invested enterprise when it is established, commercial banks can remit a foreign investor's RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用存款賬戶) to pool the Renminbi proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by foreign investors. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

As new regulations, the SAFE Circular, the MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

Clearance and Settlement

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg, the CMU or DTC (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Arrangers or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU .

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU

Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the US Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Restricted Global Certificate or an Unrestricted Global Certificate. The Issuer may also apply to have Notes represented by a Restricted Global Certificate or an Unrestricted Global Certificate accepted for clearance through the CMU. Each Restricted Global Certificate and Global Certificate deposited with a common depositary for Euroclear and/or Clearstream will have an ISIN and a Common Code or, lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

The Issuer, and a relevant US agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number.

Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Restricted Notes held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

Payments through DTC

Payments in US dollars of principal and interest in respect of a Restricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than US dollars in respect of Notes evidenced by a Restricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Company by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into US dollars and deliver such US dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg CMU and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear, Clearstream, Luxembourg or the CMU. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg, the CMU and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear, Clearstream, Luxembourg or the CMU, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear, Clearstream, Luxembourg or the CMU by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC, Euroclear, Clearstream, Luxembourg or the CMU, as the case may be to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, Luxembourg, the CMU or DTC, as the case may be to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions", cross-market transfers among DTC, and directly or indirectly through Euroclear or Clearstream, Luxembourg or CMU accountholders, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear, Clearstream, Luxembourg and/or the CMU and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear, Clearstream, Luxembourg or the CMU and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear, Clearstream, Luxembourg and the CMU, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear, Clearstream, Luxembourg or the CMU accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream, Luxembourg, the CMU and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg, the CMU or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg, the CMU or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg, the CMU and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form — Exchange — Restricted Global Certificates" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form — Exchange — Unrestricted Global Certificates". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the US secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such

Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

Transfer Restrictions

Restricted Notes

Each purchaser of Restricted Notes, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.

2. (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.

3. The Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend (the "**Rule 144A Legend**") in or substantially in the following form:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT ("**RULE 144**"), IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

4. It understands that the Issuer, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Subscription and Sale

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated 6 April 2011 as supplemented by a supplemental dealer agreement dated 12 March 2012, each made between the Issuer, the Arrangers and the Permanent Dealers (together, the "**Dealer Agreement**"), the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers and otherwise. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer will pay each Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Subscription Agreement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

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

The relevant Dealers and certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

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

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except (i) to QIBs in reliance on Rule 144A under the Securities Act; (ii) in accordance with Regulation S under the Securities Act; (iii) or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations thereunder.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer and sale is made otherwise than in accordance with Rule 144A or another exemption from the requirements of the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

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

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer represents, warrants and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

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

(c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus**

Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

The Netherlands

Each Dealer has represented, warranted and undertaken that it will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in the Netherlands unless such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in the Netherlands.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in the Netherlands in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in the Netherlands by any measure implementing the Prospectus Directive in the Netherlands, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Netherlands, and includes any relevant implementing measure in the Netherlands, and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU).

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

PRC

Each Dealer has represented, warranted and agreed that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the People's Republic of China and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

General

These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement and none of the Issuer nor any other Dealer shall have responsibility therefor.

Form of Pricing Supplement

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

CITIC Pacific Limited
Issue of *[Aggregate Nominal Amount of Tranche] [Title of Notes]*

under the U.S.$2,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1	(i)	Issuer:	CITIC Pacific Limited
2	[(i)]	Series Number:	[●]
	[(ii)	Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	[●]
3		Specified Currency or Currencies:	[●]
4		Aggregate Nominal Amount:	
	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]]
5	[(i)]	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii)	Net proceeds:	[●] (*Required only for listed issues*)]

6	(i)	Specified Denominations:	[●][1] [2] [3]
	(ii)	Calculation Amount	[*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor*] [*Note: There must be a common factor in the case of two or more Specified Denominations*]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[Specify/Issue date/Not Applicable]
8		Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][4]
9		Interest Basis:	[[●] per cent. Fixed Rate] [[*specify reference rate*] +/- *[●] per cent. Floating Rate*] [Zero Coupon] [Other (*specify*)] (further particulars specified below)
10		Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Instalment] [Other (*specify*)]
11		Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	(i)	Status of the Notes:	Senior
	(ii)	Date of Board Resolutions approving the issuance of the Notes:	[●]
14		Listing:	[Hong Kong/Other (*specify*)/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
15		Method of distribution:	[Syndicated/Non-syndicated]

[1] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

[2] If the specified denomination is expressed to be €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €50,000 (or €100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No notes in definitive form will be issued with a denomination above [€99,000]/[€199,000].

[3] Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HKD500,000 (or equivalent in other currencies).

[4] Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"]/not adjusted*]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[4]
	(iv) Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment date falling [in/on] [●]
	(v) Day Count Fraction (Condition 5(k)):	[30/360/Actual/Actual/(ICMA/ISDA)/Actual/365 (fixed)/other]
	(vi) Determination Date(s) (Condition 5(k)):	[●] in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N. B only relevant where Day Count Fraction is Actual/Actual (ICMA).*]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
17	Floating Rate Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date(s):	[●] (*Not applicable unless different from Interest Payment Date*)
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]

4 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

(v)	Business Centre(s) (Condition 5(k)):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not [●] as Calculation Agent):	[●]
(viii)	Screen Rate Determination (Condition 5(b)(ii)(B)):	
	• Reference Rate:	[●] (*Either LIBOR, EURIBOR, HIBOR or other, although additional information is required if other*)
	• Interest Determination Date:	[●] (*the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro or Hong Kong Dollars or first day of each Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollar or the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro*)
	• Relevant Screen Page:	[●] [(*In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)]
(ix)	ISDA Determination (Condition 5(b)(ii)(A)):	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• ISDA Definitions:	2006 (if different to those set out in the Conditions, please specify)
(x)	Margin(s):	[+/-] [●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction (Condition 5(k)):	[●]

	(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii) Any other formula/basis of determining amount payable:	[●]
19	Dual Currency Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not [●] as Calculation Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	Call Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount

	(iv) Notice period:	[●]
21	Put Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
22	Final Redemption Amount of each Note:	[●] per Calculation Amount
23	Early Redemption Amount:	
	(i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	[Bearer Notes/Exchangeable Bearer Notes/ Registered Notes] [*Delete as appropriate*] [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [●] days' notice][5] [permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]
25	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate*]

5 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: [€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000] the Temporary Global Note shall not be exchangeable on [●] days notice.

26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27	Details relating to Instalment Notes: amount of each Instalment, date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late repayment:	[Not Applicable/*give details*]
28	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions] [annexed to this Pricing Supplement] apply]
29	Consolidation provisions:	[Not Applicable/The provisions] [annexed to this Pricing Supplement] apply]
30	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

31	(i) If syndicated, names of Managers:	[Not Applicable/give names] [*include date and description of subscription agreement*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
32	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
33	Whether TEFRA D/C Rules applicable or TEFRA Rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
34	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

35	ISIN Code:	[●]
36	Common Code:	[●]
37	CMU Instrument Number:	[●]
38	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
39	Delivery:	Delivery [against/free of] payment
40	Additional Paying Agent(s) (if any):	[●]

GENERAL

41	The aggregate principal amount of Notes issued has been translated into [U.S. dollars] at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/[U.S.$][●]]
42	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	[●]
43	In the case of Bearer Notes, specify the location of the office of the Issuing and Paying Agent if other than London:	[●]
44	Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [[Other: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and listing on the [Hong Kong Stock Exchange] of the Notes described herein pursuant to the U.S.$2,000,000,000 Medium Term Note Programme of CITIC Pacific Limited]

[STABILISING

In connection with this issue, [insert name of Stabilising Manager] (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:
Duly authorised

Documents Incorporated by Reference

This Offering Circular should be read and construed in conjunction with the following:

a) each relevant Pricing Supplement;

b) the most recently published audited annual consolidated financial statements and any published interim unaudited consolidated financial statements published subsequently to such annual financial statements of the Group from time to time (if any);

c) all amendments and supplements from time to time to this Offering Circular;

d) announcements by CITIC Pacific dated 20 October 2008 and 2 January 2009 published on The Stock Exchange of Hong Kong Limited;

e) the publicly available part of the judgment dated 18 March 2011 in the proceedings of CITIC Pacific Limited v Secretary of Justice and Another; and

f) the judgment dated 19 December 2011 in the proceedings of CITIC Pacific Limited v Secretary of Justice and Another,

each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents (except for document specified in (d) and (e) above, which will be available from the specified office of the Issuer) set out at the end of this Offering Circular. See "General Information" for a description of the financial statements currently published by the Group.

General Information

(1) Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes issued under the Programme to professional investors. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes. Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HKD500,000 (or equivalent in other currencies).

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolution of the Board of Directors of the Issuer passed on 9 March 2012.

(3) There has been no material adverse change in the financial or trading position of the Issuer or of the Group since 31 December 2011.

(4) None of the Issuer or the Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Notes and, so far as the Issuer or any member of the Group is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

(5) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. In addition, the Issuer may make an application for Registered Notes to be accepted for trading in book-entry form by DTC. The relevant ISIN, the Common Code, CUSIP, and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

(7) For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Issuer at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong and at the specified office of the Paying Agents:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of the Issuer;

(iv) the published annual report of the Issuer and audited consolidated accounts of the Group for the two preceding financial years ended 31 December 2010 and 2011 (the Issuer currently prepares consolidated audited accounts on an annual basis);

(v) the most recently published audited consolidated annual accounts of the Group, the most recently published unaudited consolidated interim accounts of the Group from time to time (at the date of this Offering Circular, other than the consolidated financial statements of the Group for the year ended 31 December 2011, the Issuer has not published any audited or unaudited financial statements and do not propose to publish any financial statements); and

(vi) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular or further Offering Circular.

Copies of the documents referred to in sub-paragraphs (i) to (vi) above will also be available free of charge during the hours referred to above at the following address of The Bank of New York Mellon, Hong Kong Branch: Level 12, Three Pacific Place, 1 Queen's Road East, Hong Kong, so long as any of the Notes is outstanding.

(8) The consolidated financial statements of the Group for the year ended 31 December 2011 included in this Offering Circular have been audited by its independent auditor, PricewaterhouseCoopers, Certified Public Accountants, as stated in their report appearing herein.

PricewaterhouseCoopers have given and not withdrawn their written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules to the inclusion in this Offering Circular of their report in relation to the Group in the form and context in which they are included.

Index to Financial Statements

Note:

(1) The Independent Auditor's Report on the consolidated financial statements of CITIC Pacific for the year ended 31 December 2011 set out herein are reproduced from CITIC Pacific's announcement on The Stock Exchange of Hong Kong Limited dated 9 March 2012 (the "Announcement") and page references included in the Independent Auditor's Report refer to pages set out in such Announcement.

CITIC PACIFIC LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2011

	Note	2011	As restated 2010
		HK$m	HK$m
Revenue	3	100,086	70,614
Cost of sales		(85,850)	(59,662)
Gross profit		14,236	10,952
Other income and net gains	4	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	5 & 6	9,959	10,085
Share of results of			
Jointly controlled entities	5	3,080	2,000
Associated companies	5	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	7	(410)	(348)
Profit before taxation		13,543	12,410
Taxation	8	(2,560)	(2,239)
Profit for the year		10,983	10,171
Attributable to:			
Ordinary shareholders of the Company	9	9,233	8,893
Holders of perpetual capital securities		331	—
Non-controlling interests		1,419	1,278
		10,983	10,171
Dividends	10	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)	11		
Basic		2.53	2.44
Diluted		2.53	2.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011	As restated 2010
	HK$m	HK$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	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
		HK$m	HK$m	HK$m
Non-current assets				
Property, plant and equipment	15	85,132	63,334	40,032
Investment properties	15	15,270	13,579	11,164
Properties under development	15	6,628	9,881	9,065
Leasehold land - operating leases	15	2,277	1,597	1,581
Jointly controlled entities	17	21,278	21,681	22,097
Associated companies	18	7,222	6,345	5,797
Other financial assets	19	345	448	2,198
Intangible assets	20	16,202	12,944	10,868
Deferred tax assets	33	1,647	763	603
Derivative financial instruments	32	928	1,854	748
Non-current deposits and prepayment	21	4,031	6,403	6,480
		160,960	138,829	110,633
Current assets				
Properties under development	15	3,189	2,280	2,172
Properties held for sale		1,493	1,870	1,651
Other assets held for sale	22	2,388	298	1,765
Inventories	23	14,125	11,191	6,983
Derivative financial instruments	32	401	73	92
Debtors, accounts receivable, deposits and prepayments	24	16,253	14,070	11,082
Cash and bank deposits		30,930	24,558	21,553
		68,779	54,340	45,298
Current liabilities				
Bank loans, other loans and overdrafts				
- secured	29	1,329	598	105
- unsecured	29	26,328	14,629	4,252
Creditors, accounts payable, deposits and accruals	25	30,577	26,911	19,992
Derivative financial instruments	32	159	55	167
Provision for taxation		1,514	936	243
		59,907	43,129	24,759
Net current assets		8,872	11,211	20,539
Total assets less current liabilities		169,832	150,040	131,172

	Note	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
		HK$m	HK$m	HK$m
Non-current liabilities				
Long term borrowings	29	71,050	68,456	61,318
Deferred tax liabilities	33	3,373	2,569	1,935
Derivative financial instruments	32	4,747	2,543	1,727
Provisions and deferred income	34	2,649	2,254	807
		81,819	75,822	65,787
Net assets	5	88,013	74,218	65,385
Equity				
Share capital	26	1,460	1,459	1,459
Perpetual capital securities	27	5,951	—	—
Reserves	28	72,452	65,792	58,020
Proposed dividend		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

CITIC PACIFIC LIMITED

BALANCE SHEET
as at 31 December 2011

	Note	2011	2010
		HK$m	HK$m
Non-current assets			
Property, plant and equipment	15	10	7
Subsidiary companies	16	80,889	68,401
Jointly controlled entities	17	5,138	5,121
Associated companies	18	1,987	2,018
Derivative financial instruments	32	161	859
		88,185	76,406
Current assets			
Derivative financial instruments	32	326	15
Amounts due from subsidiary companies	16	4,896	3,960
Debtors, accounts receivable, deposits and prepayments	24	193	188
Cash and bank deposits		10,715	7,781
		16,130	11,944
Current liabilities			
Bank loans, other loans and overdrafts - unsecured	29	13,936	1,949
Amounts due to subsidiary companies	16	6,223	9,647
Creditors, accounts payable, deposits and accruals	25	293	291
Derivative financial instruments	32	419	37
Provision for taxation		1	1
		20,872	11,925
Net current (liabilities)/assets		(4,742)	19
Total assets less current liabilities		83,443	76,425
Non-current liabilities			
Long term borrowings	29	30,221	28,723
Derivative financial instruments	32	2,739	2,276
		32,960	30,999
Net assets		50,483	45,426
Equity			
Share capital	26	1,460	1,459
Perpetual capital securities	27	5,951	—
Reserves	28	41,977	42,872
Proposed dividend		1,095	1,095
Total ordinary shareholders' funds and perpetual capital securities		50,483	45,426

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

	Note	2011	As restated 2010
		HK$m	HK$m
Cash flows from operating activities			
Profit before taxation		13,543	12,410
Share of results of jointly controlled entities and associated companies		(3,994)	(2,673)
Net finance charges		410	348
Net exchange gain		(348)	(335)
Income from other financial assets		(7)	(53)
Depreciation and amortisation		2,180	1,630
Impairment losses		652	469
Net gain from sale of other financial assets		—	(1,228)
Provision for gas contract		109	468
Share-based payment		11	50
Gain on disposal of property, plant and equipment		—	(131)
Gain on disposal of investment properties		(296)	—
Change in fair value of investment properties		(1,835)	(1,294)
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies		(209)	(2,117)
Net gain on disposal of subsidiary companies		(230)	—
Operating profit before working capital changes		9,986	7,544
Decrease in properties held for sale		2,777	2,143
Increase in inventories		(2,468)	(4,208)
Increase in debtors, accounts receivable, deposits and prepayments		(2,182)	(1,075)
Increase in creditors, accounts payable, deposits and accruals		1,121	4,568
Effect of foreign exchange rate changes		470	102
Cash generated from operating activities		9,704	9,074
Income taxes paid		(1,770)	(1,058)
Cash generated from operating activities after income taxes paid		7,934	8,016
Payment for leveraged foreign exchange contracts		—	(107)
Interest received		647	361
Interest paid		(3,815)	(3,051)
Realised exchange gain		70	138
Other finance charges and financial instruments		(106)	(187)
Net cash from consolidated activities before increase of properties under development		4,730	5,170
Increase in properties under development		(2,065)	(2,055)
Net cash generated from consolidated activities		2,665	3,115

	Note	2011	As restated 2010
		HK$m	HK$m
Cash flows from investing activities			
Purchase of:			
Subsidiary companies (net of cash and cash equivalents acquired)	37	(185)	—
Properties under development for own use		(1,070)	(1,109)
Property, plant and equipment		(14,450)	(19,833)
Leasehold land - operating leases		(67)	(28)
Intangible assets		(2,112)	(1,377)
Other financial assets		—	(289)
Proceeds of:			
Disposal of property, plant and equipment and investment properties		892	237
Sale of other financial assets		—	2,803
Disposal of interests in associated companies		—	2,797
Disposal of interests in jointly controlled entity		1,727	948
Disposal of subsidiary companies (net of cash and cash equivalents disposed)	37	1,799	—
Increase in bank deposits maturing after more than 3 months		(1,379)	—
Increase in pledged deposits with banks		(1,243)	(68)
Net payments for non-current deposits		(1,405)	(1,836)
Investment in jointly controlled entities and associated companies		(94)	(208)
Deposit paid for acquisition of a subsidiary company		—	(66)
Repayment in loans to jointly controlled entities and associated companies		226	377
Dividend received from jointly controlled entities and associated companies		823	548
Income received from other financial assets		7	65
Deposits received from sale of business interest		—	298
Net cash used in investing activities		(16,531)	(16,741)
Cash flows from financing activities			
Issue of shares pursuant to the share option plan	28	16	—
New borrowings		41,420	33,967
Repayment of loans		(27,581)	(15,914)
Decrease in non-controlling interests		(724)	(393)
Dividends paid to shareholders of the Company		(1,642)	(1,459)
Proceeds of issue of perpetual capital securities, net of transaction costs		5,782	—
Distribution made to holders of perpetual capital securities		(230)	—
Net cash from financing activities		17,041	16,201

	Note	2011	As restated 2010
		HK$m	HK$m
Net increase in cash and cash equivalents		3,175	2,575
Cash and cash equivalents at 1 January		24,237	21,303
Effect of foreign exchange rate changes		552	359
Cash and cash equivalents at 31 December		27,964	24,237
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		30,930	24,558
Bank deposits with maturities over 3 months		(1,379)	—
Bank overdrafts and pledged deposits		(1,587)	(321)
		27,964	24,237

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Balance at 31 December 2010, as previously reported	1,459	—	44,581	22,242	68,282	5,853	74,135
Impact of adoption of HKAS12 (amendment)	—	—	(89)	153	64	19	83
Balance at 1 January 2011, as restated	1,459	—	44,492	22,395	68,346	5,872	74,218
Profit for the year	—	331	—	9,233	9,564	1,419	10,983
Other comprehensive income, net of tax, for the year							
Share of other comprehensive income of associated companies and jointly controlled entities	—	—	122	(80)	42	1	43
Fair value changes of other financial assets	—	—	(112)	—	(112)	—	(112)
Transfer to profit and loss account on impairment of other financial assets	—	—	98	—	98	—	98
Exchange translation differences	—	—	2,307	—	2,307	181	2,488
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	—	—	(2,923)	—	(2,923)	—	(2,923)
Reserves released on disposal of a subsidiary	—	—	(109)	—	(109)	—	(109)
Reserves released on disposal/dilution of interest in jointly controlled entities	—	—	(95)	(37)	(132)	—	(132)
Total comprehensive income for the year	—	331	(712)	9,116	8,735	1,601	10,336
Transactions with owners							
Acquisition of subsidiaries	—	—	—	—	—	284	284
Dilution/disposal of interest in subsidiary companies	—	—	8	—	8	(1)	7
Dividends paid to shareholders of the Company	—	—	—	(1,642)	(1,642)	—	(1,642)
Dividends paid to non-controlling interests	—	—	—	—	—	(623)	(623)
Acquisition of interests from non-controlling interests	—	—	(64)	—	(64)	(63)	(127)
Distribution to holders of perpetual capital securities	—	(230)	—	—	(230)	—	(230)
Share-based payment	—	—	7	—	7	4	11
Transfer from profits to general and other reserves	—	—	322	(322)	—	—	—
Issue of shares pursuant to the share option plan	1	—	15	—	16	—	16
Issuance of perpetual capital securities	—	5,850	—	—	5,850	—	5,850
Capital contributed from non-controlling interests	—	—	—	—	—	48	48
Distribution to non-controlling interests	—	—	—	—	—	(67)	(67)
Transaction costs related to issuance of perpetual capital securities	—	—	—	(68)	(68)	—	(68)
	1	5,620	288	(2,032)	3,877	(418)	3,459
Balance at 31 December 2011	1,460	5,951	44,068	29,479	80,958	7,055	88,013

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Balance at 1 January 2010, as previously reported	1,459	—	43,576	15,224	60,259	4,980	65,239
Impact of adoption of HKAS12 (amendment)	—	—	(43)	175	132	14	146
Balance at 1 January 2010, as restated	1,459	—	43,533	15,399	60,391	4,994	65,385
Profit for the year	—	—	—	8,893	8,893	1,278	10,171
Other comprehensive income, net of tax, for the year							
Share of other comprehensive income of associated companies and jointly controlled entities	—	—	128	(72)	56	—	56
Fair value changes of other financial assets	—	—	761	—	761	—	761
Transfer to profit and loss account on impairment of other financial assets	—	—	74	—	74	—	74
Fair value released on disposal of other financial assets	—	—	(1,232)	—	(1,232)	—	(1,232)
Exchange translation differences	—	—	2,170	—	2,170	176	2,346
Surplus on revaluation of properties transferred from self-use properties to investment properties	—	—	116	—	116	—	116
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	—	—	(513)	—	(513)	—	(513)
Reserve released on disposal of an associated company and non-current assets held for sale	—	—	(338)	(83)	(421)	—	(421)
Reserve released on disposal of a jointly controlled entity	—	—	(298)	—	(298)	—	(298)
Reserve released upon liquidation of a subsidiary company	—	—	5	—	5	—	5
Total comprehensive income for the year	—	—	873	8,738	9,611	1,454	11,065
Transactions with owners							
Partial disposal of an associated company to non-controlling interests	—	—	(253)	—	(253)	(180)	(433)
Dividends paid to shareholders of the Company	—	—	—	(1,459)	(1,459)	—	(1,459)
Dividends paid to non-controlling interests	—	—	—	—	—	(438)	(438)
Acquisition of interests from non-controlling interests	—	—	1	—	1	(20)	(19)
Capital injection by non-controlling interests	—	—	—	—	—	118	118
Capital refund to non-controlling interests	—	—	—	—	—	(26)	(26)
Dilution of interest in a subsidiary	—	—	38	—	38	(38)	—
Share-based payment	—	—	17	—	17	8	25
Transfer from profits to general and other reserves	—	—	283	(283)	—	—	—
	—	—	86	(1,742)	(1,656)	(576)	(2,232)
Balance at 31 December 2010, as restated	1,459	—	44,492	22,395	68,346	5,872	74,218

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

(a) ***Basis of preparation***

The principal accounting policies applied in the preparation of these consolidated financial statements ("the Accounts") of CITIC Pacific Limited (the "Company") and its subsidiary companies (together the "Group") are set out below. These policies have been consistently applied to each of the years presented, 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 below in (h) and (w). 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. See note 39 to the Accounts for disclosures of material related party transactions.

(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.

Effect on consolidated balance sheet	**31 December 2011**	**31 December 2010**	**1 January 2010**
	HK$m	**HK$m**	**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**	**For the year ended 2010**
	HK$m	**HK$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.

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 — offsetting financial assets and financial liabilities	2013

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

(b) ***Basis of consolidation***

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

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

(c) ***Goodwill***

Goodwill arising on the acquisition of subsidiary companies, jointly controlled entities and associated companies represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

A subsidiary company is a company which is controlled by the Company through share ownership or otherwise. Control represents the power to govern the financial and operating policies of that company.

The acquisition method of accounting is used to account for the acquisition of subsidiary companies. The consideration transferred for the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. There is a choice, on the basis of each acquisition to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

When control is lost, any remaining interest in the subsidiary company is re-measured to fair value and the difference between the fair value and the carrying value is recognised in the profit and loss account.

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

(e) ***Jointly controlled entities***

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to joint control.

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

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

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

Share of results of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(f) ***Associated companies***

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

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

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

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

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

In the Company's balance sheet, the investments in associated companies are stated at cost less any impairment. The results of associated companies are only reflected to the extent dividends are received or are receivable.

(g) ***Property, plant and equipment***

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

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

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

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

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

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

Freehold land is not amortised.

Other buildings	2%-10% or the remaining lease period of the land where applicable
Plant and machinery	6%-20%
Other property, plant and equipment, comprising vessels, telecommunications equipment, traffic equipment, cargo lighters, computer installations, motor vehicles, furniture, fixture and equipment	4%-25%

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Note 4, in the consolidated profit and loss account.

(h) ***Investment properties***

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

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

(i) ***Properties under development***

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

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

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

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

(j) ***Capitalisation of development costs***

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

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

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

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

(k) ***Properties held for sale***

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

(l) ***Other assets held for sale***

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

(m) ***Leasehold land***

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

(n) ***Intangible assets***

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

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

(o) ***Mining exploration, evaluation and development expenditure***

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

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

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

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

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

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

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

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

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

(p) ***Trade and other receivables***

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

(q) ***Cash and cash equivalents***

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

(r) ***Borrowings***

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

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

(s) ***Provisions***

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

In respect of the Group's iron ore mining operations:

(i) *Site restoration*

In accordance with the iron ore mining group's environmental policy and applicable legal requirements, the Group has an obligation to conduct rehabilitation works in respect of disturbed areas comprising the waste rock dumps, open areas, open pits and abandonment bunds. A non-current provision has been made for the site restoration commitment with the corresponding property, plant and equipment increased by an equivalent amount.

(ii) *Mining rights*

In accordance with the mining rights/lease agreements entered into by two subsidiary companies of the Company, the Group is committed to pay a defined royalty if either of the two subsidiary companies' production is less than 6 million tonnes by March 2013. A provision has been made for this commitment with the corresponding intangible assets increased by an equivalent amount.

(t) ***Share capital***

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

(u) ***Segment reporting***

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

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

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

(v) ***Revenue recognition***

(i) *Sales of goods*

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

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

(ii) *Rendering of services*

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

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

Revenue from the provision of telecommunications services is recognised upon delivery of the service.

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

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

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

(iv) *Toll income*

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

(v) *Rental income*

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

(vi) *Dividend income*

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

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

(w) ***Financial instruments***

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

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

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

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

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

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

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

(ii) *Loans and receivables*

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

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

(iii) *Available-for-sale financial assets*

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

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

(iv) *Derivative financial instruments*

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

Cash flow hedges

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

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

Hedge of net investments in foreign operations

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

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

(x) ***Operating leases***

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

(y) ***Impairment of assets***

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

(z) ***Inventories***

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

(aa) ***Foreign currencies***

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

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

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

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

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

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

(bb) ***Deferred taxation***

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

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

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

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

(cc) ***Employee benefits***

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

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

(ii) *Share-based payments*

The Group operates a share option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period with a corresponding increase in capital reserve. Fair values of share option awards, measured at the date of grant of the award, are calculated using a binomial lattice model methodology that is based on the underlying assumptions of the Black-Scholes model.

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

(iii) *Termination benefits*

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

2 Critical accounting estimates and judgements

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

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

(i) ***Investment properties***

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

(ii) ***Impairment of goodwill***

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

(iii) ***Impairment of assets***

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

Mining operation

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

Property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

Properties under development

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

Jointly controlled entities and associated companies

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

Debtors, accounts receivables, deposits and prepayments

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

(iv) ***Depreciation***

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

(v) ***Provision for inventories***

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

(vi) ***Fair value of derivative financial instruments***

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

(vii) ***Income taxes***

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

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

3 Turnover and Revenue

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

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

	Group	
	2011	**2010**
	HK$m	**HK$m**
Sale of goods	87,669	60,977
Telecommunications	3,196	2,966
Services rendered to customers	2,637	1,795
Properties sales	4,845	3,290
Rental income	869	800
Toll income	797	740
Others	73	46
	100,086	70,614

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

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

4 Other income and net gains

	Group	
	2011	**2010**
	HK$m	**HK$m**
Other income		
Commission income, subsidy income, rebates and others	753	531
Dividend income from other financial assets		
- Listed shares	7	53
	760	584
Net exchange gain (note i)	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	—
	735	3,476
	1,843	4,395

Notes:

(i) The net exchange gain of HK$348 million (2010: HK$335 million) above mainly represents the net exchange gain on revaluation of monetary items in foreign currencies.

5 Segment information

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

Year ended 31 December 2011	Revenue Note (a)	Profit/ (loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations Note (b)	Segment profit/(loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to ordinary shareholders of the Company
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Special steel	44,043	2,926	142	28	317	(676)	2,737	(6)	2,731	(440)	(297)	1,994
Iron ore mining	83	(256)	—	—	—	(188)	(444)	—	(444)	21	—	(423)
Property												
Mainland China	5,459	2,116	1,141	—	94	(14)	3,337	10	3,347	(853)	(170)	2,324
Hong Kong	249	516	—	132	—	—	648	86	734	(26)	—	708
Energy	23	287	1,367	—	11	—	1,665	—	1,665	(77)	—	1,588
Tunnels	797	539	198	—	2	—	739	—	739	(89)	(132)	518
Dah Chong Hong	46,109	1,946	23	4	23	(248)	1,748	(90)	1,658	(513)	(528)	617
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 note 43.

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

Year ended 31 December 2010 (as restated)	Revenue Note (a)	Profit/ (loss) from consolidated activities	Share of results of jointly controlled entities	Share of results of associated companies	Finance income	Finance charges	Group total	Segment allocations Note (b)	Segment profit/(loss)	Taxation	Non-controlling interests	Profit/(loss) attributable to ordinary shareholders of the Company
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Special steel	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 note 43.

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

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

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

(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)	
	31 December 2011	As restated 31 December 2010	As restated 1 January 2010	31 December 2011	31 December 2010	1 January 2010	31 December 2011	As restated 31 December 2010	As restated 1 January 2010	31 December 2011	As restated 31 December 2010	As restated 1 January 2010	31 December 2011	As restated 31 December 2010	As restated 1 January 2010	31 December 2011	As restated 31 December 2010	As restated 1 January 2010	31 December 2011	31 December 2010
	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	HK$m	HK$m	HK$m	HK$m	HK$m	HK$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.

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

	Group		
	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
	HK$m	HK$m	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
	158,040	136,212	109,282

6 Profit from consolidated activities

	Group	
	2011	2010
	HK$m	HK$m
The profit from consolidated activities is arrived at after crediting:		
Rental income from:		
(i) Investment properties		
- gross income	883	800
- less: direct outgoings	(50)	(52)
	833	748
(ii) Other operating leases	187	170

	Group	
	2011	2010
	HK$m	HK$m
and after charging		
Cost of inventories/properties sold	70,835	48,087
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	4,056	3,128
Depreciation of property, plant and equipment	1,994	1,456
Amortisation of leasehold land - operating lease	37	34
Amortisation of intangible assets	149	140
Other operating expenses	5,101	4,472
Auditor's remuneration	53	52
Contributions to staff retirement schemes	140	105
Impairment losses provision on (note)		
Other financial assets	98	74
Property, plant and equipment	526	345
Trade and other receivables	28	18
Intangible assets	—	32
Operating lease rentals		
Land and buildings	396	331

Note:

	2011	2010
	HK$m	HK$m
Impairment losses by operating segment:		
Iron ore mining (a)	147	125
Special steel (b)	344	—
Property (c)	—	145
CITIC Telecom	13	14
Dah Chong Hong (d)	50	111
Other investments (e)	98	74
	652	469

(a) An impairment loss provision was made for the surplus project equipment for Iron Ore Mining segment.

(b) An impairment loss has been recognised for two blast furnaces, a converter and other facilities that have ceased their production due to certain environmental issue.

(c) An impairment provision for a property investment in the People's Republic of China ("PRC") was made in 2010 as its value in use based on its estimated discounted cashflows was below its carrying amount.

(d) Impairment loss of Dah Chong Hong was mainly related to fixed assets and other receivables.

(e) Impairment provision was made on other investments as the market values of certain listed shares were significantly below the purchase prices.

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

	Group	
	2011	2010
	HK$m	HK$m
Within 1 year	796	768
After 1 year but within 5 years	776	701
After 5 years	81	45
	1,653	1,514

7 Net finance charges

	Group	
	2011	2010
	HK$m	HK$m
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	2,042	1,274
Bank loans not wholly repayable within five years	1,622	1,518
Other loans wholly repayable within five years	136	278
Other loans not wholly repayable within five years	267	31
	4,067	3,101
Amount capitalised	(2,891)	(2,335)
	1,176	766
Other finance charges	106	107
Other financial instruments		
Fair value loss	98	51
Ineffectiveness on cash flow hedges	(275)	(220)
Finance income	1,105	704
Interest income	(695)	(356)
	410	348

The capitalisation rates applied to funds borrowed are between 2.7 % and 4.9% per annum (2010: 2.8 % and 4.6% per annum).

8 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:

(a)

	Group	
	2011	**As restated 2010**
	HK$m	**HK$m**
Current taxation		
Hong Kong profits tax	265	268
Tax outside Hong Kong	1,803	1,534
Deferred taxation (Note 33)		
Changes in fair value of investment properties	390	316
Origination and reversal of other temporary differences	113	121
Effect of tax rate changes	(11)	—
	2,560	2,239

(b) Aggregate current and deferred tax relating to items credited to hedging reserve:

	Group	
	2011	**2010**
	HK$m	**HK$m**
Deferred tax relating to mining assets and others	759	26

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

	Group	
	2011	As restated 2010
	HK$m	HK$m
Profit before taxation	13,543	12,410
Less: share of results of		
- jointly controlled entities	(3,080)	(2,000)
- associated companies	(914)	(673)
	9,549	9,737
Calculated at Hong Kong profits tax rate of 16.5% (2010:16.5%)	1,576	1,607
Effect of different taxation rates in other jurisdictions	281	110
Effect of non-taxable income and non-deductible expenses	(285)	(176)
Utilisation of tax losses previously unrecognised net of tax losses not recognised	71	(37)
Under provision in prior years	73	—
Effect of tax rate changes	(11)	—
Withholding tax on interest income and undistributed profits of certain PRC operations	335	269
Others	520	466
Taxation	2,560	2,239

9 Profit attributable to shareholders of the Company

The Group's profit attributable to shareholders of the Company is recorded in the financial statements of the Company to the extent of a profit of HK$1,951 million (2010: HK$4,228 million).

10 Dividends

	2011	2010
	HK$m	HK$m
2010 Final dividend paid: HK$0.30 (2009: HK$0.25) per share	1,095	912
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$0.30) per share	1,095	1,095
	1,642	1,642
Dividend per share (HK$)	0.45	0.45

11 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company of HK$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.

12 Directors' emoluments

The remuneration of each director for the year ended 31 December 2011 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	2011 Total	2010 Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Chang Zhenming#	—	1.22	1.00	—	2.22	3.38
Zhang Jijing#	—	2.12	4.00	—	6.12	6.38
Carl Yung Ming Jie #	—	2.54	—	0.13	2.67	9.34
Vernon Francis Moore #	—	3.23	9.92	0.01	13.16	14.39
Liu Jifu #	—	1.05	6.95	0.01	8.01	9.43
Milton Law Ming To #	—	2.70	9.19	0.13	12.02	13.11
Steve Kwok Man Leung #	—	2.63	9.19	0.13	11.95	13.40
Alexander Reid Hamilton	0.50	—	—	—	0.50	0.35
André Desmarais	0.35	—	—	—	0.35	0.20
Ju Weimin	0.35	—	—	—	0.35	0.20
Yin Ke[1]	0.59	—	—	—	0.59	0.32
Gregory Lynn Curl	0.27	—	—	—	0.27	—
Francis Siu Wai Keung	0.36	—	—	—	0.36	—
Willie Chang	0.18	—	—	—	0.18	0.35
Hansen Loh Chung Hon	0.16	—	—	—	0.16	0.30
Norman Ho Hau Chong	0.14	—	—	—	0.14	0.25
Li Shilin	—	0.21	—	—	0.21	0.71
Wang Ande	—	0.86	—	—	0.86	11.24
Peter Lee Chung Hing	—	—	—	—	—	1.31
	2.90	16.56	40.25	0.41	60.12	84.66

Mr Gregory Lynn Curl and Mr Francis Siu Wai Keung have been appointed as Independent Non-executive Directors during the year.

Mr Willie Chang, Mr Hansen Loh Chung Hon and Mr Norman Ho Hau Chong resigned during the year.

Mr Li Shilin and Mr Wang Ande retired during the year.

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

[1] *Included fee of HK$ 0.18 million to a director from listed subsidiary companies of the Group.*

13 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2010: three) are directors whose emoluments are disclosed in note 12.

The aggregate emoluments in respect of the other two individuals (2010: two) are as follows:

	2011	2010
	HK$m	HK$m
Salaries and other emoluments	4.67	4.10
Discretionary bonuses	22.31	18.97
Retirement scheme contribution	0.36	0.34
Share based payment	—	4.32
	27.34	27.73

The numbers of these individuals with emoluments within the following bands were:

	2011	2010
HK$11,000,001 - HK$12,000,000	1	1
HK$15,000,001 - HK$16,000,000	1	1

14 Retirement benefits

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

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

15 Fixed assets and properties under development

(a) *Group*

	Fixed assets								
	Property, plant and equipment								
	Leasehold land - finance leases and self-use properties (note ii)	Plant and machinery (note ii)	Construction in progress (note i, ii & iii)	Others (note iv)	Sub-total	Investment properties	Leasehold land - operating leases (note v)	Properties under development (note i, ii & v)	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Cost or valuation									
At 1 January 2011	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Exchange adjustments	383	759	289	70	1,501	366	75	342	2,284
Additions (note (vii))	308	499	15,646	777	17,230	1	86	1,976	19,293
Acquisition of subsidiary companies	91	89	12	157	349	—	16	—	365
Disposals	(161)	(637)	(27)	(192)	(1,017)	(511)	(10)	(1,746)	(3,284)
Change in fair value of investment properties	—	—	—	—	—	1,835	—	—	1,835
Transfer upon completion	2,010	3,549	(5,763)	2,387	2,183	—	509	(2,692)	—
Transfer to investment properties/ properties under development classified under current assets/inventories	—	—	(77)	(30)	(107)	190	—	(1,408)	(1,325)
Transfer from properties held for sale	—	—	—	—	—	—	—	246	246
Transfer from non-current deposits	—	—	2,118	1,787	3,905	—	—	—	3,905
Reclassification	(359)	4	—	494	139	(190)	51	—	—
At 31 December 2011	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916
Accumulated depreciation, amortisation and impairment									
At 1 January 2011	2,110	5,040	150	2,543	9,843	—	172	191	10,206
Exchange adjustments	77	236	1	36	350	—	11	—	361
Acquisition of subsidiary companies	19	37	—	66	122	—	1	—	123
Charge for the year (note (ix))	365	1,120	—	509	1,994	—	37	1	2,032
Depreciation capitalised to construction in progress	52	183	—	21	256	—	—	—	256
Written back on disposals	(139)	(563)	(26)	(111)	(839)	—	(2)	(30)	(871)
Impairment loss	95	250	148	33	526	—	—	—	526
Transfer to investment properties/current assets	—	1	—	(25)	(24)	—	—	—	(24)
Reclassification	(193)	—	—	193	—	—	—	—	—
At 31 December 2011	2,386	6,304	273	3,265	12,228	—	219	162	12,609
Net book value									
At 31 December 2011	11,284	17,168	50,439	6,241	85,132	15,270	2,277	6,628	109,307
Represented by									
Cost	13,670	23,472	50,712	9,506	97,360	—	2,496	6,790	106,646
Valuation	—	—	—	—	—	15,270	—	—	15,270
	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916

	Fixed assets								
	Property, plant and equipment								
	Leasehold land - finance leases and self-use properties (note ii)	Plant and machinery (note ii)	Construction in progress (note i, ii & iii)	Others (note iv)	Sub-total	Investment properties	Leasehold land - operating leases (note v)	Properties under development (note i, ii & v)	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Cost or valuation									
At 1 January 2010	8,857	13,824	21,738	3,384	47,803	11,164	1,714	9,236	69,917
Exchange adjustments	279	545	295	76	1,195	324	70	451	2,040
Additions (note (vii))	170	354	21,622	541	22,687	—	—	2,805	25,492
Disposals	(51)	(266)	(52)	(153)	(522)	—	(29)	(3)	(554)
Change in fair value of investment properties	—	—	—	—	—	1,294	—	—	1,294
Transfer upon completion	2,515	4,603	(7,082)	217	253	—	14	(267)	—
Transfer to investment properties/current assets	(282)	4	—	(35)	(313)	797	—	(2,280)	(1,796)
Transfer from non-current deposits	—	—	2,074	—	2,074	—	—	130	2,204
Reclassification	(90)	145	(81)	26	—	—	—	—	—
At 31 December 2010	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Accumulated depreciation, amortisation and impairment									
At 1 January 2010	1,635	3,941	24	2,171	7,771	—	133	171	8,075
Exchange adjustments	63	193	1	37	294	—	6	12	312
Charge for the year (note (ix))	290	796	—	370	1,456	—	34	8	1,498
Depreciation capitalised to construction in progress	16	143	—	88	247	—	—	—	247
Written back on disposals	(21)	(38)	—	(106)	(165)	—	(2)	—	(167)
Impairment loss	206	—	125	13	344	—	1	—	345
Transfer to investment properties/current assets	(79)	—	—	(25)	(104)	—	—	—	(104)
Reclassification	—	5	—	(5)	—	—	—	—	—
At 31 December 2010	2,110	5,040	150	2,543	9,843	—	172	191	10,206
Net book value									
At 31 December 2010	9,288	14,169	38,364	1,513	63,334	13,579	1,597	9,881	88,391
Represented by									
Cost	11,398	19,209	38,514	4,056	73,177	—	1,769	10,072	85,018
Valuation	—	—	—	—	—	13,579	—	—	13,579
	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597

Notes:

(i) During the year, interest capitalised in properties under development and construction in progress amounted to HK$453 million (2010: HK$398 million) and HK$1,935 million (2010: HK$1,691 million) respectively.

(ii) As at 31 December 2011, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$43,323 million (2010: HK$32,311 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

(iii) As at 31 December 2011, construction in progress comprised of the development of an iron ore mine in Western Australia amounted to HK$42,072 million (2010: HK$31,709 million), expansion of the Group's special steel mills amounted to HK$8,479 million (2010: HK$6,567 million) and others of HK$161 million (2010: HK$238 million).

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

(v) As at 31 December 2011 and 2010, certain of the Group's properties under development were in the process of applying for certificates of land use rights in the PRC.

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

	2011	2010
	HK$m	HK$m
Authorised but not contracted for		
- property, plant and equipment, properties under development and leasehold land classified as operating leases	602	2,353
Contracted but not provided for		
- property, plant and equipment, properties under development and leasehold land classified as operating leases	11,954	12,039

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

	2011	2010
	HK$m	HK$m
Special steel	5,436	5,195
Iron ore mining	10,413	16,633
Property	2,010	2,845
Tunnels	2	4
Dah Chong Hong	1,233	654
CITIC Telecom	187	159
Other investments	12	2
	19,293	25,492

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

	2011	2010
	HK$m	HK$m
Mainland China	8,249	8,448
Hong Kong	591	384
Overseas	10,453	16,660
	19,293	25,492

(ix) Depreciation and amortisation charge for the year by segment:

	2011	2010
	HK$m	HK$m
Special steel	1,421	1,037
Iron ore mining	24	1
Property	92	84
Tunnels	5	6
Dah Chong Hong	366	258
CITIC Telecom	118	107
Other investments	6	5
	2,032	1,498

(b) ***Company***

	Motor vehicles, equipment, furniture and fixtures	
	2011	**2010**
	HK$m	**HK$m**
Cost		
At 1 January	104	105
Additions	7	1
Disposals	(1)	(2)
At 31 December	110	104
Accumulated depreciation		
At 1 January	97	95
Charge for the year	4	4
Written back on disposals	(1)	(2)
At 31 December	100	97
Net book value, at cost		
At 31 December	10	7

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

	Leasehold land - finance leases and self-use properties		Investment properties		Properties under development (note)		Leasehold land - operating leases		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Leasehold properties held										
In Hong Kong										
- Leases of over 50 years ..	37	23	845	865	—	—	—	—	882	888
- Leases of between 10 to 50 years	1,982	1,876	5,420	4,634	441	24	—	—	7,843	6,534
- Leases of less than 10 years	12	12	—	—	—	—	—	—	12	12
In mainland China										
- Leases of over 50 years ..	119	476	1,998	1,766	2,500	3,302	510	—	5,127	5,544
- Leases of between 10 to 50 years	11,092	8,652	6,589	5,873	3,849	6,746	1,976	1,759	23,506	23,030
- Leases of less than 10 years	159	91	—	—	—	—	—	—	159	91
Properties held overseas										
- Freehold	229	228	418	441	—	—	—	—	647	669
- Leases of between 10 to 50 years....................................	40	40	—	—	—	—	10	10	50	50
- Leases of less than 10 years	—	—	—	—	—	—	—	—	—	—
	13,670	11,398	15,270	13,579	6,790	10,072	2,496	1,769	38,226	36,818

Note: The total amount includes properties under development for sale classified as non-current assets of HK$4,662 million (2010: HK$7,936 million) and the remaining balance represents properties under development for own use.

(d) *Property valuation*

Investment properties were revalued at 31 December 2011 by the following independent, professionally qualified valuers.

Properties located in	Valuers
- Hong Kong and Shanghai	Knight Frank Petty Limited
- Japan	Network Real Estate Appraisal Co Ltd

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

	Investment properties	Leasehold land - finance leases and self-use properties	Other fixed assets	Fixed assets total	Properties held for sale
	HK$m	HK$m	HK$m	HK$m	HK$m
Cost or valuation	15,270	184	318	15,772	—
Accumulated depreciation/impairment	—	(19)	(162)	(181)	—
Net book value at 31 December 2011	15,270	165	156	15,591	—
Depreciation charges/amortisation charges for the year	—	5	47	52	—
Cost or valuation	13,579	182	266	14,027	310
Accumulated depreciation/impairment	—	(14)	(136)	(150)	(70)
Net book value at 31 December 2010	13,579	168	130	13,877	240
Depreciation charges/amortisation charges for the year	—	4	33	37	3

16 Subsidiary companies

	Company	
	2011	2010
	HK$m	HK$m
Non-current		
Unlisted shares, at cost less impairment losses	1,996	1,822
Amounts due from subsidiary companies (Note)	78,893	66,579
	80,889	68,401
Current		
Amounts due from subsidiary companies (Note)[1]	4,896	3,960
Amounts due to subsidiary companies (Note)[1]	(6,223)	(9,647)
	(1,327)	(5,687)

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

Note: Amounts due from/to subsidiary companies are unsecured and interest bearing at market rates except for amounts due from subsidiary companies of approximately HK$42,886 million (2010: HK$44,095 million) and amounts due to subsidiary companies of approximately HK$6,179 million (2010: HK$6,159 million), which are non-interest bearing. The non-current amounts due from subsidiary companies are not repayable within 12 months from the balance sheet date, and the current amounts due from/to subsidiary companies have no fixed repayment terms. The amounts were not in default or impaired except for a provision for impairment loss of HK$485 million which was made in 2011 (2010: HK$281 million).

[1] These amounts approximate their fair value.

17 Jointly controlled entities

	Group	
	2011	2010
	HK$m	HK$m
Share of net assets	15,746	15,902
Goodwill and intangible assets		
At 1 January	2,018	2,184
Acquisition during the year	29	—
Disposal	(63)	(213)
Amortisation	(48)	(36)
Exchange differences	75	83
At 31 December	2,011	2,018
	17,757	17,920
Loans due from jointly controlled entities (Note (b))	3,522	3,762
Loans due to jointly controlled entities (Note (b))	(1)	(1)
	21,278	21,681

	Company	
	2011	2010
	HK$m	HK$m
Unlisted shares, at cost	4,244	4,244
Loans due from jointly controlled entities	894	877
	5,138	5,121

Note:

(a) Jointly controlled entities include the Western Harbour Tunnel Company Limited ("WHTCL") whose year end is 31 July which is not coterminous with the Group's year end. The results of certain jointly controlled entities (including WHTCL) have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2011 and 2010.

(b) Loans due from jointly controlled entities and loans due to jointly controlled entities are interest bearing at market rates except for loans to jointly controlled entities of approximately HK$1,317 million (2010: HK$1,488 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired, and the carrying amounts approximate their fair value.

(c) The following amounts represent the Group's share of the assets and liabilities, and revenue and results of jointly controlled entities and are included in the consolidated balance sheet and the consolidated profit and loss account using the equity method and after adjusting for goodwill and amortisation:

	2011	2010
	HK$m	HK$m
Assets:		
Non-current assets	17,537	21,025
Current assets	15,746	20,313
	33,283	41,338
Liabilities:		
Non-current liabilities	(7,509)	(11,523)
Current liabilities	(9,477)	(13,761)
	(16,986)	(25,284)
Net assets	16,297	16,054
Revenue	28,468	19,861
Expenses	(24,361)	(17,386)
	4,107	2,475
Taxation	(853)	(413)
Profit for the year	3,254	2,062
Share of jointly controlled entities' capital commitments (Note i)		
- authorised but not contracted for	346	386
- contracted but not provided for	1,147	1,520

Note:

(i) The Group has fully contributed its attributable portion of capital and loans to the respective jointly controlled entities.

(ii) There are no material contingent liabilities for 2011 and 2010 to be shared by the Group.

(d) Particulars of the principal jointly controlled entities are shown in Note 43.

18 Associated companies

	Group		
	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
	HK$m	HK$m	HK$m
Share of net assets	4,922	4,156	3,619
Goodwill	65	65	65
Loans due from associated companies (Note (b))	2,243	2,132	2,122
Loans due to associated companies (Note (b))	(8)	(8)	(9)
	7,222	6,345	5,797
Investment at cost:			
Unlisted shares	2,879	2,822	2,673

	Company	
	2011	2010
	HK$m	HK$m
Investment at cost:		
Unlisted shares	53	53
Loans due from associated companies	1,942	1,973
Loans due to associated companies	(8)	(8)
	1,987	2,018

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

	Group	
	2011	2010
	HK$m	HK$m
Unlisted associated companies	166	544

Note:

(a) Associated companies include the Hong Kong Resort Company Limited ("HKR") whose year end is 31 March which is not coterminous with the Group's year end. The results of certain associated companies including HKR have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2010 and 2011.

(b) Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for loans due to associated companies of approximately HK$8 million (2010: HK$8 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired except for a provision for impairment loss of HK$24 million made in 2007 for the loans due from an associated company. The carrying amounts of the loans approximate their fair value.

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

Summarised financial information of the associated companies on a gross basis:

	Group		
	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
	HK$m	HK$m	HK$m
Assets	24,516	21,227	19,616
Liabilities	14,760	13,536	13,590
Revenue	9,416	7,770	
Profit	1,579	1,484	
Capital commitments			
- authorised but not contracted for	261	190	
- contracted but not provided for	561	651	
Contingent liabilities	125	114	

19 Other financial assets

	Group	
	2011	2010
	HK$m	HK$m
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	252	377
	252	377
Others		
Unlisted investments		
Shares, at cost	13	13
Investment fund, at fair value	80	58
	345	448

Other financial assets are denominated in the following currencies:

	Group	
	2011	2010
	HK$m	HK$m
Hong Kong dollars	264	390
Other currencies	81	58
	345	448

20 Intangible assets

	Goodwill	Other intangible assets			
		Mining assets	Vehicular tunnel	Others	Total
	HK$m	HK$m	HK$m	HK$m	HK$m
Cost					
At 31 December 2010, as previously reported	1,258	10,820	2,000	361	14,439
Impact of adoption of HKAS12 (amendment)	(45)	—	—	—	(45)
At 1 January 2011, as restated	1,213	10,820	2,000	361	14,394
Exchange adjustment	7	(14)	—	21	14
Additions	—	2,700	—	21	2,721
Acquisition of subsidiary companies	190	—	—	485	675
At 31 December 2011	1,410	13,506	2,000	888	17,804
Accumulated amortisation and impairment losses					
At 1 January 2011	54	21	1,320	55	1,450
Exchange adjustments	—	—	—	3	3
Charge for the year	—	—	112	37	149
At 31 December 2011	54	21	1,432	95	1,602
Net book value					
At 31 December 2011	1,356	13,485[1]	568	793	16,202
Cost					
At 31 December 2009, as previously reported	1,249	8,611	2,000	329	12,189
Impact of adoption of HKAS 12 (amendment)	(45)	—	—	—	(45)
At 1 January 2010, as restated	1,204	8,611	2,000	329	12,144
Exchange adjustment	9	16	—	15	40
Additions	—	2,193	—	17	2,210
At 31 December 2010, as restated	1,213	10,820	2,000	361	14,394
Accumulated amortisation and impairment losses					
At 1 January 2010	25	21	1,204	26	1,276
Exchange adjustments	—	—	—	2	2
Charge for the year	—	—	116	24	140
Impairment loss	29	—	—	3	32
At 31 December 2010	54	21	1,320	55	1,450
Net book value					
At 31 December 2010, as restated	1,159	10,799[1]	680	306	12,944

[1] Including mining rights provision of HK$1,648 million (2010: HK$1,511 million), which consists of a non-current portion of HK$1,524 million (2010: HK$1,511 million). For details see Note 34.

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

As at 31 December 2011, the remaining amortisation period of the vehicle tunnel is 5 years, whilst the mining assets are currently under construction and will be amortised on a unit of production basis on completion of construction and when the mine is in production. The Group estimates that it will mine a total of 2 billion tonnes of iron ore over a period of approximately 25 years.

Analysed by:

	31 December 2011				As restated, 31 December 2010				As restated, 1 January 2010
	Goodwill	Other intangible assets			Goodwill	Other intangible assets			Goodwill
		Mining assets	(*) Vehicular tunnel	Others		Mining assets	(*) Vehicular tunnel	Others	
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Special steel	265	—	—	2	237	—	—	—	231
Iron ore mining	23	13,485	—	—	23	10,799	—	—	25
Property									
- Mainland China	277	—	—	1	278	—	—	—	278
Tunnels	7	—	568	—	7	—	680	—	7
CITIC Telecom	437	—	—	80	354	—	—	36	351
Dah Chong Hong	347	—	—	710[†]	260	—	—	270[†]	287
	1,356	13,485	568	793	1,159	10,799	680	306	1,179

Notes:

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

(†) Others mainly include car dealership of Dah Chong Hong group amounting to HK$660 million (2010: HK$251 million).

21 Non-current deposits and prepayment

	Group	
	2011	2010
	HK$m	HK$m
Non-current deposits represent deposit payments for:		
- Construction of vessels	2,728	3,956
- Acquisition and construction of other property, plant and equipment mainly in relation to the Group’s steel plant new phases and the Australian iron ore mining project	1,194	2,276
- Acquisition of a subsidiary company	—	66
Prepayment for rental of certain telecommunication facilities	109	105
	4,031	6,403

22 Other assets held for sale

As at 31 December 2011, interests in a jointly controlled entity (see Note 39 (c)) and certain properties located in PRC were classified as other assets held for sale.

As at 31 December 2010, certain properties located in PRC and Hong Kong were classified as other assets held for sale.

23 Inventories

	Group	
	2011	2010
	HK$m	HK$m
Raw materials	3,845	4,677
Work-in-progress	1,711	1,388
Finished goods	7,987	4,722
Others	582	404
	14,125	11,191

An amount of HK$121 million (2010: HK$46 million) for write-down and HK$28 million (2010: HK$35 million) for reversal of write-down of inventories to net realisable value have been included in cost of sales in the profit and loss account.

24 Debtors, accounts receivable, deposits and prepayments

	Group		Company	
	2011	2010	2011	2010
	HK$m	HK$m	HK$m	HK$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	193	188
	16,253	14,070	193	188

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.

As of 31 December 2011, trade receivables of HK$332 million (2010: HK$182 million) were past due but not impaired. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	2011	2010
	HK$m	HK$m
Less than 3 months	274	153
3 to 6 months	35	22
Over 6 months	23	7
	332	182

Movements on the provision for impairment of trade receivables are as follows:

	2011	2010
	HK$m	HK$m
At 1 January	123	127
Exchange adjustments	3	4
Provision for impairment loss during the year	22	18
Receivables written off during the year	(6)	(17)
Provision written back during the year	(14)	(9)
At 31 December	128	123

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

As of 31 December 2011, trade receivables of HK$187 million (2010: HK$100 million) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which are in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific provision for impairment loss of HK$44 million (2010: HK$35 million) was recognised against the receivables. The Group does not hold any collateral over these balances.

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

25 Creditors, accounts payable, deposits and accruals

	Group		Company	
	2011	2010	2011	2010
	HK$m	HK$m	HK$m	HK$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	293	291
	30,577	26,911	293	291

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

26 Share capital

	Number of shares of HK$0.40 each	HK$m
Authorised:		
At 31 December 2010 and 2011	6,000,000,000	2,400
Issued and fully paid:		
At 1 January 2010 and 31 December 2010	3,648,688,160	1,459
At 1 January 2011	3,648,688,160	1,459
Issue of shares pursuant to the Plan 2000	756,000	1
At 31 December 2011	3,649,444,160	1,460

Share Option Plan

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

					Outstanding balance	
Grant date	**Number of options granted**	**Percentage of the issued share capital**	**Exercise price HK$**	**Closing price before grant date HK$**	**At 31 December 2011**	**At 31 December 2010**
28 May 2002	11,550,000	0.32%	18.20	18.10	—	—
1 November 2004............	12,780,000	0.35%	19.90	19.90	—	—
20 June 2006	15,930,000	0.44%	22.10	22.50	—	5,596,000
16 October 2007	18,500,000	0.51%	47.32	47.65	11,800,000	12,100,000
19 November 2009..........	13,890,000	0.38%	22.00	21.40	12,650,000	12,800,000
14 January 2010..............	880,000	0.02%	20.59	19.98	880,000	880,000

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

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

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

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

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

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

	2011		2010	
	Average exercise price in HK$ per share	**Options**	**Average exercise price in HK$ per share**	**Options**
At 1 January		31,376,000		33,486,000
Granted	—	—	20.59	880,000
Exercised	22.10	(756,000)	—	—
Lapsed	23.53	(5,290,000)	31.76	(2,990,000)
At 31 December		25,330,000		31,376,000
Weighted average remaining contractual life		1.92 years		2.47 years

Details of share options exercised during the year:

Exercise price HK$	**Number of shares**	
22.10	756,000	—
	756,000	—

The related weighted average share price at the time of exercise in 2011 was HK$23.56 (2010: HK$0) per share.

27 Perpetual capital securities

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

(a) ***Group***

	Share premium	Capital redemption reserve	Capital reserve	Goodwill (Note)	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
	HK$m	HK$m	HK$m	HK$m (Note)	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 31 December 2010, as previously reported	36,515	29	1,030	(1,655)	156	6,762	403	1,341	22,242	66,823
Effect of adoption of HKAS 12 (amendment).	—	—	—	—	—	(89)	—	—	153	64
At 1 January 2011, as restated	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887
Share of reserves of associated companies and jointly controlled entities	—	—	(5)	—	—	121	7	(1)	(80)	42
Exchange translation differences	—	—	—	—	—	2,307	—	—	—	2,307
Reserves released on disposal of a jointly controlled entity	—	—	(10)	37	—	(122)	—	—	(37)	(132)
Reserves released upon disposal of a subsidiary company	—	—	—	—	—	(109)	—	—	—	(109)
Cash flow hedges:										
- Fair value loss in the year	—	—	—	—	—	—	(2,716)	—	—	(2,716)
- Transfer to construction in progress	—	—	—	—	—	—	(1,631)	—	—	(1,631)
- Transfer to net finance charges	—	—	—	—	—	—	665	—	—	665
- Tax effect	—	—	—	—	—	—	759	—	—	759
							(2,923)			(2,923)
Fair value loss of other financial assets	—	—	—	—	(112)	—	—	—	—	(112)
Transfer to profit and loss account on impairment of other financial assets	—	—	—	—	98	—	—	—	—	98
Dilution of interest in a subsidiary company	—	—	—	—	—	—	—	8	—	8
Acquisition of interests from non-controlling interests	—	—	—	—	—	—	—	(64)	—	(64)
Issue of shares pursuant to the share option plan	18	—	(3)	—	—	—	—	—	—	15
Share-based payments	—	—	7	—	—	—	—	—	—	7
Transfer from profits to general and other reserves	—	—	—	—	—	—	—	322	(322)	—
Profit attributable to shareholders of the Company	—	—	—	—	—	—	—	—	9,233	9,233
Dividends (Note 10)	—	—	—	—	—	—	—	—	(1,642)	(1,642)
Transaction costs related to issuance of perpetual capital securities	—	—	—	—	—	—	—	—	(68)	(68)
At 31 December 2011	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
Representing:										
At 31 December 2011 after proposed final dividend										72,452
2011 Final dividend proposed										1,095
										73,547
Retained by:										
Company and subsidiary companies	36,533	29	922	(1,618)	130	8,074	(2,514)	1,581	20,524	63,661
Jointly controlled entities	—	—	26	—	5	332	1	25	5,824	6,213
Associated companies	—	—	(5)	—	—	18	—	—	2,115	2,128
Non-current assets held for sale	—	—	76	—	7	446	—	—	1,016	1,545
	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547

	Share premium	Capital redemption reserve	Capital reserve	Goodwill (Note)	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
	HK$m	HK$m	HK$m	HK$m (Note)	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 31 December 2009, as previously reported	36,515	29	1,022	(1,738)	563	5,125	913	1,147	15,224	58,800
Effect of adoption of HKAS 12 (amendment)	—	—	—	—	—	(43)	—	—	175	132
At 1 January 2010, as restated	36,515	29	1,022	(1,738)	563	5,082	913	1,147	15,399	58,932
Share of reserves of associated companies and jointly controlled entities	—	—	19	—	(10)	107	3	9	(72)	56
Exchange translation differences	—	—	—	—	—	2,170	—	—	—	2,170
Partial disposal of an associated company to non-controlling interests	—	—	—	—	—	—	—	(253)	—	(253)
Reserves released on disposal of a jointly controlled entity	—	—	—	—	—	(298)	—	—	—	(298)
Reserves released on disposal of associated companies and assets held for sale	—	—	(28)	83	—	(393)	—	—	(83)	(421)
Reserves released upon liquidation of a subsidiary company	—	—	—	—	—	5	—	—	—	5
Surplus on revaluation of properties transferred from self-use properties to investment properties	—	—	—	—	—	—	—	116	—	116
Cash flow hedges:										
- Fair value gain in the year	—	—	—	—	—	—	292	—	—	292
- Transfer to construction in progress	—	—	—	—	—	—	(1,116)	—	—	(1,116)
- Transfer to net finance charges	—	—	—	—	—	—	285	—	—	285
- Tax effect	—	—	—	—	—	—	26	—	—	26
							(513)			(513)
Fair value gain on other financial assets	—	—	—	—	761	—	—	—	—	761
Transfer to profit and loss account on impairment of other financial assets	—	—	—	—	74	—	—	—	—	74
Fair value released on disposal of other financial assets	—	—	—	—	(1,232)	—	—	—	—	(1,232)
Dilution of interest in a subsidiary company	—	—	—	—	—	—	—	38	—	38
Acquisition of interests from non-controlling interests	—	—	—	—	—	—	—	1	—	1
Transfer from profits to general and other reserves	—	—	—	—	—	—	—	283	(283)	—
Profit attributable to shareholders of the Company	—	—	—	—	—	—	—	—	8,893	8,893
Dividends (Note 10)	—	—	—	—	—	—	—	—	(1,459)	(1,459)
Share-based payments	—	—	17	—	—	—	—	—	—	17
At 31 December 2010, as restated	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887
Representing:										
At 31 December 2010 after proposed final dividend, as restated										65,792
2010 Final dividend proposed										1,095
										66,887
Retained by:										
Company and subsidiary companies	36,515	29	918	(1,655)	144	6,444	409	1,315	16,399	60,518
Jointly controlled entities	—	—	112	—	12	211	(6)	26	4,616	4,971
Associated companies	—	—	—	—	—	18	—	—	1,380	1,398
	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887

(b) ***Company***

	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 1 January 2011	36,515	29	883	(1,338)	7,878	43,967
Issue of shares pursuant to the share option plan	18	—	(3)	—	—	15
Cash flow hedges:						
- Fair value loss in the year	—	—	—	(1,728)	—	(1,728)
- Transfer to net finance charges	—	—	—	577	—	577
				(1,151)		(1,151)
Profit attributable to shareholders of the Company (Note 9)	—	—	—	—	1,951	1,951
Dividends (Note 10)	—	—	—	—	(1,642)	(1,642)
Transaction costs related to issuance of perpetual capital securities	—	—	—	—	(68)	(68)
At 31 December 2011	36,533	29	880	(2,489)	8,119	43,072
Representing:						
At 31 December 2011 after proposed final dividend						41,977
2011 Final dividend proposed						1,095
						43,072

	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 1 January 2010	36,515	29	878	(886)	5,109	41,645
Share-based payment	—	—	5	—	—	5
Cash flow hedges:						
- Fair value loss in the year	—	—	—	(924)	—	(924)
- Transfer to net finance charges	—	—	—	472	—	472
				(452)		(452)
Profit attributable to shareholders of the Company (Note 9)	—	—	—	—	4,228	4,228
Dividends (Note 10)	—	—	—	—	(1,459)	(1,459)
At 31 December 2010	36,515	29	883	(1,338)	7,878	43,967
Representing:						
At 31 December 2010 after proposed final dividend						42,872
2010 Final dividend proposed						1,095
						43,967

(c) ***Nature and purpose of reserves***

(i) Share premium and capital redemption reserve

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

(ii) Capital reserve

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

(iii) Goodwill

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

(iv) Investment revaluation reserve

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

(v) Exchange fluctuation reserve

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

(vi) Hedging reserve

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

(vii) General and other reserves

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

(viii) Distributable reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$4,836 million (2010: HK$5,800 million).

29 Borrowings

(a)

	Group		Company	
	2011	2010	2011	2010
	HK$m	HK$m	HK$m	HK$m
Short term borrowings				
Bank loans				
- unsecured	7,815	4,193	1,000	—
- secured	757	278	—	—
	8,572	4,471	1,000	—
Other loans				
- secured	189	166	—	—
	189	166	—	—
Current portion of long term borrowings	18,896	10,590	12,936	1,949
Total short term borrowing	27,657	15,227	13,936	1,949
Long term borrowings				
Bank loans				
- unsecured	69,900	60,830	36,875	29,507
- secured	13,124	12,935	—	—
	83,024	73,765	36,875	29,507
Other loans				
- unsecured	6,922	5,281	6,282	1,165
Less: current portion of long term borrowings	(18,896)	(10,590)	(12,936)	(1,949)
Total long term borrowings	71,050	68,456	30,221	28,723
Total borrowings	98,707	83,683	44,157	30,672
Analysed into:				
- unsecured	84,637	70,304	44,157	30,672
- secured	14,070	13,379	—	—
	98,707	83,683	44,157	30,672

Note:

(i) On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of USD450 million principal amount of 7.625% guaranteed notes due 2011 ("Guaranteed Notes") to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. The Guaranteed Notes were fully repaid at maturity and none remained outstanding at 31 December 2011.

(ii) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ("JPY Notes") to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding at 31 December 2011.

(iii) On 16 August 2010, the Company issued and sold a total of USD150 million principal amount of 6.9% notes due 2022 ("USD Notes"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the USD Notes remained outstanding at 31 December 2011.

(iv) On 15 April 2011, the Company issued and sold a total of US$500 million principal amount of 6.625% notes due 2021 ("USD Bond") to investors under the USD2 billion medium term note programme established on 6 April 2011 pursuant to the subscription agreement dated 8 April 2011. All of the USD Bond remained outstanding at 31 December 2011.

(v) On 3 August 2011, the Company issued and sold a total of CNY1 billion principal amount of 2.7% notes due 2016 ("CNY Bond") to investors under the USD2 billion medium term note programme established on 6 April 2011 pursuant to the subscription agreement dated 27 July 2011. All of the CNY Bond remained outstanding at 31 December 2011.

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

(vii) As at 31 December 2011, certain of the Group's inventories, deposits, accounts receivable, properties under development, leasehold land and self-use properties with an aggregate carrying value of HK$1.7 billion (2010: HK$1.3 billion) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$53 billion (2010: HK$41.6 billion) of the iron ore mining project were pledged under project finance arrangement. This amount included cash and bank balances of HK$1.3 billion (2010: HK$0.3 billion). Shipbuilding contracts of HK$3.4 billion (2010: HK$5.0 billion) for the 8 ships being built (2010: 12 ships) and 4 completed ships (2010: Nil) with carrying value of HK$1.8 billion (2010: Nil) to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$59.9 billion (2010: HK$47.9 billion).

(viii) Bank loans of the Group and the Company not wholly repayable within five years amounted to HK$39.9 billion (2010: HK$38.2 billion) and HK$6.5 billion (2010: HK$ 6.6 billion) respectively. Other loans of the Group and the Company not wholly repayable within five years amounted to HK$5.1 billion (2010: HK$1.2 billion) and HK$5.1 billion (2010: HK$1.2 billion) respectively.

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

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Bank loans are repayable				
- in the first year	18,896	7,080	12,936	1,949
- in the second year	11,268	12,175	5,940	7,544
- in the third to fifth years inclusive	21,170	22,315	11,476	13,394
- after the fifth year	31,690	32,195	6,523	6,620
	83,024	73,765	36,875	29,507
Other loans are repayable				
- in the first year	—	3,510	—	—
- in the third to fifth years inclusive	1,871	606	1,231	—
- after the fifth year	5,051	1,165	5,051	1,165
	6,922	5,281	6,282	1,165
	89,946	79,046	43,157	30,672

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

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Total borrowings	98,707	83,683	44,157	30,672
Borrowing at fixed rates for more than one year (from balance sheet date)	(6,382)	(1,248)	(6,382)	(1,248)
Interest rate swaps converting floating to fixed	(27,790)	(26,891)	(19,365)	(18,866)
Borrowings subject to interest-rate changes	64,535	55,544	18,410	10,558

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

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
Total borrowings	4.0%	3.8%	3.7%	3.7%

(d) The fair value of borrowings is HK$97,101 million (2010: HK$82,526 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrealised gain of HK$1,606 million (2010: HK$1,157 million). This unrealised gain has not been recorded in the financial statements as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Hong Kong dollar	20,696	16,323	18,279	15,198
US dollar	58,012	50,611	24,647	15,474
Renminbi	18,873	15,817	1,231	—
Other currencies	1,126	932	—	—
	98,707	83,683	44,157	30,672

The Group has the following undrawn borrowing facilities:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Floating rate				
- expiring within one year	4,382	2,506	1,723	1,073
- expiring beyond one year	14,295	18,444	13,660	16,330
	18,677	20,950	15,383	17,403

30 Financial risk management and fair values

Financial risk factors

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

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

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

(a) *Exposure to interest rate fluctuations*

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 31 December 2011, HK$34.2 billion (2010: HK$28.1 billion) of the Group's total borrowings were effectively paying fixed rates and the remaining were effectively paying a floating rate of interest. In addition, HK$2 billion forward starting swaps was outstanding that had not become effective as of 31 December 2011 (2010: nil).

At 31 December 2011, if interest rates had been 0.5% higher / lower, with all other variables held constant, the hypothetical impact is summarised as follows:-

	Group			
	0.5% higher		0.5% lower	
	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
	HK$m	HK$m	HK$m	HK$m
Bank borrowings	(165)	—	165	—
Cash and bank deposits	154	—	(154)	—
Derivatives	44	916	(40)	(948)

	Company			
	0.5% higher		0.5% lower	
	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
	HK$m	HK$m	HK$m	HK$m
Bank borrowings	(93)	—	93	—
Cash and bank deposits	54	—	(54)	—
Derivatives	44	542	(46)	(551)

At 31 December 2010, if interest rates had been 0.6% higher / lower, with all other variables held constant, the hypothetical impact is summarised as follows:-

	Group			
	0.6% higher		0.6% lower	
	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
	HK$m	HK$m	HK$m	HK$m
Bank borrowings	(233)	—	233	—
Cash and bank deposits	147	—	(147)	—
Derivatives	12	1,045	(8)	(1,088)

	Company			
	0.6% higher		0.6% lower	
	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss)	Hypothetical impact on equity increase/ (decrease)
	HK$m	HK$m	HK$m	HK$m
Bank borrowings	(64)	—	64	—
Cash and bank deposits	47	—	(47)	—
Derivatives	51	611	(56)	(622)

The Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD 0.7 billion outstanding at 31 December 2011 (2010: AUD1.4 billion). These derivatives qualify and are accounted for as hedges against movements in the AUD/USD spot exchange rate. Therefore changes in the fair value of the derivatives as a result of movements in the AUD/USD spot exchange rate are recognised in the hedging reserve whilst the residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates are recorded in the profit and loss. At 31 December 2011, a 1% increase / (decrease) in the differential between Australian and US interest rates could give rise to a hypothetical impact of approximately HK$37 million (2010: HK$115 million) (decrease) / increase on profit.

(b) *Exposure to foreign currency fluctuations*

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

The future revenue from the Group's Australian iron ore mining project is denominated in USD and this is its functional currency for accounting purposes. A substantial portion of its development and operating expenditure are denominated in Australian Dollars.

As of 31 December 2011 the plain vanilla forward contracts had a notional amount of AUD733 million (2010: AUD1,363 million).

CITIC Pacific has funded the iron ore mining project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore mining project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. USD net investment hedges are employed to hedge 58% (2010: 55%) of the currency exposure arising from other USD loans and a JPY/HKD cross currency swap was employed to minimise currency exposure for JPY Notes.

Sensitivity analysis

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

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

	Group 2011					
	Hypothetical increase in foreign exchange rates	**Effect on profit/(loss)**	**Effect on equity Increase/ (decrease)**	**Hypothetical decrease in foreign exchange rates**	**Effect on profit/(loss)**	**Effect on equity Increase/ (decrease)**
		HK$m	**HK$m**		**HK$m**	**HK$m**
USD	1%	(234)	—	1%	234	—
RMB	1%	51	—	1%	(51)	—
AUD	15%	(32)	877	15%	32	(877)
YEN	10%	(10)	—	10%	14	—
Pound Sterling	10%	(153)	—	10%	153	—
EURO	10%	4	—	10%	(4)	—

	Company 2011					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity Increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity Increase/ (decrease)
		HK$m	**HK$m**		**HK$m**	**HK$m**
USD	1%	(237)	—	1%	237	—
RMB	1%	(9)	—	1%	9	—
AUD	15%	—	—	15%	—	—
YEN	10%	—	—	10%	—	—
EURO	10%	—	—	10%	—	—

	Group 2010					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity Increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity Increase/ (decrease)
		HK$m	**HK$m**		**HK$m**	**HK$m**
USD	1%	(167)	—	1%	167	—
RMB	4%	140	149	4%	(140)	(149)
AUD	10%	39	599	10%	(39)	(599)
YEN	7%	34	—	7%	(28)	—
Pound Sterling	2%	(12)	—	2%	12	—
EURO	3%	2	—	3%	(2)	—

	Company 2010					
	Hypothetical increase in foreign exchange rates	Effect on profit/(loss)	Effect on equity Increase/ (decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss)	Effect on equity Increase/ (decrease)
		HK$m	**HK$m**		**HK$m**	**HK$m**
USD	1%	(146)	—	1%	146	—
RMB	4%	163	—	4%	(163)	—
AUD	10%	—	—	10%	—	—
YEN	7%	—	—	7%	—	—
EURO	3%	—	—	3%	—	—

(c) *Price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 31 December 2011, if there had been a 5% increase/decrease in the market value of available-for-sale securities with all other variables held constant, the Group's equity would have increased/(decreased) by HK$13 million (2010: HK$19 million).

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

(d) *Credit exposure*

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

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

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

(e) *Liquidity risk*

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

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

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At the end of 2011 CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other markets. The Group diversifies its funding mix through bank borrowings and accessing the capital markets and seeks to maintain a mix of short-and long-term borrowings to stagger maturities and minimise financing risk. In 2012 and 2013, the funding requirements of the Group are expected to continue be met through cash flows generated from operating activities, drawdown of undrawn borrowing facilities, roll-over of existing facilities as well as arrangement of new facilities. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due.

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$m	**HK$m**	**HK$m**	**HK$m**
Group				
At 31 December 2011				
Bank and other borrowings	(30,606)	(13,479)	(28,217)	(48,794)
Derivative financial instruments	(921)	(781)	(1,744)	(1,821)
Trade creditors and accounts payable	(30,104)	(427)	(46)	—
At 31 December 2010				
Bank and other borrowings	(17,682)	(14,185)	(28,437)	(48,479)
Derivative financial instruments	(957)	(813)	(854)	17
Trade creditors and accounts payable	(26,851)	(58)	—	(2)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
Company				
At 31 December 2011				
Bank and other borrowings	(15,057)	(6,769)	(14,170)	(14,968)
Derivative financial instruments	(592)	(463)	(947)	(925)
Trade creditors and accounts payable	(293)	—	—	—
Amounts due to subsidiary companies	(6,223)	—	—	—
Financial guarantee (Note)	(13,653)	(10,477)	(8,386)	(811)
At 31 December 2010				
Bank and other borrowings	(2,745)	(8,219)	(14,464)	(9,886)
Derivative financial instruments	(603)	(508)	(409)	26
Trade creditors and accounts payable	(291)	—	—	—
Amounts due to subsidiary companies	(9,647)	—	—	—
Financial guarantee (Note)	(5,585)	(10,397)	(18,904)	(869)

Note:

These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised, however based on the operating results, the Company does not expect them to be crystalised.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
Group				
At 31 December 2011				
Forward foreign exchange contracts - cash flow hedges:				
- outflow	(3,961)	(720)	—	—
- inflow	4,901	884	—	—
Forward foreign exchange contracts - not qualified for hedge accounting:				
- outflow	(2,887)	(6)	(30)	(670)
- inflow	2,814	3	13	1,147

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
Company				
At 31 December 2011				
Forward foreign exchange contracts - cash flow hedges:				
- outflow	—	—	—	—
- inflow	—	—	—	—
Forward foreign exchange contracts - not qualified for hedge accounting:				
- outflow	—	—	—	—
- inflow	—	—	—	—

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
Group				
At 31 December 2010				
Forward foreign exchange contracts - cash flow hedges:				
- outflow	(4,015)	(3,961)	(720)	—
- inflow	5,000	4,931	889	—
Forward foreign exchange contracts - not qualified for hedge accounting:				
- outflow	(2,529)	(6)	(44)	(801)
- inflow	2,517	3	15	1,136

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$m	HK$m	HK$m	HK$m
Company				
At 31 December 2010				
Forward foreign exchange contracts - cash flow hedges:				
- outflow	—	—	—	—
- inflow	—	—	—	—
Forward foreign exchange contracts - not qualified for hedge accounting:				
- outflow	(1,106)	—	—	—
- inflow	1,109	—	—	—

The foreign exchange forward contracts that are not qualified for hedge accounting as at 31 December 2011 consist of forward exchange contracts and cross currency swap contracts for hedging USD debt and JPY Notes as well as trade flows in foreign currencies. The gains and losses in the fair market value of these contracts are reflected in the profit and loss account.

(f) *Fair value estimation*

(i) The fair value of outstanding derivative transactions is generated from software provided by Reval Inc., ("Reval") a derivative risk management and hedge accounting solutions firm and are cross checked against price quotations obtained from major financial institutions. The fair value of loans receivable is estimated as the present value of future cash flows, discounted at the current market interest rates for similar financial instruments.

The fair value of borrowings is disclosed in note 29(d). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(ii) The carrying values less impairment provisions of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) Certain financial instruments that fail to demonstrate, either at inception or throughout the life of the hedge, that the hedge is highly effective, do not meet hedging requirements and are evaluated at fair values at period ends with movements thereon dealt with in the profit and loss account.

(iv) Financial instruments are carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level) : fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2 : fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level) : fair values measured using valuation techniques in which any significant input is not based on observable market data

2011

	Group				**Company**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Assets								
Available-for-sale financial assets:								
- Listed	252	—	—	252	—	—	—	—
- Unlisted	—	—	80	80	—	—	—	—
Derivative financial instruments								
- Interest rate swaps	—	279	—	279	—	—	—	—
- Forward exchange contracts	—	1,050	—	1,050	—	487	—	487
Liabilities								
Derivative financial instruments								
- Interest rate swaps	—	4,842	—	4,842	—	2,671	—	2,671
- Forward exchange contracts	—	64	—	64	—	487	—	487

2010

	Group				**Company**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$m	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**	**HK$m**
Assets								
Available-for-sale financial assets:								
- Listed	377	—	—	377	—	—	—	—
- Unlisted	—	—	58	58	—	—	—	—
Derivative financial instruments								
- Interest rate swaps	—	279	—	279	—	44	—	44
- Forward exchange contracts	—	1,648	—	1,648	—	830	—	830
Liabilities								
Derivative financial instruments								
- Interest rate swaps	—	2,583	—	2,583	—	1,487	—	1,487
- Forward exchange contracts	—	15	—	15	—	826	—	826

During the year there were no significant transfers between instruments in Level 1 and Level 2.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	Group	
	Unlisted available-for-sale equity securities	Interest rate swap of derivative financial instruments
	HK$m	HK$m
At 1 January 2010	13	178
Purchase	19	—
Settlements	(14)	—
Net gains or losses recognised in other comprehensive income during the year	31	—
Net gains or losses recognised in profit and loss account during the year	9	1
Transfer out of Level 3 (note)	—	(179)
At 31 December 2010	58	—
Total gains or losses for the year included in profit or loss for assets held at the balance sheet date	9	1
Total gains or losses recognised in other comprehensive income during the year	31	—
At 1 January 2011	58	—
Purchase	11	—
Net unrealized gains or losses recognised in other comprehensive income during the year	11	—
At 31 December 2011	80	—
Total gains or losses recognised in other comprehensive income during the year	11	—

Note: A Japanese Yen cross currency swap was transferred out of Level 3 to Level 2 in 2010. This was due to the change in valuation methodology, which incorporated new market observable data on the correlation of Japanese Yen to USD, that had recently become available.

(v) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$m	HK$m	HK$m	HK$m
The Group:				
Bank loans	91,785	90,257	78,402	77,183
Global bonds (USD Notes / Bond)	3,885	3,669	3,510	3,575
Private placement (USD Notes, JPY Notes & RMB Bond)	3,037	3,175	1,771	1,768
The Company:				
Bank loans	37,875	36,470	29,507	28,378
USD Bond	3,885	3,669	—	—
Private placement (USD Notes & RMB Bond)	2,397	2,514	1,165	1,141

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(vi) Securities

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

(vii) Derivatives

Forward exchange contracts are valued using the software provided by Reval, which uses a discounted cashflow model with independently sourced market data. Forward rates are used to convert future cashflows back to the functional currency. These cashflows are then discounted back to the valuation date to arrive at the fair market value.

Interest rate swap agreements are valued using a discounted cashflow model mainly based on independently sourced market data. Future cashflows for floating rate indices are implied from market curves. All future cashflows are then discounted back to the valuation date to arrive at the fair market value.

(viii) Interest-bearing loans and borrowings

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

(ix) Interest rates used for determining fair value

The Group uses the appropriate market yield curve or benchmark rate as of 31 December 2011 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt.

31 Capital risk management

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

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

The leverage ratios at 31 December 2011 and 2010 were as follows:

	2011	**As restated 2010**
	HK$m	**HK$m**
Total borrowings	98,707	83,683
Less: Cash and bank deposits	30,930	24,558
Net debt	67,777	59,125
Total ordinary shareholders' funds and perpetual capital securities	80,958	68,346
Total capital	148,735	127,471
Leverage ratio	46%	46%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 31 December 2011 are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these ratios on a regular basis and was in compliance with these loan covenants as at 31 December 2011.

32 Derivative financial instruments

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

	2011		2010	
	Company		Company	
	Assets	Liabilities	Assets	Liabilities
	HK$m	HK$m	HK$m	HK$m
Qualified for hedge accounting - cash flow hedges				
- Interest-rate instruments	—	2,397	33	1,286
- Forward foreign exchange instruments	487	487	826	826
	487	2,884	859	2,112
Not qualified for hedge accounting				
- Interest-rate instruments	—	274	11	201
- Forward foreign exchange instruments	—	—	4	—
	—	274	15	201
	487	3,158	874	2,313
Less: current portion				
- Interest-rate instruments	—	93	11	37
- Forward foreign exchange instruments	326	326	4	—
	326	419	15	37
	161	2,739	859	2,276

(i) *Forward foreign exchange instruments*

The notional amount of the outstanding forward foreign exchange instruments at 31 December 2011 was HK$7,552 million (2010: HK$10,409 million).

The effective portions of gains and losses on forward foreign exchange contracts associated with highly probable forecast underlying transactions denominated in foreign currency expected to occur at various dates within the next 16 months are recognised in the hedging reserve in equity as of 31 December 2011 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

(ii) ***Interest rate instruments***

The notional amount of outstanding interest rate swap contracts at 31 December 2011 was HK$29,790 million (2010: HK$32,351 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$400 million (2010: HK$1,195 million). At 31 December 2011, the fixed interest rates under interest rate swaps varied from 0.84% to 5.24% per annum (2010: 0.84% to 7.23% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as of 31 December 2011 are recognised in the hedging reserve in equity and are released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

33 Deferred taxation

(a) ***Group***

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

	Deferred tax arising from									
	Depreciation allowances in excess of related depreciation		Losses		Revaluation of investment properties and valuation of other properties		Mining assets and others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
At 1 January, as previously reported	(508)	(519)	2,300	1,975	(1,451)	(1,174)	(2,046)	(1,619)	(1,705)	(1,337)
Effect of adoption of HKAS 12 (amendment)	93	93	(19)	(19)	(175)	(69)	—	—	(101)	5
At 1 January, as restated	(415)	(426)	2,281	1,956	(1,626)	(1,243)	(2,046)	(1,619)	(1,806)	(1,332)
Exchange adjustment	(2)	(5)	(1)	7	(77)	(67)	(31)	—	(111)	(65)
Credited to reserve	—	—	—	—	—	—	759	26	759	26
Effect of tax rate change	6	—	—	—	7	—	(2)	—	11	—
(Charged)/credited to consolidated profit and loss account	2	15	783	318	(390)	(316)	(898)	(454)	(503)	(437)
Others	—	1	—	—	—	—	(76)	1	(76)	2
At 31 December	(409)	(415)	3,063	2,281	(2,086)	(1,626)	(2,294)	(2,046)	(1,726)	(1,806)

	Group		
	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
	HK$m	HK$m	HK$m
Net deferred tax assets recognised on the consolidated balance sheet	1,647	763	603
Net deferred tax liabilities recognised on the consolidated balance sheet	(3,373)	(2,569)	(1,935)
	(1,726)	(1,806)	(1,332)

(b) ***Deferred tax assets unrecognised***

The Group has not recognised deferred tax assets in respect of the following items:

	Group		
	31 December 2011	As restated 31 December 2010	As restated 1 January 2010
	HK$m	HK$m	HK$m
Deductible temporary difference	22	27	35
Tax losses	4,006	3,712	3,360
Taxable temporary difference	(814)	(638)	(198)
	3,214	3,101	3,197

	Company	
	2011	2010
	HK$m	HK$m
Deductible temporary differences	18	22
Tax losses	757	678
	775	700

Note: Tax losses in certain tax jurisdictions of HK$554 million (2010: HK$701 million) will expire within the next five years. The remaining amounts do not expire under current tax legislation.

(c) ***Deferred tax liabilities not recognised***

At 31 December 2011, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$2,425 million (2010: HK$2,193 million). Deferred tax liabilities of HK$124 million (2010: HK$245 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

34 Provisions and deferred income

	Site restoration	Mining rights	Gas contract	Deferred income	Total
	HK$m	HK$m	HK$m	HK$m	HK$m
Balance at 1 January 2011	338	1,511	302	103	2,254
Provisions made during the year	123	13	187	72	395
Balance at 31December 2011	461	1,524	489	175	2,649
Balance at 1 January 2010	101	706	—	—	807
Provisions made during the year	237	805	302	103	1,447
Balance at 31December 2010	338	1,511	302	103	2,254

Site restoration

A provision of HK$123 million (2010: HK$237 million) was made during the year ended 31 December 2011 in respect of a subsidiary's obligation to rectify environmental damage with a corresponding increase in property, plant and equipment. Amortisation of this asset will occur from the production date, using the units of production method.

Mining rights

In accordance with the mining right/lease agreements entered into by two subsidiary companies of the Group, the Group is committed to pay a defined royalty if either of the two subsidiary companies' production is less than 6 million tonnes by March 2013. A provision has been made for this commitment with a corresponding increase in intangible mining assets. Amortisation of this asset will occur from the production date, using the units of production method.

Gas contract

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

Deferred income

The amount includes mainly deferred revenue arising from an advance receivable from a customer for certain telecommunication service.

35 Capital commitments

	Group	
	2011	**2010**
	HK$m	**HK$m**
Authorised but not contracted for (Note a)	792	2,399
Contracted but not provided for (Note b)	13,009	13,848

	Company	
	2011	**2010**
	HK$m	**HK$m**
Contracted but not provided for	—	—

(Note a)

	Group	
	2011	**2010**
	HK$m	**HK$m**
Authorised but not contracted for		
Analysis by operating segment		
Special Steel	270	815
Dah Chong Hong	446	291
CITIC Telecom	66	46
Property - Mainland China	10	1,247
	792	2,399

(Note b)

	Group	
	2011	2010
	HK$m	HK$m
Contracted but not yet paid nor accrued		
Analysis by operating segment		
Special steel	3,225	3,843
Iron ore mining	7,696	5,107
Property		
- Mainland China	1,866	4,455
- Hong Kong	29	11
Dah Chong Hong	117	129
CITIC Telecom	44	260
Other investments	32	43
	13,009	13,848

36 Operating lease commitments

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

	Group		Company	
	2011	2010	2011	2010
	HK$m	HK$m	HK$m	HK$m
Properties commitments				
- Within 1 year	420	280	49	20
- After 1 year but within 5 years	728	536	65	—
- After 5 years	830	450	—	—
	1,978	1,266	114	20
Other commitments				
- Within 1 year	91	75	—	—
- After 1 year but within 5 years	202	218	—	—
- After 5 years	374	421	—	—
	667	714	—	—
	2,645	1,980	114	20

37 Business combinations, acquisitions and disposals

(a) ***Purchase of subsidiary companies***

During the year ended 31 December 2011, the subsidiaries of the Group completed several business acquisitions. The major acquisitions are as follows:

(i) On 1 January 2011, a subsidiary gained control over Shenzhen Shenye Shiye Limited ("Shenye") through obtaining a casting vote in all shareholders' meetings as stated in the equity transfer agreement with no further transfer of consideration. As a result, Shenye Group changed from jointly controlled entities to subsidiaries of the Group. Shenye Group is engaged in sales of motor vehicles and spare parts, provision of after-sales services and conducting customer surveys for the manufacturers or suppliers.

(ii) In November 2011, a subsidiary acquired a 49% equity interest in Smart Joint Investment Limited and its subsidiaries and together with a 50% equity interest in each of Power Success Management Limited and Smartways Limited and their subsidiaries (collectively known as "Target Group") and the related shareholders' loans. The Target Group is engaged in sales of motor vehicles and spare parts, provision of after-sales services and conducting customer surveys for the manufacturers or suppliers.

(iii) On 2 September 2010, a subsidiary entered into the Framework Agreement with CITIC Group Corporation, CE-SCM Network Technology Co., Ltd. ("CE-SCM"), Information Centre of State-owned Assets Supervision & Administration Commission of the State Council ("SASACIC") and China Enterprise Communications Ltd. ("CEC"), pursuant to which the Group will acquire the entire equity interest of China Enterprise Netcom Corporation Limited ("CEC-HK") from China Enterprise Communication Technology (Holding) Limited. The Group completed the acquisitions of CEC-HK on 29 July 2011. CEC-HK is engaged in the provision of telecommunications leasing and technology services.

(iv) In August 2011, a subsidiary of the Group acquired 55% equity interest in 湖北新冶鋼汽車零部件有限公司("新冶鋼零部件"). 新冶鋼零部件 is engaged in production and sale of auto parts. In October 2011, the subsidiary increased its equity interest in 新冶鋼零部件 to 80%.

(b) The acquired companies contributed an aggregate revenue of HK$3,743 million and aggregate net profit of HK$259 million to the Group for the period from the date of acquisition to 31 December 2011.

If these business combination had occurred on 1 January 2011, the Group's turnover and profit for the year would have been approximately HK$101,353 million and approximately HK$11,018 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and leasehold land — operating lease had been applied from 1 January 2011, together with the consequential tax effects.

The acquisitions completed during the year ended 31 December 2011 had the following effect on the Group's assets and liabilities on their respective dates of acquisitions:

	2011
	HK$m
Net assets acquired	
Property, plant and equipment	227
Leasehold land-operating lease	15
Intangible assets	485
Inventories	451
Debtors, accounts receivable, deposits and prepayments	1,011
Deferred tax assets	2
Cash and bank deposits	308
Creditors,accounts payable, deposits and accruals	(1,162)
Bank loans and other loans	(364)
Taxation	(10)
Deferred tax liabilities	(82)
Less: Previously held interests in jointly controlled entities	(174)
Less: Loss on disposal of jointly controlled entities	2
Fair value of net assets acquired	709
Goodwill (Note)	190
Non-controlling interests arising from acquisitions of subsidiaries	(284)
	615
Less: consideration payable	(52)
Less: deposit for acquisition of a subsidiary	(66)
Less: consideration satisfied by property, plant and equipment	(4)
Consideration paid, satisfied in cash	493
Less: cash acquired	(308)
Net cash outflow	185

Note:

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

(c) ***Disposal of subsidiary companies***

	2011
	HK$m
Net assets disposed	
Properties under development	1,716
Debtors, accounts receivable, deposits and prepayments	1
Cash and bank deposits	34
Creditors, accounts payable, deposits and accruals	(39)
	1,712
Gain on disposal	230
Release of reserve	(109)
Consideration	1,833
Satisfied by:	
Cash	1,833
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies	
Cash consideration	1,833
Cash and bank deposits disposed of	(34)
	1,799

Subsidiary companies disposed during the year mainly represent a company holding a property in Shanghai.

38 Contingent liabilities

	Company	
	2011	2010
	HK$m	HK$m
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies	34,744	36,882
Associated company	35	35
Other performance guarantees and potential penalties Subsidiary companies (Note (i))	4,577	4,582
	39,356	41,499

Note:

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

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

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

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

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

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

39 Material related party transactions

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

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

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

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

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

(i) As at 31 December 2011, there were derivative liabilities of HK$3,894 million (2010: HK$1,840 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 32.

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

	2011	**2010**
	HK$m	**HK$m**
Bank balances and deposits	18,945	16,799
Bank loans	73,319	64,134

(iii) Transactions with China Metallurgical Group

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

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

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

	2011	2010
	HK$m	**HK$m**
Balances with MCC		
Trade, other receivables and prepayment	7,484	5,895
Trade payable and other payable to MCC	(1,813)	(1,395)
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	(2,130)	(2,130)
Transaction with MCC		
Incurred costs on the Contract	5,937	4,783

On 20 August 2007, a wholly owned subsidiary of the Company, and MCC entered into an agreement for MCC to purchase 20% of Sino Iron for a consideration equivalent to 20% of all the funds provided to Sino Iron by CITIC Pacific for the development of the iron ore project up to the date of completion, plus interest. As at 31 December 2011, the Group received a deposit of HK$2,130 million (31 December 2010: HK$2,130 million) from MCC for the sale of 20% interest in Sino Iron which had not been completed as at 31 December 2011.

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

(iv) In 2010, the Group disposed its 65% interest in Shijiazhuang Iron & Steel Co., Ltd., a jointly controlled entity to a state-owned enterprise, for a consideration of approximately HK$1.8 billion. The required consents and approvals for the share transfer were obtained and the outstanding consideration of HK$1.4 billion as at 31 December 2010 was received in current year.

(b) ***Transactions with other related parties***

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

	2011	2010
	HK$m	HK$m
Transactions with jointly controlled entities		
(i) Recurring transactions		
Interest income	270	171
Dividend income	1,312	1,143
Sales	418	306
Service income	20	2
	2,020	1,622
Purchases	303	1,336
Service charges	79	51
	382	1,387
Transactions with associated companies		
(i) Recurring transactions		
Interest income	—	7
Dividend income	166	537
Sales	733	518
Service income	15	18
	914	1,080
Purchases	69	—
Rental charge	69	85
Service charge	7	6
	145	91

(c) ***Transactions with CITIC Group Corporation***

	2011	2010
	HK$m	HK$m
Balances with fellow subsidiary companies within CITIC Group Corporation		
(i) Bank balances	632	305
(ii) Bank loans	553	474
(iii) Trade and other payables	260	106
Transactions with fellow subsidiary and associated companies within CITIC Group Corporation		
(i) Sales	102	—
(ii) Service fee paid	139	—

On 2 September 2010,a subsidiary company of the Group proposed to acquire from CITIC Group Corporation (i) a 8.23% equity interest in China Enterprise Communications Ltd. ("CEC"), a then 53.32% owned subsidiary of CITIC Group Corporation, (ii) a 100% equity interest in China Enterprise Netcom Corporation Limited, a then wholly owned subsidiary of CEC, and (iii) the right to purchase an additional 45.09% interest in CEC. Total consideration for the proposed acquisition amounted to HK$167 million. The acquisition of the 100% equity interest in China Enterprise Netcom Corporation Limited was completed on 29 July 2011, but the remaining transaction has not yet been completed.

On 15 July 2011, a subsidiary company of the Group entered into a Sale and Purchase Agreement with a subsidiary company of CITIC Group Corporation to dispose of its 50% non-controlling interest in CITIC Guoan Co, Ltd at a profit. The consideration for the disposal is RMB3,511 million (equivalent to approximately HK$4,213 million). The transaction was not yet completed as at 31 December 2011.

40 Ultimate holding company

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

41 Comparative figures

Certain comparative figures for 2010 have been adjusted to conform with the current accounting standards described in note 1a(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.

42 Approval of financial statements

The financial statements were approved by the Board of Directors on 1 March 2012.

43 Principal subsidiary companies, jointly controlled entities and associated companies

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

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

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	—	100	N/A	N/A	Loading and unloading business
Tongling Xin Yaxing Coking & Chemical Co.,Ltd.	People's Republic of China (Wholly-foreign owned enterprise)	100	—	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
Wuxi Xingcheng Steel Products Co.,Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	—	100	N/A	N/A	Production and sale of ferrous metal materials
中信泰富特鋼經貿有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Wholesale, retail and import/export of steel products, relevant materials and technology
江陰泰富興澄特種材料有限公司	People's Republic of China (Sino-foreign equity joint venture)	100	—	100	N/A	N/A	Production and sale of hot iron and the related products
江陰澄東爐料有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	General sales of scrap steel, alloys and coke
湖北中特新化能科技有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
湖北新冶鋼特種鋼管有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Production of seamless steel tube
銅陵新亞星港務有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Port construction, operation and related service
湖北新冶鋼汽車零部件有限公司	People's Republic of China (Sino-foreign equity joint venture)	80	—	80	N/A	N/A	Production and sale of auto parts like shaft
Associated Company							
湖北中航冶鋼特種鋼銷售有限公司	People's Republic of China (Sino-foreign equity joint venture)	40	—	40	N/A	N/A	Sale of steel
Jointly controlled entity @:							
中信泰富工程技術(上海)有限公司	People's Republic of China(Sino-foreign equity joint venture)	70	—	70	N/A	N/A	Engineering service for metallurgy and mining

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Subsidiary companies:

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by		Particulars of issued shares†		Principal activities
			Company %	Subsidiary %	No. of shares	Par value	
CITIC Pacific Mining Management Pty Ltd	Australia	100	—	100	1	N/A	Management services and mine planning works services
Korean Steel Pty Ltd	Australia	100	—	100	10,000	N/A	Mining extraction and processing of magnetite
Loreto Maritime Pte. Ltd.	Singapore	100	—	100	3	N/A	Build and own transshipment vessels and related facilities and equipment for iron ore product
MetaGas Pty Ltd	Australia	100	—	100	5,000,010	N/A	Gas procurement and trading
Pacific Resources Trading Pte. Ltd.	Singapore	100	—	100	280,001	N/A	General trading and related business
Pastoral Management Pty Ltd	Australia	100	—	100	5,000,010	N/A	Pastoral lease management
Sino Iron Pty Ltd	Australia	100	—	100	11,526	N/A	Construction of major plant and machinery to facilitate the magnetite iron ore project. Holder of 1 billion tonne magnetite iron ore mining right
Sino Iron Holdings Pty Ltd	Australia	100	—	100	1,272,140,410	N/A	Parent company of Sino Iron Pty Ltd and Balmoral Iron Holdings Pty Ltd. No active trading
Bolein Corp.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Burgeon Investments Ltd.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Cobikin Corp.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Cosmos Light Holdings Corp.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Silver Bliss Enterprises Inc.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Tridot Enterprises Inc.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Winrich Investments Holdings Ltd.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Bright Treasure Assets Holdings Inc.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Long Glory Assets Limited	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Master Champ Assets Ltd.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Palesto Holdings Inc.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Parmigan Corp.	British Virgin Islands	100	—	100	1	US$1	Vessel owning
Cheng Xin Chartering Pte. Ltd.	Singapore	100	—	100	1	N/A	Chartering of vessels

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by		Particulars of issued shares†		Principal activities
			Company %	Subsidiary %	No. of shares	Par value	
Transshipment Leasing Pte. Ltd.	Singapore	100	—	100	1	N/A	Leasing of transshipment assets
Cheng Xin Shipmanagement Pte. Ltd.	Singapore	100	—	100	1	N/A	Management of vessels
PROPERTY							
People's Republic of China							
Subsidiary companies:							
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
Shanghai Super Property Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property investment and management
上海中信泰富廣場有限公司	People's Republic of China(Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China(Sino-foreign co-operative joint venture)	100	—	100	N/A	N/A	Property development
上海珠街閣房地產開發有限公司	People's Republic of China(Wholly foreign-owned enterprise)	100	84.52	15.48	N/A	N/A	Property development
上海利通置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	100	96.93	3.07	N/A	N/A	Property development
中信泰富(上海)物業管理有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property management
江陰興澄置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	—	70	N/A	N/A	Property development
無錫太湖景發展有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	—	70	N/A	N/A	Sports related services
無錫太湖苑置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	—	70	N/A	N/A	Property investment and development
中信泰富萬寧發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China (Limited liability company)	80	—	80	N/A	N/A	Property development
海南中泰物業服務有限公司	People's Republic of China (Limited liability company)	100	—	100	NA	N/A	Property Management
萬寧中意發展有限公司	People's Republic of China (Sino-foreign co- operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
萬寧中榮發展有限公司	People's Republic of China (Sino-foreign co- operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by		Particulars of issued shares†		Principal activities
			Company %	Subsidiary %	No. of shares	Par value	
萬寧中宏發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
萬寧仁和發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
萬寧百納發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
萬寧金信發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
萬寧金誠發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
萬寧創遠發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
中信泰富萬寧天富發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	—	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
上海嘉頤房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
上海嘉逸房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
上海嘉諧房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
紀亮(上海)房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
尊創(上海)賓館有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Property development
Jointly controlled entities @:							
上海瑞明置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	50	50	—	—	—	Property development
上海瑞博置業有限公司 θ	People's Republic of China (Sino-foreign equity joint venture)	50	50	—	—	—	Property development

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Subsidiary %	Particulars of issued shares† No. of shares	Par value	Principal activities
中船置業有限公司 θ	People's Republic of China (Sino-foreign equity joint venture)	50	50	—	—	—	Property development
Hong Kong							
Subsidiary companies:							
Borgia Limited	Hong Kong	100	—	100	2	HK$10	Property investment
Famous Land Limited	Hong Kong	100	—	100	2	HK$1	Property investment
Glenridge Company Limited	Hong Kong	100	—	100	2	HK$10	Property investment
Hang Luen Chong Investment Company, Limited	Hong Kong	100	—	100	80,000	HK$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	—	100	2	HK$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	—	100	50,000	HK$100	Property investment
Lindenford Limited	Hong Kong	100	—	100	2	HK$10	Property investment
Neostar Investment Limited	Hong Kong	100	—	100	2	HK$1	Property investment
Pacific Grace Limited	Hong Kong	100	—	100	2	HK$1	Property investment
Tendo Limited	Hong Kong	100	—	100	2	HK$10	Property investment
Associated companies:							
CITIC Tower Property Management Company Limited	Hong Kong	40	—	40	—	—	Property management
Goldon Investment Limited	Hong Kong	40	—	40	—	—	Property investment
Hong Kong Resort Company Limited θ	Hong Kong	50	—	50	—	—	Property development
Konorus Investment Limited θ	Hong Kong	15	—	15	—	—	Property development and investment
Shinta Limited θ	Hong Kong	20	—	20	—	—	Property investment
ENERGY							
Subsidiary company:							
Sunburst Energy Development Co., Ltd.	People's Republic of China (Wholly foreign- owned enterprise)	100	—	100	N/A	N/A	Investment holding

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Jointly controlled entities @:							
Huaibei Go-On Power Company Ltd.	People's Republic of China (Sino-foreign equity joint venture)	12.5	—	12.5	—	—	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Electric Power (Holdings) Company Limited	People's Republic of China (Sino-foreign equity joint venture)	35	—	35	—	—	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China (Sino-foreign equity joint venture)	65.05	—	65.05	—	—	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited θ	People's Republic of China (Foreign investment stock company)	71.35	—	71.35	1,170,000,000	RMB1	Electric power plant construction and operation
Widewin Investments Limited θ	British Virgin Islands	37.5	—	37.5	—	—	Investment holding
山東新巨龍能源有限責任公司	People's Republic of China (Sino-foreign equity joint venture)	30	—	30	N/A	N/A	Coal ores construction and sales
CIVIL INFRASTRUCTURE							
TUNNELS							
Subsidiary company:							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	—	70.8	75,000,000	HK$10	Tunnel operation
Jointly controlled entity @:							
Western Harbour Tunnel Company Limited θ	Hong Kong	35	—	35	—	—	Franchise to construct and operate the Western Harbour Crossing
ENVIRONMENTAL							
Jointly controlled entities @:							
Changzhou CGE Water Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	24.01	—	24.01	—	—	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	—	50	—	—	Design, construction and operation of refuse transfer station
Veolia Water (Kunming) Investment Limited	Hong Kong	25	—	25	—	—	Investment holding
Associated companies:							
Green Valley Landfill, Limited	Hong Kong	30	—	30	—	—	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	—	30	—	—	Design, construction and operation of transfer station
CITIC Telecom International Holdings Limited (Listed in Hong Kong) #	Hong Kong	60.59	—	60.59	2,385,992,870	HK$0.10	Investment holding

Name	Place of incorporation/principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares† No. of shares	Particulars of issued shares† Par value	Principal activities
Dah Chong Hong Holdings Limited (Listed in Hong Kong) #	Hong Kong	55.94	—	55.94	1,821,148,000	HK$0.15	Investment holding
OTHER INVESTMENTS							
Subsidiary companies:							
CITIC Pacific China Holdings Limited	People's Republic of China (Wholly foreign-owned enterprise)	100	—	100	N/A	N/A	Investment holding
CITIC Pacific Communications Limited	Bermuda	100	—	100	100,000	HK$1	Investment holding
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	—	1	US$1	Financing
Dah Chong Hong (Engineering) Limited	Hong Kong	100	—	100	1,551,000	HK$100	Engineering services
Jointly controlled entities @:							
CITIC Capital Holdings Limited	Hong Kong	27.5	—	27.5	—	—	Investment holding
CITIC Guoan Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	50	—	50	—	—	Investment holding
上海國睿生命科技有限公司	People's Republic of China (Sino-foreign equity joint venture)	24.94	24.94	—	—	—	Research and development of tissue engineering products
Associated company:							
Cheer First Limited θ	Hong Kong	40	—	40	—	—	Financing

Note:

† Represents ordinary shares, unless otherwise stated.

θ Affiliates which have been given financial assistance by the Company or its subsidiaries at 31 December 2011.

\# Subsidiaries separately listed on the main board of the Hong Kong Stock Exchange and including their respective group companies.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CITIC PACIFIC LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CITIC Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages F-2 to F-92, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 March 2012

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