

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.

1. 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 (Note)	–	150,000	2,590,000
14.01.10	20.59	280,000 (Note)	–	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