CITIC PACIFIC

OUR STORY CHINA STORY

Summary Financial Report 2013

This summary financial report 2013 only gives a summary of the information and the particulars of CITIC Pacific Limited's annual report 2013 from which the summary financial report is derived. Shareholders may obtain a printed copy of the 2013 annual report free of charge by writing to the company's share registrar, Tricor Tengis Limited.

CITIC Pacific at a glance

CITIC Pacific Limited (267.HK), listed in Hong Kong, is a constituent of the Hang Seng Index, and is 58% owned by CITIC Group Corporation.

We are a diversified company with a clear focus on special steel, iron ore and property development in mainland China.

In our businesses, we embrace world-class technology and strive for international best practices. CITIC Pacific is strongly committed to long-term business success and lasting shareholder value.

Our Businesses

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Special Steel

22%
of assets

We are the largest dedicated special steel manufacturer in China.

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Iron Ore

33%
of assets

We are building and operating the largest magnetite iron ore mine in Australia. This mine will bring long-term value to our company.

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Property

17%
of assets

Mainland China

We are the leading developer of high-end urban complexes, commercial properties and large-scale resort projects in China.

Content

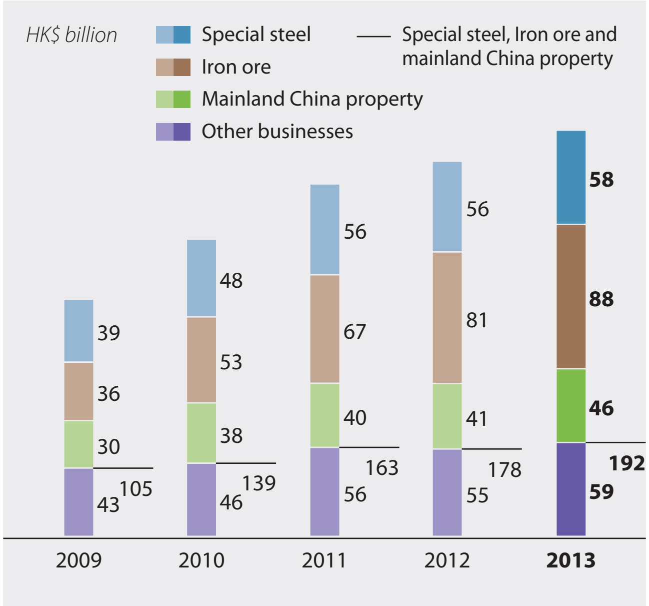
Highlights

Our Group *In HK$ million*	**2013**	2012	Increase/ (Decrease)
Revenue*	**104,382**	109,848	(5,466)
EBITDA	**18,104**	15,059	3,045
EBIT before sales of assets	**11,505**	8,968	2,537
Sales of assets	**2,511**	2,850	(339)
EBIT	**14,016**	11,818	2,198
Profit attributable to ordinary shareholders	**7,588**	6,954	634
Earnings per share (HK$)	**2.08**	1.91	0.17
Dividend per share (HK$)	**0.35**	0.45	(0.10)
Cash inflows from business operations	**8,595**	7,519	1,076
Other cash inflows	**6,845**	8,133	(1,288)
Capital expenditure	**17,404**	26,675	(9,271)
Total ordinary shareholders' funds and perpetual capital securities	**101,763**	84,678	17,085
Net debt	**85,660**	83,808	1,852
Cash and bank deposits	**35,070**	32,821	2,249
Available committed banking facilities	**13,032**	14,701	(1,669)
Net debt to total capital (%)	**46**	50	(4)
Staff employed (headcount)	**36,512**	34,781	1,731

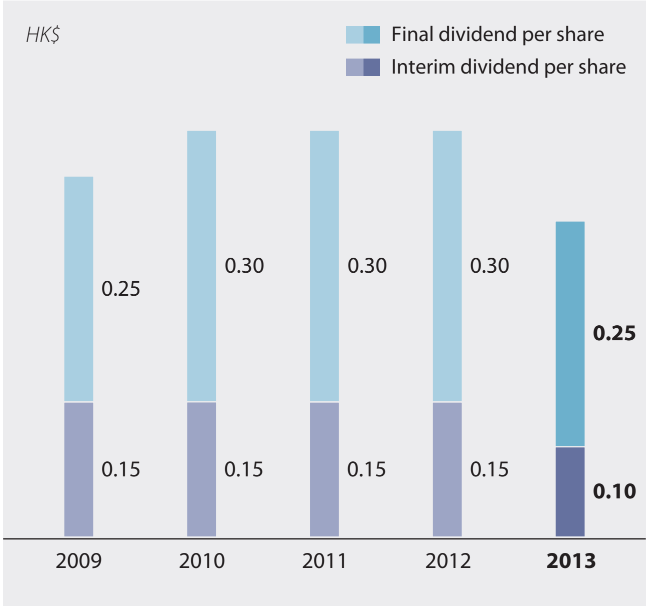
	Business assets		**Revenue***		**Attributable profit/(loss)**	
Our Businesses *In HK$ million*	**2013**	Increase/ (Decrease)	**2013**	Increase/ (Decrease)	**2013**	Increase/ (Decrease)
Special steel	**58,429**	2,807	**41,332**	974	**1,306**	1,095
Iron ore	**88,134**	6,557	**389**	176	**(1,619)**	(838)
Mainland China property	**46,126**	5,503	**2,917**	(1,216)	**1,045**	134
Hong Kong property	**17,118**	1,545	**1,004**	(138)	**483**	(86)
Energy	**9,784**	68	**12,278**	1,239	**1,822**	686
Tunnels	**2,183**	(25)	**1,320**	72	**611**	50
Dah Chong Hong	**21,627**	1,321	**42,261**	(5,753)	**492**	(44)
CITIC Telecom	**3,893**	160	**2,799**	(811)	**443**	144

* Revenue includes both consolidated and CITIC Pacific's share of significant equity accounted entities as well as the Western Harbour Tunnel

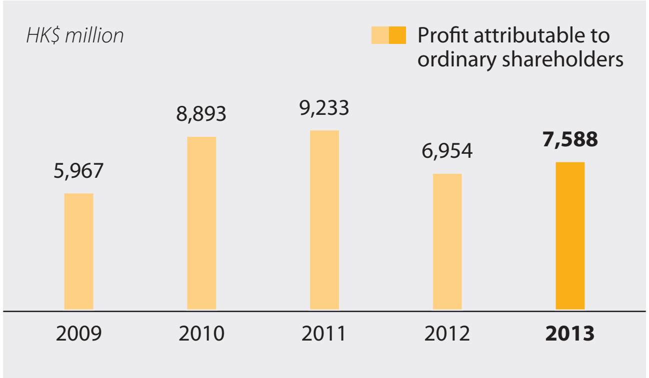
Assets by business



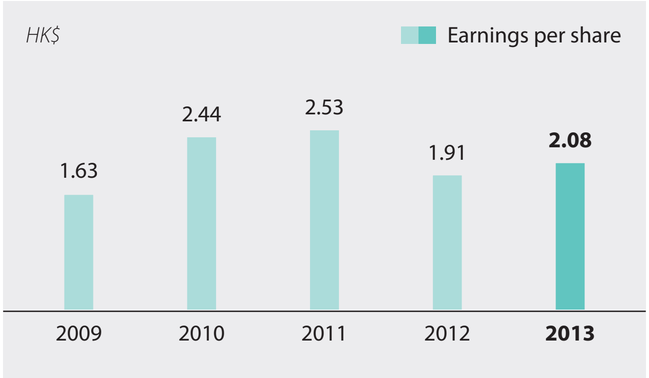
Dividend per share



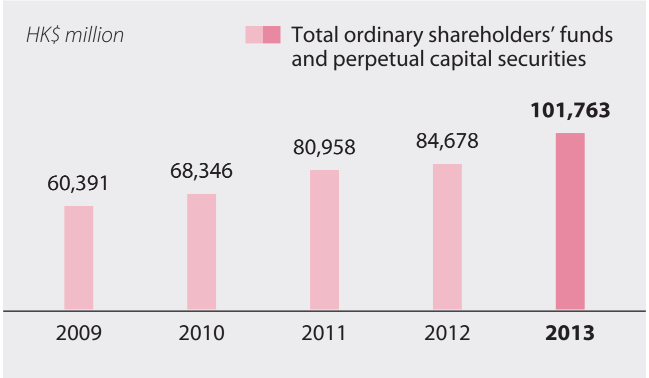
Profit attributable to ordinary shareholders



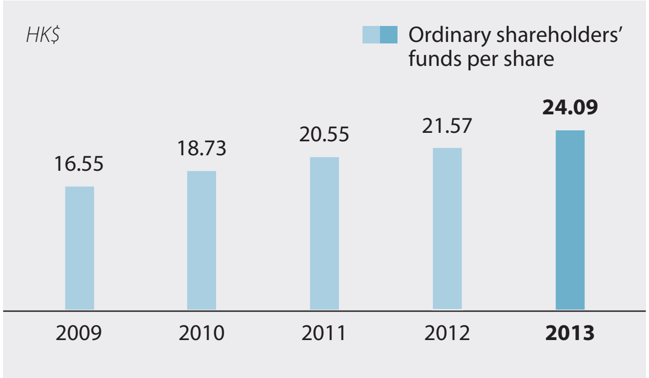
Earnings per share



Total ordinary shareholders' funds and perpetual capital securities



Ordinary shareholders' funds per share



Chairman's Letter to Shareholders

'The China story is being written today by companies like ours.'

Dear Shareholders,

Those of you who have owned our company's stock for some time must have noticed a common theme in my annual letter as I review the business and assess progress made during the year. This is not surprising as our team is performing the same fundamental tasks every year – building and developing our businesses the best they can in their respective fields, and serving our customers, whether supplying them with steel products or selling a beautiful sea view unit to a property buyer. All these activities are driven by one goal – to create long-term value for you.

2013 was a particularly memorable year as we celebrated the first shipment of iron ore concentrate from our Sino Iron project in Western Australia.

In this year's annual letter, I will begin with a summary of the company's financial performance, then move on to reflect upon the significance of Sino Iron's first export and the lessons we have learned along the way. Finally, I will outline how we see the future and also demonstrate to you how strategic value has been created in both measurable and intangible ways. As always, our eye is on the long-term, and we ask our shareholders to share that long-term point of view.

2013 Financial Results

Profit attributable to ordinary shareholders was HK$7,588 million, 9% more than 2012. Profit from our underlying business operations increased 42% underpinned by the solid performance of our special steel and energy businesses. As China's largest dedicated manufacturer of special steel, we gain stability and focus from this business and are well placed to meet future challenges and opportunities.

Earnings from mainland property rose as we sold a commercial building in Shanghai. Most of our residential projects are in the development phase with limited finished units for delivery. However, pre-sales of residential units in 2013 were at a record high, but the bookings from them will not be recognised until the units are completed and delivered to buyers. Our other businesses continued to contribute toward our profit and cash flow.

Our single biggest investment – Sino Iron – is now exporting product. However, interest expenses can no longer be capitalised, and we've begun recording depreciation, which resulted in a substantial loss for the year 2013.

Turning to our finances, during the year we raised over HK$42 billion of funds from banks and the financial markets. At the end of 2013, we had more than HK$48 billion in cash and available committed facilities, which gave us the financial flexibility to execute our investment plans and pay a dividend to our shareholders.

Our board is resolved to pay a final dividend of HK$0.25 per share, giving our shareholders a total of HK$0.35 per share for the year 2013.

Reflections on Sino Iron and the Wider Implications for Our Business

Sino Iron is a 30-plus year investment, and the dip in 2013 results can only be understood in a longer-term context. Let me share with you my thoughts about where we are, where we have been and where we are going.

On 2 December, our first ship loaded with iron ore concentrate left Cape Preston to arrive in Jiangsu province in China a week later. As you know, this project has been a top priority for CITIC Pacific management in the last few years and will continue to be until all six production lines are up and running.

Sino Iron is much more than a standalone project to us. What we have gained from this valuable experience is also applicable to the management of our other businesses and our company as a whole.

Sino Iron is China's largest single investment ever made in Australia and is also China's largest resources investment globally. It now constitutes over 30% of our company's assets. Over the last decade, commodity prices, the global economy and capital markets have moved up and down. Our shareholder makeup has changed as well. Certainly the world has not stood still while we built this mine.

Through successes and setbacks, the one thing that has remained constant is our perseverance and determination. This is a story of a company setting a goal, staying focused on priorities, learning lessons, celebrating milestones along the way, and seeing light at the end of the tunnel. That light is the long-term value this mine will bring to our company, and that light illuminates our emergence as a major player in a new industry.

CITIC Pacific has been closely watched as an example of how a Chinese company can perform on a world stage. Looking back, we could hardly have chosen a more ambitious test of our resolve. Entering a new industry, embarking upon a greenfield project of massive scale and complexity, and doing so in a developed country with very high standards were all major challenges. Not everyone shared our long-term investment thesis. Some frequently pointed out setbacks experienced along the way and said that this project could never be done, the ore would stay in the ground and the project would fall away. But now the project is taking shape right before our eyes.

Valuable lessons

We have learned and gained so much in knowledge, experience and expertise.

1. Local knowledge and expertise is critical in getting to know the lay of the land

   The way business is done and projects are developed varies by country. Naturally, operating in Australia is different to our previous experiences, particularly in areas such as the regulatory environment, approval processes and local labour practices. Looking back, both we and MCC underestimated the complexity and the amount of work, time and capital needed to build this project. For example, MCC initially anticipated being able to deploy a certain amount of Chinese labour, which later proved to be unrealistic. It became clear that a one-size-fits-all approach would not suffice. As such, we sought the guidance and assistance of highly experienced local professionals to help us navigate the operating environment and provide their considerable Australian construction and operational expertise. We could not have achieved what we did without them.

2. It is sometimes best to directly manage the critical components

   Like all large-scale industrial projects, the devil lies in the details of project management. CITIC Pacific Mining directly managed the construction of the power station, desalination plant and the port area, which were all ready for commissioning quite some time before the processing area. Our experience with MCC in constructing the first two production lines was not so smooth. In hindsight, a more hands-on approach was required.

   We have applied this learning to the construction of the remaining lines. CITIC Pacific Mining has mobilised an experienced internal team to directly manage the tasks at hand.

3. Trust bridges cultural differences, opening up a world of opportunities

   The combination of Chinese and Australian management and workers on the project has not only provided a complementary skill-set, it has built cultural understanding. On my visit to celebrate first shipment, I was delighted to see the bonds that had formed between employees from both countries, as they came together to deliver this megaproject. In the years to come, we hope that Sino Iron is seen as a watershed moment in the development of the cultural and economic relationship between Australia and China. That sentiment was certainly expressed by the Premier of Western Australia when he joined us at site for first shipment.

We could not have gotten to where we are without a strong partnership with both the Western Australian and the Federal government and the people in the community, including the traditional land owners. Our tangible joint accomplishments include the building of Pilbara's first greenfield port in more than 40 years; creating an eco-system of infrastructure, including roads, where none existed before; a 450 megawatt energy-efficient power plant; and one of the world's most advanced desalination plants. Close to 70% of the project's content is sourced locally including the employment of thousands of Australians. For at least the next 30 years, the Western Australian government will also receive a steady stream of royalties from Sino Iron.

4. It is important that all parties share a joint vision and similar expectations, act responsibly and lead by example

Our legal disputes with Mineralogy have been well documented in the media. Unfortunately, commercial disputes are commonplace on major mining projects. Usually, they can be resolved through open discussion and good faith negotiations, which will always be CITIC Pacific's preferred path. The principle we abide by is to remain consistent in our position and not compromise the interests of the company or shareholders.

Clearly, not every scenario was foreseen in our original agreements and some ambiguities and different views held by the parties have needed determination by an "independent umpire" – in this case, the Australian courts. We have great respect for the judicial process in Australia, and at all times we have complied with Australian law.

During the past year, Mineralogy has pursued several attempts to have the project suspended or terminated, but all have failed before the courts.

We will continue to act responsibly and be a good corporate citizen. We encourage other Chinese companies looking to establish overseas operations to do the same.

Our experience drives home the need to ensure that all parties are aligned in their vision and expectations at the beginning, so they can weather the unexpected together.

5. Engaging with the public builds understanding

As Sino Iron has evolved, we have recognised the need to build understanding with key stakeholders. This means taking the time to explain both the opportunities and challenges confronting us. Naturally, there has been elevated community and media interest in this massive investment. As the project neared fruition, we stepped up our efforts to regularly update and disclose to all stakeholders on how the project was developing. These stakeholders range from community members living near the project, to the media, the highest levels of the Australian Government, our shareholders and the public.

By being a responsible developer/operator and explaining the socio-economic benefits we are delivering, our project now enjoys strong support from community leaders. The positive relationship that is developing has greatly assisted our efforts to move the project into production.

6. Risk management is critical

Careful management of the direct and indirect risks confronting our businesses is crucial to our long-term success, something we have always recognised but which we have also learned on the job. The types of risk vary among businesses and range from financial to operational and legal. For example, the competitive market for special steel means that we need to ensure we can deliver the right amount of the right product at the right price. We do this by understanding our customers' needs and demand trends in the sector. This is a way of managing commercial risk.

At Sino Iron, we've learned that an all-encompassing risk management programme underpins our social licence to operate in Australia. This is why we strive to meet or exceed the health, safety and environmental standards in Australia, often going beyond the efforts of our local peers.

The potential hazards posed by a harsh environment, big equipment and complex processes means that the health and safety of our employees has to be the number one priority at Sino Iron. Our safety vision, "incident-free through the way we think and act," drives the behaviour of staff, contractors and visitors.

We also have a strong commitment to sustainable mining practices that minimise our impact on the natural environment.

7. Meeting global standards inspires pride

At the end of the day, meeting global standards inspires real pride in this Chinese company, and this is the most positive lesson of all, for all of us.

Our investment in Australia has raised the bar in terms of our overall approach to project development, people management, risk mitigation, and corporate social responsibility. The lessons learned from Sino Iron will guide our future management of this project as well as our other businesses.

In fact, this understanding of the importance of meeting global standards is already permeating our other businesses such as special steel. Last year, we took time to examine our market position in the overseas special steel market and made a plan to ensure our products align with international quality benchmarks. This not only ensures we maintain a competitive edge; it motivates our workforce and business units to be the best in their respective fields.

Sino Iron – The Next Chapter

We believe that, despite any shortcomings, we have been good partners to government entities, private companies, global suppliers and our multinational workforce. This project is a very important moment in the evolution of CITIC Pacific as a 21st century company with international capability and aspirations.

Sino Iron's first shipment is by no means the end of the road. In fact, it is the beginning of our future as we are now shipping regularly. The situation is best portrayed in a quote by Winston Churchill after allied forces had won a momentous battle during World War II: *"Now this is not the end. It is not even the beginning of the end, but it is, perhaps, the end of the beginning."*

You have all heard the phrase "no pain, no gain." Nothing more succinctly describes our situation than this phrase. Now that the mine is in operation and generating revenue, a whole host of costs will begin to migrate from our balance sheet to the income statement. You will see depreciation start, and interest expenses – already hitting our accounting bottom line – rise significantly in 2014. We may also face impairment pressure in the coming years. So the ironic fact is that in meeting the major milestone of first export shipment our company's financial results will suffer in the short-term. I want to prepare you for these realities.

The only remedy for this effect is to scale up production. However, this will not happen immediately. We ask for your patience as we finish installing and commissioning lines three to six and build up our designed capacity of 24 million tonnes a year. Only then can we achieve economies of scale. In the meantime, for this year and next, our production cost per tonne will be high. However, it is important to note and remember that production and export activities bring significant cash flow, which is ultimately what matters as the key measurement of the financial health and strength of a company.

I still get asked if I ever thought about pulling back on the project when I came on board CITIC Pacific a few years back. My answer back then, and remains today, was that Sino Iron is an attractive long-term investment, supported by China's appetite for iron ore as the country continues to develop. My optimism in the value we will be bringing to our shareholders has never wavered. Our shareholders should also appreciate the types of strategic value that have been and are still being created. Among these are the values of:

- Vertical integration and a stable supply of ore to our steel plants
- Hard-won global operating experience
- Accumulated increases in our skills base

What we are doing is much more than just a dig-it-up and ship-it-out operation. Our project involves significant downstream processing. We are using technical know-how to create a high-value product out of something which, in its raw state, has almost no commercial value. And frankly, any one of the single components of infrastructure we designed and built to make mining and processing possible would be considered a major achievement in itself. Bringing all these together, we have a megaproject.

When I celebrated Christmas with our workers and contractors on site in Australia, I said to all that the development of this project had been a long and challenging journey and now the day is upon us as we enter a new phase – production and export. Continuity in strategy and purpose enabled us to weather changes in management, shareholding and the global operating environment, and will continue to guide us through uncertain times.

In closing, I want to acknowledge and thank our shareholders, investors and lenders for supporting and trusting us. To our employees across the company, I want to say that I am most grateful for your loyalty and dedication. Together, let's continue to write our China story.

Chang Zhenming
Chairman
Hong Kong, 20 February 2014

SPECIAL STEEL

22% of assets

In HK$ million	**2013**	2012	Change
Revenue	41,332	40,358	2%
Attributable profit	1,306	211	519%
Assets	58,429	55,622	5%
Operating cash inflow	5,082	4,704	8%
Capital expenditure	3,705	4,613	(20)%

Review of 2013

The overall steel market in China improved in 2013 compared with 2012, particularly in the second half of 2012 when the industry experienced volatility in raw material prices, although this eased in 2013. As the Chinese economy transitions from being investment-driven to consumption-driven, the growth of fixed asset investment has slowed. This, coupled with various tightening measures implemented by the government, will continue to affect the steel market. Excess capacity in steel production will also put pressure on the operations and profitability of individual steelmakers in China.

This general operating environment is affecting the special steel sector as well. However, CITIC Pacific Special Steel outperformed the market in 2013 as we continued to improve efficiency and optimise the product mix. We also intensified our marketing and sales efforts in the auto components and power generation sectors by leveraging our competitive advantage.

For the year 2013, CITIC Pacific Special Steel sold a total of 7.24 million tonnes of special steel products, 11% more than in 2012. The majority of the increase came from our new product – special steel plates. Although the average selling price of all products was lower than 2012, our profit margin improved with the fall in price of raw materials such as iron ore and coke. Attributable profit from the special steel business was $1,306 million, a substantial rise of 519% compared with 2012.

Improvements in the European and Asia markets created greater demand for high quality special steel products during the year. Our marketing team successfully broadened our product penetration rate, and this accounted for a 22% rise in export volume over 2012 accounting for 15% of our total sales volume.

CITIC Pacific Special Steel

CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China. It operates two plants – Jiangyin Xingcheng Special Steel and Xin Yegang – with an annual production capacity of 9 million tonnes.

Located in Jiangyin City of Jiangsu Province and Huangshi City of Hubei Province respectively, the two plants are strategically situated next to the Yangtze River to serve the key markets for special steel in eastern and central China.

Major products include special steel bars, special steel plates, medium-to-thick wall seamless steel tubes, special wires and special forging steel. These products are widely used in auto components, machinery manufacturing, oil and petrochemicals, transportation, energy, railways and shipbuilding, as well as other industrial sectors.

Production capacity and products

	Capacity ('000 tonnes)	Products
Bars	**4,400**	Bearing steel Gear steel Spring steel Non-quenched and tempered free-cutting steel High-pressure tube billet steel Tools and die steel Big casting round billet
Plates	**2,850**	Pressure vessel steel plate High strength shipbuilding steel plate Ocean engineering steel plate Engineering machinery wear-resistant steel plate Pipeline steel Die and mould plate
Seamless steel tubes	**1,100**	Petroleum drilling pipe Pin bush pipe Boiler pressure vessel pipe Engineering machinery pipe Bearing pipe
Wires	**500**	High-end core steel Automobile fastener steel Bearing steel Spring steel
Special forging steel	**150**	Railway bearing steel Tools and die steel Cold roller steel Ultra-high strength steel High-temperature alloy Stainless steel
Total	**9,000**	

Our operating philosophy

Sales and market development → Production management → Raw material procurement

Customer orders determine production volume. This is the principle that drives CITIC Pacific Special Steel's operations.

The three key areas that help raise productivity and maximise profit are market development, production and raw material procurement management.

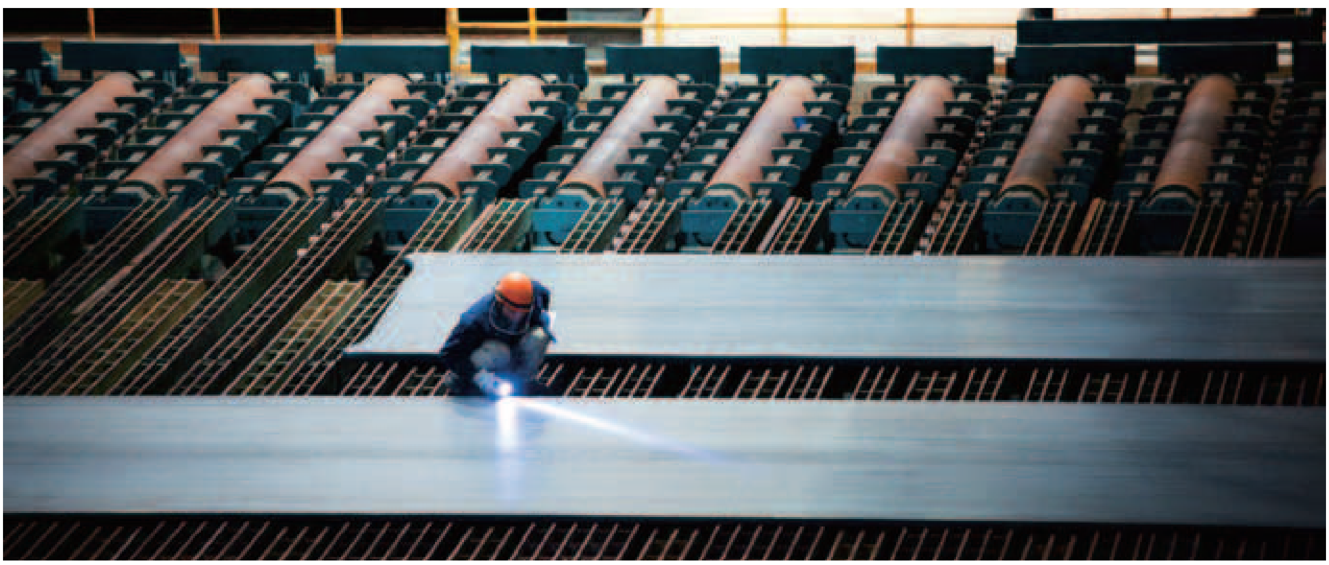
As one example of our marketing efforts, towards the end of each year we organise a sales and marketing conference for our existing and potential customers. This important forum is an opportunity to communicate with customers and understand their needs so that we can serve them better. Order agreements of approximately 70% of the following year's production volume are secured as a result of the forum, and this enables our plants to arrange production accordingly. Therefore, we are able to keep production and sales volumes in balance with minimal inventory.

Sales and Marketing

Selling products directly to customers gives our steel plants more visibility and stability in terms of the volume and price of our products. In 2013, 71% of CITIC Pacific Special Steel's products were sold directly to our customers rather than through distributors. Direct sales helps us better understand the needs of our customers, keep pace with market changes, and develop new products according to demand in the downstream industries we serve.

Many buyers of our products are producers affiliated with or contracted to manufacturers in the auto, machinery manufacturing, and oil and petrochemical industries. They include end users such as Toyota, General Motors, Honda, Volkswagen, Volvo, Caterpillar and Michelin. Our top ten customers accounted for approximately 14% of total sales revenue.

In 2013, our sales and marketing efforts focused on broadening the plate and seamless steel tube markets. We achieved improved results by accelerating the certification process of new products and increasing our sales activities in the energy, transportation, engineering machinery, and aerospace sectors, all of which have been identified as key areas for further development in China.

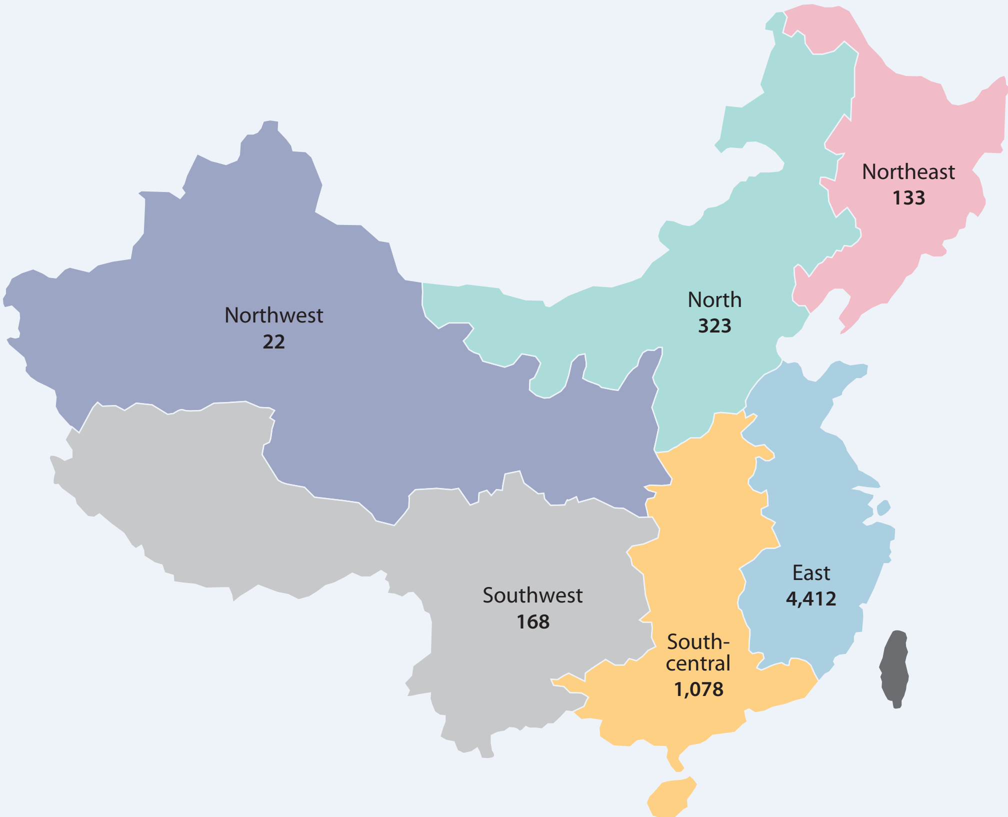


Our products are sold to these industries

Industry	Sales ('000 tonnes) 2013	2012	Percentage of total sales 2013	2012
Auto components	**2,363**	2,008	**33%**	31%
Machinery manufacturing	**1,616**	1,560	**22%**	24%
Power generation	**895**	804	**12%**	12%
Oil and petrochemical	**795**	799	**11%**	12%
Shipbuilding	**480**	664	**7%**	10%
Metal works	**459**	423	**6%**	6%
Railway	**136**	119	**2%**	2%
Others	**494**	175	**7%**	3%
Total	**7,238**	**6,552**		

Our products are sold to these regions in China

In '000 tonnes



Our products are exported to these regions and countries

Region/Country	Sales volume ('000 tonnes)	Percentage of total exports
Asia	612	55%
Korea	*263*	*24%*
Thailand	*67*	*6%*
Vietnam	*58*	*5%*
India	*46*	*4%*
Indonesia	*46*	*4%*
Others	*132*	*12%*
Europe	246	23%
Americas	134	12%
Middle East & Others	109	10%
Total	**1,101**	**100%**

In the export market, we continued to raise awareness of our products and build up our share of high-end products, such as bearing steel, steel for automobiles, steel plates, seamless steel tubes and heat-treated bar steel. As a result, exports of medium-to-thick plates increased. Total export volume in 2013 was about 1.1 million tonnes, a 22% increase compared with 2012.

Key customers

Customer	Profile	Percentage of revenue
Yangzhou Chengde Steel Pipe Co.	• A privately owned company with the widest range of seamless steel tube products in China. • This key producer of high-end large diameter seamless steel tubes purchased 135,000 tonnes of special steel products in 2013 from CITIC Pacific Special Steel.	2.2%
Bekaert Management (Shanghai) Co., Ltd.	• The world's largest independent manufacturer of drawn steel wire products and an advanced application solution provider. • The company has been working with CITIC Pacific for four years. In 2013, it bought 130,000 tonnes of wire products from CITIC Pacific Special Steel.	2.1%
Anyo Automotive Material Co., Ltd.	• An affiliate of Shanghai Automotive Group, Anyo Automotive Material is the largest passenger car maker in China. • CITIC Pacific Special Steel is a major supplier to this company with over 100,000 tonnes sold in 2013.	1.7%
C&U Group	• One of the largest privately owned bearing manufacturers in China. • CITIC Pacific Special Steel has an exclusive agreement with this company, supplying it with 95,000 tonnes in 2013	1.5%
Wanxiang Group	• The largest auto component manufacturer in China. • Its main universal joint product has a domestic market share of more than 65%. • In 2013, CITIC Pacific Special Steel supplied about 81,000 tonnes to Wanxing Group.	1.3%
Shaeffler Group	• One of the world's most well-known bearing manufacturers. • About 80% of Shaeffler's procurement in China comes from CITIC Pacific Special Steel.	1.1%
SKF Group	• A leading global bearing manufacturer that buys 90% of its bars in China from CITIC Pacific Special Steel. • A global strategic cooperation arrangement now exists between the two companies.	0.8%
Sany Heavy Industry Co., Ltd.	• The largest engineering machinery manufacturer in China and sixth largest in the world. • This company is one of the biggest customers of Xin Yegang's seamless steel tubes.	0.6%

SALES AND MARKET DEVELOPMENT

Liu Jianjun
Executive – Sales & Marketing

"Building strategic alliances with customers ensures a stable sales channel. Of course, our partners also benefit by having a steady supply of high quality products. So this is a win-win situation."

Strategic alliances

We now have strategic cooperation relationships with 13 well-known domestic and overseas companies, such as SKF of Sweden, China State Construction Group and China Railway Group. In 2013, we extended our co-operation with ten well-known companies, including Caterpillar, Siemens and Sumitomo Corporation. These relationships have further expanded our client base and are providing us with a solid foundation for future sales expansion in domestic and international markets.

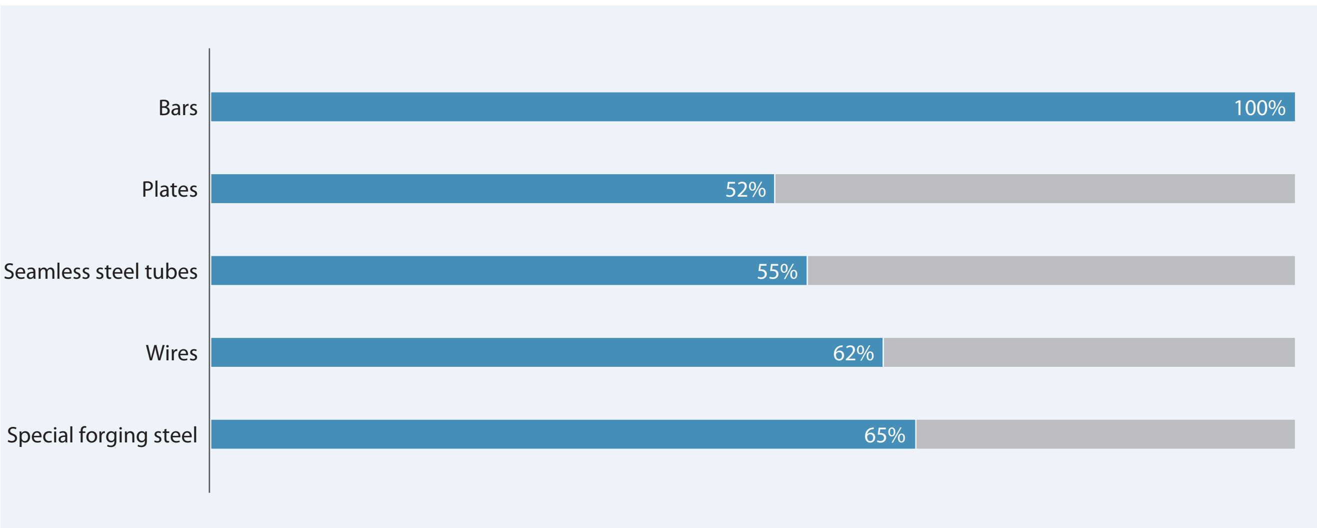
Understanding market trends

By analysing industry trends, we can identify potential applications for special steel products in different market segments and adjust our product mix accordingly. For example, in 2013 CITIC Pacific Special Steel built a wire production line with an annual capacity of 500,000 tonnes to meet the market demand for high-end steel tyre cords in the automobile industry.

2013 production

Category	Production ('000 tonne)	Percentage	Change
Bars	**4,780**	66%	4%
Plates	**1,480**	21%	27%
Seamless steel tubes	**600**	8%	13%
Wires	**300**	4%	36%
Forging steel	**70**	1%	(13)%
Total	**7,230**	**100%**	**10%**

Capacity utilisation



" Innovation is fundamental to staying competitive. Our research goal is to develop new products that will replace 10% of our current products every year."

Hu Jiajia
Research Technician

Products

Bars

CITIC Pacific Special Steel is the leading producer of bar products such as bearing steel, gear steel and spring steel, which are sold mainly to the auto component and machinery manufacturing industries. Given that our bar production lines operated at near full capacity in 2013, sales volumes of bars during the year were at about the same level as in 2012. Our operational approach is more about optimising product mix and raising product quality, which in turn will improve profitability.

Special plates

Supply in the medium-to-heavy plate market continued to exceed demand, which led to intensified price competition. We at CITIC Pacific Special Steel are newcomers in the plate market. However, through intensified marketing, particularly in the oil and petrochemical sectors, we were able to increase the utilisation rate of the plate lines to 52%. Our plate sales grew 27% from 2012 to 1.48 million tonnes in 2013. We also saw an improvement in profit margins.

Furthermore, last year we joined with Shanghai University and Xuzhou Heavy Machinery to successfully develop S890 high strength plate for use in the heavy machinery industry.

Seamless steel tubes

Sales of seamless steel tubes amounted to 600,000 tonnes in 2013, a 13% increase compared with 2012 mostly due to increased sales to the overseas market. The utilisation rate of our seamless steel tube lines increased to 55%.

In 2013, our research team developed ultra-supercritical P91 boiler tubes, for which we obtained certification from the China Standardization Committee on Vessels. Six major corporations bought this new product, including Harbin Boiler Works and Shanghai Boiler Works.

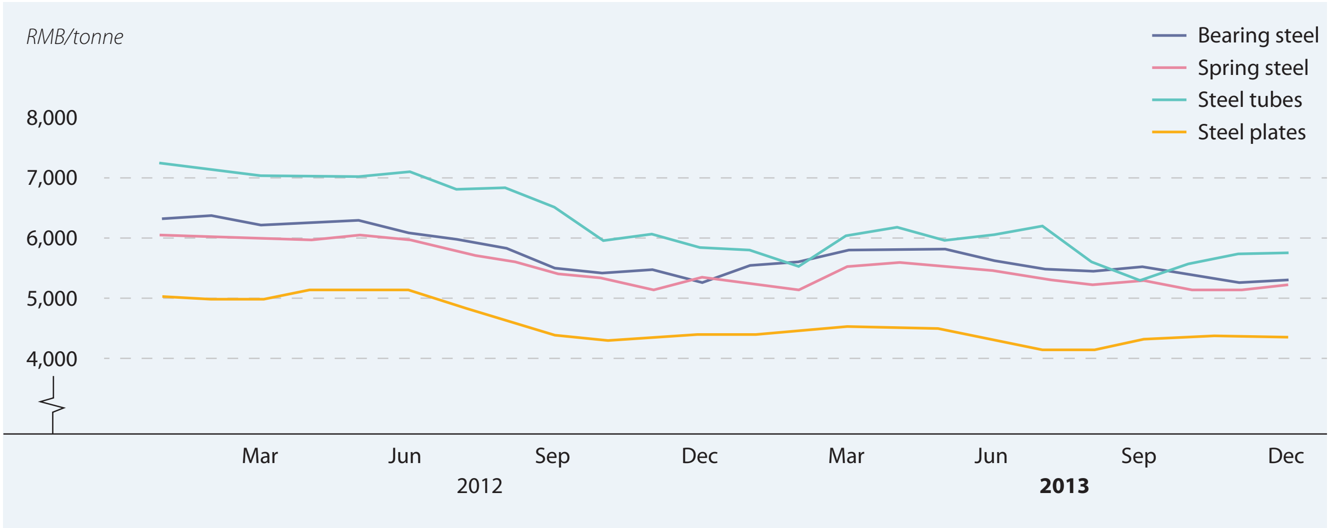
Wires

Xingcheng Special Steel's new 500,000 tonne wire production line began operating in June 2013 and by the end of 2013 had sold 300,000 tonnes. With our increased wire production capacity, we were able to meet the market demand for wire products such as tyre cord steel, high-end core steel and automobile fastening steel, as well as high-end bearing and spring steel.

Special forging steel

In 2013, production and sales of forging steel was over 70,000 tonnes with a utilisation rate of about 65%.

Product pricing



RAISING OVERALL COMPETITIVENESS

Qian Gang
Vice President – CITIC Pacific Special Steel
General Manager – Jiangyin Xingcheng Special Steel Works

"We are the biggest, and I certainly think we are the best special steel producer in China. But this is not enough. We want to be the best in the world."

Enhancing our product mix, raising product quality

CITIC Pacific Special Steel's technical centres, laboratories and post-doctoral research centres are tasked with developing new products as well as offering consultation services to clients on special steel applications. In addition, continuous improvement in production management and quality control enables us to maintain our leading position in the market. In 2013, we produced 800,000 tonnes of new products, about 11% of the year's total production.

Speeding up the certification process

For special steel products to be recognised and accepted by the market, certification by customers and relevant agencies is essential. This is a stringent and time-consuming process. Certification not only means that products have met customers requirements but provides confidence among existing and potential customers. In 2013, we received 493 certifications from various customers and agencies as well as approvals and certifications from companies such as China Petrol, Sinopec and CNOOC for our new plate products, a noteworthy achievement.

Benchmarking against leading global steel companies

We have a leading position in the domestic market, yet benchmarked against some of the best global steel companies we see that there is still a lot work to do. For example, profitability on our new plate products is at a relatively low level. The amount of capital and resources devoted to product research and development is also below leading global steel companies. In order to become competitive at a global level, we have put in place clear strategies aimed at improving our research and application capabilities and increasing production efficiency.

Raw Materials

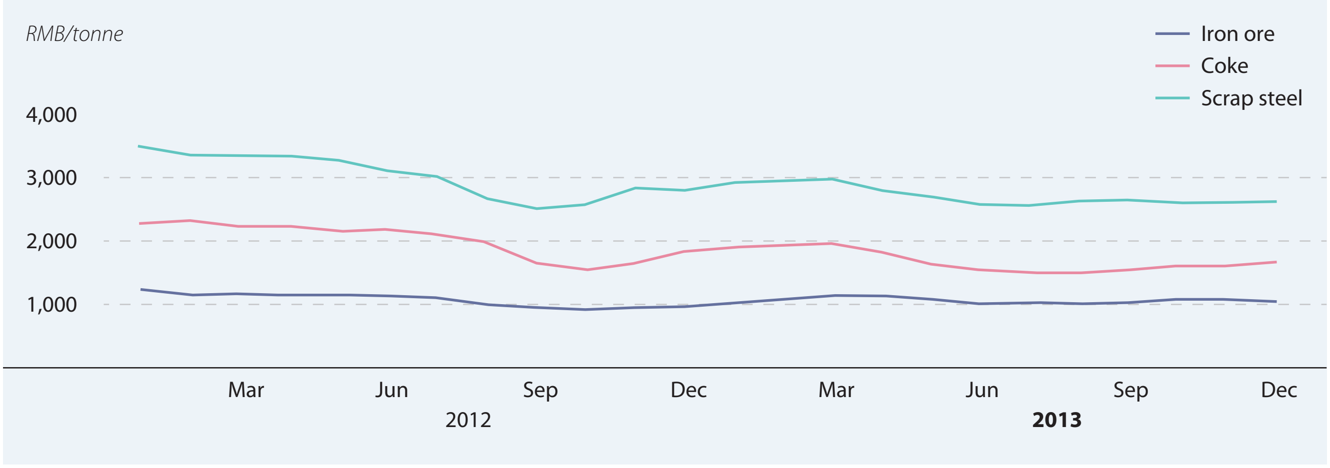
Major raw materials

Type	Raw material used in 2013 ('000 tonne)	Percentage of total production cost
Iron ore	10,540	30%
Scrap steel	1,220	10%
Coke	3,100	15%
Alloy	280	12%
Total	**15,140**	**67%**

Source of iron ore

Country	Percentage of total	Main suppliers
Australia	44%	Hamersley
China	17%	Mines in Northeast China and Hubei Province
Brazil	16%	Vale
Others	23%	Jiangsu Huamao Trading, Shandong Wanbao, B.M. Holding

Price of major raw materials



RAW MATERIAL PROCUREMENT

Li Xishan
Deputy General Manager – Procurement

"My job is to source raw materials such as iron ore, coke and alloys. We need to make sure that our plants have secure and sufficient supplies. These raw materials form around 70% of our plants' production cost so it is critical that we lower their costs as much as possible."

Securing a stable supply

A stable supply of various raw materials is necessary for our production process. Iron ore, for example, is used in our blast furnaces in different forms such as pellets, lump ore and sinter, and in different amounts depending on the steelmaking process (short or long). To meet our raw material needs, we base our procurement on our ability to purchase high quality iron ore and other materials, as well as to minimise costs.

We now have a pellet plant with an annual production capacity of 6 million tonnes, which commenced operation in May 2013 and produced 710,000 tonnes by year end. The pellet plant has begun to use iron ore concentrate from CITIC Pacific's iron ore mine in Australia. We also completed a new coking facility at the end of 2013, giving CITIC Pacific Special Steel a total coke production capacity of 3.3 million tonnes, sufficient for meeting our steel-making needs.

Reducing input costs

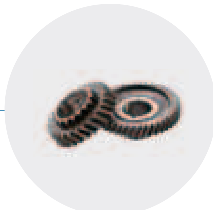
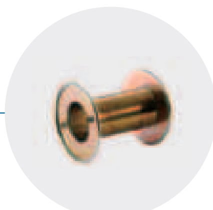
A centralised procurement strategy strengthens our bargaining power. Continued improvements in operating efficiency have also helped us reduce our raw material inventory and shorten the inventory cycle. Both of these are essential in our effort to reduce raw material input costs. In 2013, we shortened the iron ore inventory cycle from 60 days in 2012 to 40 days, which not only released additional warehouse space but reduced inventory risk caused by price fluctuations.

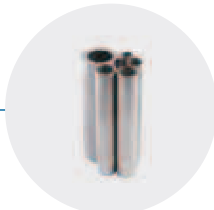
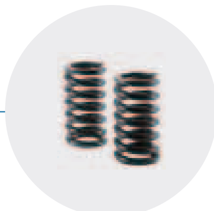
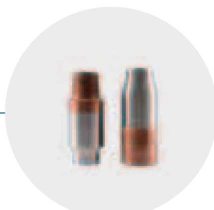
Facts and Statistics

Special steel refers to steel produced using special techniques, with special characteristics and special purposes. Categorised by shape, special steel includes bar steel, plates, strip steel, tube steel and wire steel.

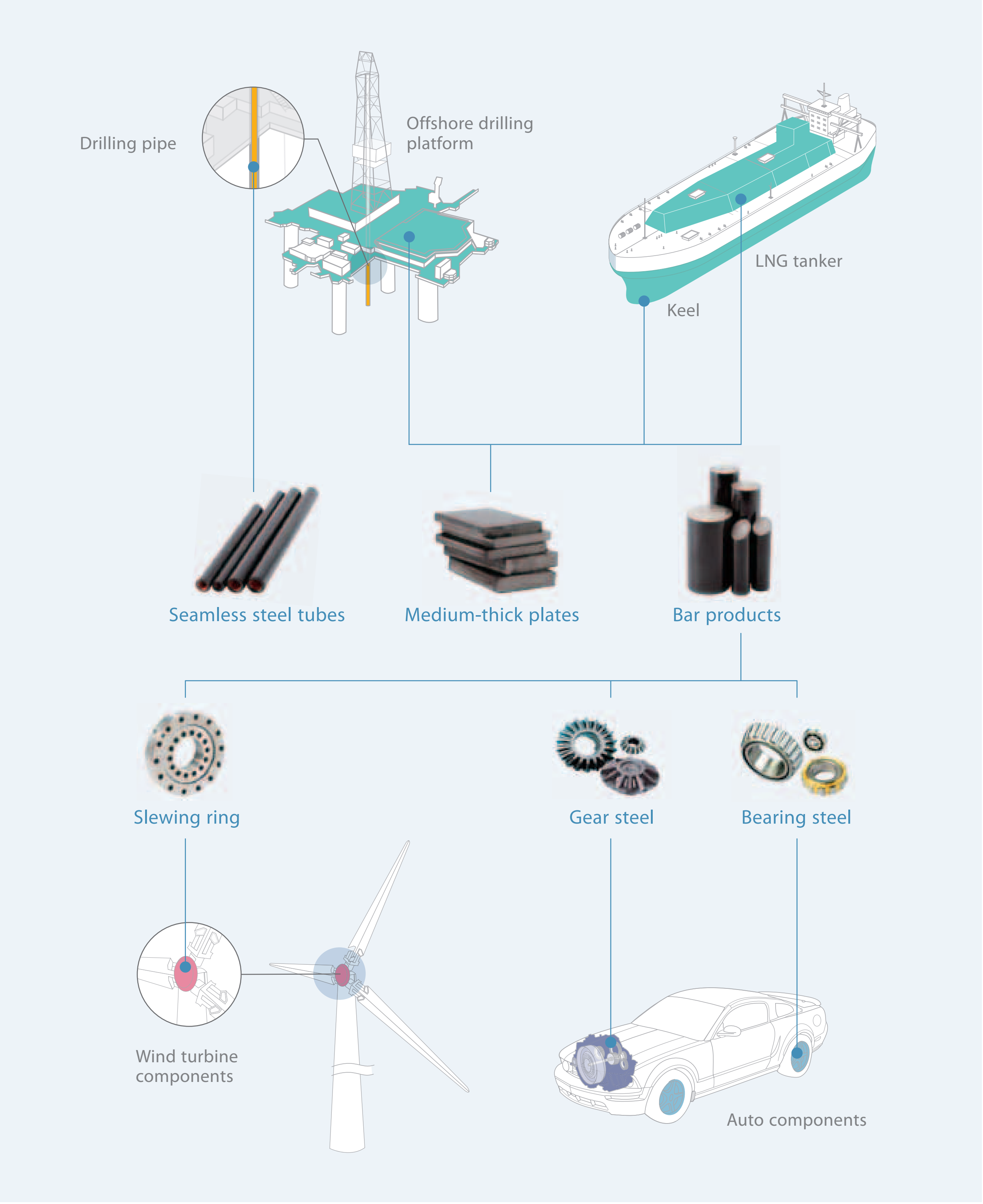
These products are sold to parts manufacturers for manufacturing products such as gears, bearings and springs.

Industries and major products used

Applied industry	Products	Practical examples
Auto Components 	- Gear steel - Bearing steel - Spring steel - Alloy structural steel	- Transmission gears - Bearings - Transmission shafts - Connection rods - Crankshafts
Machinery Manufacturing 	- Alloy structural steel - Carbon structural steel - Tooks and die steel	- Oil cylinder pipes for engineering machinery - Hydraulic props support for coal mining machinery - Large modules
Metal Works 	- Tyre cord steel - Steel for standard parts	- Radial tyres - Standard bolt parts
Power Generation 	- High pressure tube billet - Casting round tube billet	- High pressure boiler tubes - Wind power ring parts

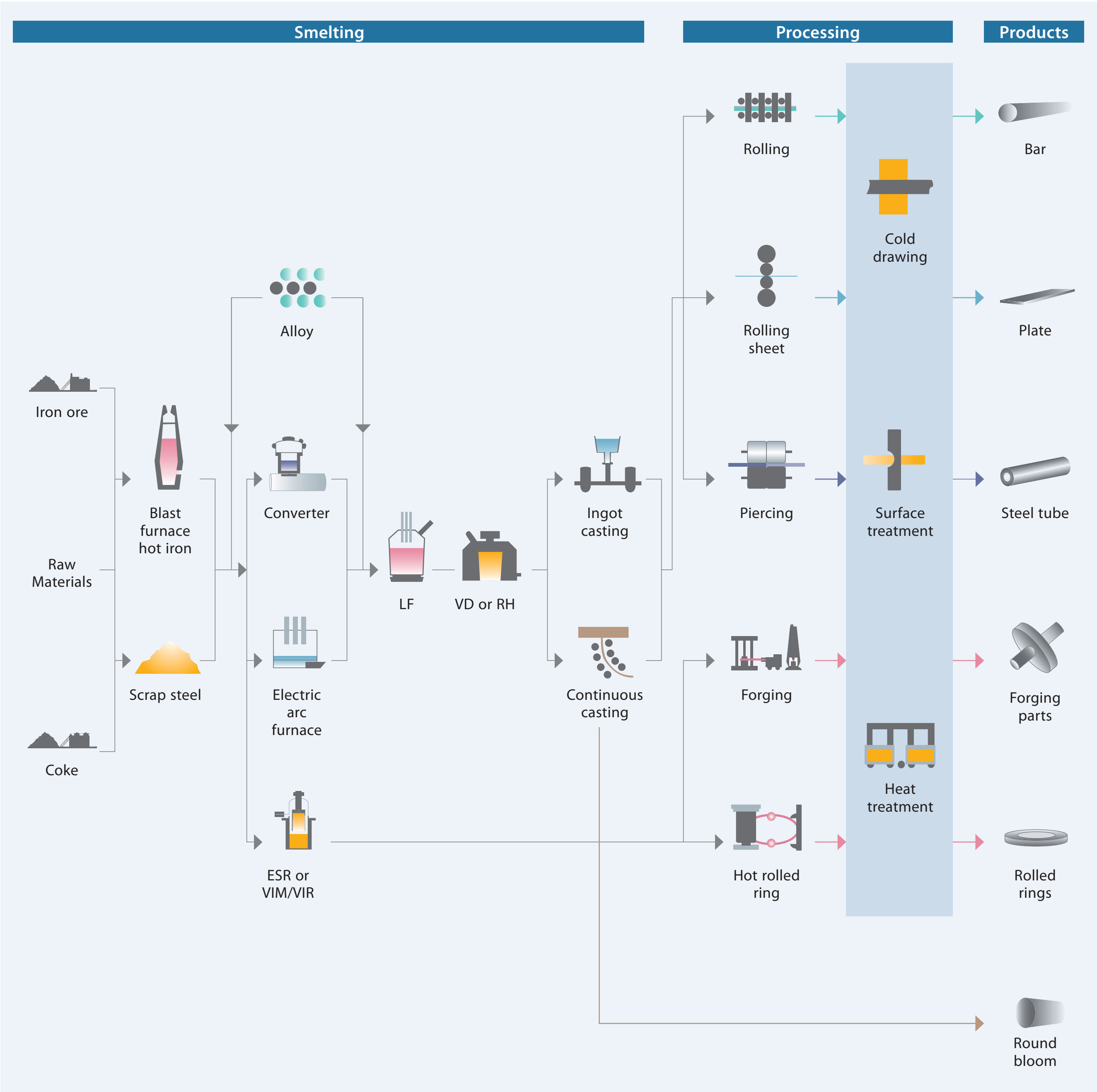
Applied industry	Products	Practical examples
Oil & Petrochemical	 - Seamless steel tubes - Medium-heavy plate pipeline steel	- Oil and gas transport pipelines - Offshore drilling platform - Drill collars and casing couplings
Railway	 - Spring steel - Carbonisation bearing steel	- Locomotive springs - Bogies - Wheels - Fasteners - Bearings
Military	 - Alloy structural steel - High-temperature alloys	- Shells - Body tubes - Engine blades
Shipbuilding	 - Anchor chain steel - High strength plate	- Anchor chains - Decks

Practical examples



Special steel manufacturing process

Our special steel plants employ two different technologies: the long process and the short process. The long process uses iron ore and coke as raw materials, and the short process uses scrap steel, pig iron or molten iron. After the molten steel is produced from the long or short process, alloys are added as the steel passes through various production processes, including the ladle-refining furnace, an 'RH' or vacuum degassing furnace, casting and rolling. Through these processes, steel billets and slabs are produced and shaped to various specifications according to customers' requirements. The management teams at the plants are focused on product quality and cost efficiency and will therefore choose whichever process matches the requirements of the work.



IRON ORE

33% of assets

In HK$ million	2013	2012	Change
Revenue	389	213	83%
Attributable loss	(1,619)	(781)	107%
Assets	88,134	81,577	8%
Capital expenditure	8,169	16,512	(51)%

Review of 2013

Sino Iron achieved a significant milestone in 2013, delivering its first shipment of magnetite concentrate to China. On 2 December 2013, barge loaders carried magnetite concentrate product from the new port at Cape Preston to a ship moored offshore, destined for CITIC Pacific's special steel plant in Jiangsu province. We are now shipping regularly.

Load commissioning for production line one re-started in July after two months of addressing technical and operational issues. The objective going forward is to ensure the smooth operation of the line and increase the rate of production.

Load commissioning of production line two commenced in the latter part of 2013. However, an issue was identified with the line's gearless motor responsible for driving the grinding mill. A new motor will be installed, and commissioning will begin again soon after.

Magnetite concentrate produced so far is of high quality with 66% iron content and low impurities. As of mid-February 2014, over 766,000 wet metric tonnes (wmt) of concentrate have been produced.

Civil works on lines three to six have begun. CITIC Pacific Mining (CPM) will directly manage the works. Given the experience China Metallurgical Group Corporation ("MCC") has accumulated through the construction of the first two production lines, key members of the MCC team have been seconded to CPM to assist with the works.

The supporting infrastructure, specifically the power station and desalination plant, is now providing a steady supply of power and water to the entire project. During 2013, we focused on stepping up operational reliability through tests, upgrading software, improvement of operation management and training.

As one of the world's largest and most complex magnetite mining and processing operations, Sino Iron is building a world-class workforce. This includes providing employees with quality training and development opportunities to progress their careers and benefit the business.

Construction & Operation Highlights

Processing

Much of the past year was spent addressing technical and operational issues identified during commissioning of the first two production lines, improving the reliability of the production lines and gaining valuable experience along the way.

Design modifications are being made to equipment and systems, including the cyclone feed pump, chute and control system. Preventive maintenance to reduce the likelihood of unscheduled shutdowns has also been a key focus. As a result of these measures, the production line has been operating more smoothly. In 2014, we will continue to fine tune the processing parameters to increase the production rate.

The key issue confronting line two has been the gearless motor. After investigation by the manufacturer Siemens, the motor is being replaced. We are targeting to resume commissioning in July 2014.

Construction for lines three to six has begun with key activities including civil construction for lines three and four, and electrical installation of the second stacker. In 2014, civil construction for lines five and six, installation of the two remaining crushers, autogenous grinding mills three and four and two remaining filtering facilities at the dewatering plant will commence. The construction plan for lines three to six is being finalised, but the current expectation is that they will be completed in 2016.

Mining

During the past year, the focus of mining activities shifted from waste movement to ensuring adequate ore supply for the crushers and grinding mills at the concentrator.

" The Sino Iron project will deliver a major boost to the Pilbara iron ore industry and is a great example of Chinese confidence in Western Australia."

Colin Barnett MLA
Premier of Western Australia

We achieved this by configuring our mining fleet and associated equipment to ensure that ore for the current commissioning and production task was delivered in the most efficient manner. The mining team continues to focus on increasing the productivity of the excavators and shovels, and shortening the truck haul route. The maintenance division has focused on improving truck reliability, including the electrical reliability of the drive system.

Reducing total operational cost has been the priority of the mining operation over the past year. By the end of January 2014, approximately 193 million tonnes of waste had been removed, sufficient to allow for the current level of ore mining activity. By lessening the amount of waste movements, savings were achieved through reduced labour requirements and lower vehicle operating costs.

Power station

CITIC Pacific Mining's award-winning combined cycle power station has provided a reliable power supply for the operation. Production and equipment management and procedures are being completed and updated as further operation information is gathered. The reliability of all seven gas turbines has improved following the ramp-up load test, along with tuning, performance and emission tests.

Plant reliability will further improve once the dynamic load shedding test of the Energy Management System (EMS) is carried out in 2014. Balancing the plant reliability with greater operating efficiencies will be a key focus. A study examining the most optimised operation mode under selected scenarios has now been completed.

Synchronisation of all three combined cycles, which produce less carbon emissions than an open cycle plant, was completed during the year. As the first production line ramps up its production and the second line completes its commissioning in 2014, the power plant will have enough load demand to start load testing the combined cycles.

Desalination plant

The desalination plant continues to meet the project's substantial water requirements, with much of the past year spent optimising plant efficiency.

Initiatives undertaken during this period include upgrading operating and maintenance systems to improve overall reliability. For example, automated data collection was implemented to conduct real-time analysis of plant performance, and alarm code software was upgraded resulting in quicker identification and rectification of potential issues. The replacement programme for several faulty components was also completed.

The plant produces desalinated water by pushing filtered seawater through reverse osmosis membranes. As the desalination process relies heavily on the performance of these membranes, the plant now has an automated membrane cleaning process, reducing the cleaning cycle by 80% and improving plant availability.

Training continues to be an important component in bringing up the standard of operators and the emphasis has been on multi-skilling. Knowledge retention within the team is a top priority.

Port

After securing all necessary approvals to export, on 2 December the first shipment of magnetite concentrate bound for China was loaded onto a ship moored offshore from Cape Preston.

We are now shipping regularly. Up to mid-March 2014, there have been five shipments of around 261,126 wmt of magnetite concentrate. The sixth ship is being loaded at Cape Preston. At this stage, the most efficient shipping method is to barge concentrate to geared vessels anchored offshore. CITIC Pacific's 12 purpose-built mini-cape size vessels of 115,000 dwt have been leased out. As concentrate production increases, transshippers and these larger ocean-going vessels will be used in

PRODUCT

Lisa Yang
General Manager – Technical Services

Tests show that the concentrate we have produced so far is of very good quality with an iron content of around 66%. The ore also contains low levels of impurities such as alumina, phosphorus and sulphur. As many Chinese steel plants aim to lower the alumina intake in their blast furnaces, our product is complementary to the traditional Australian ore, which typically has higher alumina and phosphorus.

We introduced our product at the 9th China Steel Conference in October last year and received very positive feedback.

the export operations, which will ultimately increase efficiency and help deliver greater economies of scale.

In preparation for first shipment, we spent several months refining procedures and developing operating parameters to manage export activities under a range of prevailing conditions. For example, navigation simulators were used to perfect safe operating manoeuvres, assess emergency scenarios and optimise barge fleet turnaround. With the experience that comes with regular shipments, overall port performance is expected to further improve throughout the course of 2014.

Direct shipment from Western Australia to CITIC Pacific Special Steel plant

HEALTH, SAFETY AND ENVIRONMENT

Warren Fish
Executive Director – Health Safety, Environment & Corporate Logistics

"At the end of the day, it's all about making sure everyone is safe at work and can return to their loved ones at the end of their roster. By promoting safety values and positive safety behaviours, we continue to manage risk and improve safety performance."

What's most pleasing is that we have had another year free of work-related fatalities. Our staff are working with large, heavy and complex plant and equipment in a rugged environment. Despite this, the number of actual injuries on site has dropped. There is always more to be done but, overall, we continue to head in the right direction.

The safe management of naturally-occurring fibrous minerals continued to be a main focus in 2013. We spent much time and resources on monitoring and evaluating risk and expanding our programmes. In 2013, we won the Chamber of Minerals and Energy of Western Australia Innovation in Health and Safety Award for management of fibres in mobile equipment. This was a significant achievement.

We also improved our specialist injury management care for staff and provided employees with the opportunity to access medical information and advice on a confidential basis.

Much time and effort was also spent ensuring that our health and safety approach and environmental management system was appropriate for the project's new operational status. We continue to evolve our greenhouse gas emission data collection and reporting systems. We also continued our extensive monitoring programme for vegetation, coral and marine life, ambient dust and weather events.

Our combined-cycle gas-fired power station won industry awards for energy efficiency.

Mineral Resources Estimate

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code" or "the Code") sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration results, Mineral Resources and Ore Reserves. According to the JORC Code, 'Mineral Resource' is defined as a concentration or occurrence of materials of economic interest in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The following Mineral Resource estimate is based on assay data from drill holes at the initial mining area ("IMA") and surrounds as at 19 April 2010. The Resource Model was released by Golder Associates in October 2010, utilising a cut-off grade of 17% MagFe. "Joffre" is a member of the Brockman Iron Formation, the main ore body for the project.

Total Joffre resource – 2010 results

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

Measured Mineral Resource

A "Measured Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource

An "Indicated Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource

An "Inferred Mineral Resource" is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Sino Iron Project Facts

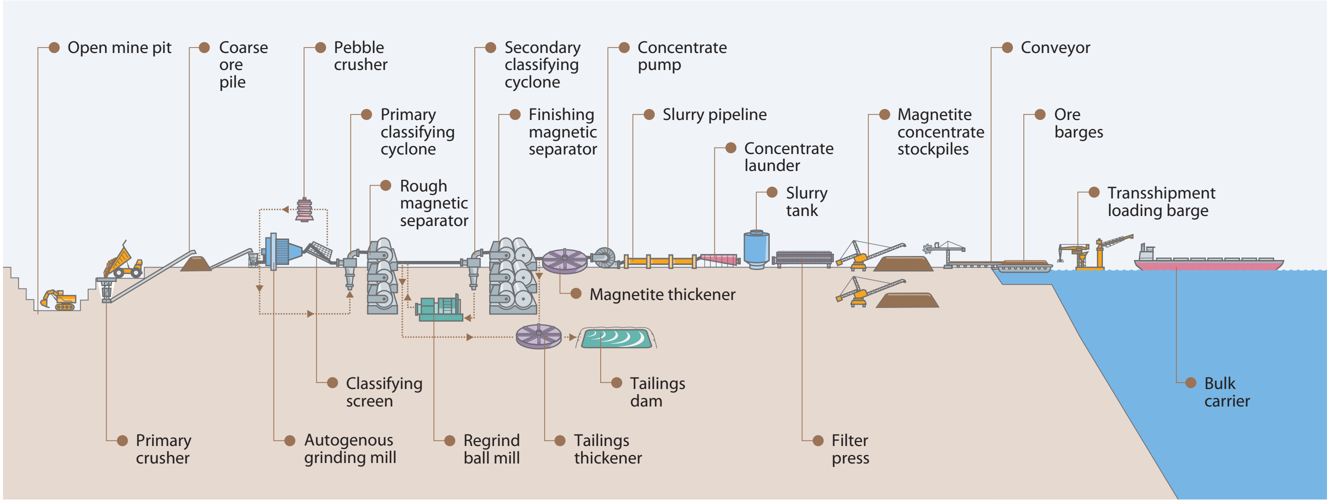
The Sino Iron project is 100% owned by CITIC Pacific, which acquired the rights to extract two billion tonnes of magnetite iron ore resource from its mine at Cape Preston, 100 kilometres southwest of Karratha in Western Australia's Pilbara region. The project currently has a mine life of 25 years.

CITIC Pacific has options to acquire an additional four billion tonnes of magnetite iron ore resource at the same location. In April 2012, CITIC Pacific exercised an option to acquire the right for one billion tonnes. Once this transaction is completed, the life of mine will extend to more than 30 years.

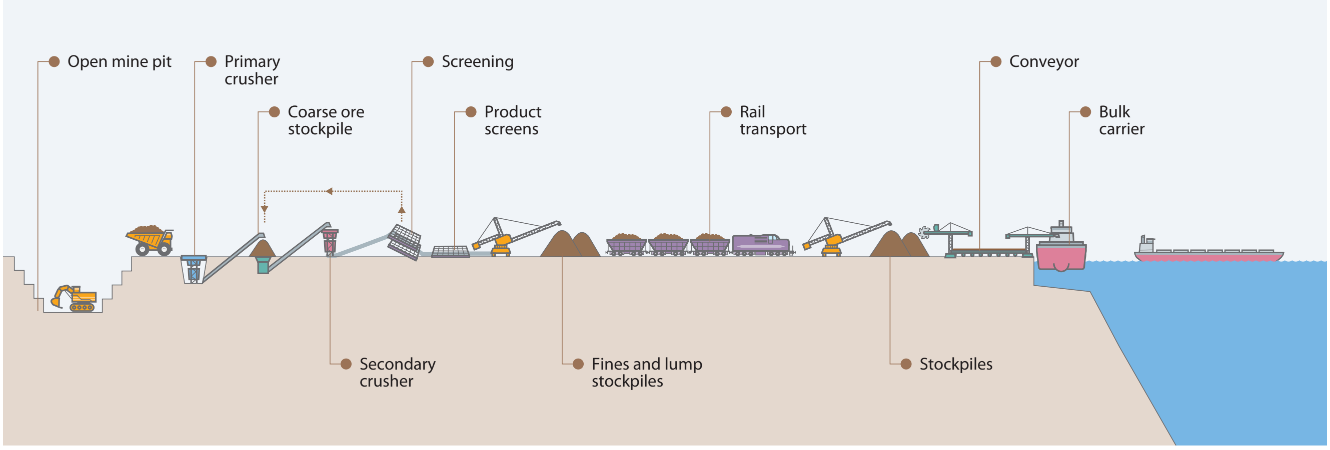
The Sino Iron project is being developed by CITIC Pacific Mining, a subsidiary of CITIC Pacific, with its headquarters in Perth and a representative office in Beijing. When completed, the project will have six production lines with the capacity to produce a total of 24 million tonnes of magnetite concentrate annually. Actual production volume will depend on the characteristics of the resource being mined. Contractually, no more than 27.6 million tonnes can be exported annually.

At peak of construction, about 4,000 people were engaged on the project. CITIC Pacific Mining employs about 1,000 people on a permanent basis.

Sino Iron's magnetite process flowchart



Haematite process flowchart



Chairman's Letter to Shareholders
Special Steel
Iron Ore
Property

PROPERTY

24% of assets

In HK$ million	2013	2012	Change
Revenue*			
Mainland China	2,917	4,133	(29)%
Hong Kong	1,004	1,142	(12)%
Attributable profit			
Mainland China	1,045	911	15%
Hong Kong	483	569	(15)%
Assets			
Mainland China	46,126	40,623	14%
Hong Kong	17,118	15,573	10%
Operating cash flow	4,386	1,456	201%
Capital expenditure	4,183	3,916	7%

* Revenue includes both consolidated and CITIC Pacific's share of significant equity accounted entities

Review of 2013

In 2013, the Chinese government continued to introduce policies and measures to regulate the real estate market and these, to a certain degree, suppressed speculative investment. Sales of residential projects therefore were primarily to people looking for homes they would occupy themselves or looking to upgrade.

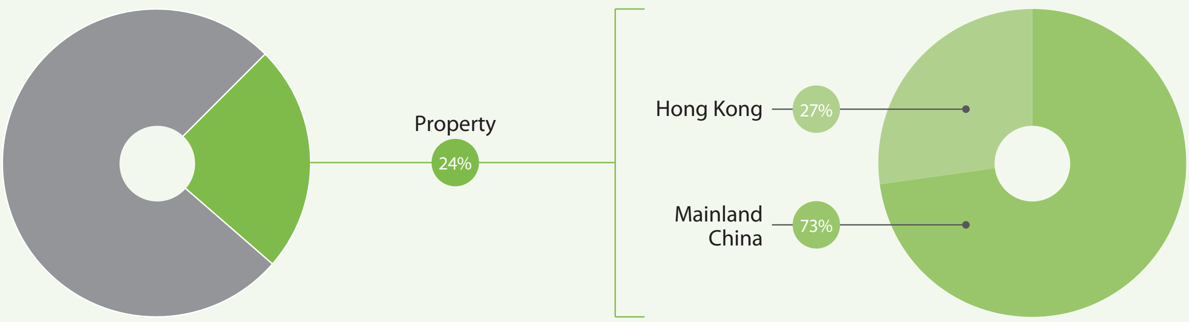
During the year, attributable profit from mainland property rose by 15% owing to the sale of a commercial building (CITIC Plaza Shenhong) in Shanghai. Most of our residential projects remained in the development phase, with limited finished units for delivery.

However, pre-sales of residential units in 2013 were at a record high with total sales reaching 223,000m^2 Gross Area (GA). For projects such as The Centre in Jiading and Zhujiajiao New Town in Qingpu, we adjusted our strategy based on market demand to focus on the development and sales of smaller apartments, thus achieving a better result during the year. Since Wanning city had no purchase restrictions, our Shenzhou Peninsula project in Hainan attracted large numbers of buyers and therefore recorded satisfactory sales. All these pre-sales bookings, however, will not be recognised until the units are completed and delivered to buyers.

With the continued demand for Grade A office buildings in prime locations, our CITIC Square and Royal Pavilion investment properties in Shanghai maintained a high occupancy rate and stable income during the year. In 2013, we sold an office building to the Shanghai Branch of CITIC Bank, which will be constructed on the Shanghai World Expo site.

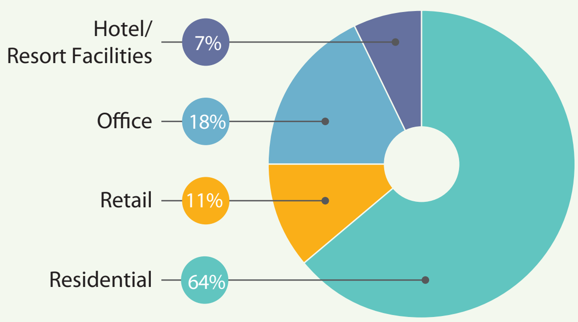
Looking at 2014, we do not anticipate significant changes to the policies adopted by the Chinese government. We will therefore continue to adjust our development strategies in response to the market situation. At the same time, we will consider increasing our land bank when appropriate.

Assets



Mainland China development properties

by GFA



Land bank in mainland China: 3.14 million m^2

Note:
GFA: permitted gross floor area

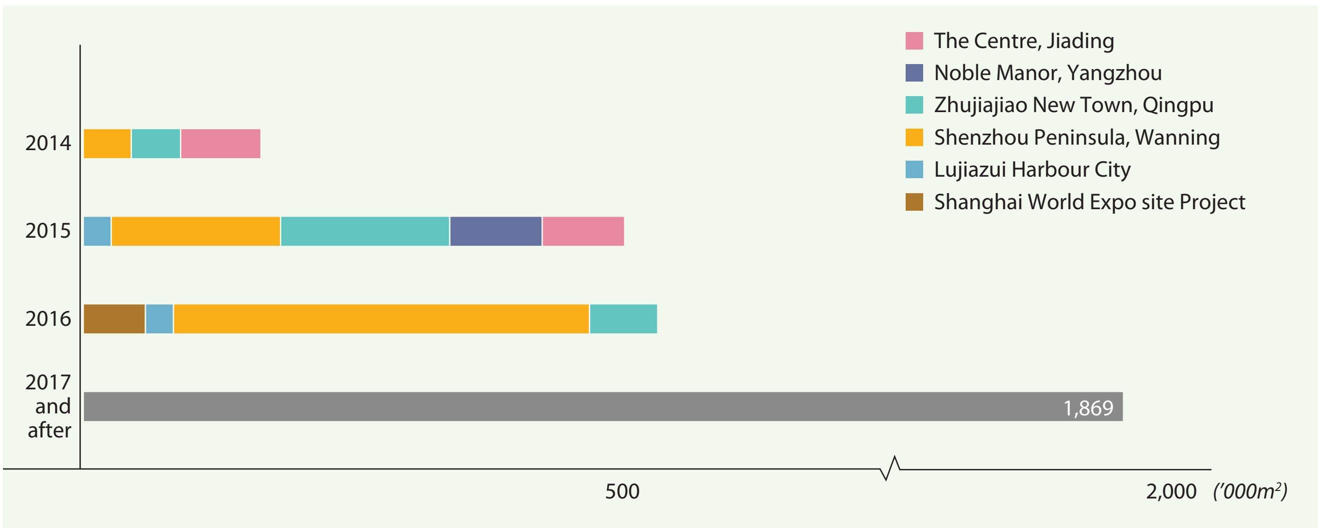
Mainland China Properties

Development projects

Project	Usage	Land bank (GFA)	Completion
Shanghai			
Lujiazui Harbour City	Office, residential and retail	583,800m²	In phases from 2011 onwards (approx. 263,300m² completed)
The Centre, Jiading	Office, hotel, residential and retail	445,300m²	In phases from 2011 onwards (approx. 92,600m² completed)
Zhujiajiao New Town, Qingpu	Residential and retail	331,600m²	In phases from 2009 onwards (approx. 243,500m² completed)
New Westgate Garden Phase II	Residential and retail	137,300m²	Resettlement in progress
Shanghai World Expo site Project	Office and retail	57,700m²	2016
Jiangsu Province			
Noble Manor, Yangzhou	Residential	152,000m²	In phases from 2008 onwards (approx. 284,900m² completed)
Hainan Province			
Shenzhou Peninsula, Wanning	Hotel, retail and residential	1,429,500m²	In phases from 2011 onwards (approx. 369,800m² completed)
Total		**3,137,200m²**	

Figures are as of the end of December 2013

Projected completion schedule



1 ZHUJIAJIAO NEW TOWN, QINGPU

(100% owned)

Site:	796,800m²
Gross floor area:	575,200m²
Completed:	243,500m² (GFA)
Land bank:	331,600m² (GFA)
Usage:	Low-density residential, retail and hotel

Zhujiajiao New Town is located in Qingpu District, Shanghai close to Zhujiajiao Old Village, a renowned scenic spot. The project comprises villas, apartments and a hotel, and is fully equipped with residential, business, recreational and healthcare facilities. Metro Line No. 17, which will have a station close to our project, started construction in 2013.

Sale progress in 2013:

Sold units and area:	458 (65,200m²)
Average selling price:	RMB12,000/m² (apartments) RMB14,500/m² (low-rise houses)

2 THE CENTRE, JIADING

(100% owned)

Site:	156,000m²
Gross floor area:	537,900m²
Completed:	92,600m² (GFA)
Land bank:	445,300m² (GFA)
Usage:	Office, hotel, retail and residential

The Centre in northwestern Shanghai is situated at Jiading New Town Station of Metro Line No. 11. Access is also available via the Shanghai-Nanjing Expressway, Shanghai-Hangzhou Expressway and Shanghai-Qingpu Highway, all within the area. The project comprises high-rise residential buildings, serviced apartments and a hotel, office buildings and shopping malls.

Sale progress in 2013:

Sold units and area:	353 (40,400m²)
Average selling price:	RMB16,900/m²

3 LUJIAZUI HARBOUR CITY, SHANGHAI

(50% owned)

Site:	249,400m^2
Gross floor area:	847,100m^2
Completed:	263,300m^2 (GFA)
Land bank:	583,800m^2 (GFA)
Usage:	Office, retail, hotel and residential

Lujiazui Harbour City, previously used as a shipyard by Shanghai Shipyard Co., is the last prime development area on the south shore of the Huangpu River in central Shanghai. Jointly developed by CITIC Pacific and the China State Shipbuilding Corporation, this project comprises high-end office buildings; a five-star hotel and serviced apartments; recreational, commercial, dining and entertainment facilities; and luxury residential properties.

In Lujiazui Harbour City, two office towers were already built and handed over to the buyers. The Mandarin Oriental hotel and serviced apartments are in operation. Currently, three office buildings for three financial institutions are under construction.

4 SHANGHAI WORLD EXPO SITE PROJECT

(99.2% owned)

Site:	12,500m^2
Gross floor area:	57,700m^2
Usage:	Office and retail

The project is located on the former Shanghai World Expo site, with the Huangpu River on the north and World Expo Boulevard on the east. Two office buildings will be built on the site, one of which was sold to the Shanghai Branch of CITIC Bank in 2013.

SHENZHOU PENINSULA, HAINAN ISLAND

(80%-100% owned)

Site:	6,790,400m^2
Gross floor area:	1,799,300m^2
Completed:	369,800m^2 (GFA)
Land bank:	1,429,500m^2 (GFA)
Usage:	Residential, hotel, retail and recreation

Shenzhou Peninsula is located in Wanning, Hainan Province, on the Eastern Coast between Sanya and Boao. The project comprises high-end residential buildings, hotels and resorts, shopping arcades, an international golf course and yacht club. Additional recreational, conferencing, exhibition and cultural facilities are also planned.

On the peninsula, we currently have two hotels – the Sheraton and Four Points – a golf complex and beach club. Together with the shopping arcades that opened at the end of 2013, the peninsula provides recreational and entertainment activities for tourists and residents.

Sale progress in 2013:

Sold units and area:	664 (76,700m^2)
Average selling price:	RMB12,570/m^2 (apartments) RMB21,270/m^2 (low-rise houses)

Special Feature Shenzhou Peninsula

Unlike other projects we have developed elsewhere, Shenzhou Peninsula is not simply a tourism and property development. It is a project that involves the planning and development of the entire peninsula, including the construction of infrastructure and municipal facilities, transportation systems, public services, environmentally-sensitive features, and urban landscape design. Shenzhou Peninsula is a complicated yet interesting project. It is like a blank sheet of paper on which we have planned everything from the ground up, with ample space to play with. In the past few years, I have witnessed the development of the entire Shenzhou Peninsula, from a small fishing village to a new town today, in a 18km² area. In future, it will continue to be developed based on our blueprint.

We now have two hotels operating on the peninsula – the Sheraton and Four Points. We also have two golf courses, Kokomo Beach Club as well as a lake park. Buses connecting the peninsula to other areas and shuttle buses travelling around the island

MY DREAM OF LIVING ON THE ISLAND

Zhu Huayue
General Manager – Sales & Marketing

have started operating. We also have a post office, telecommunications system, banks, supermarkets, restaurants, shopping centres and a community centre. At the end of 2013, Shenzhou Peninsula Commercial Square and a community health centre officially opened. Three phases of residential units have already achieved good sales results, and we began construction of the fourth phase of low-density forest island villas in late 2013.

With this project, we aspire to create a multi-purpose resort village on Shenzhou Peninsula. Whether you come here for a vacation or conference, there are many activities you can enjoy. If you are a sports lover, you can play golf, enjoy water sports or go horse-riding. If you want to be close to nature, you can sail a yacht or explore a country park. For lovers of art and culture, you can visit our themed museums. Even if you don't have any special preferences, you can simply relax by taking a stroll on the beach, walking around the town, or enjoying a delicious meal. We all have a dream of escaping life's pressures, and with Shenzhou Peninsula this dream can be fulfilled today.

Sales progress of residential projects

Project	Approx. residential GFA	Sold in the past (up to end of December 2013) (units & area)	Sold in 2013 (units & area)	Average selling price in 2013 (RMB/m^2)
Zhujiajiao New Town project, Qingpu	522,700m^2	1,879 (222,800m^2)	458 (65,200m^2)	12,000 (apartments) 14,500 (low-rise houses)
The Centre, Jiading	213,500m^2	1,236 (122,600m^2)	353 (40,400m^2)	16,900 (apartments)
Noble Manor, Yangzhou	419,200m^2	2,034 (267,100m^2)	42 (6,570m^2)	9,440 (apartments)
Taihu Jinyuan, Wuxi	228,200m^2	960 (179,000m^2)	217 (34,370m^2)	11,670 (apartments) 18,550 (low-rise houses)
Shenzhou Peninsula, Wanning	1,427,100m^2	1,565 (180,000m^2)	664 (76,710m^2)	12,570 (apartments) 21,270 (low-rise houses)
Total	**2,810,700m^2**	**7,674 (971,500m^2)**	**1,734 (223,250m^2)**	

Investment properties

Properties	Usage	Ownership	Approx. gross area	Occupancy (end of 2013)
CITIC Square, Shanghai	Office, retail	100%	114,000m^2	98% (office) 92% (retail)
Royal Pavilion, Shanghai	Serviced apartments	100%	35,000m^2	92%
New Westgate Garden, Retail Portion (phase I), Shanghai	Retail	100%	23,000m^2	100%
Tower A, Pacific Plaza, Ningbo, Zhejiang Province	Office, retail	100%	49,000m^2	75% (office) 67% (retail)
Total			**221,000m^2**	

CITIC Pacific's property investments in mainland China continued to enjoy steady rental income, with an overall occupancy rate of approximately 88% at the end of 2013. The main contribution to rental income was from CITIC Square, located on Nanjing Xilu, Shanghai, which enjoyed an occupancy rate of 98% at the end of the year.

Hong Kong Properties

Development properties

Discovery Bay

Discovery Bay, which is 50% owned by CITIC Pacific, is a large residential development jointly developed with HKR International Ltd. Since its launch in 1973, Discovery Bay has evolved into a fully integrated suburban multinational residential community. Situated on the coast of northeast Lantau Island close to the Disney Theme Park, Discovery Bay is endowed with open space and recreational and leisure facilities such as a private beach, central park, scenic promenade, golf course, marina and recreation club.

The current development at Yi Pak Bay is located in the northern part of Discovery Bay. The sale of Phase 14, AMALFI, continued in 2013 with a break between May and November to comply with the new requirements of the Residential Properties (First-hand Sales) Ordinance effective from April 2013. During the year under review, a further 19% of the apartments were sold, bringing total sale to 88% since the launch of the project in 2012. Construction of Phase 15 (a low-rise development of approximately 17,400m^2 GFA) was completed, and a sale launch is planned for 2014. The occupancy and booking rates of Auberge Discovery Bay hotel (approximately 26,000m^2 GFA) have been encouraging since the soft opening in March 2013.

Redevelopment at Kadoorie Avenue

The Kadoorie Avenue project covers a site of approximately 14,200m^2 GFA in an exclusive low-density residential district in Kowloon known for its extensive greenery and mature trees. Foundation and site formation works are scheduled to complete in mid 2014 with project completion planned for 2016.

Investment properties

Major Properties	Usage	Ownership	Approx. gross area
CITIC Tower	Office, retail	40%	52,000m^2
Wyler Centre I	Industrial	100%	35,000m^2
111 Lee Nam Road	Motor Services & Godown	100%	60,000m^2
Yee Lim Industrial Centre, Block C	Cold Store & Godown	100%	30,000m^2

Our Hong Kong investment property portfolio provided stable rental income to CITIC Pacific. At the end of 2013, the overall average occupancy was approximately 97%.

Other Businesses

Energy

In HK$ million	2013	2012	Change
Revenue*	12,278	11,039	11%
Attributable profit Power generation	1,402	696	101%
Coal	420	440	(5)%
Assets	9,784	9,716	1%

* Revenue includes both consolidated and CITIC Pacific's share of significant equity accounted entities

Attributable profit from power generation increased substantially in 2013 from 2012 due to more electricity and heat generated, especially by the Ligang Power Station as well as a significantly lower price of coal. For 2013, total electricity and heat generated by power plants in which CITIC Pacific has an interest increased 10% and 24% respectively due to the rise in electricity demand. The Ligang power plant substantially increased 100% of its heat generation capacity as a result of a technical upgrade. Ligang also expanded its wharf facilities therefore further increasing its transportation capacity, which in turned help lower transportation costs. In November 2013, CITIC Pacific sold 49% of its interest in the Shandong Chenming power plant.

The reduced price of coal meant that the Xin Julong coal mine in Shandong, in which CITIC Pacific holds a 30% interest, recorded a lower attributable profit even though it produced 8 million tonnes of coal in 2013, 31% more than 2012.

						Electricity generated			Heat generated		
Power plant	Location (Province)	Installed capacity (MW)	Ownership	Type	Utilisation hours	2013 (m kWh)	2012 (m kWh)	Change	2013 (kGJ)	2012 (kGJ)	Change
Ligang I & II	Jiangsu	1,440	65%	Coal fired	5,338	7,686	8,041	-4.41%	1,514	1,479	2.36%
III & IV	Jiangsu	2,460	71.4%	Coal fired	5,598	13,772	10,288	33.87%	2,077	321	546%
Hanfeng	Hebei	1,320	15%	Coal fired	5,498	7,257	7,781	-6.73%	n/a	n/a	n/a
Huaibei	Anhui	640	12.5%	Coal fired	5,223	3,342	3,385	-1.26%	n/a	n/a	n/a
Hohhot	Inner Mongolia	400	35%	Co-generation	5,889	2,356	1,930	22.06%	2,459	2,344	4.90%
Chenming*	Shandong	18	49%	Co-generation	5,808	105	95	10.52%	3,027	3,200	-5.42%
Total		**6,278**				**34,518**	**31,520**	**9.51%**	**9,077**	**7,344**	**23.59%**

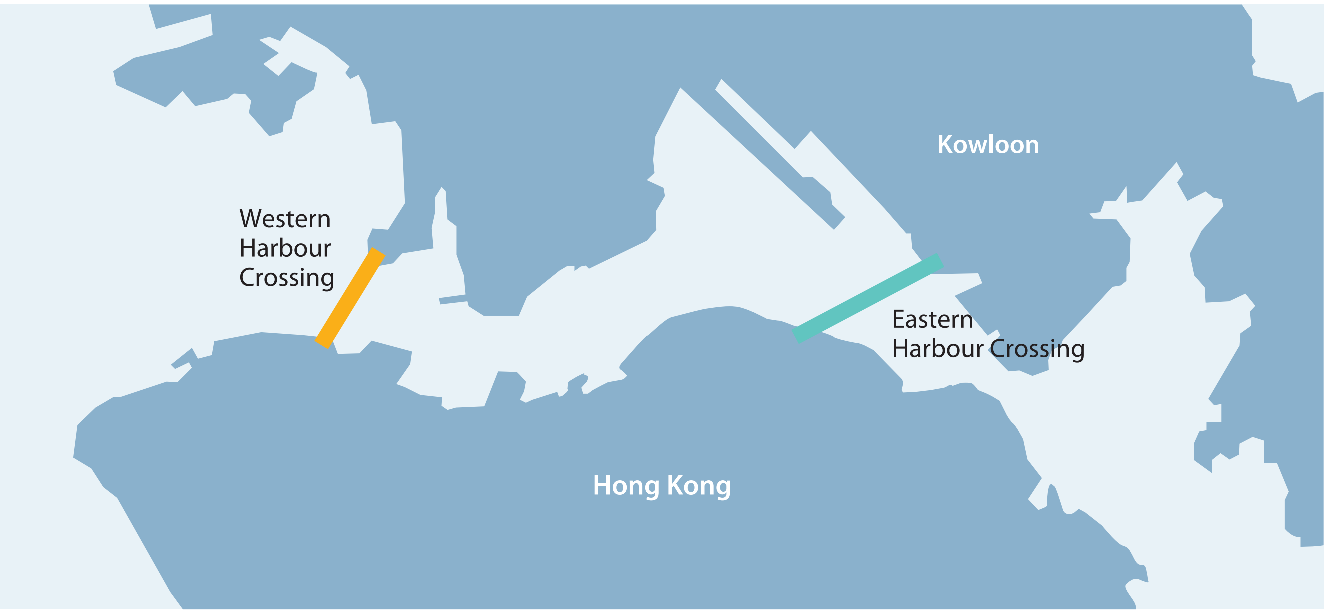
* 49% interest of Shangdong Chenming power plant was sold in November 2013

Tunnels

	Location	Ownership	Franchise till
Eastern Harbour Tunnel (Road)	Hong Kong	71%	2016
Western Harbour Tunnel	Hong Kong	35%	2023

In HK$ million	**2013**	2012	Change
Revenue*	**1,320**	1,248	6%
Attributable profit	**611**	561	9%
Assets	**2,183**	2,208	(1)%

* Revenue includes both Eastern Harbour Tunnel and CITIC Pacific's share of Western Harbour Tunnel



The Eastern Harbour Tunnel

www.easternharbourtunnel.com.hk

The Eastern Harbour Tunnel registered average daily traffic of 72,104 vehicles in 2013, an increase of 2% from 2012. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 29% market share of total traffic in 2013, a 1% increase from 2012.

The Western Harbour Tunnel

www.westernharbourtunnel.com

The Western Harbour Tunnel is a key section of the Route 3 highway connecting Hong Kong Island with mainland China and Hong Kong International Airport. In 2013, average daily traffic was 61,957 vehicles, up 2.5% from 2012. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 25% market share of total traffic in 2013, a 1% increase from 2012.

Dah Chong Hong

www.dch.com.hk

55.6% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01828

In HK$ million	2013	2012	Change
Revenue	**42,261**	48,014	(12)%
Attributable profit	**492**	536	(8)%
Assets	**21,627**	20,306	7%

Dah Chong Hong is engaged in the sales of motor vehicles and related business and services, sales of food and consumer products, as well as logistics services.

The company has well-established networks in Hong Kong, Macau and mainland China, as well as operations in Taiwan, Japan and Singapore.

CITIC Telecom International

www.citictel.com

41.4% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01883

In HK$ million	2013	2012	Change
Revenue*	**2,799**	3,610	(22)%
Attributable profit	**443**	299	48%
Assets	**3,893**	3,733	4%

* Revenue includes both consolidated and CITIC Pacific's share of significant equity accounted entities

CITIC Telecom International Holdings Limited ("CITIC Telecom") is a reputable telecom operator in Asia.

CITIC Telecom owns and operates a telecom hub with its key markets in China and Hong Kong. It is actively expanding its business internationally by providing interoperability and interconnection services to global telecom operators. CITIC Telecom's main businesses cover Voice Services, SMS Services, Mobile VAS and Data Services. It also provides a full range of Information and Communications Technology (ICT) solutions through its wholly-owned subsidiary, CITIC Telecom International CPC Limited ("CITIC Telecom CPC"), across the Asia Pacific region. CITIC Telecom CPC is a preferred partner of leading multinational corporations and business enterprises.

CITIC Telecom holds 99% interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM"), one of Macau's leading integrated telecom services provider. CTM, the only full telecom service provider in Macau, is a long-time leader in providing world-class telecom services to Macau residents and enterprises while playing a major role in the ongoing development of Macau.

CITIC Group Corporation, one of the largest commercial organisations in the People's Republic of China, is the ultimate holding company of CITIC Telecom.

Evaluating and Accounting for Projects

Before a company invests in a new or expanded business it will evaluate if the project will produce a cash inflow during its life (generally from sales of a product) that recovers the cost of the initial investment, and a return to the shareholders. The initial investment includes not only physical equipment and the cost of its installation, but also interest on loans used to finance the development and other costs.

During the life of the project the likely net cashflow will be recalculated and compared with the cost of the project or business. If the projection shows that the net cashflow is not enough to recover the investment, the owner will record an "impairment loss" in the profit and loss account. This is not a cash loss. It is merely the result of an evaluation based on assumptions that may or may not prove to be correct. Some of these assumptions may be up to 30 years ahead. While experts assist in making these assumptions, they can not possibly to be absolutely right. They are re-visited periodically. The assumptions in the long distant future are of less significance than those nearby because the net cashflow is reduced in value by "discounting" at an interest rate which itself is an important assumption.

The evaluation of a business takes place at the smallest unit that can generate cash inflows on its own. In the case of our steel business, it will be an individual factory or product line; properties generally are evaluated individually. Our iron ore business segment is an interesting case. It is easy to separate the shipping business and evaluate its future. The majority of the iron ore assets are the mine and a huge range of integrated industrial processes that end up placing iron ore concentrate in a stockyard. These assets are one cash generating unit. This has consequences in the profit and loss account.

In the profit and loss account two expenses are important – depreciation and interest. Depreciation is not a cash outflow so it does not affect the economics of the business. Interest is most likely a cash outflow but it is considered in valuing the business not as an expense but by calculating an internal rate of return.

In the case of Sino Iron, depreciation starts when the integrated business starts commercial production. At present, we are in trial production but expect to enter into commercial production in 2014. Other than some relatively minor assets such as earthmoving equipment with a shorter useful life, most of the fixed plants will be depreciated on a "unit of production" method. An estimate is made of the total tonnes of production of the mine over its lifetime and depreciation is applied per tonne of actual production. As depreciation per tonne matches a cash inflow from sales of that tonne, income should exceed the non-cash depreciation. The mine itself has been in operation for some years, and the earthmoving equipment is depreciated over its useful life. This could be quite complicated as each individual piece of equipment has its own operating life.

Including interest in the cost of an asset stops when the asset is ready for production. As much of the equipment is ready for production, interest that previously was added to the cost of the asset on the balance sheet will become an expense in the profit and loss account. This will make the unit cost high in 2014 and 2015 because production will be significantly less than the full capacity of the installed equipment. This is because only two of the six grinding lines at the heart of the industrial process will be in operation by the end of 2014. They have a nominal capacity of 4 million tonnes each. The full nominal capacity of all six lines is 24 million tonnes.

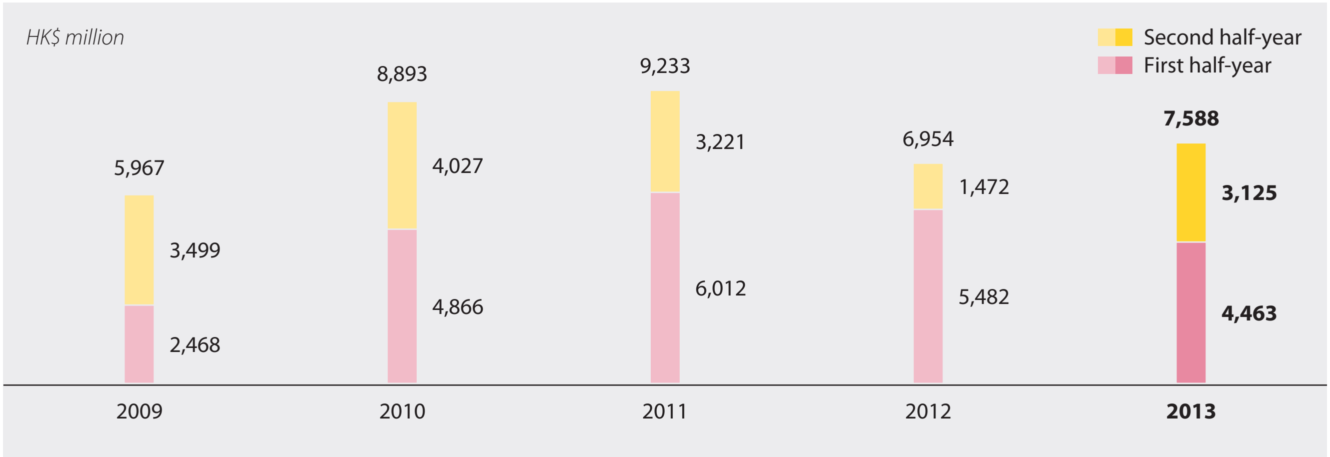
Although depreciation and interest will likely create a loss in the Sino Iron profit and loss account until the grinding mills are in commercial production at a greater scale, the economic value of the Sino Iron project is not affected as it is evaluated using likely cash flows (in and out) over the life of the project.

Financial Review

Overview

Profit attributable to ordinary shareholders

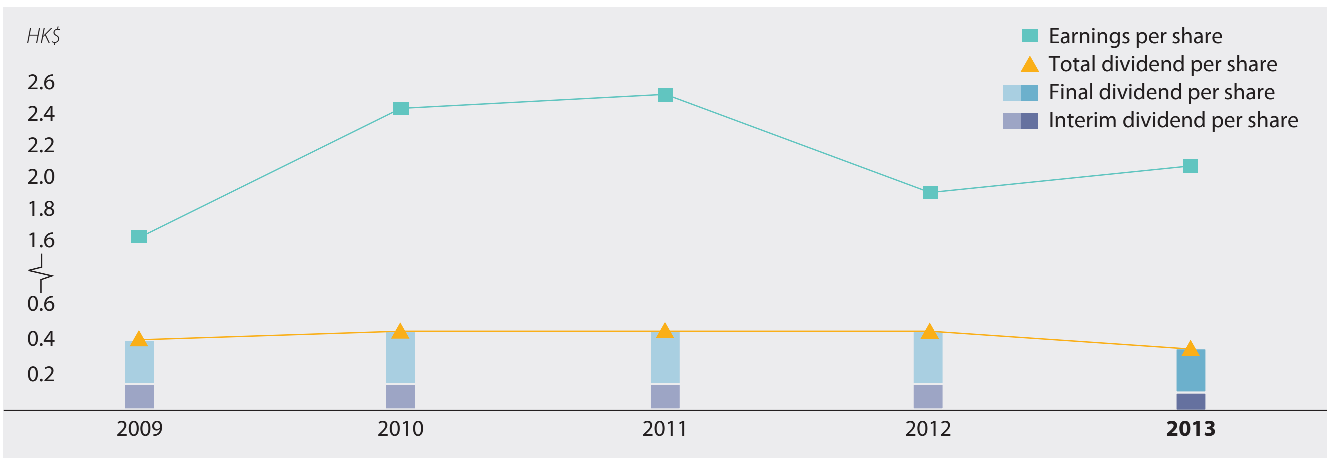
During 2013, the Group achieved a profit attributable to ordinary shareholders of HK$7,588 million, representing an increase of 9% year-on-year. Profit from underlying business operations was HK$4,901 million, 42% above 2012. Special steel improved significantly as a result of a higher profit margin and the acquisition of the additional 25% interest in Xingcheng Phase II. The energy sector also recorded outstanding performance, increasing its attributable profit by 60%, due to more electricity sold by Ligang power station and lower coal prices. These satisfactory results were partially offset by a loss of HK$1.6 billion in the iron ore business, largely represented by the interest expense associated with the assets now ready for operation.



Earnings per share and dividends

Earnings per share for profit attributable to ordinary shareholders were HK$2.08 in 2013 compared with HK$1.91 in 2012, an increase of 9%. The number of shares outstanding was 3,649,444,160 on both 31 December 2012 and 2013.

A final dividend of HK$0.25 per share will be recommended to ordinary shareholders for approval at the annual general meeting. Together with the interim dividend of HK$0.10 per share paid in September 2013, the total ordinary dividend will be HK$0.35 per share, compared with HK$0.45 for the previous year. This equates to an aggregate cash distribution of HK$1,277 million.

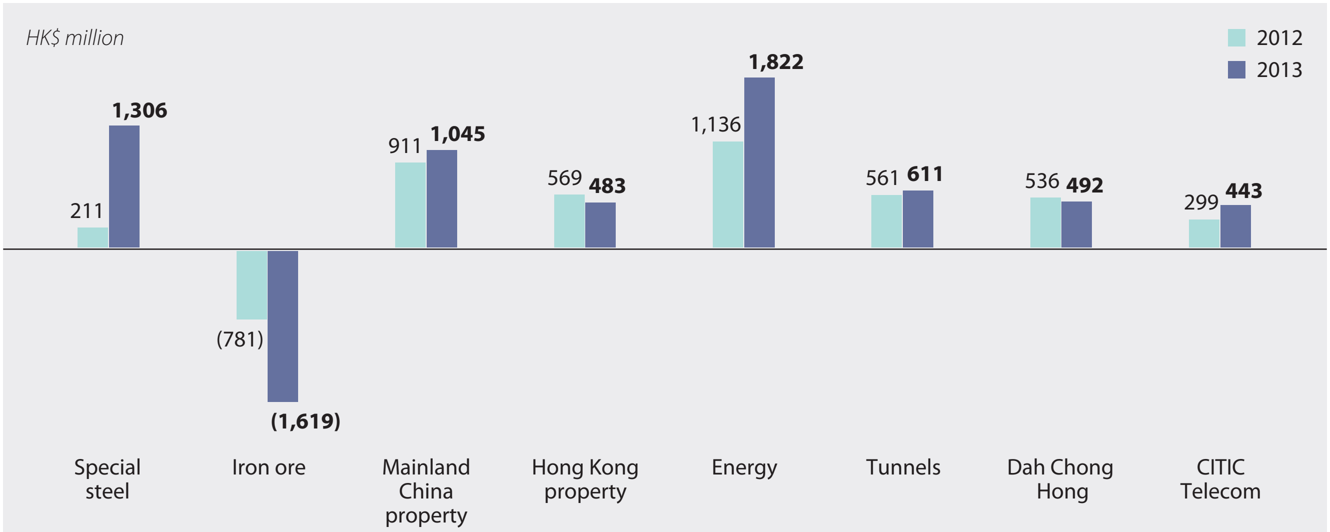


Attributable profit / (loss) and assets by business

	Attributable profit/(loss)		Assets as at 31 December		Return on assets ^	
In HK$ million	**2013**	2012	**2013**	2012	**2013**	2012
Special steel	**1,306**	211	**58,429**	55,622	**2%**	1%
Iron ore	**(1,619)**	(781)	**88,134**	81,577	**(2)%**	(1)%
Mainland China property	**1,045**	911	**46,126**	40,623	**2%**	2%
Hong Kong property	**483**	569	**17,118**	15,573	**3%**	4%
Energy	**1,822**	1,136	**9,784**	9,716	**19%**	12%
Tunnels	**611**	561	**2,183**	2,208	**34%**	33%
Dah Chong Hong	**492**	536	**21,627**	20,306	**4%**	5%
CITIC Telecom	**443**	299	**3,893**	3,733	**12%**	14%
Other investments	**318**	14	**3,792**	3,574	**9%**	–%
Underlying business operations	**4,901**	3,456	**251,086**	232,932		
Gain on disposal of assets	**2,511**	2,850				
Fair value change in investment properties	**1,652**	1,547				
Others	**(1,476)**	(899)				
Profit attributable to ordinary shareholders	**7,588**	6,954				

^ Total earnings of the business divided by average total assets of the business

Attributable profit / (loss) by business



Special Steel: The underlying operating attributable profit for 2013 improved against the previous year. Despite a reduction of 7% in the overall price of our products for 2013 as compared with 2012, the margin was enhanced by a lower cost of major raw materials utilised in production. A total of 7.24 million tonnes of special steel products were sold during the year, 11% more than the previous year. In addition, the operating results were HK$160 million higher than the previous year due to the increase of our shareholding in Xingcheng Phase II to 100%.

Iron Ore: The attributable loss in 2013 was HK$838 million higher than the previous year, reflecting an increase in loan interest associated with equipment now completed, as well as a HK$381 million impairment loss provision mainly due to the cancellation of construction of a pellet plant for the mining project. For the purpose of segment analysis, iron ore includes the mining operation in Western Australia, the 12 mini-cape vessels intended to carry the mine's iron ore, and a trading and ship management business in Singapore.

Mainland China Property: Higher net attributable profit for 2013 was due primarily to the sale of CITIC Plaza Shenhong in the second half. This was partially offset by fewer properties handed over in the Shanghai Lu Jia Zui development as compared with the previous year. While sales of properties were excellent in 2013, the profit will not be recognised until delivery in later years. Deliveries in Shanghai fell but this was compensated partially by Hainan project Phase II (the Starbury) and III (the Yard of Islands) during 2013. The leasing business was comparatively steady, with occupancy rates of our investment properties at approximately 88% on 31 December 2013, which was comparable with preceding years.

In HK$ million	**2013**	2012	Increase/(Decrease)	
Sales	**1,084**	783	301	38%
Leasing	**422**	392	30	8%
Others and operating expenses	**(461)**	(264)	(197)	(75)%
Total	**1,045**	911	134	15%

Hong Kong Property: Earnings from the leasing business benefited from the rising rental and occupancy rates of our investment properties in Hong Kong. For property development, an operating loss was shared from our associated company, Hong Kong Resorts, during 2013, due to a charge related to common facilities at Discovery Bay. This was partially compensated by earnings on the sales recognised, which were lower than the previous year when fewer properties were handed over.

In HK$ million	**2013**	2012	Increase/(Decrease)	
Property development	**(33)**	158	(191)	n/a
Leasing	**516**	411	105	26%
Total	**483**	569	(86)	(15)%

Energy: The increase in the Energy division's attributable profit was contributed by the lower price of coal and more units of electricity sold in the power generation business as compared with the previous year. Lower earnings from the coal mine in Shandong were mainly due to a drop in coal prices, despite increases in sales volume and coal production.

In HK$ million	**2013**	2012	Increase/(Decrease)	
Power generation	**1,402**	696	706	101%
Coal	**420**	440	(20)	(5)%
Total	**1,822**	1,136	686	60%

Tunnels: Higher earnings were mainly attributable to the increase in Western Harbour Tunnel's toll rates, which went into effect on 1 January 2013. Both tunnels also saw growth in market share and volume of traffic between Hong Kong and Kowloon as compared with the previous year. Average daily traffic through the two tunnels increased 2%.

Dah Chong Hong: The 8% decrease in our share of attributable profit was mainly due to a 41% reduction in segment profit from the China motor business upon discontinuation of the Bentley distributorship in the PRC at the end of 2012. However, the motor business in Hong Kong and Macau remained robust with a 59% increment in segment profit due to increased sales of commercial vehicles and strong sales growth in new passenger vehicle models. The motor business in other markets also turned around with an increase in attributable profit from the Isuzu business in Singapore and Taiwan. The food and consumer products business also outperformed the previous year as both sales of fast moving consumer goods and the attributable profit from the upstream food processing business increased.

CITIC Telecom: The increase in the attributable profit was mainly due to the first time consolidation of a 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. ("CTM") and the gain resulting from the accounting treatment on the increase in equity interest from 20% to 99% in CTM, partially offset by exceptional items mainly including the related transaction costs and impairment on investments. Our share of CITIC Telecom's results declined after the reduction in our interest from 61% to 42% in February 2013.

Gain on Disposal of Assets: One-off gains of HK$2,511 million for 2013 included the following items:

- an amount of HK$2,055 million which comprised a disposal gain of an 18.6% interest in CITIC Telecom and a fair value gain on our remaining shares;
- an amount of HK$362 million of negative goodwill recognised following our acquisition of a 25% interest in Xingcheng Phase II and a fair value gain on our existing shares in the business immediately after the acquisition; and
- an amount of HK$94 million out of the dilution of our interest in a steel plant in Wuxi from 100% to 50%.

The gain in 2012 was made from the sale of our entire interest in CITIC Guoan and properties at Tai Chi Factory Building in Hong Kong.

Change in the Fair Value of Investment Properties: The fair value of investment properties increased by HK$1,652 million in 2013. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong.

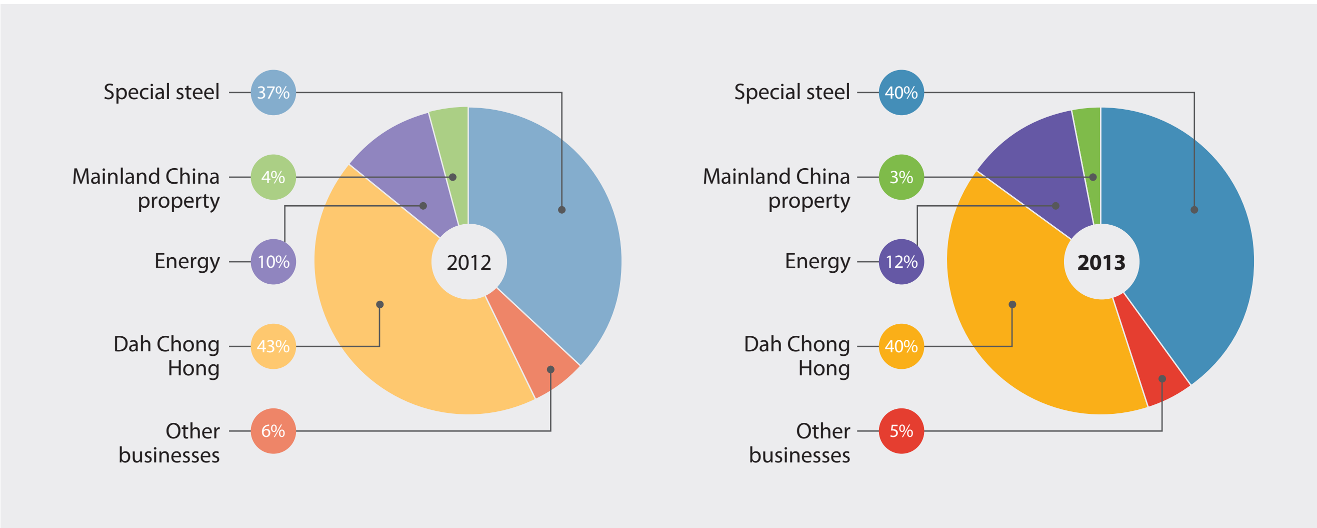
Others: These are mainly net unallocated finance charges and the profit attributable to holders of perpetual capital securities.

Group Financial Results

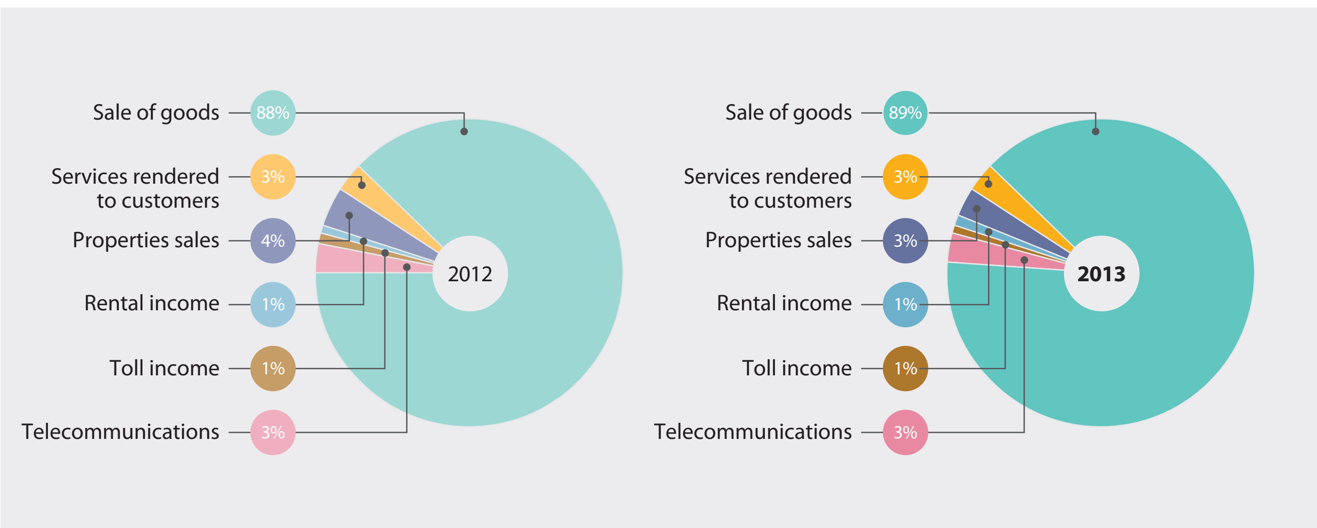
Revenue

If we include share of revenue from joint ventures and associated companies as stipulated in Notes 17 and 18 of the financial statements of the Annual Report, as well as the Western Harbour Tunnel, revenue from operations fell 5% from HK$109,848 million in 2012 to HK$104,382 million in 2013, primarily due to the decrease in revenue of HK$6 billion in Dah Chong Hong resulting from the discontinuation of the Bentley distributorship in the PRC at the end of 2012 and the drop in demand for imported heavy duty commercial vehicles in line with the slowdown of China-based infrastructure projects. Revenue of HK$1.2 billion from mainland China property decreased because fewer properties were handed over. This was partially offset by an increase in revenue from Energy and Special steel as a result of higher sales volumes.

By business



By nature



Net finance charges

Total finance charges increased 10% from HK$5,228 million in 2012 to HK$5,747 million in 2013, due to increased borrowing of HK$4 billion as compared between the two years, and higher average borrowing costs for 2013 as compared with the previous year. Average cost of debt was 4.5% in 2013.

Capitalised interest, which was mainly attributable to the development of our mining operation in Australia, dropped from HK$3,513 million in 2012 to HK$2,471 million in 2013 as some of the facilities became ready for their intended use during the year.

After inclusion of other finance charges and netting off with finance income, the net finance charges increased by HK$1,606 million to HK$2,748 million in 2013, of which HK$1,321 million was attributed to the Iron ore segment.

Taxation

Taxation in 2013 decreased 27% to HK$978 million as compared with the previous year. This was in line with the decrease in profit from consolidated activities after deduction of net finance charges.

Group Cash Flows

In HK$ million	**2013**	2012	Increase/(Decrease)	
Source of cash:				
Cash inflows from business operations	**8,595**	7,519	1,076	14%
Other cash inflows				
Net proceeds of divestment of businesses	**2,419**	4,299	(1,880)	(44)%
Dividends received and loan repayment from joint ventures and associated companies	**3,187**	1,966	1,221	62%
Proceeds of sale of fixed assets and investment properties	**311**	1,083	(772)	(71)%
Others	**928**	785	143	18%
	6,845	8,133	(1,288)	(16)%
	15,440	15,652	(212)	(1)%
Increase in net borrowings	**3,845**	18,277	(14,432)	(79)%
Issue of perpetual capital securities	**7,725**	–	7,725	n/a
	27,010	33,929	(6,919)	(20)%
Use of cash:				
Capital expenditure*	**(14,933)**	(23,162)	(8,229)	(36)%
Dividends paid to ordinary shareholders	**(1,460)**	(1,642)	(182)	(11)%
Distribution made to holders of perpetual capital securities	**(796)**	(461)	335	73%
Interest paid	**(5,472)**	(4,724)	748	16%
Other cash outflows	**(4,628)**	(927)	3,701	399%
	(27,289)	(30,916)	(3,627)	(12)%
Net increase/(decrease) in cash	**(279)**	3,013	(3,292)	n/a

* Capital expenditure analyses on page 61 include capitalised interest of HK$2,471 million (2012: HK$3,513 million)

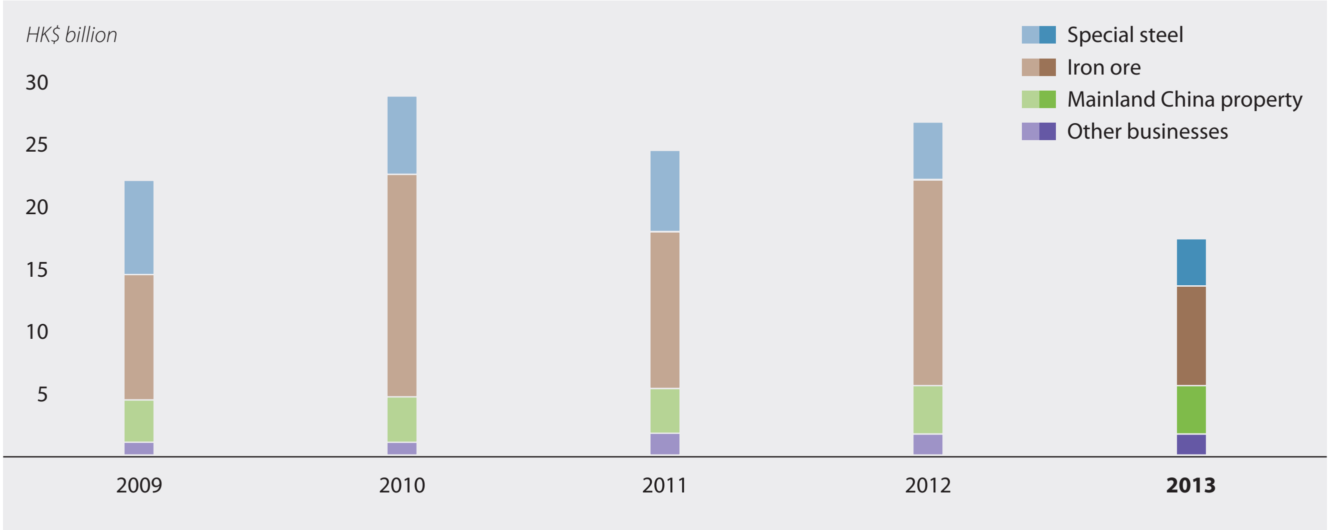
Cash generated from our business operations for 2013 increased 14% to HK$8.6 billion, primarily because more cash was generated from our property business in the PRC as a result of increased pre-sales. Other cash receipts in 2013 included proceeds from the disposal of CITIC Plaza Shenhong in Shanghai, as well as HK$773 million from the disposal of our 18.6% interest in CITIC Telecom, which was directly offset by a cash outflow of HK$758 million to subscribe for the rights issue of CITIC Telecom to maintain our level of shareholdings. Including an issue of US$1 billion in perpetual capital securities and an increase in net borrowing of HK$3.8 billion, total sources of cash in 2013 amounted to HK$27 billion.

The Group also acquired a 25% interest in Xingcheng Phase II for a consideration of HK$659 million, making it a wholly-owned subsidiary of the Group. Including this transaction, capital expenditure outflows during the year were around HK$15 billion, 36% lower than the previous year. More details on capital expenditure can be found on page 61. Other cash outflows mainly comprised an increase in non-current deposit payments in relation to special steel plants and the iron ore project, as well as an investment in bank deposits with maturity over three months. Together with dividends paid to ordinary shareholders, distribution to holders of perpetual capital securities, interest paid and various other payments, the total use of cash in 2013 was HK$27 billion, breaking even with the total sources of cash.

Source of cash by business

	2013			2012		
In HK$ million	**Cash flow from business operation**	**Other cash inflows**	**Total**	Cash flow from business operation	Other cash inflows	Total
Net cash inflow/(outflow):						
Special steel	**5,082**	**228**	**5,310**	4,704	641	5,345
Iron ore	**(616)**	**1**	**(615)**	(390)	3	(387)
Mainland China property	**3,994**	**3,011**	**7,005**	1,210	1,293	2,503
	8,460	**3,240**	**11,700**	5,524	1,937	7,461
Hong Kong property	**392**	**607**	**999**	246	259	505
Energy	**130**	**1,897**	**2,027**	(167)	644	477
Tunnels	**577**	**282**	**859**	554	3	557
Dah Chong Hong	**(505)**	**488**	**(17)**	1,253	609	1,862
CITIC Telecom	**53**	**120**	**173**	289	220	509
Others	**(512)**	**211**	**(301)**	(180)	4,461	4,281
	8,595	**6,845**	**15,440**	7,519	8,133	15,652

Capital expenditure



In HK$ million	**2013**	2012	Increase/(Decrease)	
Special steel	**3,705**	4,613	(908)	(20)%
Iron ore	**8,169**	16,512	(8,343)	(51)%
Mainland China property	**4,040**	3,855	185	5%
	15,914	24,980	(9,066)	(36)%
Others	**1,490**	1,695	(205)	(12)%
	17,404	26,675	(9,271)	(35)%

In 2013, the capital expenditure in our special steel business was mainly comprised of additional shares in Xingcheng Phase II and expenditure for the high speed wire product plant at Xingcheng, the Jiangdu pellet plant and renovation of existing plants at Xingcheng and Daye.

Capital expenditure for the iron ore business included continuing expenditure for the construction of the production lines and common facilities, and capitalised interest.

Capital expenditure for our property development projects on the mainland was higher during 2013, mainly due to a relocation expense for current residents at our Westgate Garden development site in Shanghai.

Capital commitments

As at 31 December 2013, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies amounted to HK$5 billion.

Future capital expenditures will be funded by the Group's cash and deposits, as well as available credit facilities. Pages 70 to 72 describe the HK$35 billion of cash and deposits held by the Group and HK$13 billion of available committed facilities as at 31 December 2013.

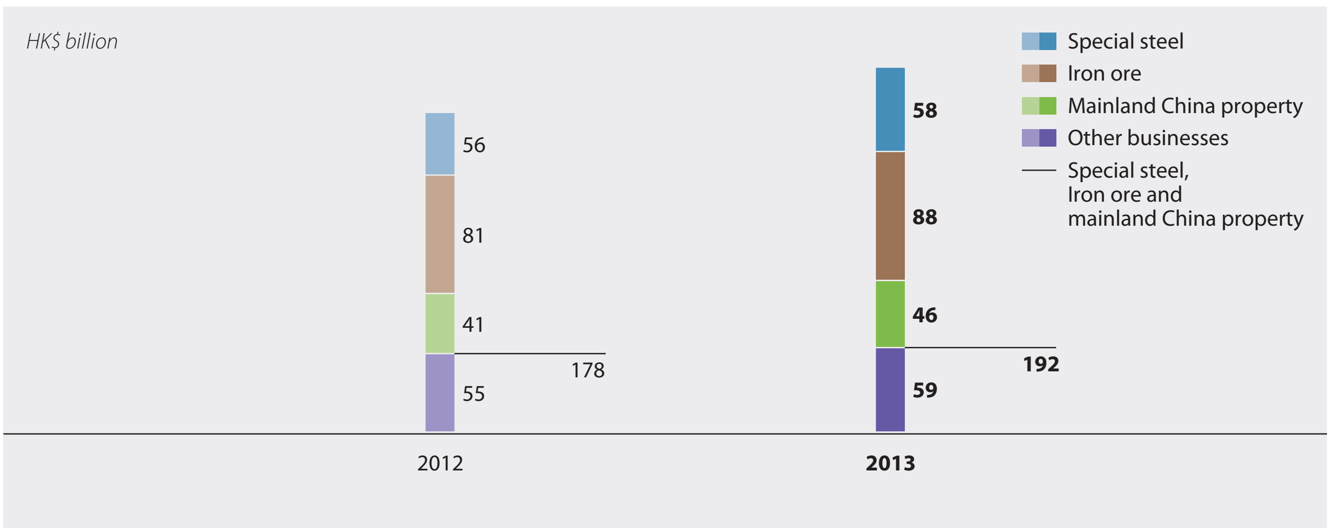
Group Financial Position

In HK$ million	**As at 31 December 2013**	As at 31 December 2012	Increase/(Decrease)		Note to the Summary Financial Statements
Total assets	**267,779**	247,386	20,393	8%	
Fixed assets and properties under development	**138,705**	129,184	9,521	7%	4
Derivative financial instrument assets	**86**	376	(290)	(77)%	
Derivative financial instrument liabilities	**2,697**	4,978	(2,281)	(46)%	
Inventories	**14,660**	11,803	2,857	24%	
Net debt	**85,660**	83,808	1,852	2%	
Total ordinary shareholders' funds and perpetual capital securities	**101,763**	84,678	17,085	20%	

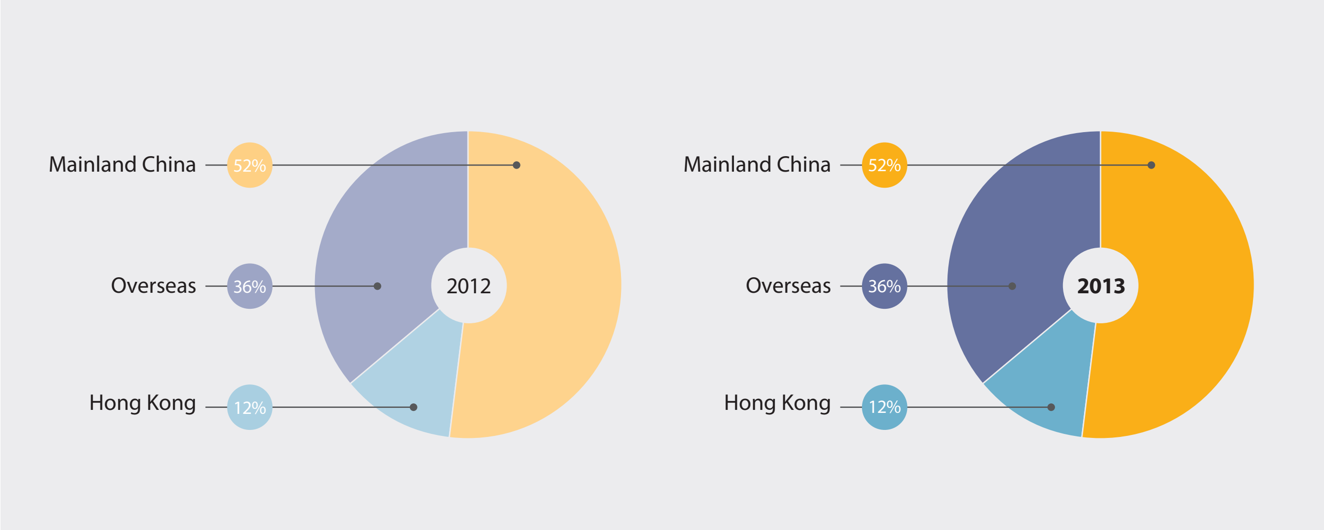
Total assets

Total assets increased from HK$247,386 million at the end of 2012 to HK$267,779 million at the end of 2013. Continuing construction and installation of equipment for the iron ore mine were the main drivers of the increase in business assets, which are analysed below:

By business

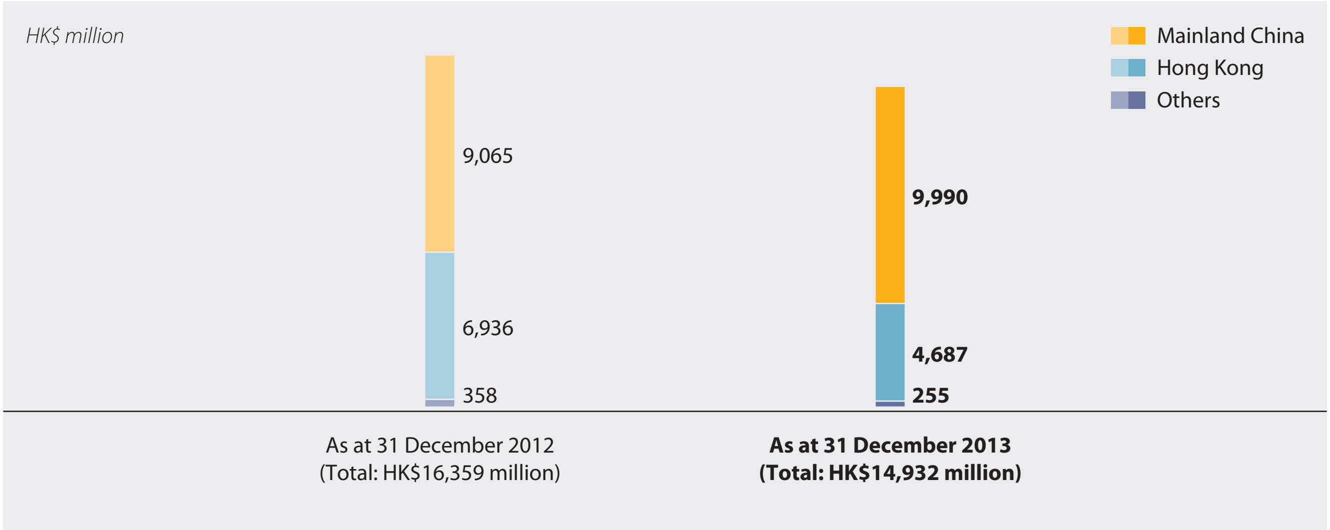


By geography



Fair value of investment properties

Fair value of investment properties directly held by the Group decreased from HK$16,359 million as at 31 December 2012 to HK$14,932 million as at 31 December 2013, despite a general upward revaluation for the year, due to the disposal of DCH Commercial Centre, an office tower in Hong Kong, in January 2014. The property was classified as an asset held for sale at the end of 2013 for accounting purposes. The breakdown by geographical location is shown below:



Derivative financial instruments

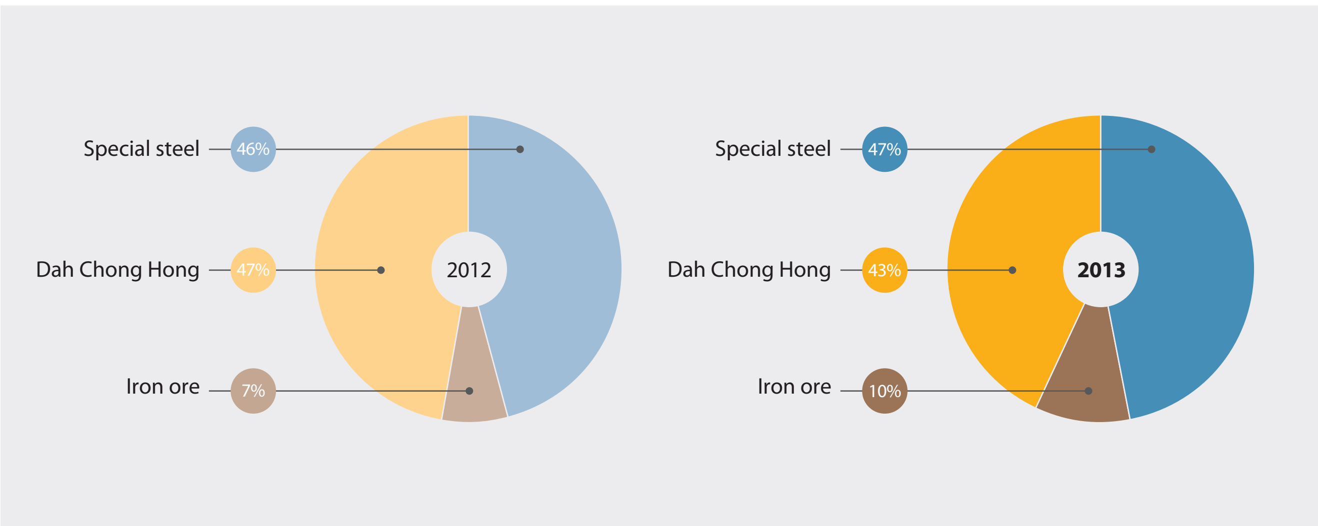
As at 31 December 2013, the Group had gross outstanding derivative instruments amounting to HK$29 billion. These derivative instruments had a negative fair value of HK$2.6 billion on 31 December 2013. All the derivative instruments were to fix interest rate and/or foreign currency exposure. The valuation loss in interest rate swaps arose because current interest rates are below the interest rates fixed by the swaps. The breakdown by type of derivative financial instrument is shown below:

	Notional amount		Fair value as at	
In HK$ million	**31 December 2013**	31 December 2012	**31 December 2013**	31 December 2012
Forward foreign exchange contracts	**2,225**	1,018	**(91)**	180
Interest rate swaps	**26,143**	29,929	**(2,596)**	(4,969)
Cross currency swaps	**642**	644	**76**	187
	29,010	31,591	**(2,611)**	(4,602)

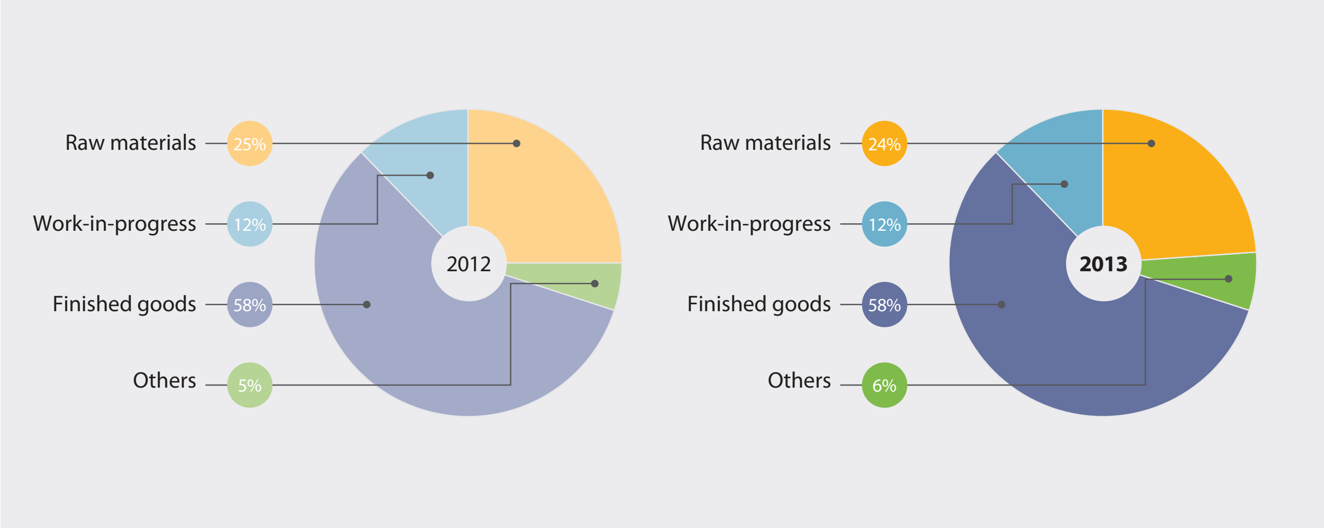
Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. Inventories as at 31 December 2013 increased 24% as compared with 31 December 2012, due primarily to an increase in finished special steel products, motor vehicle stocks and fast moving consumer products. The breakdown of inventories by business and by type is shown below:

By business

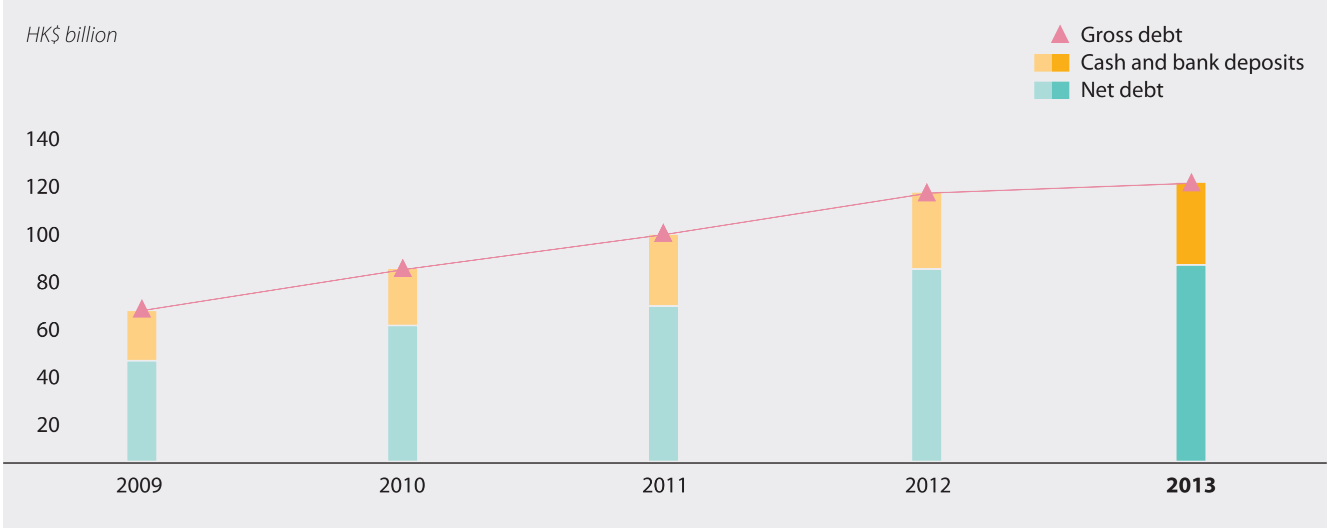


By type



Net debt

Financing of needs during 2013 was met by a 2% increase in net debt and the proceeds from the issuance of perpetual capital securities. More details on outstanding debts and available loan and trade facilities can be found on pages 67 to 72.



Total ordinary shareholders' funds and perpetual capital securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK$84,678 million as at 31 December 2012 to HK$101,763 million as at 31 December 2013, due to the issuance of US$1 billion in perpetual capital securities during the year, plus the profit and other comprehensive income for the year, offset by dividends paid to ordinary shareholders and distribution to holders of perpetual capital securities of HK$2,256 million.

Risk Management

Each day, every business faces numerous risks at many different levels, so primary responsibility for risk management of each employee at CITIC Pacific is in his day-to-day activities. One of the essential elements of corporate governance is to ensure that these risks are identified and appropriately controlled.

Many parts of this annual report refer directly or indirectly to various risks faced by our businesses, but in this section key financial risks are addressed. Other non-financial risks, such as business, operational and other external risks associated with CITIC Pacific's businesses, are also briefly discussed later in this section.

Overall risk management starts with the board of directors. The board has established asset and liability management, audit, executive, investment, nomination and remuneration committees whose activities play important roles in the overall control of various risks faced by CITIC Pacific. For details on how various risks are assessed and managed by these committees, please refer to the "Key control policies and measures" in the Corporate Governance section on page 100 of this annual report.

Financial Risk

Governance structure

The asset and liability management committee ("ALCO") was set up by the board to oversee and monitor the financial risk exposures of CITIC Pacific. At each meeting, the board receives reports of the financial results and the financial positions of CITIC Pacific, both current and projected. Written reports are provided to directors on all businesses identical to those reviewed by management at executive committee meetings. ALCO's major functions are asset and liability management ("ALM") and treasury risk management.

The group treasury department, headed by the group treasurer, is responsible for implementing the Treasury and Financial Risk Management Policy ("treasury policy", see Governance policy below), and communicating ALCO decisions to operating units, monitoring adherence and preparing relevant management reports to be presented to ALCO, the executive committee and the board.

All business units, whether they are subsidiaries, associates or joint ventures, are responsible for managing their financial risk positions within the confines of the overall risk framework and specific delegations defined by ALCO. They are responsible for identifying areas of risk and managing thereafter within their organisations and reporting those risks to ALCO on a timely basis.

Listed subsidiaries including Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs within the framework of CITIC Pacific's treasury policy.

Governance policy

The basic framework for financial risk management has been developed and is defined in the treasury policy approved by ALCO. This treasury policy is subject to periodic review so as to incorporate the latest risk standards in the market and/or business developments in CITIC Pacific.

The treasury policy sets out control requirements and ensures alignment and consistency in which the major financial risks are dealt with, from identification, quantification and evaluation to final reporting to ALCO for its decisions on both ALM and treasury risk management.

Financial Risk Management

Asset and liability management

One of the main functions of ALCO is asset and liability management. CITIC Pacific's investments in different businesses are financed by a mixture of long-term debt, short-term debt and equity including perpetual capital securities. CITIC Pacific manages its capital structure to finance its overall operations and growth by using different sources of funds. The type of funding is targeted to match the characteristics of our underlying business.

Debt and leverage

Debt

As at 31 December 2013, total outstanding debt of CITIC Pacific Limited and its subsidiaries amounted to HK$121,144 million. Total debt increased by HK$4.2 billion in 2013. Facilities totalling HK$34.5 billion were established or renewed during the period (HK$18.9 billion by CITIC Pacific Limited and HK$15.6 billion by its subsidiaries). The new facilities included US$500 million notes due in 2020 and HK$500 million notes due in 2018 issued under a medium-term note programme, and RMB500 million notes due in 2016 under another medium-term note programme in mainland China. Net debt increased by HK$1.9 billion from the end of 2012 to the end of 2013.

Total debt and net debt of CITIC Pacific Limited and its subsidiaries are as follows:

In HK$ million	**31 December 2013**	31 December 2012
Total debt	**121,144**	116,994
Cash and bank deposits	**35,070**	32,821
Net debt	**86,074**	84,173

For risk management purposes, the analysis of debt is based on the principal amount of borrowings, rather than the carrying value adopted for reporting in the financial statements which includes unamortised expenses.

Debt raised in the name of legal entities within each business segment is:

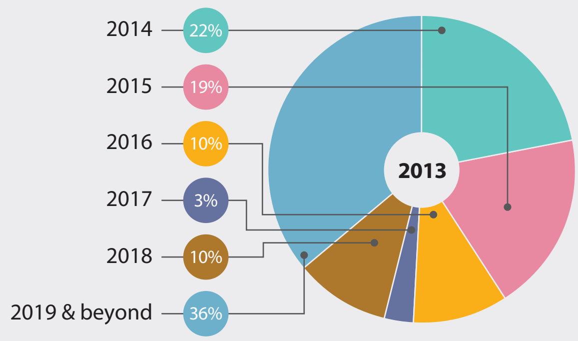
In HK$ million	**31 December 2013**	31 December 2012
Special steel	**13,346**	13,962
Iron ore	**27,737**	29,020
Vessels	**2,701**	2,886
Mainland China property	**776**	950
Dah Chong Hong	**7,435**	6,420
Corporate	**69,149**	63,731
Others	**–**	25
Total	**121,144**	116,994

The maturity profile of the debt outstanding as at 31 December 2013 is as follows:

In HK$ million	**Total outstanding debt**	**Maturing in these years**					
		2014	2015	2016	2017	2018	2019 and beyond
Corporate	**69,149**	10,750	17,739	8,209	137	9,158	23,156
Subsidiaries	**51,995**	16,395	4,924	3,794	3,429	2,389	21,064
Total	**121,144**	27,145	22,663	12,003	3,566	11,547	44,220

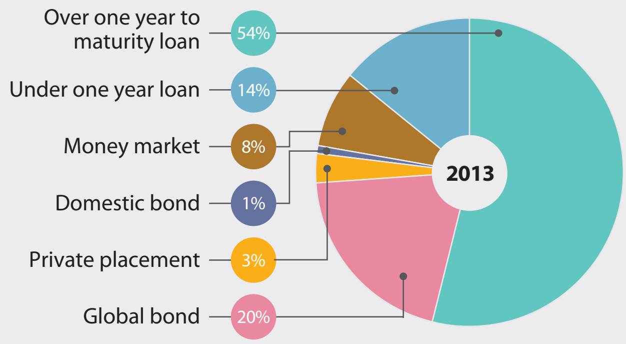
Total outstanding debt by maturity

As at 31 December 2013 (HK$121.1 billion)



Total outstanding debt by type

As at 31 December 2013 (HK$121.1 billion)



CITIC Pacific's non-consolidated businesses are classified as joint ventures or associated companies. Under Hong Kong generally accepted accounting standards, they are not consolidated in CITIC Pacific's financial statements but recorded in the consolidated balance sheet as CITIC Pacific's share of their net assets. The debts arranged by the joint ventures and associated companies are without recourse to their shareholders. None of these debts are guaranteed by CITIC Pacific Limited or its subsidiaries. Certain of CITIC Pacific's associates such as Hong Kong Resort Company Ltd, which develops property projects in Discovery Bay, are 100% financed by their shareholders and do not have any external borrowings.

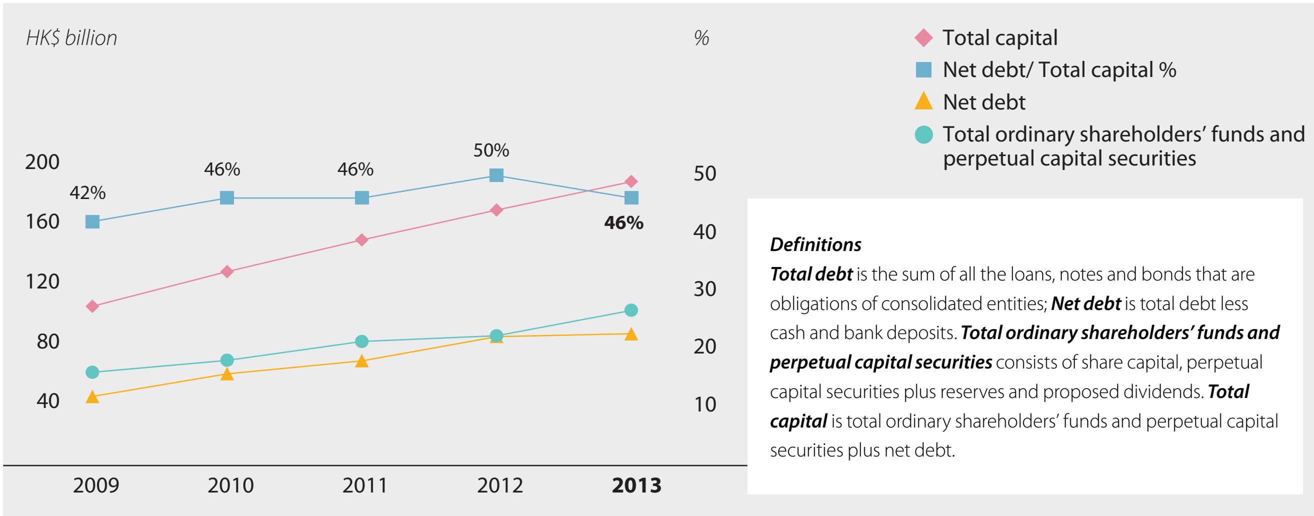
The following table shows the net debt/cash position of joint ventures and associated companies by business sector as at 31 December 2013:

In HK$ million	**Total net debt/ (cash)**	**Proportion of net debt/(cash) attributable to CITIC Pacific**
Special steel	137	40
Mainland China property	(5,727)	(2,863)
Hong Kong property	(678)	(335)
Energy	9,959	4,893
Tunnels	(305)	(107)
Dah Chong Hong	168	93
CITIC Telecom	6,861	2,842
Other investments	287	(135)
Total	**10,702**	**4,428**

Leverage

As at 31 December 2013, net debt was HK$86.1 billion, and total ordinary shareholders' funds and perpetual capital securities were HK$101.8 billion. Net debt divided by total capital is the measure of our balance sheet leverage. This ratio was 46% at the end of 2013. The drop from 50% in 2012 is mainly due to the increase in ordinary shareholders' funds and the issuance of US$1 billion of perpetual capital securities in 2013.

Leverage



Definitions

Total debt is the sum of all the loans, notes and bonds that are obligations of consolidated entities; ***Net debt*** is total debt less cash and bank deposits. ***Total ordinary shareholders' funds and perpetual capital securities*** consists of share capital, perpetual capital securities plus reserves and proposed dividends. ***Total capital*** is total ordinary shareholders' funds and perpetual capital securities plus net debt.

Liquidity risk management

Liquidity risk is in essence managed alongside ALM. The objective of liquidity risk management is to ensure that CITIC Pacific always has sufficient cash to meet its liabilities and has the flexibility to respond to opportunities by making sure that undrawn committed facilities are available to meet future funding and working capital requirements.

CITIC Pacific's liquidity management procedures involve regularly projecting cash flows in major currencies and considering the level of liquid assets and new financings necessary to meet these cash flow requirements. Every month, cash flow projections for three years are reviewed and revised by business units and ALCO, and financing actions are taken accordingly.

How is the Australian mining development financed?

Since 2006, CITIC Pacific's subsidiary, Sino Iron, has been building our iron ore mine in Australia.

The mine's development is being financed by three amortising loan facilities with an outstanding sum of US$3.6 billion as at 31 December 2013 maturing between 2028 and 2030, and by shareholder loans and equity from CITIC Pacific. The loans are in USD because they will be repaid from the sales of iron ore, which is priced in USD. Sino Iron prepares its financial statements in USD, which is its ***functional currency***. Expenditure on equipment, civil works and operational costs may not be in USD – an example being staff salaries, which are mostly paid in AUD – resulting in foreign exchange risks, which are discussed later.

As at the end of 2013, CITIC Pacific maintained borrowing relationships with over 40 major financial institutions based in Hong Kong, mainland China, Taiwan and other countries. In addition, CITIC Pacific has established cooperative agreements with major banks in mainland China under which CITIC Pacific can apply for credit facilities for projects in mainland China. The banks' approval is required on a project-by-project basis.

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. Our policy is to diversify the sources of funding as much as possible through the increasing use of the capital market to supplement bank borrowings and to maintain a mix of staggered maturities to minimise refinancing risk.

The following sub-sections reflect CITIC Pacific's ALM and liquidity positions in various aspects:

Available sources of finance

CITIC Pacific aims at maintaining the cash balance and undrawn committed banking facilities at a reasonable level to cover the debt repayments in the upcoming year as well as to support the on-going business development of CITIC Pacific. The cash and deposits balance together with the undrawn committed banking facilities as at 31 December 2013 was HK$48.1 billion.

In addition to the cash and deposits balance of HK$35.1 billion as at 31 December 2013, CITIC Pacific had available loan and trade facilities of HK$26.7 billion, of which HK$13 billion was undrawn committed banking facilities. Loans can be drawn under these committed facilities before the contractual expiry dates.

The following table summarises CITIC Pacific's cash and deposit balances by location and currency:

In HK$ million	Total	US$	HK$	RMB	AUD	SGD	Others
Mainland China	21,579	1,121	103	20,334^	-	-	21
Hong Kong	12,678	8,476	4,169	25	-	-	8
Australia	500	402	-	1	59	-	38
Singapore	205	184	-	4	-	13	4
Others	108	23	-	1	-	-	84
Total	**35,070**	**10,206**	**4,272**	**20,365**	**59**	**13**	**155**

^ Includes in cash and bank deposits, there is a bank deposit of RMB625 million (equivalent to HK$795 million) received in an escrow account from CITIC Bank for construction of a property located in Shanghai to be delivered to them on completion.

The following table summarises CITIC Pacific's funding by type of bank facility:

In HK$ million	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Committed facilities				
Loans for more than one year to maturity	75,497	64,865	10,632	40%
Loans with maturity below one year	19,368	16,968	2,400	9%
	94,865	81,833	13,032	49%
Uncommitted facilities				
Money market lines and short-term facilities	17,567	9,771	7,796	29%
Trade facilities	8,840	2,935	5,905	22%
	26,407	12,706	13,701	51%
Total	**121,272**	**94,539**	**26,733**	**100%**

The following table summarises the outstanding bank facilities of CITIC Pacific by location of lenders:

In HK$ million	**Total financial facilities**	**Amount utilised**	**Available unutilised facilities**	**Percentage breakdown of unutilised facilities**
Bank borrowings				
Mainland China	65,955	58,517	7,438	28%
Hong Kong	50,021	35,330	14,691	55%
Others	5,296	692	4,604	17%
Total facilities	121,272	94,539	26,733	100%

Guarantees

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific Limited. The major exception is the iron ore mining project. For this project, CITIC Pacific Limited provides guarantees for the performance obligations under construction or procurement contracts, interest rate hedging transactions, foreign exchange hedging transactions and a total outstanding of US$3.6 billion in debt facilities. Other guarantees mainly include those provided for ship financing, a Japanese Yen bond and trade facilities for two subsidiaries.

Pledged assets

As at 31 December 2013, CITIC Pacific had a total of HK$76.4 billion of assets pledged for various facilities. Iron ore assets of HK$70.4 billion were pledged under its financing documents. Twelve ships with carrying value of HK$5.2 billion for transporting iron ore from the mine to steel plants in mainland China were pledged as security for the ships' financing. In addition, assets of HK$0.8 billion were pledged to secure banking facilities, which mainly related to Dah Chong Hong's mainland China and overseas business.

Financial covenants

Over the years, CITIC Pacific Limited has developed a standard loan document, including covenants to facilitate the management of its loan portfolio and debt compliance. CITIC Pacific Limited monitors these covenants on a regular basis and has been in compliance with them and any others applicable to a particular facility. The standard financial covenants are generally as follows:

	Covenant limit	Actual 31 December 2013
Minimum Consolidated Net Worth		
Consolidated Net Worth	≥ HK$25 billion	HK$102.4 billion
Gearing		
Consolidated Borrowing/Consolidated Net Worth	≤ 1.5	1.2
Negative Pledge		
Pledged Assets/Consolidated Total Assets	≤ 30%	0.3%

For the purpose of the above covenant limits, as defined in the relevant borrowing agreements:

"Consolidated Net Worth" means the aggregate of shareholders' funds, goodwill from acquisitions and developments having been written off against reserves or the profit and loss account, convertible debt and subordinated debt (including perpetual debt).

"Consolidated Borrowing" means the aggregate of all consolidated indebtedness for borrowed money (includes indebtedness arising under acceptances and bills of exchange other than in respect of goods or services acquired in the ordinary course of business) and all contingent obligations in respect of indebtedness for borrowed money other than the aforesaid consolidated indebtedness for borrowed money.

"Negative Pledge" allows certain exceptions, including but not limited to any security over any asset acquired or developed, which security is created to finance or refinance the acquisition or development of such asset.

Credit ratings

	S&P	Moody's
31 December 2013	BB (Negative)	Ba2 (Negative)

Standard & Poor's changed CITIC Pacific's rating from BB+ to BB with negative outlook in August 2013. In November 2013, Moody's followed suit referencing the slower than expected progress of the Sino Iron Project.

Despite the above, the current ratings still reflect the agencies' expectation that CITIC Pacific will continue to enjoy strong support from the CITIC Group as a strategically important subsidiary.

One of CITIC Pacific's risk management objectives is to improve its credit profile. CITIC Pacific expects that its overall operating and financial profiles will improve gradually after the iron ore mine starts to generate cash flow.

Treasury risk management

Treasury risk management essentially covers the following financial risks inherent in CITIC Pacific's businesses:

- Foreign exchange risk
- Interest rate risk
- Counterparty risk
- Commodity risk

Financial derivatives may be used to assist in the management of the above risks. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purposes. The use of derivative instruments is currently restricted by ALCO to interest rate swaps, cross currency swaps and plain vanilla forward foreign exchange contracts. The use of structured derivatives and instruments or contracts that contain embedded options would require presentation to and the specific approval of ALCO. None were submitted for approval in 2013. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged both in economic terms and under accounting rules.

CITIC Pacific has engaged Reval Inc. ("Reval"), a derivative risk management and hedge accounting solutions firm, to provide a system supported by consulting services to better monitor its derivatives portfolio and ensure compliance with the latest accounting standards. The valuations of the derivatives portfolio as at 31 December 2013 are in compliance with HKFRS 13, which is effective since 1 January 2013. The system provided by Reval has been upgraded to generate the valuations that were used in the compilation of this report. In addition, in December 2013 the group treasury department started to adopt the Treasury & Risk Management System called "Integrity", offered by SunGard Data Systems Inc. ("SunGard") to facilitate its operations and risk management of all treasury related activities. SunGard is one of the world's leading software and technology services companies in this field.

Foreign exchange risk

CITIC Pacific has major operations in Hong Kong, mainland China and Australia whose functional currencies are Hong Kong dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD"). Entities within CITIC Pacific are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. CITIC Pacific is subject to the risk of loss or profit due to changes in USD, RMB and Australian dollar ("AUD") exchange rates. There are also exposures to the Japanese Yen ("JPY") (from operations and assets related to DCH), Euro ("EUR") (from equipment and product purchases) and other currencies. In 2013, Mercer Investment (HK) Limited ("Mercer"), an external consultancy firm, was appointed to conduct an FX diagnostic review exercise for CITIC Pacific Limited and its major subsidiaries. Whilst Mercer highlighted a few areas for improvement in terms of system, reporting and policy, it was noted in the report that major foreign exchange risks (e.g. AUD exposure in our Australian mining operation) for CITIC Pacific as a whole have been properly identified and managed.

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

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

We strive to reduce currency exposures by matching assets with borrowings in the same currency to the extent possible. Our policy is to hedge transactions where value or time to execution will give rise to material currency exposure, provided that the cost of the hedging instrument is not prohibitively expensive in comparison to the underlying exposure. CITIC Pacific uses forward contracts and cross currency swaps to manage its foreign exchange risk. Hedging is only considered for firm commitments and highly probable forecast transactions.

The consolidated financial statement is presented in HKD, which is the CITIC Pacific group's presentation currency and CITIC Pacific Limited's functional and presentation currency. Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as this is not a cash exposure.

US Dollar (USD) – Being CITIC Pacific's main investment in businesses with functional currency denominated in USD, the iron ore business had USD gross assets of HK$85.3 billion as at 31 December 2013. Correspondingly, CITIC Pacific had HK$83.5 billion equivalent of US dollar debt, of which HK$46 billion equivalent was designated as a net investment hedge to minimise foreign currency exposure in the profit and loss account in the event of movements in the HKD/USD exchange rate.

Renminbi (RMB) – Businesses in mainland China had RMB gross assets of approximately HK$136 billion as at 31 December 2013, offset by debts and other liabilities of HK$47 billion. This gave CITIC Pacific an RMB net asset exposure of HK$89 billion as at 31 December 2013. Renminbi is currently not a freely convertible currency, and "registered capital", which usually accounts for at least one third of the total investment amount for projects in mainland China, may be required to be paid in foreign currency by foreign investors such as CITIC Pacific. This RMB investment risk is accepted by CITIC Pacific as a natural consequence of its strategy of investing in business related to the development of China.

Australian Dollar (AUD) – Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business, the Australian mining operation has adopted a policy to stabilise the effective exchange rate over time by entering into plain vanilla forward contracts to hedge part of its forecast future AUD expenditures up to one year ahead. As at 31 December 2013, the Australian mining operation had plain vanilla forward contracts with a notional amount of A$239 million outstanding with maturities up to November 2014.

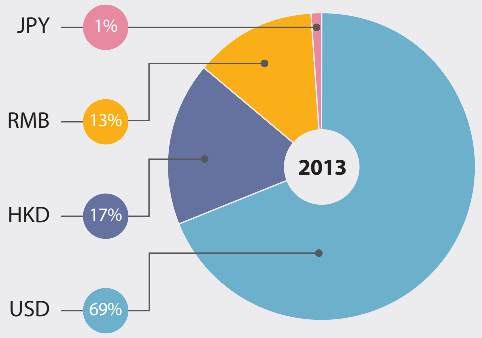
Japanese Yen (JPY) – CITIC Pacific issued a JPY8.1 billion bond in 2005. From an economic perspective, this JPY exposure is hedged through a cross currency swap into Hong Kong dollar floating rate payments. This swap does not qualify as an accounting hedge under the specific rules in HKAS 39, therefore changes in its fair value are reflected in the profit and loss account. The JPY bond is the only significant JPY exposure as at 31 December 2013.

The denomination of CITIC Pacific Limited and its subsidiaries' total debt and cash and bank deposit balances by currency as at 31 December 2013 is summarised as follows:

		Denomination				
In HK$ million equivalent	**Total**	**HK$**	**US$**	**RMB**	**JPY**	**Other**
Total debt in original currency	**121,144**	20,745	83,464	15,679	640	616
Total debt after conversion	**121,144**	21,231	83,706	15,679	154	374
Cash and bank deposits	**(35,070)**	(4,272)	(10,206)	(20,365)	(47)	(180)
Net debt/(cash) after conversion	**86,074**	16,959	73,500	(4,686)	107	194

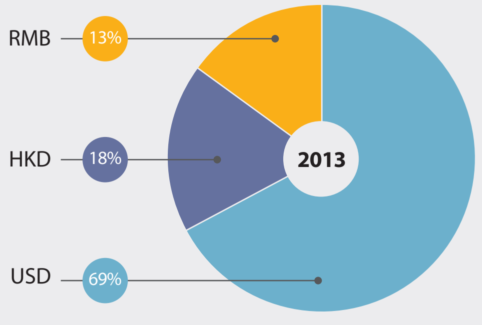
Total outstanding debt by currency

As at 31 December 2013 (HK$121.1 billion)



Outstanding debt after conversion

As at 31 December 2013 (HK$121.1 billion)



Interest rate risk

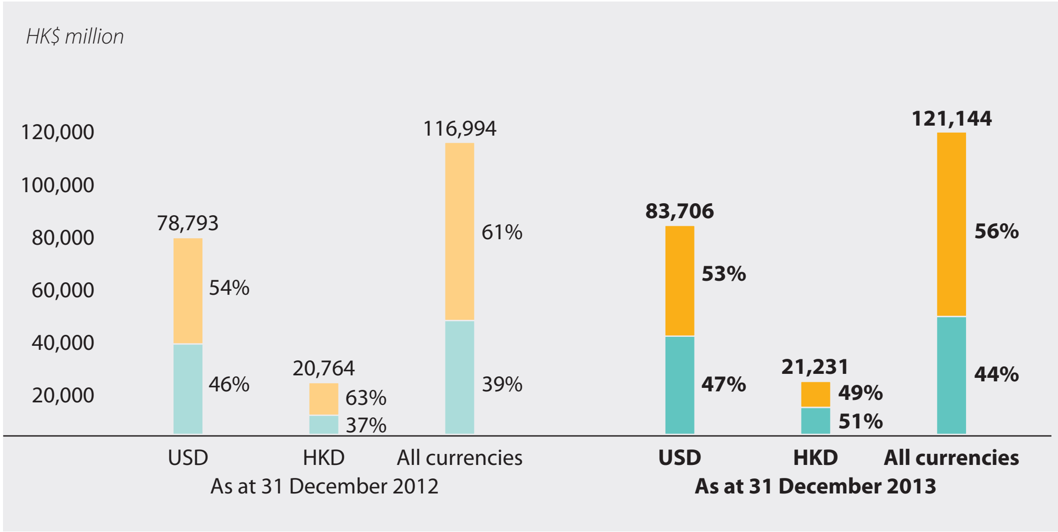
CITIC Pacific's interest rate risk arises primarily from debt. Borrowings at variable rates expose CITIC Pacific to cash flow interest rate risk, whilst borrowings at fixed rates economically expose CITIC Pacific to fair value interest rate risk. In the current low interest rate environment, CITIC Pacific manages the ratio of fixed/floating debt to achieve a balance between minimising our interest expense and protecting against large increases in interest rates.

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

The appropriate ratio of fixed/floating interest rate risk for CITIC Pacific is reviewed periodically. The level of fixed rate debt is decided after taking into consideration the potential impact of higher interest rates on profit, interest cover and cash flow cycles of CITIC Pacific's business and investments.

As at 31 December 2013, CITIC Pacific's floating to fixed interest rate derivative contracts had a notional amount of HK$24.9 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 56% of the borrowings of CITIC Pacific were linked to floating interest rates. In addition, CITIC Pacific has entered into HK$1.2 billion of forward starting swaps to lock in fixed rates for 3 years.

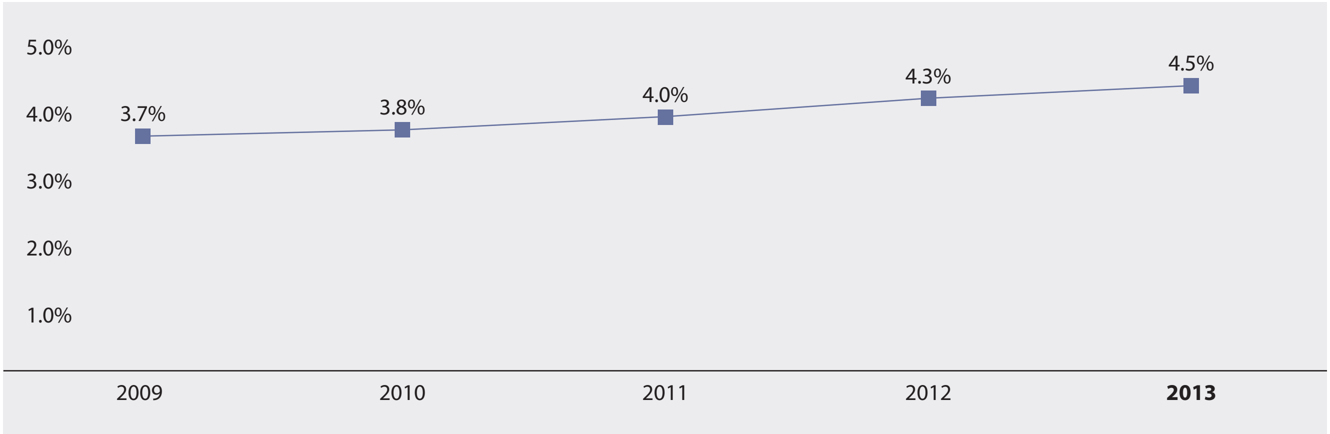
Fixed and floating interest rates



"Fixed" means that the interest rate will not change for at least one year from 1 January 2014.

CITIC Pacific's overall weighted all-in cost of borrowing (including interest paid or accrued, fees and hedging costs or profits from interest rate swaps contracts) for 2013 was approximately 4.5% compared with 4.3% for 2012.

Average borrowing costs



Counterparty risk

CITIC Pacific keeps a large amount of cash deposits at financial institutions. To mitigate the risk of non-recovery of cash deposits or financial instrument gains, CITIC Pacific deals mostly with international financial institutions with a credit rating of A- (S&P) or A3 (Moody's). Special authorisations are given by ALCO for mainland Chinese institutions, many of which do not have international credit ratings. In the great majority of cases, a maximum deposit limit is set that does not exceed the amount borrowed from the same institution.

Deposits are safe, liquid, interest-bearing and consistent with treasury and business purpose needs. Management monitors market developments, reviews the list of approved counterparties and closely monitors their credit quality, and revises deposit limits on an on-going basis.

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

Commodity risk

CITIC Pacific purchases and produces commodities across its various businesses; it has exposure to commodity price risks such as gas, coal and iron ore.

CITIC Pacific has entered into long-term supply contracts for certain inputs, such as gas for the Australian mining operations and coal for its power generation business to manage some of its raw material exposure. CITIC Pacific's businesses such as the manufacture of iron ore for its special steel operations, the ownership of ships to manage freight costs and production of coal to its power generation business are also exposed to commodity price risks as a result of on-going changing demand in these markets. Whilst CITIC Pacific views that naturally offsetting are being achieved to a certain extent across its different business sectors, continual risk management review is being performed to ensure commodity risks are well understood within its business strategies.

Due to the delay in the commissioning of the production lines for the Australian mining operations, the projected delivery of natural gas under certain gas supply contracts for the mining operations has, in aggregate, exceeded the current needs of the project. To manage these contracts and to minimise any adverse financial implications, the iron ore operation has entered into commercial agreements to dispose and/or swap and/or bank a portion of the excess gas to other parties. CITIC Pacific will continue to evaluate and implement appropriate strategies to manage its gas portfolio in view of its requirements and market development.

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 31 December 2013, CITIC Pacific did not have any exposure to commodity derivatives.

Business, Operational, Other External Risks and Uncertainties

Apart from the financial risk reported in the earlier section, CITIC Pacific's businesses are all subject to other business, operational, external risks and uncertainties. The executive committee of CITIC Pacific, other management committees as well as risk management functions at the business/subsidiary level are responsible for ongoing monitoring and management of these risks, of which certain key risks are reported below.

Economic risks

CITIC Pacific's businesses are all subject to the risks of negative developments in the economies in which they operate, which may be affected by global trends. The results of most of our businesses are closely linked to the success of the economy of mainland China as a whole, as well as the economies of Hong Kong and other cities. The sales of special steel are substantially to customers in China, as are the vehicles and other products of Dah Chong Hong; Sino Iron is expected to sell its output to steel mills in China, and our electricity is sold exclusively to users in mainland China. Our property developments are primarily in mainland China, and our infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented that affect the whole economy, or sections of it, may adversely affect our business for periods of time.

In addition to their effects on our customers, changes to the global or local economies or regulations may adversely affect our relationship banks, joint venture partners, suppliers of goods (including principals with whom we have agency relationships), raw materials or power, and others on which our business depends.

Competitive markets

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

Regulation

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

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

Capital expenditure

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

Natural disasters or events, terrorism and disease

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

CITIC Pacific continues to strive for excellence in strengthening its risk management framework to fully cover the major risk types faced by its businesses. Taking our Australian mining operation as an example, a risk management function has been set up under the Sino Iron financial director to oversee the business's operational risk under a well defined risk standard and framework. Regular risk assessment workshops are conducted with different operation departments (e.g. mining, power, desalination plant) to identify any key risks in their respective areas. These are then analysed and escalated to management for proper attention as appropriate. A continual risk control improvement plan on these key risk items is actively being followed up to ensure they are appropriately managed. Alongside this established operational risk management process, insurance risk reviews are also conducted regularly within each business to make sure that existing insurance policies reflect and match the respective business risk profile.

Ten Year Statistics

At year end (HK$million)	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Ordinary shareholders' funds#	37,116	39,243	46,709	59,675	49,768	60,391	68,346	75,007	78,725	**87,925**
per share *(HK$)*	16.93	17.90	21.27	26.98	13.65	16.55	18.73	20.55	21.57	**24.09**
Debt										
Debt	14,580	21,218	18,293	28,654	57,234	65,675	83,683	98,707	116,629	**120,730**
Bank deposits	2,417	2,579	3,679	8,045	18,296	21,553	24,558	30,930	32,821	**35,070**
Net debt/total capital	25%	32%	24%	26%	44%	42%	46%	46%	50%	**46%**
Interest cover*	15x	11x	20x	50x	(13)x	17x	21x	16x	9x	**6x**
Capital employed	51,696	60,461	65,002	88,329	107,002	126,066	152,029	179,665	201,307	**222,493**
Property, plant and equipment	6,066	8,871	9,491	12,154	23,865	40,032	63,334	85,132	100,445	**109,480**
Investment properties	8,115	8,645	9,604	10,895	11,230	11,164	13,579	15,270	16,359	**14,932**
Properties under development	1,672	1,849	2,712	4,288	9,848	11,237	12,161	9,817	9,856	**11,660**
Leasehold land	1,596	1,618	1,712	1,641	1,483	1,581	1,597	2,277	2,524	**2,633**
Joint ventures	7,852	10,413	14,922	17,446	21,140	22,097	21,681	21,278	20,443	**22,647**
Associated companies	21,439	23,239	16,459	17,812	14,924	5,797	6,345	7,222	7,499	**7,668**
Other financial assets	1,121	929	2,819	7,502	1,063	2,198	448	345	351	**294**
Intangible assets	1,736	1,746	3,536	4,557	8,934	10,868	12,944	16,202	17,253	**18,802**
Stockmarket capitalisation	48,444	47,038	58,952	96,338	30,556	76,258	73,704	51,092	42,188	**43,282**
Number of shareholders	11,554	11,262	10,433	8,571	8,712	8,565	8,490	8,379	8,380	**8,291**
Staff	15,915	19,174	23,822	24,319	28,654	30,329	29,886	33,295	34,781	**36,512**

For the year (HK$million)	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Net profit/(loss) after tax										
Net profit/(loss) after tax	3,551	3,934	8,384	10,797	(12,734)	5,967	8,893	9,233	6,954	**7,588**
per share *(HK$)*	1.62	1.79	3.77	4.91	(5.70)	1.63	2.44	2.53	1.91	**2.08**
Attributable profit/(loss) by major business										
Special Steel	438	808	1,333	2,242	1,617	1,415	2,102	1,994	211	**1,762**
Iron Ore	–	–	–	–	(123)	376	(346)	(423)	(781)	**(1,619)**
Property										
Mainland China	125	154	308	197	523	524	583	2,324	911	**1,045**
Hong Kong and others	434	952	1,727	534	490	397	377	708	734	**483**
Energy	439	368	268	494	(1,090)^	886	1,959	1,588	1,136	**1,822**
Roads and tunnels	276	362	411	412	443	437	502	518	561	**611**
Dah Chong Hong	284	233	297	417	320	402	775	617	536	**492**
CITIC Telecom	120	122	191	157	181	196	248	299	299	**2,498**
Other investments	1,671	992	3,520	1,469	483	1,892	1,987	168	2,699	**318**
Net gain from listing of subsidiary companies	–	–	–	4,552†	–	–	–	–	–	**–**
Fair value change of investment properties	198	700	1,189	1,171	(80)	137	1,298	1,891	1,547	**1,652**
EBITDA	5,666	6,412	11,882	15,160	(9,950)	10,765	15,744	18,398	15,059	**18,104**
Dividend per share *(HK$)*										
Regular	1.10	1.10	1.10	1.20	0.30	0.40	0.45	0.45	0.45	**0.35**
Special	–	–	0.60	0.20	–	–	–	–	–	**–**
Cover	1.5x	1.6x	3.4x	4.1x	(19.0)x	4.1x	5.4x	5.6x	4.2x	**5.9x**

Note:

(1) Prior years' figures have been restated to reflect the group's adoption of Hong Kong Financial Reporting Standards following the adoption of revised accounting standard of HKAS 12 "Income Tax" in year 2002 and HKAS 12 (amendments) – "Deferred Tax: Recovery of Underlying Assets" in 2011.

(2) 2008 & 2009 figures have been restated to reflect the group's adoption of HKAS 17 (amendments) – "Leases".

(3) 2008 figures have been restated to reflect the group's adoption of HK(IFRIC)-Int 13 "Customer Loyalty Programmes".

(4) The adoption of HKFRS 8 "Operating segments" in year 2009 has resulted in a change of presentation in segment information, in particular aviation segment had been included in other investments segment.

Ordinary shareholders' funds not including perpetual capital securities.

* Interest cover represents EBITDA ÷ interest expense charged to profit and loss account.

^ The figures included HK$449 million impairment loss.

† Include spin-off profit from the IPO of subsidiary companies, Dah Chong Hong and CITIC Telecom in 2007.

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

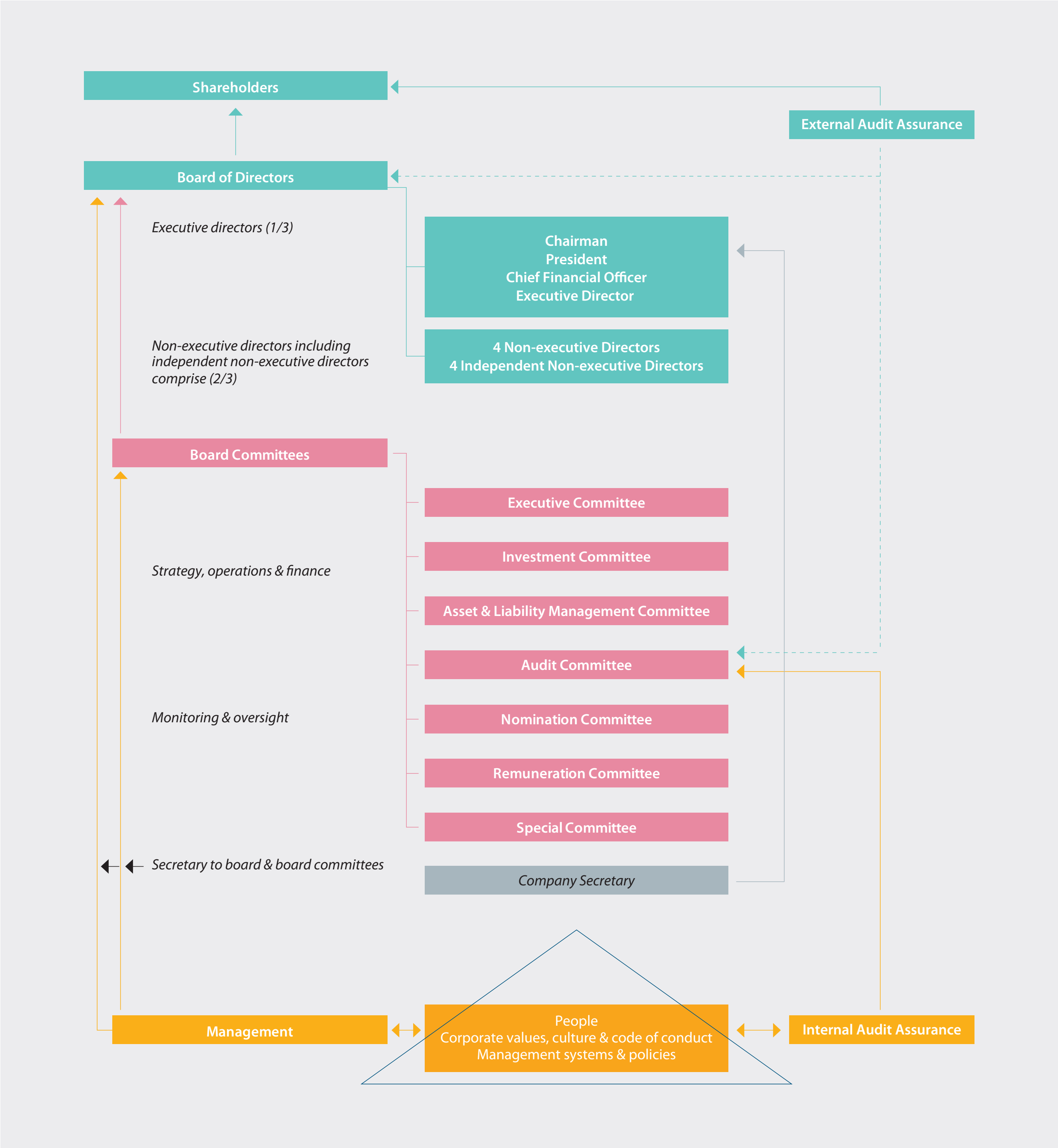
Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

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 in the Annual Report 2013.

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.

Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 113 to 114.

The remuneration paid to the directors, by name, for the year ended 31 December 2013 is set out in Note 3 to the summary 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
	16

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	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
	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
	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
	Reviewed the staffing and resources of the group internal audit department
	Noted any significant changes in financial or other risks faced by CITIC Pacific and reviewed management's response to them
Corporate governance and Code requirements	Reviewed the terms of reference of the audit committee
	Reviewed the one whistle-blowing case received through the whistle-blowing channel, which was resolved by the management
	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
	Reviewed the training and continuous professional development of directors
	Reviewed CITIC Pacific's Corporate Governance Policy, Code of Conduct, Whistle-blowing Policy, and other corporate governance practices under the CG Code
	Reviewed CITIC Pacific's compliance with the CG Code and disclosures in the corporate governance report
	Noted updates on corporate governance practices in Hong Kong, e.g. board diversity and Environmental, Social and Governance Reporting
	Considered the potential impact of the new COSO internal control requirements on the Group's internal control practice

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 2 on page 126.

The responsibilities of the external auditor with respect to the accounts for the year ended 31 December 2013 are set out in the Report of the Independent Auditor on the Summary Financial Report on page 133.

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

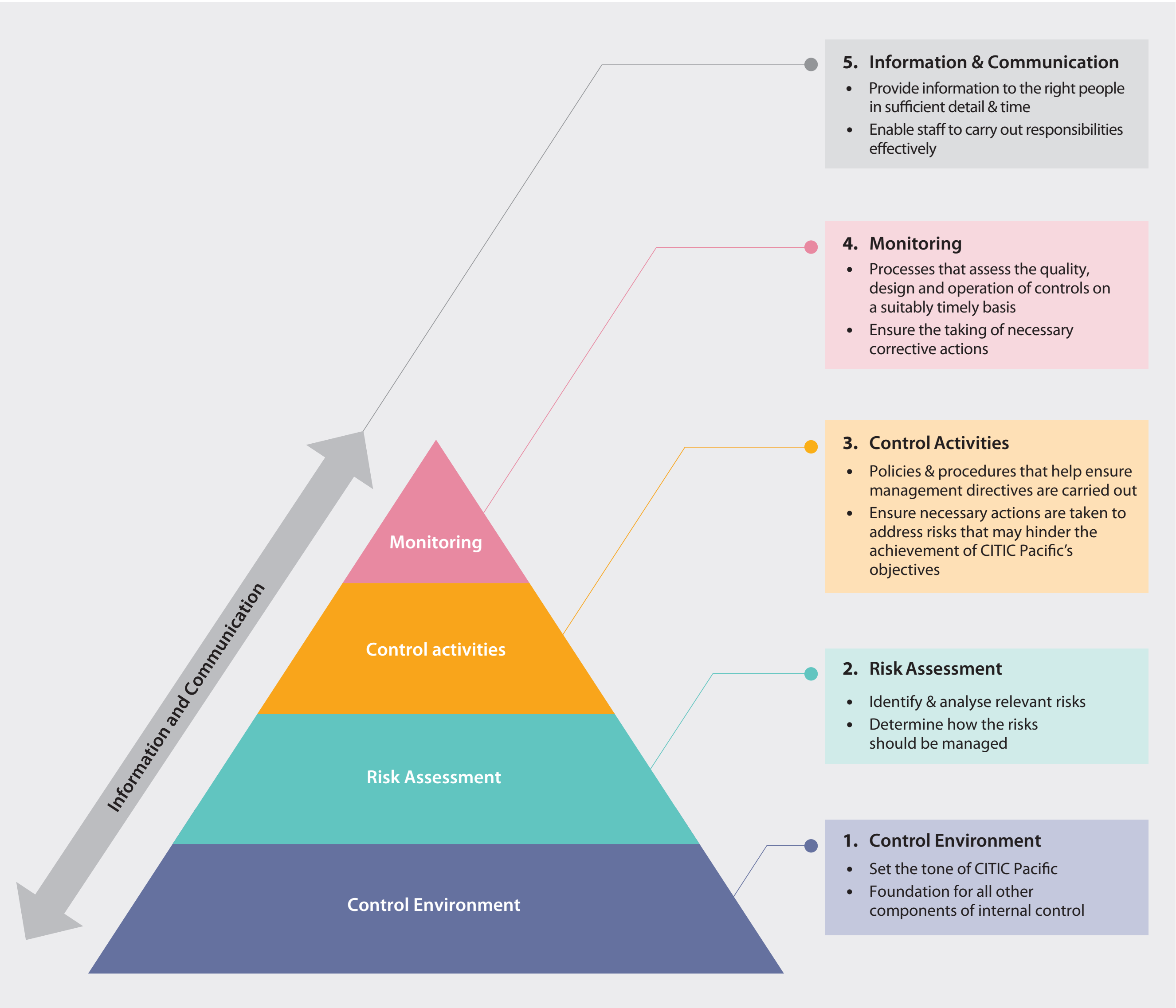
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Pacific in the following areas are achieved:

- 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• 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	• No significant non-compliance cases were noted during the year
Control self-assessments	• 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	• 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	• 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	• 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 page 116.

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.

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 5 to the summary 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 summary financial statements on pages 129 to 130.

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.

Directors

The directors of CITIC Pacific in office during the financial year ended 31 December 2013 were:

Executive Directors

Mr Chang Zhenming
Mr Zhang Jijing
Mr Vernon Francis Moore
Mr Liu Jifu

Non-executive Directors

Mr André Desmarais
Mr Ju Weimin
Mr Yin Ke
Mr Carl Yung Ming Jie
Mr Peter Kruyt *(alternate director to Mr André Desmarais)*

Independent Non-executive Directors

Mr Alexander Reid Hamilton
Mr Gregory Lynn Curl
Mr Francis Siu Wai Keung
Dr Xu Jinwu

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.

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.

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.

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**

			Number of share options			
Name of director	**Date of grant**	**Exercise price HK$**	**Balance as at 01.01.13**	**Exercised/ lapsed/ cancelled during the year ended 31.12.13**	**Balance as at 31.12.13**	**Percentage to issued share capital**
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**

		Number of share options		
Date of grant	**Exercise price HK$**	**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**

		Number of share options			
Date of grant	**Exercise price HK$**	**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.

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.

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:

		Number of share options			
Date of Grant	Balance as at 1.1.13	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	Balance as at 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.

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.

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.

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.

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

Forward Looking Statements

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

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

Contents of Summary Financial Statements and Notes

Consolidated Profit and Loss Account

For the year ended 31 December 2013

In HK$ million	**2013**	2012
Revenue	**88,041**	93,272
Cost of sales	**(77,185)**	(83,529)
Gross profit	**10,856**	9,743
Other income and net gains	**2,545**	3,673
Distribution and selling expenses	**(3,243)**	(3,202)
Other operating expenses	**(4,523)**	(4,315)
Change in fair value of investment properties	**1,709**	1,506
Profit from consolidated activities	**7,344**	7,405
Share of results of		
Joint ventures	**3,016**	2,145
Associated companies	**390**	690
Profit before net finance charges and taxation	**10,750**	10,240
Finance charges	**(3,297)**	(1,862)
Finance income	**549**	720
Net finance charges	**(2,748)**	(1,142)
Profit before taxation	**8,002**	9,098
Taxation	**(978)**	(1,347)
Profit for the year from continuing operations	**7,024**	7,751
Profit for the year from discontinued operations	**2,102**	497
Profit for the year	**9,126**	8,248
Attributable to:		
Ordinary shareholders of the Company	**7,588**	6,954
Holders of perpetual capital securities	**881**	463
Non-controlling interests	**657**	831
	9,126	8,248
Profit attributable to ordinary shareholders of the Company arising from:		
Continuing operations	**5,505**	6,655
Discontinued operations	**2,083**	299
	7,588	6,954
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$)		
Basic earnings per share from:		
Continuing operations	**1.51**	1.83
Discontinued operations	**0.57**	0.08
	2.08	1.91
Diluted earnings per share from:		
Continuing operations	**1.51**	1.83
Discontinued operations	**0.57**	0.08
	2.08	1.91
Dividends to ordinary shareholders of the Company	**(1,277)**	(1,642)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

In HK$ million	**2013**	2012
Profit for the year	**9,126**	8,248
Other comprehensive income (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of a joint venture	**18**	–
Surplus on revaluation of properties transferred from self-use properties to investment properties	**131**	61
	149	61
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	**1,618**	(1,139)
Fair value changes of other financial assets	**(48)**	(5)
Transfer to profit and loss account on impairment of other financial assets	**–**	15
Share of other comprehensive income of joint ventures and associated companies	**25**	(39)
Exchange translation differences	**2,047**	(43)
Reserves released on disposal/dilution of interest in joint ventures	**(210)**	(431)
Reserve released on disposal of subsidiary companies	**(240)**	(1)
	3,192	(1,643)
Other comprehensive income for the year, net of tax	**3,341**	(1,582)
Total comprehensive income for the year	**12,467**	6,666
Total comprehensive income for the year attributable to		
Ordinary shareholders of the Company	**10,826**	5,368
Holders of perpetual capital securities	**881**	463
Non-controlling interests	**760**	835
	12,467	6,666
Total comprehensive income for the year attributable to ordinary shareholders of the Company arising from:		
Continuing operations	**8,743**	5,070
Discontinued operations	**2,083**	298
	10,826	5,368

Consolidated Balance Sheet

As at 31 December 2013

In HK$ million	Note	2013	2012
Non-current assets			
Property, plant and equipment	4	**109,480**	100,445
Investment properties	4	**14,932**	16,359
Properties under development	4	**10,779**	8,712
Leasehold land – operating leases	4	**2,633**	2,524
Joint ventures		**22,647**	20,443
Associated companies		**7,668**	7,499
Other financial assets		**294**	351
Intangible assets		**18,802**	17,253
Deferred tax assets		**2,868**	2,342
Derivative financial instruments		**36**	121
Non-current deposits and prepayments		**3,748**	1,908
		193,887	177,957
Current assets			
Properties under development		**881**	1,144
Properties held for sale		**3,729**	3,830
Other assets held for sale		**3,848**	379
Inventories		**14,660**	11,803
Derivative financial instruments		**50**	255
Debtors, accounts receivable, deposits and prepayments		**15,654**	15,464
Cash and bank deposits		**35,070**	32,821
		73,892	65,696
Assets of disposal group classified as held for sale		**–**	3,733
		73,892	69,429
Current liabilities			
Bank loans, other loans and overdrafts			
secured		**1,426**	1,456
unsecured		**25,713**	20,677
Creditors, accounts payable, deposits and accruals		**28,717**	24,402
Derivative financial instruments		**151**	201
Provisions		**130**	1,870
Provision for taxation		**1,139**	1,065
Liabilities of a company to be disposed classified as held for sale		**43**	–
		57,319	49,671
Liabilities of disposal group classified as held for sale		**–**	1,260
		57,319	50,931
Net current assets		**16,573**	18,498
Total assets less current liabilities		**210,460**	196,455
Non-current liabilities			
Long term borrowings		**93,591**	94,496
Deferred tax liabilities		**3,918**	3,343
Derivative financial instruments		**2,546**	4,777
Provisions and deferred income		**2,092**	1,973
		102,147	104,589
Net assets		**108,313**	91,866

Consolidated Balance Sheet

As at 31 December 2013

In HK$ million	Note	**2013**	2012
Equity			
Share capital		**1,460**	1,460
Perpetual capital securities		**13,838**	5,953
Reserves	5	**85,553**	76,170
Proposed dividend		**912**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**101,763**	84,678
Non-controlling interests in equity		**6,550**	7,188
Total equity		**108,313**	91,866

Chang Zhenming
Chairman

Zhang Jijing
President

Vernon F. Moore
Chief Financial Officer

Notes to the Summary Financial Statements

1 General Information

These summary financial statements from pages 122 to 132 are not the Group's statutory financial statements and they do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the Annual Report.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements ("the Accounts") of CITIC Pacific Limited (the "Company") and its subsidiary companies (together the "Group") are set out below. These policies have been consistently applied to each of the years presented. The Accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and under the historical cost convention, except as disclosed in the accounting policies. Adoption of certain new or revised HKFRS which are first effective for the current accounting period beginning on 1 January 2013, of which the most significant and relevant to the Group are set out below.

Standard No.	**Title**
HKAS 1 *(Amendment)*	*Presentation of financial statements*
HKFRS 10	*Consolidated financial statements*
HKFRS 11	*Joint arrangements*
HKFRS 12	*Disclosure of interests in other entities*
HKFRS 13	*Fair value measurement*
HK (IFRIC) Int 20	*Stripping costs in the production phase of a surface mine*
HKFRS 7 (Amendment)	*Financial instruments: disclosures – offsetting financial assets and financial liabilities*
Annual Improvements 2009-2011 Cycle	

The more important changes are summarised below:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to separate the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The Group's presentation of the other comprehensive income in the Accounts has been modified accordingly.

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the presentation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It does not change the classification of Group entities as at 1 January 2013.

2 Significant accounting policies (continued)

HKFRS 11, *Joint arrangements*

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated accounts. The Group only has joint ventures.

As a result of the adoption of HKFRS 11, the Group has changed the description "investment in jointly controlled entities" used in 2012 to "investment in joint ventures".

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRS with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and nonfinancial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The following new standards, amendments and interpretation which have been issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as of 31 December 2013 may impact the Group in future years but are not yet effective for the year ended 31 December 2013:

Standard No.	Title	Applicable accounting period to the Group
HKAS 32 (Amendment)	*Financial instruments: presentation – offsetting financial assets and financial liabilities*	2014
HKAS 39 (Amendment)	*Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting*	2014
HKFRS 9	*Financial instruments*	Not yet established by HKICPA

The above standards or amendments will be adopted in the years listed. Based on the current assessment, the Group anticipates that the application of the above standards and amendments, with the exception of HKFRS 9, will have no material impact on the results and the financial position of the Group.

The mandatory effective date of HKFRS 9 has not yet been established and HKICPA is working to expand HKFRS 9 to add new requirements in respect of macro hedging. Accordingly, the impact of HKFRS 9 may change as a consequence of further developments resulting from the HKICPA's project to replace HKAS 39. As a result, it is impractical to quantify the impact of HKFRS 9 as at the date of these accounts.

Notes to the Summary Financial Statements

3 Directors' emoluments

The remuneration of each director for the year ended 31 December 2013 is set out below:

In HK$ million Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits	**2013 Total**	2012 Total
Chang Zhenming#	–	1.23	0.80	–	**2.03**	2.23
Zhang Jijing#	–	4.28	1.33	0.02	**5.63**	5.53
Vernon Francis Moore#	–	5.47	6.19	0.02	**11.68**	11.78
Liu Jifu#	–	1.77	4.21	0.01	**5.99**	6.12
André Desmarais	0.35	–	–	–	**0.35**	0.35
Ju Weimin	0.35	–	–	–	**0.35**	0.35
Yin Ke	0.45	–	–	–	**0.45**	0.63
Carl Yung Ming Jie	0.35	–	–	–	**0.35**	5.37
Alexander Reid Hamilton	0.55	–	–	–	**0.55**	0.55
Gregory Lynn Curl	0.45	–	–	–	**0.45**	0.44
Francis Siu Wai Keung	0.60	–	–	–	**0.60**	0.60
Xu Jinwu	0.35	–	–	–	**0.35**	–
Steve Kwok Man Leung	–	–	–	–	**–**	10.65
Milton Law Ming To	–	–	–	–	**–**	10.42
	3.45	12.75	12.53	0.05	**28.78**	55.02

The persons marked '#' above are considered as key management personnel of the Group.

4 Fixed assets and properties under development

Group

	Fixed assets								
	Property, plant and equipment								
In HK$ million	Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties	Leasehold land – operating leases	Properties under development	Total
Cost or valuation									
At 1 January 2013	19,694	29,729	52,590	12,631	114,644	16,359	2,798	8,874	142,675
Exchange adjustments	409	894	111	149	1,563	241	91	210	2,105
Additions	295	1,245	5,842	889	8,271	–	99	3,447	11,817
Acquisition of subsidiary companies	1,116	3,470	51	156	4,793	–	40	–	4,833
Disposals	(70)	(261)	(66)	(485)	(882)	(47)	(30)	(108)	(1,067)
Change in fair value of investment properties	–	–	–	–	–	1,709	–	–	1,709
Transfer upon completion	1,115	1,118	(2,372)	780	641	–	34	(675)	–
Net transfer to investment properties/properties under development classified under current assets/inventories/other assets held for sale	(137)	54	(4)	(126)	(213)	(3,330)	(40)	(814)	(4,397)
Transfer to properties held for sale	(29)	–	–	–	(29)	–	–	–	(29)
Transfer from non-current deposits	–	–	448	–	448	–	–	–	448
Adjustment	(12)	14	(102)	(4)	(104)	–	–	–	(104)
At 31 December 2013	22,381	36,263	56,498	13,990	129,132	14,932	2,992	10,934	157,990
Accumulated depreciation, amortisation and impairment losses									
At 1 January 2013	3,106	7,702	337	3,054	14,199	–	274	162	14,635
Exchange adjustments	74	281	–	53	408	–	27	(7)	428
Acquisition of subsidiary companies	217	1,164	–	128	1,509	–	3	–	1,512
Charge for the year	508	1,979	–	916	3,403	–	57	–	3,460
Depreciation capitalised to construction in progress	64	228	–	43	335	–	3	–	338
Written back on disposals	(26)	(132)	–	(223)	(381)	–	(5)	–	(386)
(Reversal of)/provision for impairment loss	–	(2)	381	(1)	378	–	–	–	378
Transfer to investment properties/current assets	(41)	–	–	(52)	(93)	–	–	–	(93)
Adjustment	(1)	(87)	–	(18)	(106)	–	–	–	(106)
At 31 December 2013	3,901	11,133	718	3,900	19,652	–	359	155	20,166
Net book value									
At 31 December 2013	18,480	25,130	55,780	10,090	109,480	14,932	2,633	10,779	137,824
Represented by									
Cost	22,381	36,263	56,498	13,990	129,132	–	2,992	10,934	143,058
Valuation	–	–	–	–	–	14,932	–	–	14,932
	22,381	36,263	56,498	13,990	129,132	14,932	2,992	10,934	157,990

Notes to the Summary Financial Statements

4 Fixed assets and properties under development (continued)

Group (continued)

	Fixed assets								
	Property, plant and equipment								
In HK$ million	Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties	Leasehold land – operating leases	Properties under development	Total
Cost or valuation									
At 1 January 2012	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916
Exchange adjustments	6	(14)	(5)	14	1	(52)	3	(4)	(52)
Additions	190	324	14,246	834	15,594	–	286	1,711	17,591
Acquisition of subsidiary companies	–	–	–	58	58	–	–	1,536	1,594
Cost adjustment	–	–	–	–	–	(36)	–	–	(36)
Disposals	(124)	(588)	(171)	(319)	(1,202)	(61)	(5)	–	(1,268)
Change in fair value of investment properties	–	–	–	–	–	1,506	–	–	1,506
Transfer upon completion	6,107	6,592	(12,936)	280	43	–	–	(43)	–
Transfer to investment properties/properties under development classified under current assets/inventories	10	–	–	(32)	(22)	(284)	–	(1,098)	(1,404)
Transfer from non-current deposits	–	–	880	3,738	4,618	–	–	–	4,618
Transfer to assets of disposal group classified as held for sale	(161)	–	(134)	(1,441)	(1,736)	–	–	–	(1,736)
Adjustment	(4)	(57)	(2)	(7)	(70)	16	18	(18)	(54)
At 31 December 2012	19,694	29,729	52,590	12,631	114,644	16,359	2,798	8,874	142,675
Accumulated depreciation, amortisation and impairment losses									
At 1 January 2012	2,386	6,304	273	3,265	12,228	–	219	162	12,609
Exchange adjustments	3	3	–	10	16	–	1	–	17
Acquisition of subsidiary companies	–	–	–	8	8	–	–	–	8
Charge for the year	445	1,518	–	907	2, 870	–	52	–	2,922
Depreciation capitalised to construction in progress	314	159	–	34	507	–	–	–	507
Written back on disposals	(16)	(279)	–	(147)	(442)	–	2	–	(440)
Impairment loss	–	1	64	33	98	–	–	–	98
Transfer to investment properties/current assets	(14)	–	–	(26)	(40)	–	–	–	(40)
Transfer to assets of disposal group classified as held for sale	(13)	–	–	(979)	(992)	–	–	–	(992)
Adjustment	1	(4)	–	(51)	(54)	–	–	–	(54)
At 31 December 2012	3,106	7,702	337	3,054	14,199	–	274	162	14,635
Net book value									
At 31 December 2012	16,588	22,027	52,253	9,577	100,445	16,359	2,524	8,712	128,040
Represented by									
Cost	19,694	29,729	52,590	12,631	114,644	–	2,798	8,874	126,316
Valuation	–	–	–	–	–	16,359	–	–	16,359
	19,694	29,729	52,590	12,631	114,644	16,359	2,798	8,874	142,675

5 Reserves

Group

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 1 January 2013	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265
Share of reserves of associated companies and joint ventures	–	–	18	–	–	18	3	–	–	39
Exchange translation differences	–	–	–	–	–	1,956	–	–	–	1,956
Reserves released on disposal/dilution of interest in joint ventures	–	–	–	–	–	(210)	–	–	–	(210)
Reserves released on disposal of subsidiary companies	–	–	10	728	–	(240)	–	264	(1,002)	(240)
Cash flow hedges:										
Fair value gain in the year	–	–	–	–	–	–	1,513	–	–	1,513
Transfer to construction in progress	–	–	–	–	–	–	(272)	–	–	(272)
Transfer to net finance charges	–	–	–	–	–	–	509	–	–	509
Tax effect	–	–	–	–	–	–	(132)	–	–	(132)
	–	–	–	–	–	–	1,618	–	–	1,618
Fair value changes of other financial assets	–	–	–	–	(48)	–	–	–	–	(48)
Surplus on revaluation of properties transferred from self-use properties to investment properties										
Fair value gain in the year	–	–	–	–	–	–	–	134	–	134
Tax effect	–	–	–	–	–	–	–	(11)	–	(11)
	–	–	–	–	–	–	–	123	–	123
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(103)	–	(103)
Released upon lapse of share options	–	–	(2)	–	–	–	–	–	2	–
Share-based payments of a subsidiary company	–	–	12	–	–	–	–	–	–	12
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	147	(147)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	7,588	7,588
Dividends	–	–	–	–	–	–	–	–	(1,460)	(1,460)
Transaction costs related to issue of perpetual capital securities	–	–	–	–	–	–	–	–	(75)	(75)
At 31 December 2013	36,533	29	807	(611)	97	9,963	(2,027)	2,209	39,465	86,465
Representing:										
At 31 December 2013 after proposed final dividend										85,553
2013 final dividend proposed										912
										86,465
Retained by:										
Company and subsidiary companies	36,533	29	771	(611)	93	9,783	(2,035)	2,201	30,594	77,358
Joint ventures	–	–	36	–	4	167	8	3	5,404	5,622
Associated companies	–	–	–	–	–	13	–	–	2,939	2,952
Non-current assets held for sale and discontinued operations	–	–	–	–	–	–	–	5	528	533
	36,533	29	807	(611)	97	9,963	(2,027)	2,209	39,465	86,465

5 Reserves (continued)

Group (continued)

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 1 January 2012	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
Share of reserves of associated companies and joint ventures	–	–	–	–	–	37	4	–	(82)	(41)
Exchange translation differences	–	–	–	–	–	(45)	–	–	–	(45)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(79)	279	(7)	(423)	–	(22)	(179)	(431)
Reserves released on disposal of a subsidiary company	–	–	(1)	–	–	–	–	–	–	(1)
Cash flow hedges:										
Fair value loss in the year	–	–	–	–	–	–	(610)	–	–	(610)
Transfer to construction in progress	–	–	–	–	–	–	(1,646)	–	–	(1,646)
Transfer to net finance charges	–	–	–	–	–	–	662	–	–	662
Tax effect	–	–	–	–	–	–	455	–	–	455
	–	–	–	–	–	–	(1,139)	–	–	(1,139)
Fair value changes of other financial assets	–	–	–	–	(5)	–	–	–	–	(5)
Transfer to profit and loss account on impairment of other financial assets	–	–	–	–	15	–	–	–	–	15
Surplus on revaluation of properties transfer from self-use properties to investment properties	–	–	–	–	–	–	–	61	–	61
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	4	–	4
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(30)	–	(30)
Released upon lapse of share options	–	–	(188)	–	–	–	–	–	188	–
Share-based payments of a subsidiary company	–	–	18	–	–	–	–	–	–	18
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	159	(159)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	6,954	6,954
Dividends	–	–	–	–	–	–	–	–	(1,642)	(1,642)
At 31 December 2012	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265
Representing:										
At 31 December 2012 after proposed final dividend										76,170
2012 final dividend proposed										1,095
										77,265
Retained by:										
Company and subsidiary companies	36,533	29	765	(611)	140	8,042	(3,653)	2,031	25,703	68,979
Joint ventures	–	–	18	–	5	358	5	3	5,741	6,130
Associated companies	–	–	(5)	–	–	19	–	–	2,115	2,129
Non-current assets held for sale and discontinued operations	–	–	(9)	(728)	–	20	–	(256)	1,000	27
	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265

Report of the Independent Auditor on the Summary Financial Report

To The Shareholders of CITIC Pacific Limited
(incorporated in Hong Kong with limited liability)

The summary financial report of CITIC Pacific Limited (the "Company") set out on pages 1 to 136, includes the summary financial statements of the Company for the year ended 31 December 2013. The summary financial statements of the Company set out on pages 122 to 132 which comprise the summary consolidated balance sheet as at 31 December 2013, and the summary consolidated profit and loss account and the summary consolidated statement of comprehensive income for the year then ended, and related notes are derived from the audited financial statements of the Company for the year ended 31 December 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 20 February 2014.

The summary financial statements do not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

Directors' Responsibility for the Summary Financial Report

Under the Hong Kong Companies Ordinance, the directors are responsible for the preparation of a summary financial report in accordance with section 141CF(1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual financial statements and the auditor's report thereon and the directors' report for the year ended 31 December 2013, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial report based on our procedures and to report our opinion solely to you, as a body, in accordance with section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our engagement in accordance with Hong Kong Standard on Auditing 810, "Engagements to Report on Summary Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. We are also required to state whether the auditor's report on the annual financial statements for the year ended 31 December 2013 is qualified or otherwise modified.

Opinion

In our opinion, the summary financial report:

a. is consistent with the annual financial statements and the auditor's report thereon and the directors' report of the Company for the year ended 31 December 2013 from which it is derived; and

b. complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 February 2014

Definition of Terms

Terms

Long term debt/borrowings/loans	Refers to debt/borrowings/loans with maturities longer than one year as of the balance sheet date
Short term debt/borrowings/loans	Refers to debt/borrowings/loans with maturities within 1 year as of the balance sheet date
Total debt	The sum of all the loans, notes and bonds that are obligations of consolidated entities
Net debt	Total debt less cash and bank deposits
Total capital	Total ordinary shareholders' funds and perpetual capital securities plus net debt
Ordinary shareholders' funds	Consists of share capital, reserves and proposed dividend
Total ordinary shareholders' funds and perpetual capital securities	Ordinary shareholders' funds plus perpetual capital securities
Cash inflows	Cash inflows represent cash generated from business operations after income taxes paid, and other cash inflows which principally include dividends from joint ventures and associated companies, proceeds from divestments of businesses, sales of listed investments and sales of fixed assets and investment properties
EBITDA	"Earnings before interest expense, taxation, depreciation and amortisation" including operating income, other income and net gains, finance income and change in fair value of investment properties, and adding back impairment loss provision. EBITDA includes the EBITDA of the Company and subsidiary companies, as well as the Group's share of the earnings before taxation of joint ventures and associated companies
EBIT	"Earnings before interest expense and taxation", that is, EBITDA after depreciation, amortisation and impairment loss provision
Attributable profit/(loss) (of a segment)	Profit/(loss) from consolidated activities after deduction of charges for finance provided directly to segment entities or by the corporate segment, taxation, profit attributable to non-controlling interests and allocation of rental among segments, plus a share of results of joint ventures and associated companies, and finance income
Profit attributable to ordinary shareholders of the Company	The consolidated net profit after tax of the Company less the profit attributable to non-controlling interests and holders of perpetual capital securities

Definition of Terms

Ratios

Earnings per share	Profit attributable to ordinary shareholders of the Company divided by the weighted average number of shares (by days) in issue for the year
Leverage	Net debt divided by total capital

Corporate Information

Headquarters and Registered Office

32nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Telephone: +852 2820 2111
Fax: +852 2877 2771

Website

www.citicpacific.com contains a description of CITIC Pacific's businesses, copies of both the full and summary reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong:	00267
Bloomberg:	267 HK
Reuters:	0267.HK
American Depositary Receipts:	CTPCY
CUSIP Reference No:	17304K102

Share Registrar

Shareholders should contact our Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong* at +852 2980 1333, or by fax at +852 2810 8185, on matters such as transfer of shares, change of name or address, or loss of share certificates.

* *The address of Tricor Tengis Limited, the share registrar, will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.*

Investor Relations

Investors, shareholders and research analysts may contact our Investor Relations Department by telephone at +852 2820 2205, or by fax at +852 2522 5259 or by email at investor.relations@citicpacific.com.

Financial Calendar

Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting)*	9 May 2014 to 14 May 2014 (both days inclusive)
Closure of Register: *(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)*	20 May 2014 to 22 May 2014 (both days inclusive)
Annual General Meeting:	14 May 2014, 11:00 a.m. Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong
Dividend payment:	3 June 2014

Shareholders may choose to receive the Summary Financial Report or the Annual Report in printed form in either English or Chinese or both or by electronic means. They may also choose to receive the Summary Financial Report or the Annual Report in place of the other. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong*.

If Shareholders have already chosen to reply on the versions of the Summary Financial Report or the Annual Report posted on CITIC Pacific's website and have difficulty in gaining access to these documents, they will promptly be sent in printed copies free of charge upon request to the Share Registrar.

* *The address of Tricor Tengis Limited, the share registrar, will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.*

Designed & Produced by **HeterMedia Services Limited**

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Stock code 00267