

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 interests of our shareholders. At CITIC Pacific, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of CITIC Pacific, with particular focus on our accountability to shareholders and stakeholders. This report describes how CITIC Pacific has applied its corporate governance practices to its everyday activities.

CITIC Pacific has applied the principles and complied with all the code provisions of the corporate governance code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) throughout the year 2013 except for code provision A.6.7 of the CG Code. Mr André Desmarais and Mr Carl Yung Ming Jie (both being non-executive directors) were not able to attend the annual general meeting of CITIC Pacific held on 16 May 2013 (“2013 AGM”). Mr Carl Yung was ill, while Mr André Desmarais was away from Hong Kong due to other engagements. Mr Peter Kruyt, the alternate director to Mr André Desmarais, attended the 2013 AGM. Mr André Desmarais, Mr Ju Weimin, Mr Yin Ke and Mr Carl Yung Ming Jie (all being non-executive directors), and Mr Alexander Reid Hamilton and Dr Xu Jinwu (both being independent non-executive directors) were not able to attend the extraordinary general meeting of CITIC Pacific held on 4 December 2013 as all of them had other engagements.

For the year 2013, CITIC Pacific made further progress with its corporate governance practices, which including:

- Updating CITIC Pacific’s code of conduct to update the scope of topics, including prevention of bribery practices and use of proprietary information; and
- Adopting the board diversity policy

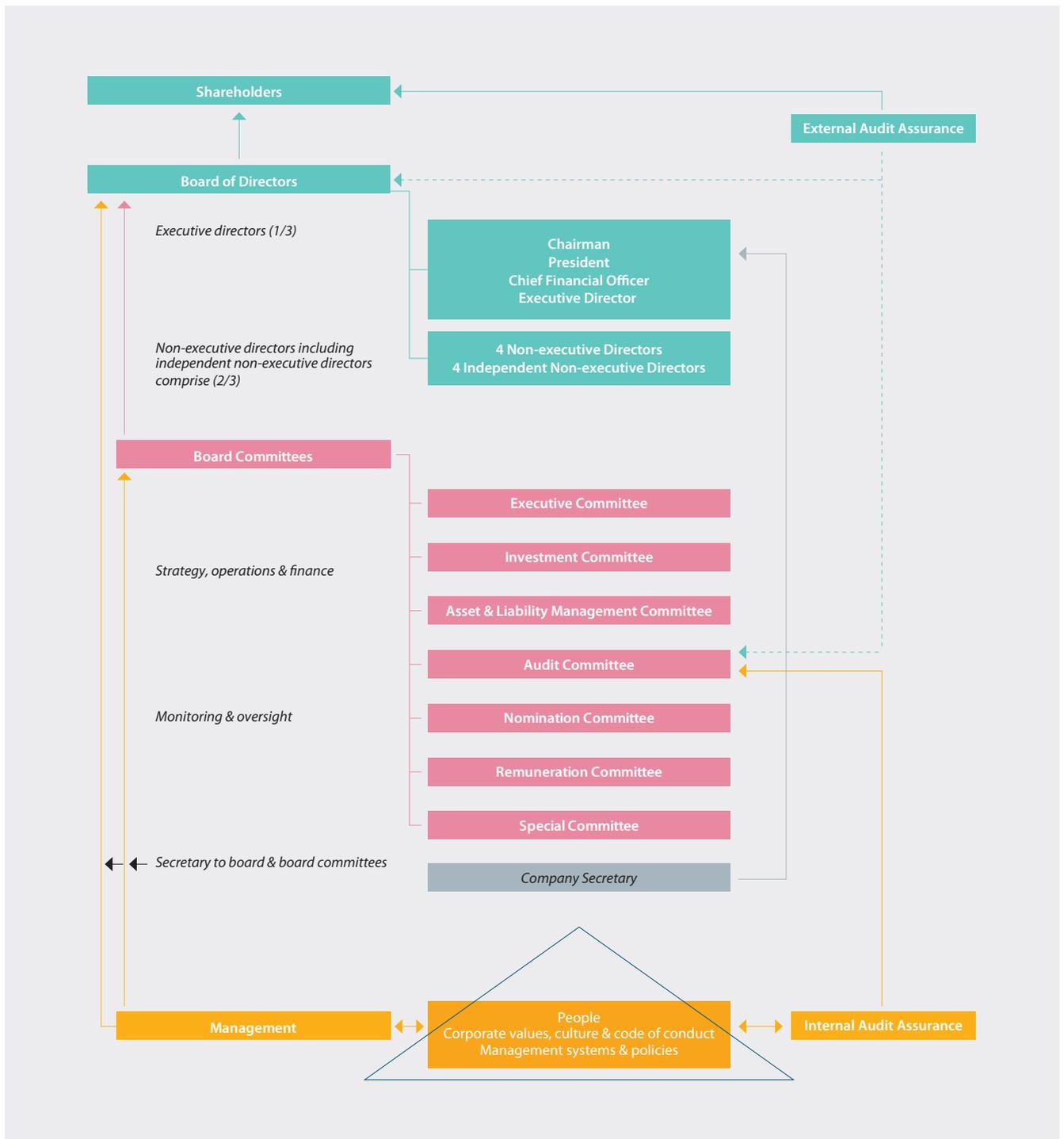
Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

Preservation of value and strategy

CITIC Pacific is a company with multiple businesses in a few industries. We are not simply an investment holding company, but rather an operating company. Our activities are concentrated in three main businesses: manufacturing special steel, mining iron ore and property in mainland China. We have other businesses but they represent only 28% of the assets of the company. When we analyse a business, we look at its market position, competitiveness, future prospects and our desire to influence its management.

Our strategy is clear. We will continue to invest capital in special steel, mining iron ore, their related upstream and downstream industries, and property in mainland China. We will consider expanding into products, upstream or downstream from our existing businesses, but they should have synergies with, or supplement and enhance the value of the main businesses, particularly steel and mining. Our expectation is that our businesses will generate a return on capital invested above the cost of our own capital and generate cash flow to the benefit of the company and its shareholders. By pursuing this strategy, CITIC Pacific expects to generate and preserve value for all its shareholders.

Corporate governance structure



Board of Directors

Overall accountability

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

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

Board composition and changes

On 28 February 2014, the board announced that Mr André Desmarais has notified that due to his personal commitments, he would not offer himself for re-election after his retirement by rotation at the forthcoming annual general meeting of CITIC Pacific to be held on 14 May 2014 ("2014 AGM") pursuant to Article 104(A) of the articles of association of CITIC Pacific and accordingly he will retire as a non-executive director of CITIC Pacific by rotation at the 2014 AGM. Mr Peter Kruyt will also cease to act as the alternate director to Mr Desmarais on the same date accordingly. The board further announced the appointment of Mr Zeng Chen as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM. Mr Zeng will fill the vacated office following the retirement of Mr Desmarais. Mr Zeng will retire and be eligible for re-election at the next general meeting of CITIC Pacific after the 2014 AGM. Thereafter, he will be subject to retirement by rotation and re-election in accordance with CITIC Pacific's articles of association. Following the above board changes, the number of board members will remain at twelve, comprising five executive directors, three non-executive directors and four independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than one-half of the board, of which independent non-executive directors make up one-third of the board. CITIC Pacific believes that the board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of CITIC Pacific's business.

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

CITIC Pacific has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors, together with information about the relationships among them, are set out on pages 110 to 112.

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

Board responsibilities and delegation

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

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

CITIC Pacific has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK\$1 billion.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 88 to 97.

Continuous professional development programme

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

Under CITIC Pacific's CPD Programme, the board visited the development properties in Discovery Bay and Dah Chong Hong Motor Service Centre in November 2013. Directors also attended briefings, self-directed courses and seminars and reviewed the monthly business updates and other reading materials provided to them concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in the CPD Programme is kept with the company secretary.

A summary of directors' participation in CITIC Pacific's CPD Programme and other external training for the period from 1 January 2013 to 31 December 2013 is as follows:

	Briefings/seminars	Reading materials/ regulatory updates/ management monthly updates	Site visits
Executive Directors			
Mr Chang Zhenming	√	√	√
Mr Zhang Jijing	√	√	√
Mr Vernon Francis Moore	√	√	√
Mr Liu Jifu	√	√	√
Non-executive Directors			
Mr André Desmarais	√	√	√
Mr Peter Kruyt (alternate director to Mr André Desmarais)	√	√	
Mr Ju Weimin	√	√	
Mr Yin Ke	√	√	
Mr Carl Yung Ming Jie		√	
Independent Non-executive Directors			
Mr Alexander Reid Hamilton	√	√	
Mr Gregory Lynn Curl	√	√	
Mr Francis Siu Wai Keung	√	√	√
Dr Xu Jinwu	√	√	

Board meetings and attendance

The board meets regularly to review the financial and operating performance of CITIC Pacific and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2013. 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 discloseable and connected transactions. At each of the regular board meetings, the board received a written report from the president on CITIC Pacific's major businesses, investments and projects, and corporate activities. During the year the board received detailed briefings on the progress of the Sino Iron project. In October 2013, a special board meeting was held to approve a discloseable and connected transaction, the details of which are set out in the announcement of CITIC Pacific dated 29 October 2013 in which detailed information of such transaction was presented to the board. A tour of Hong Kong properties in Discovery Bay and motor service centres of Dah Chong Hong was organised for the directors after the November board meeting. In early December, a ceremony was

held at the mine site in Australia to celebrate the first shipment of iron ore concentrate of the Sino Iron project. A schedule of board meeting dates is fixed for each year ahead whenever possible, and the dates of the next regular board meetings are fixed at the close of each board meeting. At least 14 days' formal notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary. Copies are provided to directors and the original minutes are available to all directors for inspection. In addition to the board meetings, the chairman also holds a meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors on an annual basis.

The attendance record of each director at board meetings and general meetings in 2013 is set out below:

	Board Meeting	Annual General Meeting on 16 May 2013	Extraordinary General Meeting on 4 December 2013
Number of Meetings	5	1	1
Executive Directors			
Mr Chang Zhenming (Chairman)	5/5	√	
Mr Zhang Jijing (President)	5/5	√	√
Mr Vernon Francis Moore (Chief Financial Officer)	5/5	√	√
Mr Liu Jifu	4/5	√	
Non-executive Directors			
Mr André Desmarais ^(Note)	3/5		
Mr Peter Kruyt (alternate director to Mr André Desmarais)	2/5	√	
Mr Ju Weimin	4/5	√	
Mr Yin Ke	5/5	√	
Mr Carl Yung Ming Jie	1/5		
Independent Non-executive Directors			
Mr Alexander Reid Hamilton	3/5	√	
Mr Gregory Lynn Curl	5/5	√	√
Mr Francis Siu Wai Keung	5/5	√	√
Dr Xu Jinwu	5/5	√	

Note: where Mr André Desmarais could not attend the board meeting or annual general meeting, Mr Peter Kruyt attended in his place

Chairman and the president

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

Board Committees

The board has appointed a number of committees to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive committee

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

- receiving guidance from the chairman and president on CITIC Pacific's strategic direction and priorities;
- receiving and considering reports from the group treasury and the 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 reports from the group internal auditor on internal controls of the Group, and reports from other corporate functional leaders.

The executive committee is chaired by the president (an executive director) and its membership includes the chief financial officer (an executive director), one other executive director, two executive vice presidents, leaders of major businesses in the Group and leaders of key head office functions. The chairman of the board has the right to attend any executive committee meetings. The executive committee met eleven times in 2013. The relevant executive directors as listed below together with the corporate functional leaders and leaders of major operating businesses attended the executive committee meetings. Full minutes of the meetings are kept by the company secretary, which were sent to the committee members after each meeting.

The meeting attendance of directors is as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Executive Directors	
Mr Zhang Jijing (chairman)	10/11
Mr Vernon Francis Moore	11/11
Mr Liu Jifu ^(Note)	6/11

Note: two of the meetings were attended by his representative

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 at CITIC Pacific group, so as to align management incentives with shareholder interests.

The committee currently comprises three independent non-executive directors with Mr Francis Siu Wai Keung as the chairman. The executive vice president, Mr Kwok Man Leung, serves as the secretary of the committee. The secretary prepares full minutes of the meetings and sends them to the committee members within a reasonable time after the meetings. The full terms of reference are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_remuneration.html) and the Stock Exchange's website.

The composition of the remuneration committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (chairman)	1/1
Mr Alexander Reid Hamilton	1/1
Mr Gregory Lynn Curl	1/1

Work done in 2013

The remuneration committee completed the following in 2013:

1. reviewed and approved the remuneration policy;
2. approved the salaries and bonuses of the executive directors and senior executives; and
3. recommended to the board revision of the fees for the non-executive directors serving on the audit committee.

During the review, no concerned individual took part in any discussion about his own remuneration.

During the year, the remuneration committee communicated with the chairman and/or the president about proposals relating to the remuneration packages of other executive directors and senior management.

In February 2014, the remuneration committee approved the remuneration package of the newly appointed executive director.

Details of CITIC Pacific's remuneration policies are set out in the Human Resources section on page 136, and directors' emoluments and retirement benefits are disclosed on pages 193 to 194. Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 122 to 124.

The remuneration paid to the directors, by name, for the year ended 31 December 2013 is set out in Note 12 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2013 is set out below.

Remuneration of senior management other than directors for the full year of 2013

Total Remuneration Bands	Number of Executives
Below HK\$3,000,000	0
HK\$3,000,001 – HK\$6,000,000	11
HK\$6,000,001 – HK\$9,000,000	2
HK\$9,000,001 – HK\$12,000,000	2
HK\$12,000,001 – HK\$15,000,000	0
HK\$15,000,001 – HK\$18,000,000	1
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Note: (1) the above does not include an executive who resigned during the year 2013
 (2) the above includes an executive who resigned in 2014

Audit committee

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

Duties of the audit committee

The authority, role and responsibilities of the audit committee are set out in written terms of reference which are available on CITIC Pacific’s website (http://www.citicpacific.com/en/investors/corporate-governance_audit.html) and the Stock Exchange’s website. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Amendments to the terms of reference are submitted to the board for approval.

Under its terms of reference, the audit committee shall:

- Review and monitor the integrity of financial information of CITIC Pacific and provide oversight of the financial reporting process;
- Monitor the effectiveness of the external audit and oversee the appointment, remuneration and terms of engagement of CITIC Pacific's external auditor, as well as his independence;
- Oversee the system of internal control and risk management, including the Group's internal audit function as well as arrangements for concerns raised by staff on financial reporting and other matters ("whistle-blowing");
- Undertake corporate governance functions delegated from the board, including:
 - (a) reviewing CITIC Pacific's policies and practices on corporate governance and making recommendations to the board as well as CITIC Pacific's compliance with the CG Code and disclosures in the corporate governance report;
 - (b) reviewing and monitoring:
 - (i) the training and continuous professional development of directors and senior management;
 - (ii) CITIC Pacific's policies and practices on compliance with legal and regulatory requirements, and the Group's code of conduct; and
 - (iii) the Group's whistle-blowing policy and system.

Committee composition and meeting attendance

The composition of the audit committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (chairman)	4/4
Mr Alexander Reid Hamilton	4/4
Non-executive Director	
Mr Yin Ke	4/4
Other Attendees	
Chief Financial Officer	4/4
Group Financial Controller/Director of Financial Control	4/4
Group Internal Auditor	4/4
External Auditor	4/4

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

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

Work done in 2013

The audit committee performed the following in 2013:

Financial reporting	Reviewed the 2012 annual financial statements, annual report and results announcement
	Reviewed the 2013 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2012 annual report and 2013 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed Audit Committee Reports provided by the external auditor on their statutory audit of the 2012 annual financial statements and their independent review of the 2013 half-year financial statements
	Discussed financial reporting and control matters set out in the Audit Committee Report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of CITIC Pacific's 2013 half-year financial statements and their statutory audit of the 2013 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of CITIC Pacific

Internal control and internal audit	<p>Examined management's annual self-assessments of the effectiveness of the internal controls of the Group, including adequacy of the staff resources, qualifications and experience of CITIC Pacific's accounting and finance functions</p> <hr/> <p>Reviewed the internal audit charter and internal audit priority weighting policy and approved group internal audit's annual internal audit plan and reviewed the overall audit work progress in each committee meeting</p> <hr/> <p>Reviewed group internal audit's quarterly reports on risk management and internal control findings, recommendations, management response and progress in rectification of internal control and other matters</p> <hr/> <p>Reviewed the staffing and resources of the group internal audit department</p> <hr/> <p>Noted any significant changes in financial or other risks faced by CITIC Pacific and reviewed management's response to them</p>
Corporate governance and Code requirements	<p>Reviewed the terms of reference of the audit committee</p> <hr/> <p>Reviewed the one whistle-blowing case received through the whistle-blowing channel, which was resolved by the management</p> <hr/> <p>Reviewed reports submitted by the management on the Group's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business and corporate governance work</p> <hr/> <p>Reviewed the training and continuous professional development of directors</p> <hr/> <p>Reviewed CITIC Pacific's Corporate Governance Policy, Code of Conduct, Whistle-blowing Policy, and other corporate governance practices under the CG Code</p> <hr/> <p>Reviewed CITIC Pacific's compliance with the CG Code and disclosures in the corporate governance report</p> <hr/> <p>Noted updates on corporate governance practices in Hong Kong, e.g. board diversity and Environmental, Social and Governance Reporting</p> <hr/> <p>Considered the potential impact of the new COSO internal control requirements on the Group's internal control practice</p>

In the audit committee meeting of February 2014, the audit committee reviewed and approved CITIC Pacific's annual financial statements and annual report for the year ended 31 December 2013, and considered reports from the external and internal auditors. The audit committee recommended that the board approve the 2013 annual report.

Nomination committee

The nomination committee was established by the board with written terms of reference in compliance with the CG Code. Following the adoption of the board diversity policy on 14 August 2013, the terms of reference of the nomination committee were revised in line with the new CG Code requirements which took effect from 1 September 2013. The revised full terms of reference are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_nomination.html) and the Stock Exchange's website.

The nomination committee reports directly to the board and its primary functions are:

- to determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship;
- to review the structure, size, composition and diversity of the board at least annually and make recommendations on any proposed changes to the board;
- to assess the independence of independent non-executive directors; and
- to make recommendations to the board on the appointment or re-appointment of directors.

Starting from August 2013, the nomination committee undertakes an additional function delegated from the board to review the board diversity policy adopted in August 2013, and makes recommendations on any required changes to the board. This policy sets out the approach to achieve diversity on the board which will include and make good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective function of the board as a whole. CITIC Pacific believes that diversity can strengthen the performance of the board, and promote effective decision-making and better corporate governance and monitoring. The nomination committee discusses and agrees annually the relevant measurable objectives that the board has set for implementing this policy and makes recommendations to the board for adoption. It also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

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

During the year, one nomination committee meeting was held with full attendance by the committee members in person or by video conference. The company secretary prepared full minutes of the nomination committee meetings, and the draft minutes were sent to all committee members. One set of resolutions was passed by circular by all the committee members during 2013.

The composition of the nomination committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Executive Director	
Mr Chang Zhenming (chairman)	1/1
Independent Non-executive Directors	
Mr Alexander Reid Hamilton	1/1
Mr Gregory Lynn Curl	1/1

The nomination committee completed the following work in 2013:

1. reviewed the structure, size, composition and diversity of the board;
2. considered the proposed amendments to its terms of reference to take into account the new CG Code requirements for board diversity policy and recommended their adoption by the board;
3. reviewed the board diversity policy and discussed the measurable objectives, including knowledge and experience, skills, independence, age and gender and nationality, and agreed that these measurable objectives were achieved for the diversity of the board which contributed to the corporate strategy and the business development of CITIC Pacific; and
4. recommended to the board the re-election of the retiring directors at the forthcoming annual general meeting.

In February 2014, a meeting was held at which the nomination committee recommended to the board the appointment of Mr Zeng Chen as an executive director of CITIC Pacific. The nomination committee members also noted the retirement of Mr André Desmarais.

Investment committee

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

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

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

The committee meets on an "as required" basis. In 2013, there were eleven discussions of the committee covering 18 topics.

Membership and Participation

Members	Participation/Number of Discussions
Executive Directors	
Mr Chang Zhenming (chairman)	11/11
Mr Zhang Jijing	11/11
Mr Vernon Francis Moore	11/11

Asset and liability management committee

The asset and liability management committee was established in October 2008 to review the financial position of CITIC Pacific and set limits as appropriate on its financial risk exposures during the financial risk management process. The principal responsibilities of the asset and liability management committee are to:

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

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

The chief financial officers of major business units may be invited to attend and report at the meetings of the asset and liability management committee from time to time. The committee met eleven times during 2013 to consider the matters within its terms of reference. All the meetings were chaired by Mr Vernon Francis Moore.

Special committee to deal with matters relating to investigations of CITIC Pacific

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

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

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

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

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

Accountability and Audit

Financial reporting

The board of directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs and of its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. The board endeavours to present to shareholders a balanced and understandable assessment of CITIC Pacific's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable.

There are new or revised accounting standards that became effective during the year, of which the most significant and relevant to the Group are disclosed in Note 1(a) on page 163.

The responsibilities of the external auditor with respect to the accounts for the year ended 31 December 2013 are set out in the Independent Auditor's Report on page 272.

External auditors and their remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. PwC has been engaged as CITIC Pacific's external auditor since 1989 and retired at the close of the 2013 AGM. Since then, KPMG has been appointed as CITIC Pacific's external auditor in place of PwC; more details in relation to the appointment are disclosed in the announcement of CITIC Pacific dated 2 April 2013. For year 2013, KPMG's fees for its services were approximately as follows:

Statutory audit fee: HK\$41 million (2012: HK\$21 million)

Fees for other services, including review of the half-year financial statements, special audits, advisory services relating to systems and tax services: HK\$11 million (2012: HK\$6 million).

Other audit firms (including PwC) provided statutory audit services at a fee of approximately HK\$15 million (2012: HK\$44 million) and provided other services for fees of HK\$5 million (2012: HK\$9 million).

Internal controls

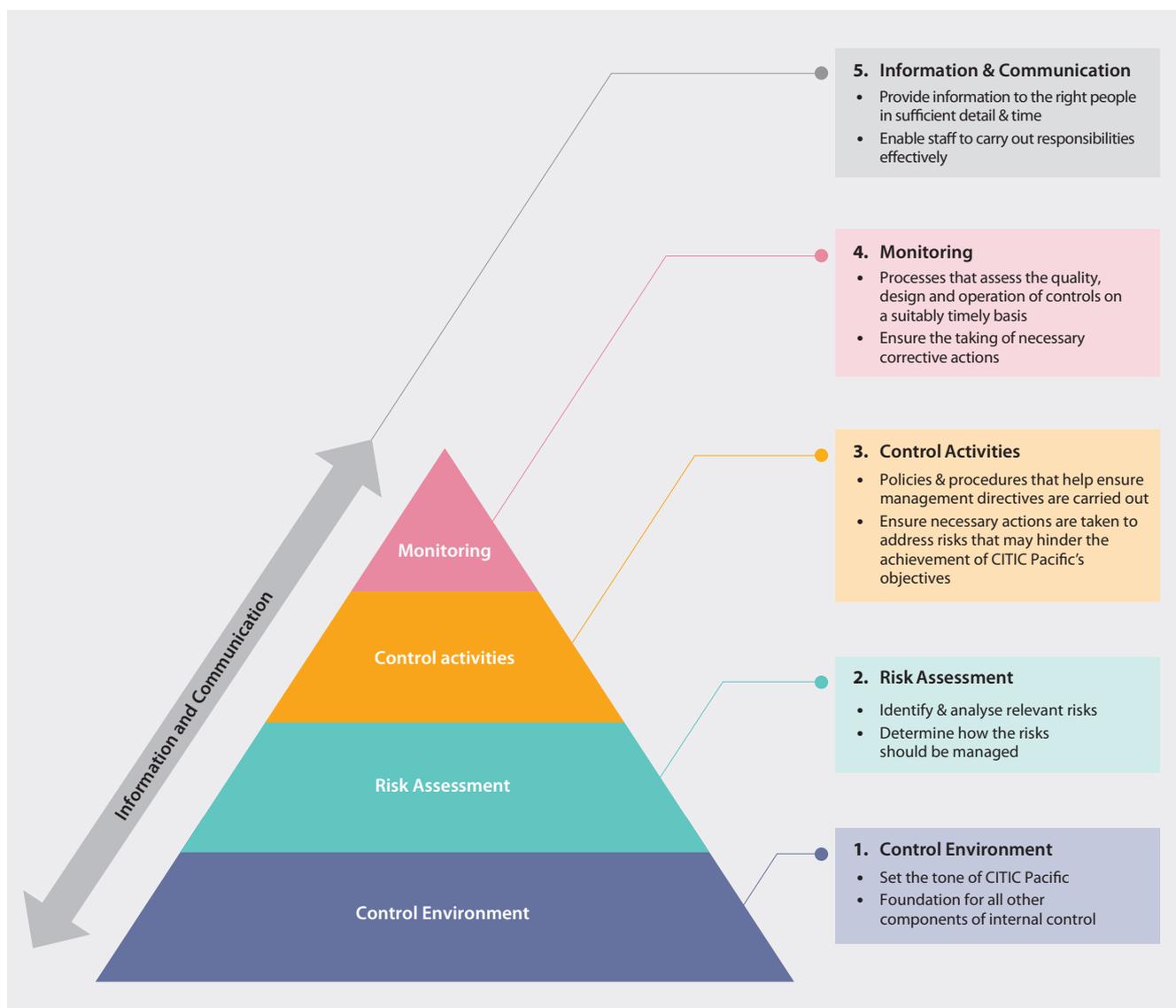
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Pacific in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets by the management;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by business units and functions.

CITIC Pacific's internal control framework

CITIC Pacific has developed an integrated internal control framework for providing assurance of the achievement of its business objectives, which is consistent with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and the Basic Standard for Enterprise Internal Control (the "Basic Standard"), which takes effect from 2012 in mainland China and is commonly called China-Sox.

The internal control framework adopted by CITIC Pacific is demonstrated below:



In May 2013, the COSO released an updated and enhanced version of its COSO internal control framework ("the new COSO"). The board and management are now assessing the impact of the new requirements for ensuring smooth implementation across the Group by the end of 2014.

As part of this internal control initiative, new internal control self-assessment tools will be deployed, and the internal control questionnaires will be updated.

Key control policies and measures

Under CITIC Pacific’s internal control framework, risk management and internal control are primarily the collective responsibility of every manager and employee. For consistent compliance by every person in CITIC Pacific, the following key control policies and measures are implemented in the everyday activities, which are summarised below:

Key control policies and measures undertaken by CITIC Pacific	
Control Environment	<ul style="list-style-type: none"> • Corporate governance policy, human resources policy manual and code of conduct governing the conduct of business and governance work, as well as periodic reviews and refresher training sessions on important ethical practices. • Whistle-blowing policy for facilitating internal reporting of suspected malpractice. • Inside information and price sensitive disclosure policy on reporting and disseminating price-sensitive information.
Risk Assessment	<ul style="list-style-type: none"> • The risk management functions under group treasury department as well as a risk management working group to identify and assess financial and other risks in different areas across CITIC Pacific. The long-term objective is to further promote and monitor formal business-wide risk management processes. Further information in this regard is set out in the Risk Management Section of this Annual Report. • Asset and liability management committee and risk management functions of other board committees to oversee management of both financial and non-financial risks. • Executive committee of CITIC Pacific as well as steering and management committees at the business unit level for ongoing monitoring of business, operational and other risks. • Ongoing implementation of operational risk management system in certain business units; increasing number of reviews of departmental risk registers as well as associated action plans; improvements noted in regular reporting to senior management in the risk assessment process. • Production and review of risk assessment reports, as well as a variety of insurance arrangements to manage insurable risks.
Control Activities	<ul style="list-style-type: none"> • Major control systems and processes, including budgetary and cost controls, financial reporting systems and processes for management reporting, corporate policies and procedures for approvals, reviews and segregation of duties in everyday activities.

Key control policies and measures undertaken by CITIC Pacific	
Monitoring	<ul style="list-style-type: none"> • Ongoing compliance monitoring and internal control reviews under the oversight of the audit committee (please refer to the section headed "Monitoring of internal control effectiveness" below). • CITIC Pacific's company secretariat and group legal functions for overall assessing and monitoring procedures in place to ensure compliance with Listing Rules and overseeing compliance matters in respect of applicable laws and other major regulations. • Group internal audit reporting directly to the audit committee and conducting independent reviews on the internal controls and risk management.
Information and Communication	<ul style="list-style-type: none"> • Implementation, maintenance and continuous development of enterprise resource planning (ERP) and information systems to support CITIC Pacific's businesses and operations, including financial controls and treasury management functions. • CITIC Pacific's intranet and corporate email systems for dissemination of corporate messages on a timely basis. • Corporate website and shareholders communication policy to ensure shareholders receive balanced and understandable information about CITIC Pacific to encourage them to participate in general meetings of CITIC Pacific.

Monitoring of internal control effectiveness

On behalf of the board, the audit committee during the year evaluated the effectiveness of the internal control system of the Group, including financial, operational and compliance controls and risk management, as well as adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions, and their training programme and budget.

Major internal control reviews conducted during the year are summarised below:

Internal control monitoring	Particulars of major work done	Observations
Internal audit	<ul style="list-style-type: none"> • Reviewed the reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee • Evaluated the adequacy of resources and competency of the group internal audit function in discharging the internal audit responsibilities; also reviewed the progress of the internal audit work against the approved internal audit plan 	<ul style="list-style-type: none"> • Internal audit findings and recommendations, management’s responses and remedial actions taken were considered at each audit committee meeting • Reports to the board on such reviews where appropriate
Compliance assessments	<ul style="list-style-type: none"> • Reviewed the compliance declarations undertaken by business units and head office functions of CITIC Pacific, whereby cases of non-compliance with the code of conduct are required to be reported on a half-yearly basis; and, non-compliance with laws, the Listing Rules, other regulations, or other corporate policies are required to be reported on an annual basis • Considered any non-compliance cases noted in the internal audit reports 	<ul style="list-style-type: none"> • No significant non-compliance cases were noted during the year
Control self-assessments	<ul style="list-style-type: none"> • Reviewed the results of consolidated control self-assessments made by management of business units and head office functional departments, of their material controls and risk management activities undertaken with reference to CITIC Pacific’s internal control framework • Ensured documentation in relation to the management’s control self assessments were reviewed by the group internal audit • Reviewed letters of representation from executive management of business units confirming that their control self assessments remain correct and that their financial statements are prepared in accordance with the Group’s financial reporting policies 	<ul style="list-style-type: none"> • No material issues were identified during the year; business units and head office functions have indicated certain areas of internal control which they intend to further enhance • Positive confirmations from management were noted

Internal control monitoring	Particulars of major work done	Observations
Review of the accounting and finance functions under the CG Code requirements	<ul style="list-style-type: none"> Reviewed self assessments made by business units, group financial control, group treasury and group internal audit of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budget 	<ul style="list-style-type: none"> Resources in the accounting and finance functions of the Group are considered adequate Qualifications and experience of the staff of the accounting and finance functions are satisfactory overall Training activities and budgets have been given continual attention during the year and are satisfactory

The board and management will continue to look into opportunities for further enhancing the effectiveness of the internal control system of the Group by ensuring that adequate and effective internal controls are in place under CITIC Pacific's internal control framework, and that they are in conformity with the internal control requirements under the Listing Rules and other applicable regulations and laws in different jurisdictions.

Internal audit

CITIC Pacific regards group internal audit as an important part of the board and audit committee's oversight function. The principal objective of group internal audit, which is set out in an internal audit charter, is to provide the board and the management with useful information and recommendations on the adequacy and effectiveness of the internal control system of the Group.

Authority and accountability

Under the internal audit charter endorsed by the audit committee, the group internal audit function is authorised by the board to have access to all records, people and physical properties relevant to the performance of the internal audit. The group internal auditor has unrestricted access to the chairman of the audit committee and reports directly to the audit committee for direction and accountability. This reporting relationship enables group internal audit to provide an objective assurance to the effectiveness of the internal control system of the Group.

Duties

The duties of group internal audit are described in the internal audit charter. It requires that (a) internal audits are conducted with proficiency, objectivity and due professional care in compliance with the standards, guidelines, and the code of ethics of the Institute of Internal Auditors; (b) audit testing and reviews are carried out at all levels of the Group to provide reasonable assurance as to whether the system of internal control is adequate; the assets of the Group are properly safeguarded; the operations are conducted effectively and efficiently in accordance with the Group's strategic objectives, policies and procedures as well as relevant laws and regulations; and the accounting records of the audited entities and operations are reliable and (c) special reviews are conducted by group internal audit when required by the management, the audit committee or the board.

Internal audit resources and major work done in 2013

The group internal audit function, led by the group internal auditor, comprised 28 audit staff members at 31 December 2013 who are based in Hong Kong, Perth, Shanghai and Guangzhou respectively to provide audit services to various business units and functions of the Group. In response to CITIC Pacific Mining's transition from construction to operations, the group internal audit function was strengthened by the addition of three operational auditors. This enabled the integrated operational audits on the mining operations as well as the downstream value-chain activities. During the year, the audit of a major subsidiary of CITIC Telecom International Holdings Limited, a listed associate, was completed on a co-sourcing basis with a leading professional accounting firm to increase the internal audit value.

During the year, the group internal auditor prepared and submitted the annual internal audit plan to the audit committee for approval, according to a risk-based audit priority weighting policy. Pursuant to the approved annual plan, detailed audit planning for each audit, followed by field visits and discussions with management, was conducted with the use of a risk-based audit methodology. Reports to the management were prepared after completion of the audit work, and were summarised for review at each audit committee meeting. Continual follow-up work was undertaken by group internal audit to establish the extent of completion of remedial actions taken by the management, with follow-up results, audit progress and available resources reviewed by the audit committee at each committee meeting.

In 2013, group internal audit issued internal audit reports and observation papers to the management covering various operational and functional units of the Group, including iron and steel operations, property, energy, head office functions, Dah Chong Hong Holdings Limited and CITIC Telecom International Holdings Limited. Group internal audit also conducted other reviews during the year.

Other tasks performed by the group internal audit function and the group internal auditor during the year included:

- Provided oversight of the whistle-blowing channel whereby staff concerns about conduct of the business are raised and where appropriate investigations into reported cases are conducted; in 2013, one case was received through the whistle-blowing channel, which was in relation to minor human resources issues.
- Attended all monthly meetings of the executive committee to ensure that the group internal auditor stays abreast of all major developments in the Group and the audit work progress, major audit findings and related follow-up results are reported on a monthly basis.
- Worked together with the management of a special steel business in mainland China and an external consultancy firm, with respect to the implementation of the internal control requirements under the Basic Standard for Enterprise Internal Control (the "Basic Standard" or commonly called the "China-Sox") for ensuring full compliance with the regulations. The special steel company has issued its first China-Sox compliance report in the 1st quarter of 2013.
- Delivered a presentation on the new COSO internal control requirements in the Group's finance conference; presented the whistle-blowing process of CITIC Pacific in the Group's finance conference, human resources conference and head office's code of conduct refresher sessions respectively, with the objective of promoting good staff conduct.

- Carried out ongoing assessments of information technology controls pursuant to the annual audit plan; participated in the development of the Group's new treasury system by providing internal control suggestions for enhancement purposes.
- Assisted in the monitoring of the 2013 internal control and compliance self-assessment exercises for major business units and head office functions, regarding internal controls, risk management activities, compliance with internal policies and legal and regulatory requirements, as well as the adequacy, qualification, experience and training programmes of the accounting and financial reporting functions of the Group.
- Liaised with internal control software houses and explored the feasibility of introducing an online standardised platform for facilitating the Group's internal control self-assessments, as well as enhanced audit management tools.
- Rendered support in the groundwork for the group-wide corporate governance initiatives, namely, new COSO implementation and Environmental, Social and Governance (ESG) reporting.
- Implemented continuous training and development programmes, including quarterly sharing sessions and periodic training workshops, for all internal audit staff to enhance their audit skill sets and knowledge.
- Benchmarked the internal audit charter against the latest version of the International Professional Practices Framework issued by the Institute of Internal Auditors to ensure the group internal audit function remains in line with internationally recognised internal audit practices; the revised internal audit charter was submitted to the audit committee for endorsement in May 2013.

Business Ethics

Code of conduct

At CITIC Pacific, we consider ethical corporate culture and employees' honesty and integrity to be important assets. We endeavour to comply with the laws and regulations of the countries in which we operate, and all directors and employees are required to act responsibly to ensure that the reputation of CITIC Pacific is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, CITIC Pacific has adopted a code of conduct which provides employees with a set of defined ethical standards for adherence. The code of conduct was revised in 2013 to update the scope of topics, including prevention of bribery practices, use of proprietary information, conflicts of interest and inside information. The new version of the code was posted on CITIC Pacific's intranet for reference by all employees in the head office and sent to all business units for further dissemination to their employees. To ensure existing employees fully understand the revised code, briefing sessions for employees in the head office were conducted in 2013. A separate briefing was also arranged for representatives from the finance and human resources functions of our subsidiaries to facilitate further communication and execution of the code.

New employees are informed of the rules and standards set out in the code of conduct upon joining CITIC Pacific and are required to acknowledge their understanding of the code of conduct. The heads of business units are charged with the responsibility of disseminating the code of conduct requirements to the people concerned and are required to report the compliance status of the code of conduct on a bi-annual basis to the head of group human resources. The audit committee receives reports on the execution of the code of conduct and its compliance at least once a year and, where necessary, recommendations were made to the board and management for implementation.

Whistle-blowing policy

CITIC Pacific considers the whistle-blowing channel a useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. CITIC Pacific has adopted a whistle-blowing policy setting out principles and procedures for guiding the directors and employees of CITIC Pacific in reporting cases of fraud, corruption or misconduct in a fair and proper manner.

According to the whistle-blowing policy, concerns can be raised in writing to the group internal auditor, chairman of the audit committee, the president or the chairman of the board by post to a designated post box. In addition, emails and phone calls to confidential hotlines can be sent directly to the group internal auditor. Upon receipt of the report, group internal audit will undertake an initial enquiry and, if appropriate, subsequent investigation work. Where necessary, the head of human resources will be involved in handling relevant cases about staff conduct. Results of the enquiry and investigation are reported directly to the chairman of the audit committee or the president where appropriate. The whistle-blowing policy is posted on CITIC Pacific's intranet. During 2013, group internal audit received one case from the whistle-blowing channel, which was mainly in relation to a minor human resources issue of an operation in mainland China. It was handled according to CITIC Pacific's whistle-blowing policy. During the course of the year, briefing sessions on the whistle-blowing process of CITIC Pacific were respectively conducted in the Group's finance conference, human resources conference and head office code of conduct refresher sessions.

Inside information/price sensitive information disclosure policy

CITIC Pacific has adopted an inside information/price sensitive information disclosure policy setting out the practices and procedures for monitoring business and corporate developments and events so that any potential inside information/price sensitive information is promptly identified and relayed to the board to enable it to make timely decisions on disclosure, if necessary, and for taking appropriate measures to preserve confidentiality of inside information/price sensitive information until proper dissemination of the inside information/price sensitive information via the electronic publication system operated by the Stock Exchange.

Good employment practices

In Hong Kong, CITIC Pacific has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

Directors' and relevant employees' securities transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ('model code') contained in Appendix 10 to the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2013. The interests held by individual directors in CITIC Pacific's securities as at 31 December 2013 are set out in the Directors' Report on pages 128 to 129.

In addition to the requirements set out in CITIC Pacific's code of conduct, the company secretary regularly writes to executive management and other relevant employees who are privy to unpublished price sensitive information, as reminders of their responsibility to comply with the provisions of the model code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

Company Secretary

The company secretary is a full time employee of CITIC Pacific and has day-to-day knowledge of CITIC Pacific's affairs. The company secretary reports to the president of CITIC Pacific who is the chief executive as described under the Listing Rules. During 2013, the company secretary took no less than 15 hours of relevant professional training.

Constitutional Documents

There were no changes in the constitutional documents of CITIC Pacific during the year under review. However, in order to be in line with the substantial amendments under the new Companies Ordinance which came into force on 3 March 2014, the board proposes to amend the existing memorandum and articles of association of CITIC Pacific which is subject to shareholders' approval for adoption of the new articles of association of CITIC Pacific ("New Articles") at the 2014 AGM. The New Articles will be posted on CITIC Pacific's website and the Stock Exchange's website.

Communication with Shareholders

CITIC Pacific considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as to ensure the board of directors is accountable. Major means of communication with shareholders of CITIC Pacific are as follows:

Information disclosure at corporate website

CITIC Pacific endeavours to disclose all material information about the Group to all interested parties as widely and in as timely a manner as possible. CITIC Pacific maintains a corporate website at <http://www.citicpacific.com>, where important information about CITIC Pacific's activities and corporate matters such as annual reports and half-year reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

During 2013, CITIC Pacific issued press announcements in respect of a number of notifiable transactions and connected transactions, which can be viewed on CITIC Pacific's website (http://www.citicpacific.com/en/investors/announce_index.php).

General meetings with shareholders

CITIC Pacific's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meeting.

Voting by poll

Resolutions put to vote at the general meetings of CITIC Pacific (other than on procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and CITIC Pacific respectively on the same day as the poll.

Investor relations

CITIC Pacific aims to generate sustainable shareholder value over the long-term, and we recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that company objectives and shareholder objectives should be aligned for long-term value creation, and we hope that our shareholders agree with our conviction that sustainable long-term growth is more important than short-term gains.

CITIC Pacific acknowledges its responsibility to engage with shareholders and respond respectfully to their questions. We aspire to transparent and open communications and are committed to timely disclosure of relevant and material information. We meet with investors regularly to update them on our business progress and strategy. In addition, we attempt to respond promptly to questions received from the media and individual shareholders. We endeavour to share both financial and non-financial information that is relevant and material, and we attempt to clearly communicate our business strategy through biannual and other timely communications. In all cases, great care is taken to ensure that price sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

When we achieve major business milestones, we will consider inviting groups of investors to visit our facilities, such as the Sino Iron project in Western Australia, our steel plants and property projects. These requests can be made through CITIC Pacific's Investor Relations department and will be given due consideration, so long as they do not interfere with regular business operations.

Shareholders' rights

Set out below is a summary of certain rights of the shareholders of CITIC Pacific as required to be disclosed pursuant to the mandatory disclosure requirement under the CG Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of CITIC Pacific representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of CITIC Pacific, may require the directors of CITIC Pacific to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the company secretary in hard copy form or sent to CITIC Pacific in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of CITIC Pacific do not within 21 days after the date on which the written requisition is received by CITIC Pacific proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of CITIC Pacific.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of CITIC Pacific in writing through the company secretary whose contact details are as follows:

The Company Secretary
CITIC Pacific Limited
32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Email: contact@citicpacific.com
Tel No. : +852 2820 2184
Fax No. : +852 2918 4838

The company secretary will forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of CITIC Pacific, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of CITIC Pacific ("AGM"). The requirements and procedures are set out below:

- (i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.
- (ii) CITIC Pacific shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of CITIC Pacific entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the company secretary in hard copy form or is sent to CITIC Pacific in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Pursuant to Article 108 of CITIC Pacific's articles of association, no person other than a retiring director shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given a notice in writing of the intention to propose that person for election as a director and a notice in writing by that person of his willingness to be elected shall have been given to CITIC Pacific in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Board of Directors

CHANG Zhenming (*Chairman, Executive Director*)

Age 57: Mr Chang is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for CITIC Pacific. From 2000 to 2005 he served as an executive director, from 2006 as a non-executive director, and since 2009 as the chairman of CITIC Pacific. He is the chairman of CITIC Group Corporation, CITIC Limited and CITIC Hong Kong (Holdings) Limited and the vice chairman of CITIC International Financial Holdings Limited. He has been appointed as the chairman and a non-executive director of China CITIC Bank Corporation Limited with effect from 28 August 2013. He was a non-executive director and deputy chairman of Cathay Pacific Airways Limited, and resigned as a non-executive director of China CITIC Bank International Limited with effect from 15 March 2013. Mr Chang is the chairman of both the investment committee and the nomination committee.

Gregory Lynn CURL (*Independent Non-executive Director*)

Age 65: a director since 2011. He joined Temasek International as president on 1 September 2010, following his retirement from Bank of America in March 2010. He is also a director of Post Holdings, Inc. He was a director of the University of Virginia's Jefferson Scholars Foundation, The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation. Mr Curl is a member of both the remuneration committee and the nomination committee.

André DESMARAIS (*Non-executive Director*)

Age 57: 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 and Honorary Chairman of the Canada China Business Council. Mr Desmarais will retire as director by rotation at the forthcoming annual general meeting to be held on 14 May 2014 ("2014 AGM") pursuant to Article 104(A) of the articles of association of CITIC Pacific, and will not offer himself for re-election.

Alexander Reid HAMILTON (*Independent Non-executive Director*)

Age 72: a director since 1994. He is an independent non-executive director of Shangri-La Asia Limited, Esprit Holdings Limited, COSCO International Holdings Limited, Octopus Cards Limited, DBS Bank (Hong Kong) Limited and JP Morgan China Region Fund Inc. (formerly known as JF China Region Fund, Inc.). He was a partner of PricewaterhouseCoopers. Mr Hamilton is a member of the audit committee, the remuneration committee and the nomination committee.

JU Weimin (*Non-executive Director*)

Age 50: a director since 2009. He is a non-executive director of Asia Satellite Telecommunications Holdings Limited and has been re-designated from the chairman to deputy chairman with effect from 1 January 2014, a non-executive director of CITIC Securities Company Limited and China CITIC Bank International Limited and a director of CITIC International Financial Holdings Limited and CITIC Hong Kong (Holdings) Limited. He is also a vice president, the chief financial officer and secretary of CITIC Limited. He resigned as the chairman and a non-executive director of CITIC Resources Holdings Limited with effect from 22 July 2013 and a non-executive director of China CITIC Bank Corporation Limited with effect from 28 October 2013. He was the chairman of CITIC Trust Co. Ltd, an executive director and a vice president of CITIC Group Corporation. Mr Ju is a member of the special committee.

LIU Jifu *(Executive Director)*

Age 70: a director since 2001. He is a director of CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited, and a non-executive director of CITIC Telecom International Holdings Limited. He is the chairman of the supervisory board of Companhia de Telecomunicações de Macau, S.A.R.L. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited and the chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd. Mr Liu is a member of the executive committee.

Vernon Francis MOORE *(Chief Financial Officer, Executive Director)*

Age 67: Mr Moore is responsible for treasury, financial control, risk management and corporate communications and investor relations for the CITIC Pacific group. He has been a director since 1990, transferring from CITIC Hong Kong (Holdings) Limited ("CITIC HK"). He is a director of CITIC Pacific Mining Management Pty Ltd, the chairman of New Hong Kong Tunnel Company Limited and Western Harbour Tunnel Company Limited, and an independent non-executive director of CLP Holdings Limited. He was a non-executive director of Cathay Pacific Airways Limited, and from 1987 to 2007 an executive director of CITIC HK. Mr Moore is the chairman of the asset and liability management committee, and a member of both the executive committee and the investment committee.

Francis SIU Wai Keung *(Independent Non-executive Director)*

Age 59: a director since 2011. He is an independent non-executive director of GuocoLand Limited, China Communications Services Corporation Limited, Hop Hing Group Holdings Limited and Beijing Hualian Hypermarket Co., Ltd. He has been appointed as an independent non-executive director of Shunfeng Photovoltaic International Limited and China Huishan Dairy Holdings Company Limited with effect from 12 July 2013 and 5 September 2013 respectively. He resigned as an independent non-executive director of Hua Xia Bank Co., Limited with effect from 27 February 2014. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China. Mr Siu is the chairman of both the audit committee and the remuneration committee, and a member of the special committee.

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

Age 64: a director since 2012. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

YIN Ke (*Non-executive Director*)

Age 50: a director since 2009. He is the chief executive officer, executive director and chairman of CITIC Securities International Company Limited, an executive director and vice chairman of CITIC Securities Company Limited, and a non-executive director of Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust, which was listed on the Hong Kong Stock Exchange in April 2011). He is also a director of Hui Xian Investment Limited and Beijing Oriental Plaza Co., Ltd. He was a non-executive director of Zhongxing Shenyang Commercial Building Group Co., Ltd., CITIC Dameng Holdings Limited and Dah Chong Hong Holdings Limited. Mr Yin is a member of the audit committee.

Carl YUNG Ming Jie (*Non-executive Director*)

Age 45: re-designated as a non-executive director since 2012. He joined CITIC Pacific in 1993. He was an executive director since 2000 and deputy managing director from 2007 to 2012.

ZHANG Jijing (*President, Executive Director*)

Age 58: Mr Zhang is responsible for the day-to-day management of CITIC Pacific and the effective implementation of corporate strategy and policies. He served as a non-executive director from April 2009 and re-designated as an executive director from November 2009. He is a vice president of CITIC Limited, the chairman of CITIC Pacific China Holdings Limited and CITIC Pacific Mining Management Pty Ltd, and a director of CITIC Hong Kong (Holdings) Limited. He has been appointed as the chairman and a non-executive director of Dah Chong Hong Holdings Limited with effect from 1 January 2014. He resigned as a non-executive director of CITIC Resources Holdings Limited with effect from 18 September 2013. He was an executive director and a vice president of CITIC Group Corporation, the head of the strategy and planning department of CITIC Limited, a non-executive director of CITIC Securities Company Limited and China CITIC Bank Corporation Limited. He also previously served as the managing director of CITIC Australia Group and a director and vice president of CITIC Australia Pty. Ltd. Mr Zhang is the chairman of the executive committee and a member of both the investment committee and the special committee.

Peter KRUYT (*Alternate Director to André Desmarais*)

Age 58: an alternate director to André Desmarais since 2003. He is vice president of Power Corporation of Canada, chairman of Power Pacific Corporation Limited and the Canada China Business Council, and president and chief executive officer of Victoria Square Ventures Inc. Upon retirement of Mr André Desmarais by rotation at the 2014 AGM, Mr Kruyt will cease to act as the alternate director to Mr Desmarais accordingly.

New director to the board

On 28 February 2014, CITIC Pacific announced that Mr Zeng Chen has been appointed as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM. Mr Zeng will stand for re-election at the next general meeting after he takes up the office.

ZENG Chen (*Executive Director*)

Age 50: Mr Zeng was appointed as the chief executive officer of CITIC Pacific Mining Management Pty Ltd ("CPM") on 28 February 2014 and is responsible for the overall operation and management of CPM. He has been re-designated as a non-executive director of CITIC Resources Holdings Limited with effect from 1 March 2014. Mr Zeng has over 25 years of experience in project development, management, and a proven record in leading cross-cultural professionals in the resources sector. He has worked in Australia since 1994 and has extensive experience in various industries including aluminum smelting, coal mining and bulk commodity trading.

Group Executives

Chang Zhenming

Chairman and Executive Director of CITIC Pacific

Zhang Jijing

President and Executive Director of CITIC Pacific

Vernon Francis Moore

Chief Financial Officer and Executive Director of CITIC Pacific

Liu Jifu

Executive Director of CITIC Pacific

Kwok Man Leung

Age 45: executive vice president of CITIC Pacific, joined CITIC Pacific in 1993. Mr Kwok is responsible for coordinating new project developments as well as assisting the President in managing the operations of the Group with a focus in coordinating the special steel, iron ore mining, PRC property, Dah Chong Hong Holdings Limited, CITIC Telecom International Holdings Limited, infrastructure and other businesses of CITIC Pacific. Mr Kwok is in charge of the business development and group human resources & administration of CITIC Pacific. Mr Kwok is a member of the executive committee, the investment committee and the asset and liability management committee.

Milton Law Ming To

Age 50: executive vice president of CITIC Pacific, joined CITIC Pacific in 1992. Mr Law is responsible for managing the operations of Hong Kong property, shipping and resources trading, and assisting the President in liaising with the iron ore mining and energy businesses. Mr Law is a member of the executive committee, the investment committee and the asset and liability management committee.

Yu Yapeng

Age 58: vice president of CITIC Pacific, chairman of CITIC Pacific Special Steel Co., Ltd. since 2012, joined CITIC Pacific in 1993. Mr Yu is in charge of the special steel business of CITIC Pacific. From 1988 to June 2008, he has been the chief engineer, executive vice general manager and general manager of Jiangyin Xingcheng Special Steel Works Co., Ltd. He was the vice chairman of China Special Steel Enterprises Association since 1997 and now is the chairman of China Special Steel Enterprises Association. He is a director and the president of CITIC Pacific Special Steel group and the chairman of Daye Special Steel Co., Ltd. He is a member of the executive committee.

Liu Yong

Age 50: vice president of CITIC Pacific, managing director of CITIC Pacific China Holdings Limited, which assumes the overall management responsibility of CITIC Pacific's property business portfolio in the PRC. Mr Liu has more than 20 years' business experience in real estate development and operation in mainland China. He has served as general manager of Shenzhen Changcheng Investment Holding Co., Ltd and the chairman of CITIC Real Estate Investment (Shanghai) Company. He is a senior professional manager. Mr Liu is a member of the executive committee.

Li Yajun

Age 50: vice president of CITIC Pacific, general manager of CITIC Pacific energy department, joined the Ligang Power plant in 1987. Mr Li is in charge of the energy business of CITIC Pacific. He is the chairman of Sunburst Energy Development Co., Ltd., Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited. Mr Li has over 23 years' practical experience in power plant management. In recent years, he has been involved in coal and other energy industries. He also has extensive experience in investment and capital management. Mr Li is a member of the executive committee.

Fei Yiping

Age 50: vice president of CITIC Pacific, group financial controller, appointed in 2009. He joined CITIC Group Corporation in 1991. He is a director and chief financial officer of CITIC Hong Kong (Holdings) Limited, a non-executive director of Dah Chong Hong Holdings Limited. He is responsible for the financial control, tax services and financial information management systems of the Group. He has over 14 years of experience in accounting and financial management. Mr Fei is a member of both the executive committee and the asset and liability management committee.

Luan Zhenjun

Age 46: vice president of CITIC Pacific, group treasurer, joined CITIC Pacific in 2012. He joined China CITIC Bank in 1992. He was a deputy general manager in the finance department of CITIC Group Corporation before joining CITIC Pacific. Mr Luan is responsible for the Group's financing, banking relations and finance risk management. Mr Luan is a member of both the executive committee and the asset and liability management committee.

Ricky Choy Wing Kay

Age 39: vice president of CITIC Pacific, company secretary and group general counsel, joined CITIC Pacific in 2008. He is a qualified solicitor in Hong Kong. He previously practised as a commercial lawyer in private practice in Hong Kong. He is a member of the executive committee.

Corporate Functional Leaders

Holly Chen Meng

Age 47: director of group investor relations & corporate communications, joined CITIC Pacific in 2001. Prior to that, she worked for over 10 years at investment banks including Lehman Brothers, Merrill Lynch and Citibank, where she obtained extensive experience in corporate finance and corporate communications. She is a member of the executive committee.

Alan Lee Kwok Wing

Age 51: director of the financial control department, joined the internal audit department of Dah Chong Hong Holdings Limited in 1992 and was CITIC Pacific's head of internal audit from 1996 until 2000. He is a certified public accountant and previously worked for an international accountancy firm. He is a member of the asset and liability management committee.

Raymond Ma Wai Man

Age 47: group internal auditor and director of the group internal audit department, joined CITIC Pacific in 2008. He has over 25 years of experience in auditing and finance. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He is a member of the executive committee.

Other Operating Business Leaders**Special Steel****Xie Wei**

Age 49: president of CITIC Pacific Special Steel Co., Ltd., joined CITIC Pacific in 2010. From 1996 to June 2008, he was the vice general manager, general manager and chairman of Baosteel No.5 Steel Co., Ltd. and the assistant general manager of Baosteel Group. From May 2006 to May 2010, he was the assistant general manager of Baoshan Iron & Steel Co., Ltd., general manager of Baosteel Special Steel Co., Ltd. and general manager of the Baosteel Special Steel Business Unit. He is the deputy director of the China Special Steel Institute and Shanghai Institute of Metal since 2000. He has been a director, executive vice president and the president of CITIC Pacific Special Steel group since May 2010. He is a director of Daye Special Steel Co., Ltd. and the chairman of Jiangyin Xingcheng Special Steel Works Co., Ltd.

Property**Aaron Wong Ha Hang**

Age 55: director, property department in Hong Kong, joined CITIC Pacific in 1996. He is an executive director of Hong Kong Resort Company Limited and a director of New Hong Kong Tunnel Company Limited. Before that, he worked for an international consulting firm in the United Kingdom and in Hong Kong. Mr Wong is a member of the executive committee.

Tunnels**Miranda Yip Siu Wai**

Age 50: general manager of New Hong Kong Tunnel Company Limited ("NHKTC"), joined NHKTC in 1999 as deputy general manager. She was appointed as executive director and general manager in 2004. She has extensive experience in public administration.

Dah Chong Hong Holdings**Yip Moon Tong**

Age 61: chief executive officer of Dah Chong Hong Holdings Limited ("DCH Holdings"), listed on the Hong Kong Stock Exchange, joined DCH Holdings Group in 1992. He has over 30 years of experience in both the public and private sectors, in the engineering and motor vehicle businesses.

Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2013.

Principal Activities

The principal activity of CITIC Pacific is to hold the subsidiaries, associates and joint ventures through which its business operations are carried out, employing staff and raising finance. Their major areas of operation are set out in the Business Review on pages 12 to 53.

Dividends

The directors declared an interim dividend of HK\$0.10 per share for the year ended 31 December 2013 which was paid on 23 September 2013. The directors are recommending to shareholders at the forthcoming annual general meeting the payment of a final dividend of HK\$0.25 per share in respect of the year ended 31 December 2013, payable on 3 June 2014 to shareholders on the Register of Members at the close of business on 22 May 2014. This represents a total distribution for the year of HK\$1,277 million.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 28 to the financial statements.

Donations

Donations made by CITIC Pacific and its subsidiary companies during the year amounted to HK\$5 million.

Fixed Assets

Movements of fixed assets are set out in the Financial Statements on pages 195 to 202.

Major Customers and Suppliers

The aggregate percentage of purchases from CITIC Pacific and its subsidiary companies' five largest suppliers is less than 30%. The aggregate percentage of sales to CITIC Pacific and its subsidiary companies' five largest customers is less than 30%.

None of the directors, their associates nor any shareholders (which to the knowledge of the directors own more than 5% of CITIC Pacific's share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The names of the principal subsidiary companies, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in Note 43 to the financial statements.

Issue of Debt and Perpetual Capital Securities

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of CITIC Pacific, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 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 such notes remained outstanding at 31 December 2013.

On 16 August 2010, CITIC Pacific issued and sold a total of US\$150 million principal amount of 6.9% notes due 2022, to an investor pursuant to the purchase agreement dated 11 August 2010. All such notes remained outstanding at 31 December 2013.

On 15 April 2011, CITIC Pacific issued and sold a total of US\$500 million principal amount of 6.625% notes due 2021 to investors under the US\$2,000 million medium term note programme (as subsequently increased to US\$4,500 million on 25 September 2012, the "MTN Programme") established on 6 April 2011 pursuant to the subscription agreement dated 8 April 2011. These 6.625% notes are listed on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"). All such notes remained outstanding at 31 December 2013.

On 15 April 2011, CITIC Pacific issued and sold a total of US\$750 million principal amount of 7.875% perpetual subordinated capital securities to investors pursuant to the subscription agreement dated 8 April 2011. These securities are listed on the Hong Kong Stock Exchange. All such securities remained outstanding at 31 December 2013.

On 3 August 2011, CITIC Pacific issued and sold a total of RMB1,000 million principal amount of 2.7% unlisted notes due 2016 under the MTN Programme to investors pursuant to the subscription agreement dated 27 July 2011. All such notes remained outstanding at 31 December 2013.

On 27 February 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB800 million principal amount of 6% short term commercial paper due 2013 to investors. All such commercial paper was fully repaid at maturity and none remained outstanding as at 31 December 2013.

On 21 March 2012, CITIC Pacific issued and sold a total of US\$750 million principal amount of 6.875% notes due 2018, and on 26 April 2012, CITIC Pacific issued an additional US\$350 million principal amount of 6.875% notes due 2018, which were consolidated to form a single series under the MTN Programme to investors pursuant to subscription agreements dated 12 March 2012 and 17 April 2012, respectively. These 6.875% notes are listed on the Hong Kong Stock Exchange. All such notes remained outstanding at 31 December 2013.

On 20 June 2012, Hubei Xin Yegang Steel Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB500 million principal amount of 5.23% medium term notes due 2017 to investors. All such notes remained outstanding at 31 December 2013.

On 17 October 2012, CITIC Pacific issued and sold a total of US\$750 million principal amount of 6.8% notes due 2023, and on 11 December 2012, CITIC Pacific issued an additional US\$250 million principal amount of 6.8% notes due 2023, which were consolidated to form a single series under the MTN Programme to investors pursuant to subscription agreements dated 8 October 2012 and 4 December 2012, respectively. These 6.8% notes are listed on the Hong Kong Stock Exchange. All such notes remained outstanding at 31 December 2013.

On 27 November 2012, Jiangyin Xingcheng Special Steel Works Co Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB200 million principal amount of 6.06% medium term notes due 2017 to investors. All such notes remained outstanding at 31 December 2013.

On 10 April 2013, CITIC Pacific issued and sold a total of US\$500 million principal amount of 6.375% notes due 2020 under the MTN Programme to investors pursuant to the subscription agreement dated 27 March 2013. These 6.375% notes are listed on the Hong Kong Stock Exchange. All such notes remained outstanding at 31 December 2013.

On 22 May 2013, CITIC Pacific issued and sold a total of US\$800 million principal amount of 8.625% perpetual subordinated capital securities and an additional US\$200 million principal amount of 8.625% securities, which were consolidated to form a single series to investors pursuant to the subscription agreement and the agreement to amend the subscription agreement dated 14 May 2013 and 20 May 2013, respectively. These securities are listed on the Hong Kong Stock Exchange. All such securities remained outstanding at 31 December 2013.

On 5 June 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB500 million principal amount of 4.93% medium term notes due 2016 to investors. All such notes remained outstanding at 31 December 2013.

On 31 July 2013, CITIC Pacific issued and sold a total of HK\$500 million principal amount of 5.9% unlisted notes due 2018 under the MTN Programme to an investor pursuant to the subscription agreement dated 29 July 2013. All such notes remained outstanding at 31 December 2013.

On 10 September 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB200 million principal amount of 5.99% short term commercial paper due 2014 to investors. All such paper remained outstanding at 31 December 2013.

Borrowings

Particulars of borrowings of CITIC Pacific and its subsidiary companies are set out in Note 29 to the financial statements.

Directors

In accordance with Article 104(A) of the articles of association of CITIC Pacific, Messrs André Desmarais, Carl Yung Ming Jie, Gregory Lynn Curl and Francis Siu Wai Keung shall retire by rotation at the forthcoming annual general meeting to be held on 14 May 2014 ("2014 AGM"). Messrs Carl Yung Ming Jie, Gregory Lynn Curl and Francis Siu Wai Keung, being eligible, offer themselves for re-election at the 2014 AGM. Mr André Desmarais has notified that due to his personal commitments, he would not offer himself for re-election after his retirement by rotation at the 2014 AGM. Mr Peter Kruyt will also cease to act as the alternate director to Mr Desmarais on the same date accordingly. Mr Desmarais has been a director of CITIC Pacific since December 1997 and has served the board for over 16 years. The board expresses its sincere gratitude to Mr Desmarais and Mr Kruyt for their services and valuable contributions made to CITIC Pacific.

The board has appointed Mr Zeng Chen as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM. Mr Zeng will fill the vacated office following the retirement of Mr Desmarais. Mr Zeng will retire and be eligible for re-election at the next general meeting of CITIC Pacific after the 2014 AGM.

Except for the above changes, the directors of CITIC Pacific whose names and biographical details appear on pages 110 to 112 were the directors in office during the whole of the financial year ended 31 December 2013.

Management Contract

CITIC Pacific entered into a management agreement with CITIC Hong Kong (Holdings) Limited ("CITIC HK") on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to CITIC Pacific and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Chang Zhenming, Zhang Jijing, Liu Jifu and Ju Weimin had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the 2014 AGM.

Directors' Interests in Contracts of Significance

None of the directors of CITIC Pacific has, or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies, which was significant in relation to the business of CITIC Pacific, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Competing Interests

Save as disclosed below, none of the directors of CITIC Pacific has any direct or indirect interest in a business which competes or may compete with the business of the Group as required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Mr Zhang Jijing, president and executive director of CITIC Pacific and Mr Ju Weimin, non-executive director of CITIC Pacific, resigned as non-executive directors of CITIC Resources Holdings Limited ("CITIC Resources") on 18 September 2013 and 22 July 2013 respectively. Mr Zeng Chen who has been appointed as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM is currently a non-executive director of CITIC Resources. CITIC Resources is a subsidiary of CITIC Group Corporation and listed on the Hong Kong Stock Exchange. It is an integrated provider of strategic natural resources and key commodities. Through its subsidiaries and associates, CITIC Resources has interests in oil exploration, development and production; bauxite and coal mining; import and export of commodities; aluminum smelting; and manganese mining and processing. Further details of the nature, scope and size of business as well as its management can be found in the latest annual report of CITIC Resources.

Related Party Transactions

CITIC Pacific and its subsidiary companies entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Related Parties Transactions", the details of which are set out in Note 40 to the financial statements of CITIC Pacific. Some of these transactions also constitute "Continuing Connected Transactions" and "Connected Transactions" under the Listing Rules as summarised below.

Connected Transactions

Set out below is information in relation to certain connected transactions involving CITIC Pacific and/or its subsidiaries, particulars of which were previously disclosed in the announcements of CITIC Pacific and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of CITIC Pacific. The full text of each announcement can be found on http://www.citicpacific.com/en/investors/announce_index.php.

- On 7 March 2013, Stenway Holdings Inc. ("Stenway", a wholly-owned subsidiary of CITIC Pacific) entered into a share purchase agreement to acquire the remaining 25% interest in Silver Wings Enterprises Inc. ("Silver Wings") from its joint venture partner, Nippon Steel & Sumitomo Metal Corporation ("NSSMC") at the consideration of RMB530 million. Silver Wings is a joint venture between CITIC Pacific (through Stenway) and NSSMC established to build and develop at the site of Jiangyin Xingcheng Special Steel Works Co., Ltd. a production line with steel melting, casting, and rolling facilities to produce high-end special steel.

Silver Wings is accounted for as a jointly controlled entity of CITIC Pacific but as CITIC Pacific indirectly holds a 75% interest in Silver Wings, it is a subsidiary of CITIC Pacific under the Listing Rules. NSSMC is a substantial shareholder of Silver Wings, and therefore is a connected person of CITIC Pacific. The above acquisition was completed during the year.

2. On 29 October 2013, 上海信泰置業有限公司 (Shanghai Xintai Property Company Limited) (a non-wholly owned subsidiary of CITIC Pacific) entered into a framework agreement with China CITIC Bank Corporation Limited ("CITIC Bank") for the disposal of the property to be constructed at Lot 66/19, Block 503, Shanggangxincunjiedao, Pudong New Area, Shanghai, the People's Republic of China for a consideration of RMB2,500 million.

CITIC Bank is a subsidiary of CITIC Group Corporation, which is the controlling shareholder of CITIC Pacific and therefore is a connected person of CITIC Pacific. The transaction was completed during the year.

3. On 19 December 2013, Sino Iron Pty Ltd and Pacific Resources Trading Pte. Ltd. (both are wholly-owned subsidiaries of CITIC Pacific) respectively entered into the Liners Contract and the Procurement Contract for the purchase of the mill liners and the contract spares from CITIC Heavy Industries Co., Ltd. ("CITIC Heavy Industries") at the contract sum of US\$6.7 million for the Liners Contract and US\$7,408,098 for the Procurement Contract. The mill liners and the contract spares are required for the ongoing operation and maintenance of the production lines of the Group's Sino Iron project.

CITIC Heavy Industries is a subsidiary of CITIC Group Corporation, which is the controlling shareholder of CITIC Pacific, and therefore is a connected person of CITIC Pacific.

Non-Exempt Continuing Connected Transactions

Set out below is information in relation to certain non-exempt continuing connected transactions involving CITIC Pacific and/or its subsidiaries, particulars of which were previously disclosed in the announcements of CITIC Pacific and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of CITIC Pacific. The full text of each announcement can be found on http://www.citicpacific.com/en/investors/announce_index.php.

1. On 24 November 2010, 中企網絡通信技術有限公司 (China Enterprise ICT Solutions Limited, formerly known as China Enterprise Communications Ltd.) ("CEC", a non-wholly owned subsidiary of CITIC Telecom International Holdings Limited ("CITIC Telecom") and in which CITIC Group Corporation holds 45.09% interest) entered into an exclusive service agreement (the "Exclusive Service Agreement") with two subsidiaries of CITIC Telecom, China Enterprise Netcom Corporation Limited ("CEC-HK") and CITIC Telecom International CPC Limited ("CPC"). Under the Exclusive Service Agreement, CEC shall provide technical and support services to the customers of CEC-HK and CPC in the PRC for a term of three years to facilitate the provision of value-added telecom services to these customers. CEC will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to service the customers of CEC-HK and CPC in the PRC. A service fee shall be payable to CEC monthly with reference to CEC's costs in servicing such customers provided that CEC-HK and CPC shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC's costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPC on the other shall be entitled to share the surplus equally. The annual cap for the transactions under the Exclusive Service Agreement for the ten months ended 31 October 2013 is US\$60 million (approximately HK\$468 million). CITIC Telecom was formerly a subsidiary of CITIC Pacific, but has ceased to be a subsidiary of CITIC Pacific on 21 February 2013. In accordance with the Listing Rules, CEC is an associate of CITIC Group Corporation, and therefore is a connected person of CITIC Pacific.

The aggregate service fee paid by CEC-HK and CPC to CEC under the Exclusive Service Agreement for the period from 1 January 2013 to 20 February 2013 was approximately HK\$23.82 million.

2. In the ordinary and usual course of business, CITIC Pacific and its subsidiaries maintain bank balances with China CITIC Bank Corporation Limited ("CITIC Bank") and China CITIC Bank International Limited ("China CITIC Bank International") on normal commercial terms. On 6 May 2010, CITIC Pacific entered into a master agreement with CITIC Bank and China CITIC Bank International setting out that the bank balances and deposits maintained by the Group with CITIC Bank and China CITIC Bank International would be no more than HK\$1,400 million in aggregate on any given day for the period from 31 May 2010 to 31 December 2010 and the two years ended 31 December 2011 and 31 December 2012.

The Group continued with the bank deposit arrangements with CITIC Bank and its relevant subsidiaries after 31 December 2012. On 28 December 2012, CITIC Pacific entered into a new master agreement with CITIC Bank for the period commencing on 1 January 2013 in respect of the continuing bank deposit arrangements with CITIC Bank and its relevant subsidiaries setting out that the aggregate maximum bank balance maintained by the Group with CITIC Bank and its relevant subsidiaries on any given day for the year ended 31 December 2013 and the two years ending 31 December 2014 and 31 December 2015 will not exceed HK\$1,400 million.

CITIC Bank is a subsidiary of CITIC Group Corporation, which is the controlling shareholder of CITIC Pacific, and therefore is a connected person of CITIC Pacific.

As at 31 December 2013, the aggregate bank balances maintained by the Group with CITIC Bank and its relevant subsidiaries totalled approximately HK\$1,142 million. This sum did not include the sum of RMB625 million (equivalent to approximately HK\$795 million) which was received in an escrow account maintained with CITIC Bank for receiving funds in respect of the disposal of a property located at the Shanghai World Expo site to CITIC Bank as set out in CITIC Pacific's announcement dated 29 October 2013.

The independent non-executive directors of CITIC Pacific have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2013 (the "Transactions") and confirm that:

- a. the Transactions have been entered into in the ordinary and usual course of business of CITIC Pacific;
- b. the Transactions have been entered into on normal commercial terms or on terms no less favourable to CITIC Pacific than terms available to or from (as appropriate) independent third parties; and
- c. the Transactions were entered into, in all material respects, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

CITIC Pacific's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 120 to 121 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by CITIC Pacific to the Hong Kong Stock Exchange.

On 20 August 2007, Catak Enterprises Corp. (a wholly-owned subsidiary of CITIC Pacific) entered into a sale and purchase agreement ("Sale and Purchase Agreement") with China Metallurgical Group Corp. ("MCC") for the disposal of a 20% interest in Sino Iron Pty Ltd ("Sino Iron", a wholly owned subsidiary of CITIC Pacific) ("Disposal") at cost, i.e. for a consideration equivalent to 20% of all the funds provided to Sino Iron Holdings Pty Ltd by the Group up to the date of completion of the Disposal together with interest. The Group's shareholding in Sino Iron would be reduced to 80% as a result of the Disposal if it proceeded to completion.

When the Sale and Purchase Agreement was entered into, it was envisaged that completion of the Disposal was to occur within a relatively short period. On this basis, the General Construction Contract dated 24 January 2007 as amended or supplemented by its supplemental contracts for the engineering, procurement and construction of the first two production lines of the Sino Iron project have been disclosed as continuing connected transactions, in advance of the requirements under the Listing Rules to do so. Given the delay in satisfaction of certain conditions to completion of the Disposal, the Sale and Purchase Agreement is no longer effective, and given that completion never occurred, MCC and its associates were not and are not connected persons of CITIC Pacific as defined under the Listing Rules. As completion of the Disposal did not occur, the advance payment made by MCC has been fully refunded at the instruction of MCC and applied by MCC to the Sino Iron project.

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific Share Incentive Plan 2000

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 (the "Plan 2000") on 31 May 2000 which expired on 30 May 2010. The major terms of the Plan 2000 are as follows:

1. The purpose of the Plan 2000 is to promote the interests of CITIC Pacific and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of CITIC Pacific, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of CITIC Pacific.
2. The participants of the Plan 2000 are any director, executive or employee of CITIC Pacific or its subsidiaries as invited by the board.
3. The maximum number of shares over which options may be granted under the Plan 2000 shall not exceed 10% of (i) the issued share capital of CITIC Pacific from time to time or (ii) the issued share capital of CITIC Pacific as at the date of adopting the Plan 2000, whichever is the lower.
4. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of CITIC Pacific in issue.
5. The exercise period of any option granted under the Plan 2000 must not be more than ten years commencing on the date of grant.
6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
7. The exercise price determined by the board will be at least the higher of (i) the closing price of CITIC Pacific's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of CITIC Pacific's shares.

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

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

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

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

None of the share options granted under the Plan 2000 were exercised or cancelled, but options for 430,000 shares have lapsed during the year ended 31 December 2013. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2013 is as follows:

A. CITIC Pacific directors

Name of director	Date of grant	Exercise price HK\$	Number of share options			Percentage to issued share capital
			Balance as at 01.01.13	Exercised/ lapsed/ cancelled during the year ended 31.12.13	Balance as at 31.12.13	
Chang Zhenming	19.11.09	22.00	600,000	–	600,000	0.016
Zhang Jijing	19.11.09	22.00	500,000	–	500,000	0.014
Vernon Francis Moore	19.11.09	22.00	500,000	–	500,000	0.014
Liu Jifu	19.11.09	22.00	500,000	–	500,000	0.014
Carl Yung Ming Jie	19.11.09	22.00	500,000	–	500,000	0.014

B. CITIC Pacific employees working under continuous contracts (as defined in the Employment Ordinance), other than the directors

Date of grant	Exercise price HK\$	Number of share options		
		Balance as at 01.01.13	Exercised/ lapsed/ cancelled during the year ended 31.12.13	Balance as at 31.12.13
19.11.09	22.00	6,790,000	–	6,790,000
14.01.10	20.59	600,000	–	600,000

C. Others

Date of grant	Exercise price HK\$	Number of share options			
		Balance as at 01.01.13	Exercised/ cancelled during the year ended 31.12.13	Lapsed during the year ended 31.12.13	Balance as at 31.12.13
19.11.09	22.00	2,740,000 <i>(Note)</i>	–	150,000	2,590,000
14.01.10	20.59	280,000 <i>(Note)</i>	–	280,000	–

Note:

These are in respect of share options granted to former directors or employees under continuous contracts, who have subsequently retired or resigned.

CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011. The major terms of the Plan 2011 are as follows:

1. The purpose of the Plan 2011 is to promote the interests of CITIC Pacific and its shareholders by (i) providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of CITIC Pacific group, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of CITIC Pacific group.
2. The eligible participants of the Plan 2011 are any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of CITIC Pacific group as the board may in its discretion select.

3. The total number of shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the shares in issue as at the date of adopting the Plan 2011. As at 20 February 2014, the total number of shares available for issue under the Plan 2011 is 364,944,416, representing 10% of the issued share capital of CITIC Pacific.
4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of CITIC Pacific in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of CITIC Pacific in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Pacific in a general meeting.
5. The exercise period of any option granted under the Plan 2011 must not be more than ten years commencing on the date of offer of the grant.
6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
7. The subscription price determined by the board will be at least the higher of (i) the nominal value of CITIC Pacific's shares; (ii) the closing price of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.
8. The Plan 2011 shall be valid and effective until 11 May 2021.

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

Share Option Plan Adopted by Dah Chong Hong Holdings Limited ("DCH Holdings"), a Subsidiary of CITIC Pacific

DCH Holdings adopted a share option scheme ("Share Option Scheme") on 28 September 2007. The major terms of the Share Option Scheme are as follows:

- a. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees of the DCH Holdings group and to promote the long term financial success of DCH Holdings by aligning the interests of grantees to DCH Holdings' shareholders.
- b. The participants of the Share Option Scheme are any employee of the DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.

- c. The maximum number of shares over which share options may be granted under the Share Option Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Hong Kong Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 20 February 2014, the maximum number of shares available for issue under the Share Option Scheme is 132,750,000, representing approximately 7.25% of the issued share capital of DCH Holdings. Share options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.
- d. The total number of shares issued and to be issued upon exercise of share options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of DCH Holdings in issue.
- e. The exercise period of any share option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.
- f. The acceptance of an offer of the grant of the share option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1 from the grantee.
- g. The subscription price determined by the board of DCH Holdings will not be less than whichever is the higher of (i) the closing price of DCH Holdings' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of DCH Holdings' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of DCH Holdings.
- h. The Share Option Scheme shall be valid and effective till 27 September 2017, after which no further share options will be granted.

Since the adoption of the Share Option Scheme, DCH Holdings has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK\$
7.7.2010	23,400,000	7.7.2010 – 6.7.2015	4.766
8.6.2012	24,450,000	8.6.2013 – 7.6.2017*	7.400

* Subject to a vesting scale

The share options granted on 7 July 2010 were accepted and fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 7 July 2010 was HK\$4.69 per share. The remaining contractual life of the share options is 1.5 years.

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from

the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 8 June 2012 was HK\$7.49 per share. The remaining contractual life of the share options is 3.4 years.

The grantees were directors or employees of DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

A summary of the movements of share options under the Share Option Scheme during the year ended 31 December 2013 is as follows:

Date of Grant	Balance as at 1.1.13	Number of share options			Balance as at 31.12.13
		Granted during the year ended 31.12.13	Lapsed/ cancelled during the year ended 31.12.13	Exercised during the year ended 31.12.13	
7.7.2010	8,290,000	–	–	2,150,000*	6,140,000
8.6.2012	24,250,000	–	400,000	100,000*	23,750,000

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options granted on 7 July 2010 and 8 June 2012 were exercised was HK\$7.14 and HK\$8.99 respectively.

Disclosure Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the changes in monthly salaries for the following directors with effect from 1 January 2014:

Director	Changes	
	2013 Monthly Salary (with effect from 1 January 2013) (HK\$)	2014 Monthly Salary (with effect from 1 January 2014) (HK\$)
Chang Zhenming*	–	–
Zhang Jijing	353,160	367,290
Vernon Francis Moore	441,570	459,230
Liu Jifu	135,860	141,300

* Mr Chang Zhenming receives a monthly cash allowance of HK\$100,000.

Directors' Report

Notes:

- (1) For information in relation to the 2013 full year emoluments of the directors, please refer to Note 12 to the financial statements.
- (2) The following proposals in relation to remuneration of non-executive directors for serving on the audit committee of the board with effect from the financial year ending 31 December 2014 have been endorsed by the remuneration committee in December 2013 and the board in February 2014 and will be put forward for shareholders' approval at the 2014 AGM:
 - (a) raising the remuneration of the non-executive director who serves as the chairman of the audit committee from HK\$100,000 per annum to HK\$150,000 per annum; and
 - (b) raising the remuneration of each of the non-executive directors who serves as a member of the audit committee from HK\$100,000 per annum to HK\$130,000 per annum.

Directors' Interests in Securities

The interests of the directors in shares of CITIC Pacific or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2013 as recorded in the register required to be kept under section 352 of the SFO were as follows:

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		
Vernon Francis Moore	4,200,000 (Note 1)	0.115
Liu Jifu	840,000	0.023
André Desmarais	8,145,000 (Note 2)	0.223
Carl Yung Ming Jie	300,000	0.008
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC Telecom International Holdings Limited		
Vernon Francis Moore	275,000 (Note 1)	0.008

- Note: 1. Trust interest
2. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares

2. Share options in CITIC Pacific

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Pacific are stated in detail in the preceding section "Share Option Plan Adopted by CITIC Pacific".

Save as disclosed above, as at 31 December 2013, none of the directors of CITIC Pacific had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations or any interests which are required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which are required to be notified to CITIC Pacific and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

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

Substantial Shareholders

As at 31 December 2013, 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

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.

Shareholding Statistics

Based on the share register records of CITIC Pacific, set out below is a shareholding statistics chart of the registered shareholders of CITIC Pacific as at 31 December 2013:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,204	50.70
1,001 to 10,000	3,197	38.56
10,001 to 100,000	815	9.83
100,001 to 1,000,000	66	0.80
1,000,001 to 100,000,000	3	0.04
100,000,001 to 500,000,000	4	0.05
500,000,001 to 2,000,000,000	2	0.02
Total:	8,291	100

As at 31 December 2013, the total number of issued shares of CITIC Pacific was 3,649,444,160 and based on the share register records of CITIC Pacific, HKSCC Nominees Limited held 1,564,071,237 shares in entities range from 1,000 to 418,513,965 shares, representing 42.86% of the issued share capital of CITIC Pacific.

Share Capital

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2013. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the year ended 31 December 2013.

Service Contracts

As at 31 December 2013, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the group and any director proposed for re-election at the forthcoming annual general meeting.

Continuing Disclosure Requirements Under Rule 13.22 of the Listing Rules in Relation to Financial Assistance to Affiliated Companies

CITIC Pacific has included a proforma combined balance sheet of the relevant affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and joint ventures.

Proforma combined balance sheet of affiliated companies

<i>In HK\$ million</i>	CITIC Pacific Limited and its subsidiary companies' attributable interests as at 31 December 2013
Fixed Assets	11,159
Joint Ventures	179
Other Financial Assets	22
Deferred Tax Assets	33
Intangible Assets	1,629
Other Non Current Assets	1,505
Net Current Liabilities	(780)
Total Assets Less Current Liabilities	13,747
Long Term Borrowings	(3,274)
Deferred Tax Liabilities	(223)
Other Non-Current Liabilities	(246)
Loan from Shareholders	(3,418)
	6,586

Auditor

At the close of the 2013 annual general meeting held on 16 May 2013, Messrs PricewaterhouseCoopers, Certified Public Accountants retired as auditor of the Group upon expiration of its term of office and Messrs KPMG, Certified Public Accountants was appointed as new auditor of the Group to hold office until the conclusion of the 2014 AGM.

The accounts for the year have been audited by Messrs KPMG who shall retire and, being eligible, shall offer themselves for re-appointment.

Sufficiency of Public Float

Based on information that is publicly available to CITIC Pacific and within the knowledge of the directors as at the date of this annual report, CITIC Pacific has maintained the amount of public float as required under the Listing Rules.

By Order of the Board,
Chang Zhenming
Chairman
Hong Kong, 20 February 2014