

CITIC PACIFIC

Summary Financial Report 2012

This summary financial report 2012 only gives a summary of the information and the particulars of CITIC Pacific Limited's annual report 2012 from which the summary financial report is derived. Shareholders may obtain a printed copy of the 2012 annual report free of charge by writing to the company's share registrars, Tricor Tengis Limited.



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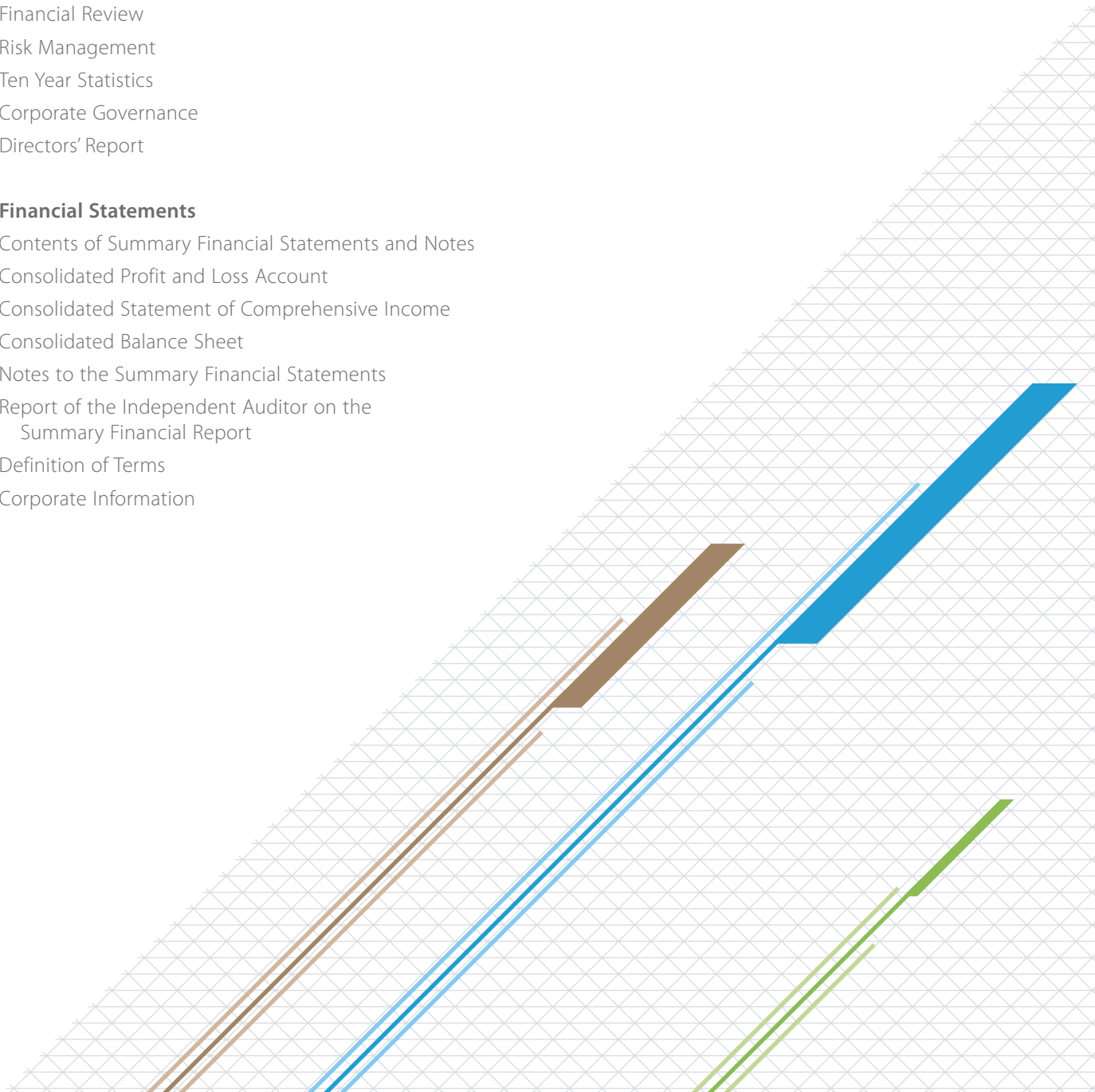
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CITIC Pacific at a glance

CITIC Pacific Limited (267.HK), listed in Hong Kong, is a constituent of the Hang Seng Index. We are a diversified company with a clear focus on three main businesses: special steel, iron ore mining and property development in mainland China. CITIC Pacific is 58% owned by CITIC Group Corporation.

We are pioneers and market leaders.

- building what is not only the largest magnetite iron ore mine in the world, but one of the largest single investments by a Chinese company outside China.
- operating the biggest dedicated special steel manufacturer in China, and
- building property projects that enjoy prime locations in economic centers of 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.

Main Businesses

Special Steel

22% of assets

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With an annual production capacity of 9 million tonnes, CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China. Major products include special steel bars and wires, medium-to-thick wall seamless steel tubes, special plates and special forging steel. Currently, over 80% of the special steel products are sold domestically to customers in the auto components, machinery manufacturing, shipbuilding, power generation, oil and petrochemical industries.

Iron Ore Mining

33% of assets

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The Sino Iron Project is 100% owned by CITIC Pacific, which has right to extract 2 billion tonnes of magnetite iron ore resource from its mine in Cape Preston in Western Australia's Pilbara region. Sino Iron is the largest magnetite iron ore development project in Australia and, when completed, will have six production lines with the capacity to produce a total 24 million tonnes of magnetite concentrate a year.

In April 2012, CITIC Pacific exercised an option to acquire the right for another 1 billion tonnes.

Property

mainland China

17% of assets

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CITIC Pacific focuses on developing medium and large scale projects in mainland China. Properties are located in prime areas of Shanghai and major cities in Yangtze River delta area and Hainan Province. Key projects currently under development include a resort in Shenzhen Peninsula of Hainan Island, office and a hotel in the Lu Jia Zui new financial district and residential development in Jiading and Qingpu districts of Shanghai.

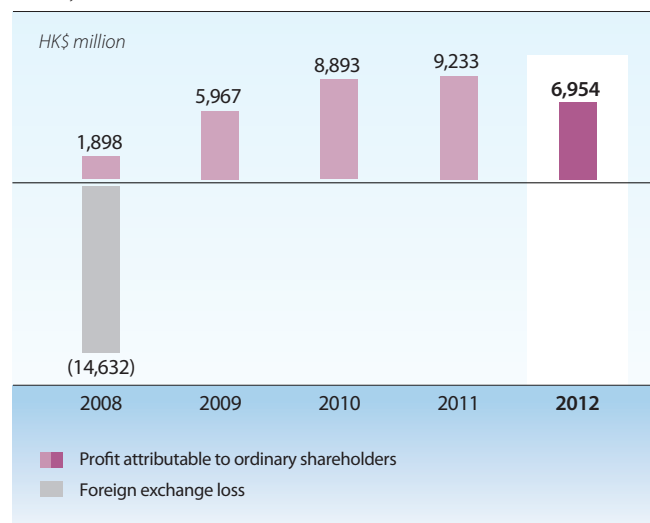
Financial Highlights

<i>In HK\$ million</i>	2012	2011	Increase/ (Decrease)
Profit attributable to ordinary shareholders	6,954	9,233	(2,279)
Special steel	211	1,994	(1,783)
Iron ore mining	(781)	(423)	(358)
Mainland China property	911	2,160	(1,249)
Gain on disposal of assets	2,850	664	2,186
Other businesses	3,763	4,838	(1,075)
Cash inflows from business operations	7,519	7,934	(415)
Other cash inflows	7,547	5,633	1,914
Capital expenditure	26,675	24,476	2,199
EBITDA	15,059	18,398	(3,339)
Earnings per share (HK\$)	1.91	2.53	(0.62)
Dividends per share (HK\$)	0.45	0.45	-

<i>In HK\$ million</i>	As at 31 December 2012	As at 31 December 2011	Increase/ (Decrease)
Total assets	247,386	229,739	17,647
Net debt	83,808	67,777	16,031
Cash and bank deposits	32,821	30,930	1,891
Available committed banking facilities	14,701	15,350	(649)
Total ordinary shareholders' funds and perpetual capital securities	84,678	80,958	3,720
Net debt to total capital (%)	50	46	4

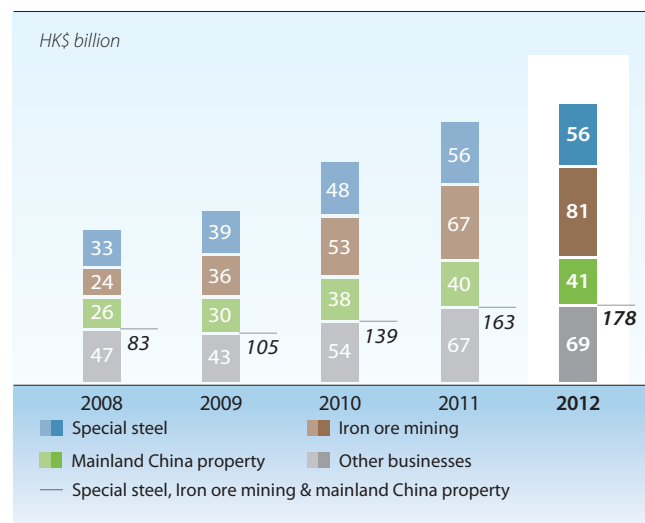
Profit attributable to ordinary shareholders

For the year ended 31 December



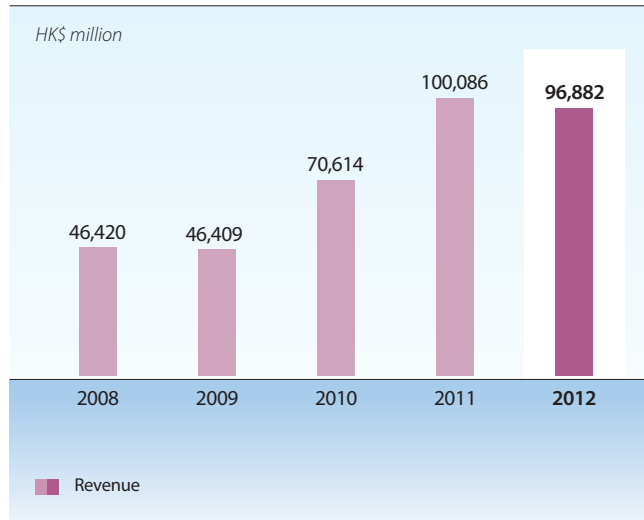
Total assets

As at 31 December



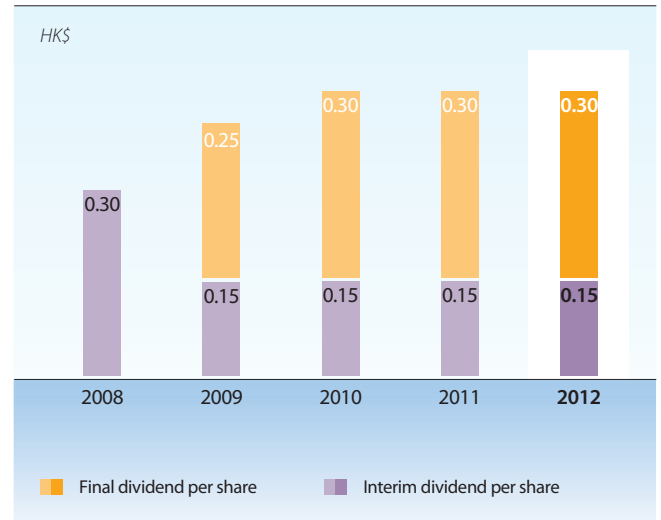
Revenue (including both continuing and discontinued operations)

For the year ended 31 December



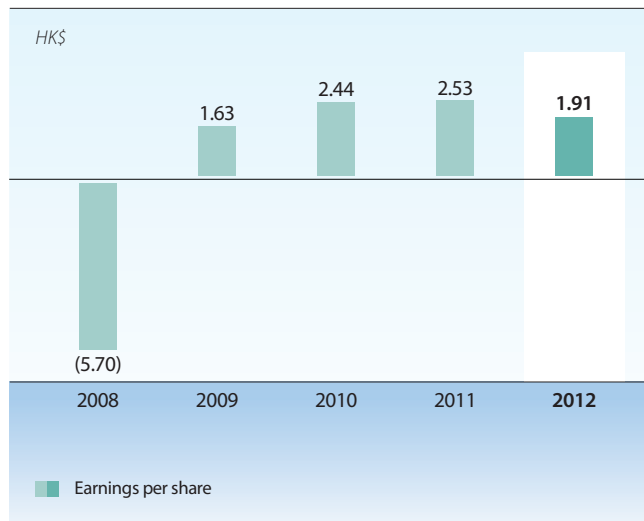
Dividends per share

For the year ended 31 December



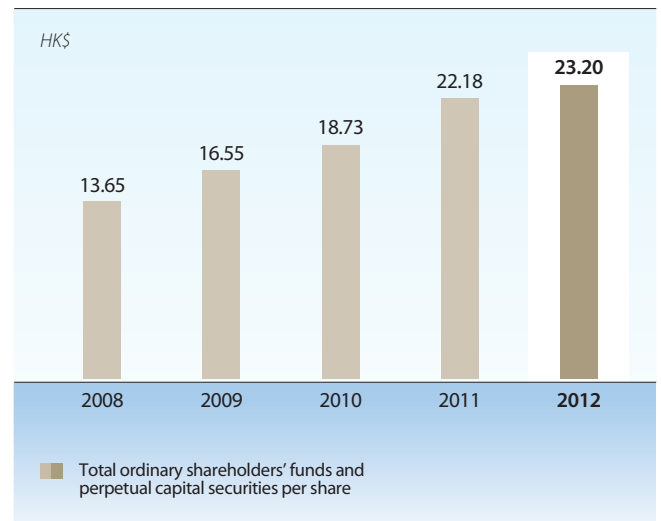
Earnings per share

For the year ended 31 December

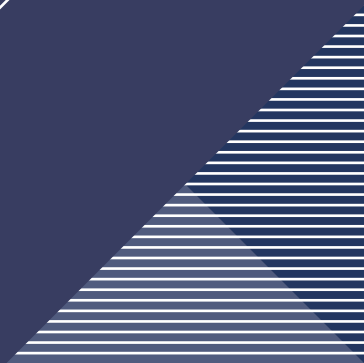
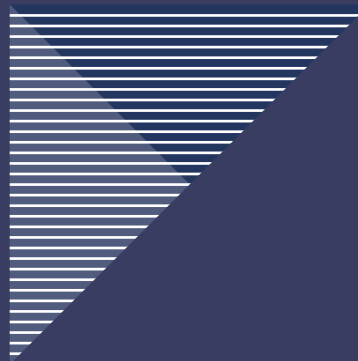


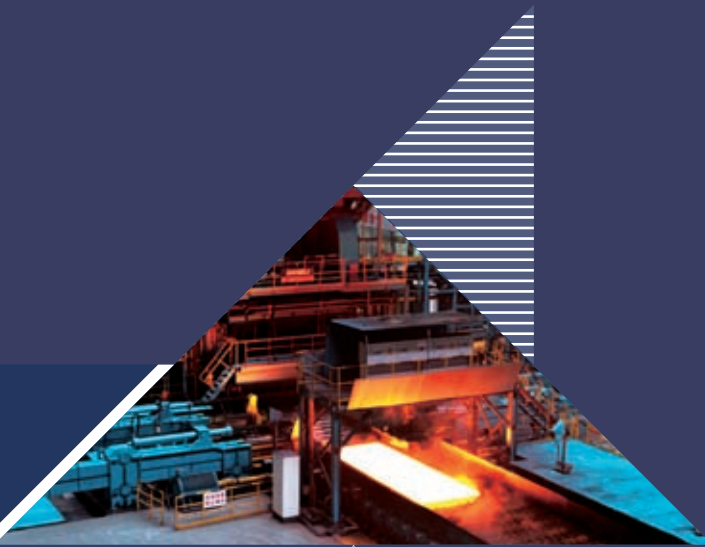
Total ordinary shareholders' funds and perpetual capital securities per share

As at 31 December



CONSOLIDATING DIVERSITY FOR FOCUSED SUCCESS





Chairman's Letter to Shareholders



While the past year was filled with challenges, for CITIC Pacific it was also a year of progress and long-term promise.

Dear Shareholders,

Uncertainties in the global economy and in particular volatile commodity prices made 2012 a difficult year for many businesses and industries. While the past year was filled with challenges, for CITIC Pacific it was also a year of progress and long-term promise. Although our results were lower than last year, I remain confident about our long-term direction and fundamental strengths. I understand that with these challenges come concerns, and I will address them here with the aim of earning your confidence in our ability to generate value for you.

Results of 2012

Our profit attributable to ordinary shareholders for 2012 was HK6,954 million, which was 25% less than 2011. Profit from continuing business operations was significantly lower, mainly due to a sharp decline in the contribution made by our special steel business in the second half of the year. The weak demand for steel products resulted in loss-making for many steel producers in China. However, the fact that our special steel business was profitable for the year is an indication of the strength of this business. Profits from our mainland property business were also lower in comparison with last year. In addition to slowing property sales, the decline in profit was also due to adjusting the pace of our development to match the current market conditions. The hard truth is that both steel and property in mainland China were affected by the macroeconomic environment. While these two businesses did less well, other businesses such as energy, Hong Kong property and tunnels as well as Dah Chong Hong and CITIC Telecom performed satisfactorily and continued to contribute steadily to our profit and cash flow.

At the end of 2012 we had 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. In the 12 months to 31 December 2012, the strength of our credit was demonstrated when we successfully raised over HK\$53 billion of new funds both from traditional bank sources and the issuing of long-dated bonds under our MTN programme, thus lengthening the maturity of our debt.

Our board is recommending a final dividend of HK\$0.30 per share, giving our shareholders a total of HK\$0.45 per share for the year 2012. This is the same as in 2011.

I remain confident about our long-term direction and fundamental strengths.

Our Top Priority – the Sino Iron Mine

Our highest business priority in 2012 was the Sino Iron project in Western Australia, and it will remain so through this year and the following two years. We achieved a major project milestone in November 2012 when the first concentration line began producing iron ore product. We are preparing for first shipment as I write, and the focus now is to commission line two in May 2013.

We have put so much into this project in every sense – time, energy and capital – that it is indeed gratifying to see the progress we have made despite the delays and unexpected costs. The commissioning and trial production of the first production line also reaffirmed our faith in our ability to fully complete the project and operate the mine. The iron ore concentrate produced thus far is of high commercial quality and will be used initially by our own special steel plants. Once production volume increases, ore will also be sold to other steel producers in China.

There is no denying that the road to first production has been difficult. In hindsight, when the decision was made to invest in Sino Iron in late 2006 both we and Metallurgical Corporation of China (“MCC”) underestimated the complexity and the amount of work, time and capital involved in constructing an iron ore mine of this scale and in a foreign land. Subsequently, the business operating environment changed, and we faced steeper construction costs, a local labour shortage as well as a stronger Australian dollar. However, the price of iron ore has also gone up significantly. Despite how things may vary from one day to the next, the fact is we have made a long-term commitment, and we have the conviction to see the project through for its long life.

We are mindful that we still have four more lines to build. We are currently working as hard as we can to get them completed as early as possible. CITIC Pacific Mining has in the past few years gained valuable knowledge and first-hand experience in constructing, commissioning and operating the mine. Therefore, for production lines three to six, rather than appoint an EPC (Engineering, Procurement and Construction) contractor CITIC Pacific Mining itself will manage their construction and commissioning. Having completed the work for line one and most of line two, some operating entities of our current EPC contractor MCC have accumulated sufficient relevant knowledge, and they will be invited to join our team and perform specific tasks in the areas of design, construction, commissioning and technical services.

The Sino Iron project will shape the future of CITIC Pacific. Its success is also very important to CITIC Group, the controlling shareholder of our company. Therefore, the full support of CITIC Group is necessary to ensure the success of the project.

We know that investors are wondering about our production cost. Mining and processing magnetite iron ore is more expensive than mining direct shipping haematite ore. For a project of this magnitude, and in particular one involving a multi-stage process from mining and processing to dewatering, many variable costs are involved. Only when it is in full stable operation will we be able to obtain a more accurate cost per tonne. It is important to understand that for this year only two lines will be operational. So long as the quantity of concentrate produced is relatively modest, the production cost per tonne during this period will naturally be high, and this will put pressure on CITIC Pacific’s bottom line, particularly this year and next. Better economies of scale will be achieved once all six lines are fully operational. We expect by then our cost of production should be comparable to other producers mining magnetite ore.

Chairman's Letter to Shareholders

To achieve profitability and realise the long-term value of this project for our shareholders, operating efficiency is key. Sino Iron is the world's largest magnetite iron ore mine. Compared with other magnetite mines in the world as well as those in China, Sino Iron employs some of the largest equipment in the market, and its processing plant features a relatively short process flow with an advanced control system comprising over 78,000 control points. These characteristics will in the short-term present challenges, particularly during the commissioning and trial production stages. However, once the mine is in stable operation the economic benefits will come through in lowered operating costs and greater operating efficiency. In fact, our focus is to increase efficiency in every aspect of our operation. One example is our mining team's extensive research on improving the efficiency of the shovels and trucks used to pick up and transport blasted rocks. So far, the truck load per trip has increased from 277 tonnes to 325 tonnes and will reach its designed capacity of 360 tonnes in due course. Shovel performance is targeted to improve by 25% from its current level by year-end. I am glad to say that our cost of mining per tonne of ore from the mine pit is comparable with most of the other established producers of iron ore. Operational studies and related improvements will continue to be made in all sections of the production line so our operation can be as efficient as possible.

We note that our mining peers are setting new standards of disclosure and transparency. We have also made good progress on this front. Our annual reports have included extensive descriptions of our mine's construction progress, and once the mine is fully operational we will strive to match industry best practice around operational disclosure.

Reflecting on the Past and Looking at the Year Ahead

It is sometimes necessary to take a step back and re-examine where we are and how we got there, particularly when faced with a changing and challenging operating environment. The result can be quite enlightening and thought-provoking.

Looking at CITIC Pacific today, some things are very much the same. We remain focused on developing our three main businesses, serving our customers and striving to create value for our shareholders. But some things are different. Structurally, we are now a member of the CITIC Group. Culturally, as some employees have acknowledged, we are much more systematic.

Why should someone invest in CITIC Pacific? What do I tell our employees about the organisation they work for? And what responsibilities does CITIC Pacific have to our society? It is time to return to fundamentals and provide answers to these basic questions.

Why should you invest in CITIC Pacific?

We have a clear strategy and a competitive business model that always strives for market leadership:

Back in the mid-2000s, we made a commitment to focus on special steel, iron ore mining and property development in mainland China. We exited a number of other businesses that we did not actively manage and that were not essential to the growth of this company. Our intensified effort beginning in 2009 has paid off. We have grown the three main businesses so that they are now over 70% of CITIC Pacific's total assets.

Take our special steel business as an example. It is clear that CITIC Pacific Special Steel has the advantage of being the largest dedicated special steel manufacturer in China with a solid track record. We have a very strong team of professionals, many of whom have spent their entire lives in the business. While we

outperformed the market in 2012, our executives still sought to analyse why, in the second half of the year, the plants incurred their first monthly loss in many years. They asked hard questions about how to raise margins, how to develop the market for new products such as special steel plates, how to stay ahead of competitors by continuing to improve product quality, and how to meet the changing and increasingly demanding needs of our customers. A number of issues were tackled, decisions made and realistic yet challenging targets set for 2013.

The reality is that the market for steel is unlikely to see major improvement in 2013. Steel producers will have to operate in an environment of excess capacity, moderate demand and low product prices. However, we still believe that special steel is different because of the specialised nature of its products and that it presents attractive growth potential. At the same time, being part of the big CITIC family means that support from CITIC Group is beneficial in the development of new markets for our special steel. For example, last year CITIC Group signed strategic cooperation agreements with China State Construction Engineering, China Shipbuilding and China International Marine Containers. Under these agreements, CITIC Pacific Special Steel will be given priority when these companies require special steel products. The strategy of “differentiating ourselves, our products and our services,” combined with our efforts to further develop domestic and international markets, reduce costs and increase the technology content of our products, will continue to raise the core competencies of our special steel business.

Our business model is clear – concentrate on what we do best, and manage and grow the businesses by attending to the basics of earnings, cash flow and margins. Despite the difficult time we had last year, the fundamental strength of our businesses sustains us and ensures we are on the right path.

I believe that we are providing our investors an opportunity to participate in attractive growth areas that are very much part of the China story.

The goal I set for our businesses is to outperform the market. This can only be achieved by focusing on building competitive advantage. For special steel, these are our understanding of the market, knowing what customers want and being able to supply them with excellent quality products and superb services. Our Sino Iron project in Australia is now producing high quality iron ore concentrate, and we expect it will be a market leader in the export of high quality iron ore concentrate in the future. Our property development business in mainland China remains well positioned because of an excellent portfolio of land banks and a team of professional managers.

I believe that we are providing our investors an opportunity to participate in attractive growth areas that are very much part of the China story.

We reward shareholders with steady dividends whenever possible: I clearly remember being grilled by shareholders in 2009 at my first annual general meeting as chairman, when for the only time in its history CITIC Pacific did not pay a final dividend. I made a promise to them that when we returned to profitability dividends would be paid, and that promise was kept later the same year. I am of the strong view that while it is important to retain earnings to reinvest in and grow the company, it is equally important that our shareholders be rewarded with steady dividend payments.

Chairman's Letter to Shareholders

We believe in continually improving our corporate governance: To build CITIC Pacific into one of the best managed companies in the world was a goal I set for our management in 2009. Some told me that I was too aggressive as it meant that we had to run instead of walk and we might upset some people and the system. Change is always difficult but we want to keep up with the times and global benchmarks. Looking at where we are now, we have certainly made significant improvement to our systems, our management roster, and the way we manage our company and answer to our shareholders. We are committed to making further improvements in 2013.

We recently changed the balance of our board by increasing the proportion of independent non-executive directors. The change, which was advocated by institutional investors, meets modern corporate governance standards as reflected in the new Stock Exchange of Hong Kong requirements. Independent directors also bring to our company diverse perspectives and expertise. My intention is to add more independent non-executive directors when suitable candidates are identified.

Why should someone work for CITIC Pacific?

Being a good employer is not only good for employees, it should also matter to investors. The survival and prosperity of an organisation not only depends on its business assets but also on the human talent charged with protecting those assets, running the businesses, and generating returns for shareholders.

Expectations of employees are greater than ever. Today, it is no longer enough to simply offer job security. Training for our young people, opportunities for them to make a difference, and platforms on which they can develop into the leaders of the future are essential elements in attracting talent. Examples of our initiatives include the following:

- ▶ Increasing the number of classes and training we provide to our staff across all business units and functional areas.
- ▶ Building a new training facility in our headquarters.
- ▶ Revamping the job appraisal process so as to link individual performance with remuneration, particularly for senior managers.
- ▶ Engaging a consulting firm to conduct a thorough study and assessment of CITIC Pacific's finance function three years ago and repeating it in 2012. The result showed a marked improvement in communication among our finance staff, and their satisfaction with the training provided was reward for the work we put in.

CITIC Pacific is a corporate brand to be proud of, one with staying power and one with vitality. The CITIC Group and CITIC Pacific brands are veritable symbols of the economic progress China has made in the last few decades. The pride in our history and brand permeates our culture. We are much larger than when we began, and decades from now we will be even bigger and stronger and wiser.

After four years of being the steward of this company, I have a good understanding of the elements of our culture, which very much align with those of the CITIC Group: honesty, creativity, cohesion, harmony, dedication and excellence. These, combined with hard work and the diversity of our workforce, continue to attract the best young people. Looking at the organisation today, the diversity in our backgrounds, cultures and experiences is wonderful to see and represents a marked difference from a few years ago.

What responsibilities do we have to society?

There is no denying that our business objective is to make a profit. But in the process of generating profits, we have a responsibility to society, especially the communities in which we operate, to use resources and energy wisely, to do no harm to the environment and to carry out our business activities sustainably. We have a responsibility to be a fair employer and to protect our workers' safety and rights – in China, in Hong Kong, in Australia and in every other market where we have businesses. Now that we operate on a global stage, we seek to raise our standards every single year.

We have done quite a lot of work on this front, particularly in the iron ore mining operation in Australia. Environmental management is a crucial aspect of the operation of a mine, and we have a well-established Environmental Management System that drives our performance across the site. The "Leave No Trace" programme, whose goal is to educate and promote awareness among our mine workforce on responsible and safe recreational behaviour, was a finalist for the Department of Mines and Petroleum 2012 Golden Gecko Award for Environmental Excellence. Building a sustainable and positive relationship with local indigenous people is also imperative. This trust is key to ensuring the future success of our Sino Iron project, alongside social and economic benefits such as employment and economic stimulus. An example of one of our many initiatives is our success in helping local aspiring business owners with support and access to financing.

On the business side, the 450MW power station at our mine site is the largest and cleanest power plant in the Pilbara region of Western Australia. In our steel plants and our Ligang Power station in China, the focus of the on-going work continues to be on reducing emissions, saving energy, eliminating outdated facilities and utilising by-products where possible.

In closing, I want to acknowledge the concerns our investors may have about our business challenges. I am acutely aware that 2012 was not a good year for us in terms of our stock performance. But this should not overshadow the achievements we have made and the work we have done. I strongly believe that the underlying value of our businesses will flow through in the coming years, and that you, our shareholder, will benefit from it. There is no doubt that we will continue to be challenged but we pledge to have a closer dialogue with you. We believe that shareholders taking a long-term view will be rewarded by sticking with us, and we will strive to be good stewards of your investment in the years ahead.

The most critical asset in our organisation is our group of over 34,000 employees that I so take pride in. I thank them for being loyal and hard working. I thank our board for trusting me to lead this company, and I thank our investors and banks for their continued support.



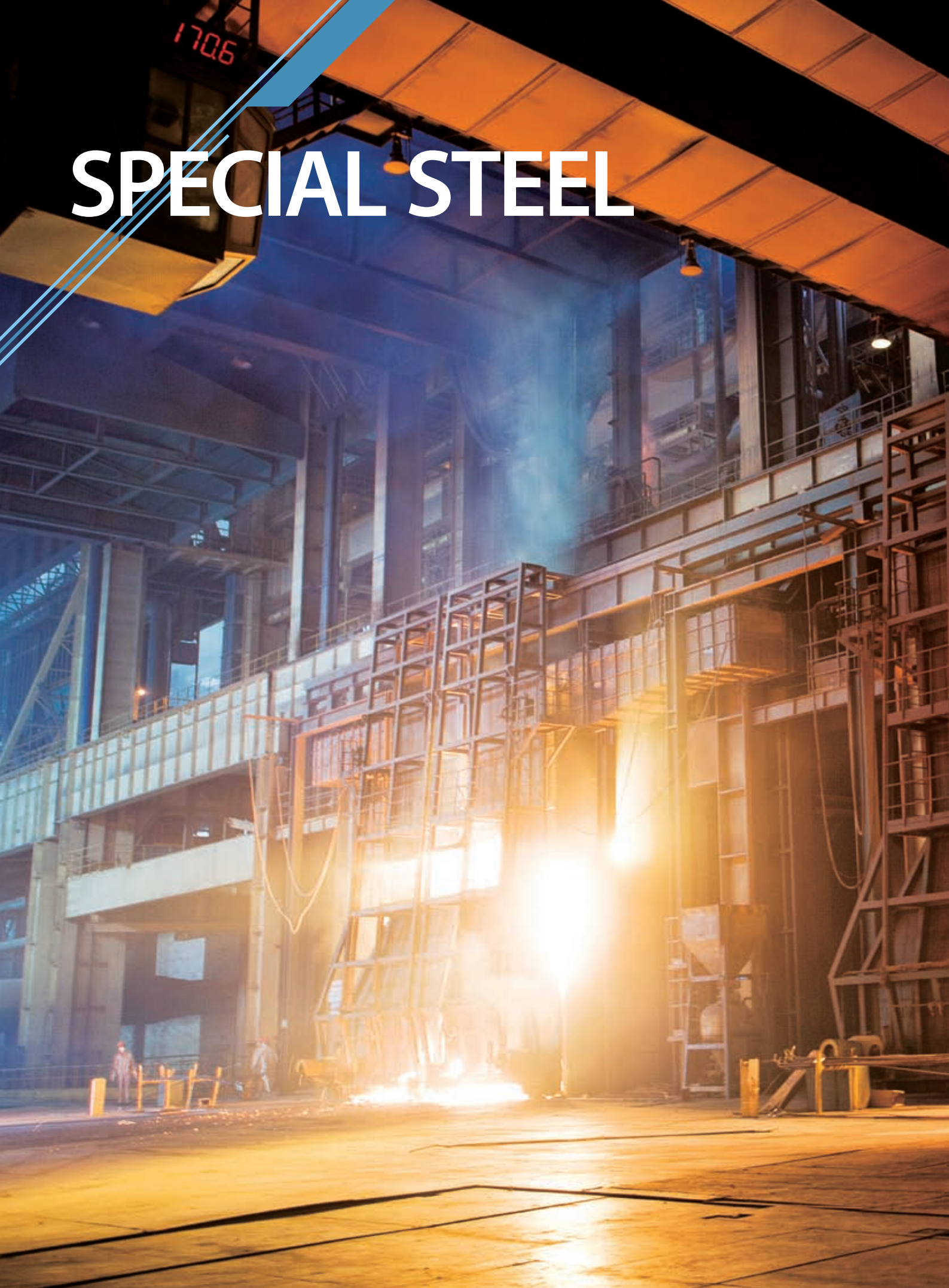
Chang Zhenming

Chairman

Hong Kong, 28 February 2013

1706

SPECIAL STEEL





Sales
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SPECIAL STEEL

22% of assets



In HK\$ million

	2012	2011	Change
Turnover	40,358	44,043	-8%
Profit contribution	211	1,994	-89%
Assets	55,622	56,273	-1%
Cash inflow from operations	4,704	4,956	-5%
Capital expenditure	4,613	6,539	-29%

Review of 2012

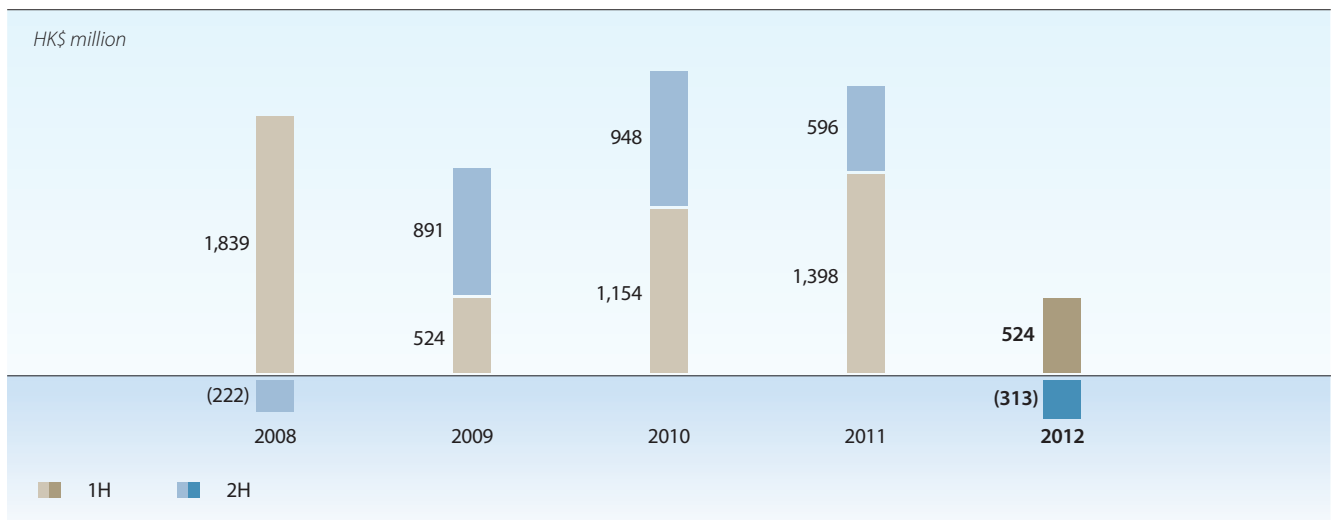
In 2012, the overall steel market remained weak as a result of uncertainties in the global economy and slower growth in China. The market for special steel was no exception.

Domestically, continued control measures put in place by the Chinese government to regulate the Chinese property market, combined with a tightened monetary policy affected fixed investments, reduced demand for steel products. This was particularly true of customers in the primary industries for our special steel products, such as auto components, machinery manufacturing, oil and petrochemicals, and shipbuilding. In addition, excess capacity in steel production in China also depressed the price of steel. However, the average price of raw materials such as iron ore and coke did not decrease as much, which resulted in lower margins and profitability for all steel manufacturers in China.

The situation is similar in the export market, where the European debt crisis continued to impede demand for steel, in particular for high quality special steel products.

Profit contribution from CITIC Pacific Special Steel was 89% less compared with 2011, the result of reduced demand and lower product prices. Nevertheless, the business was profitable taking the year as a whole which was comforting as many steel producers in China were loss making. A total of about 6.6 million tonnes of special steel products were sold in 2012, 4% less than in 2011. Product prices remained steady in the first half of 2012 but declined sharply in the third quarter. There was some recovery in the fourth quarter, but the average product price was 13% lower compared with 2011.

Profit contribution



CITIC Pacific Special Steel

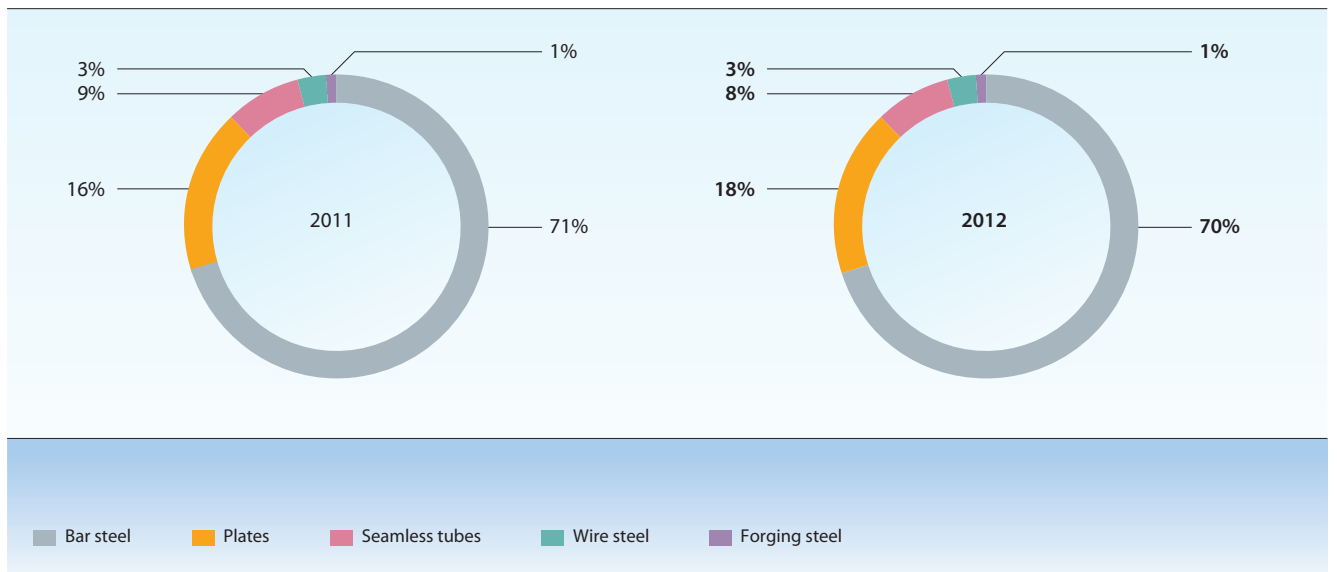
CITIC Pacific Special Steel is the largest dedicated manufacturer of special steel in China. It operates two plants — Jiangyin Xingcheng Special Steel and Xin Yegang. At the end of 2012, CITIC Pacific Special Steel's annual production capacity was 9 million tonnes.

Located in Jiangyin City of Jiangsu Province and Huangshi City of Hubei Province respectively, the two steel plants are strategically situated next to the Yangtze River and are well located to serve the major markets for special steel in eastern and central China. Major products include special steel bars and wires, special steel plates, medium-to-thick wall seamless steel tubes and special forging steel. These are widely used in auto components, machinery manufacturing, oil and petrochemicals, transportation, energy, railways and shipbuilding as well as other sectors.

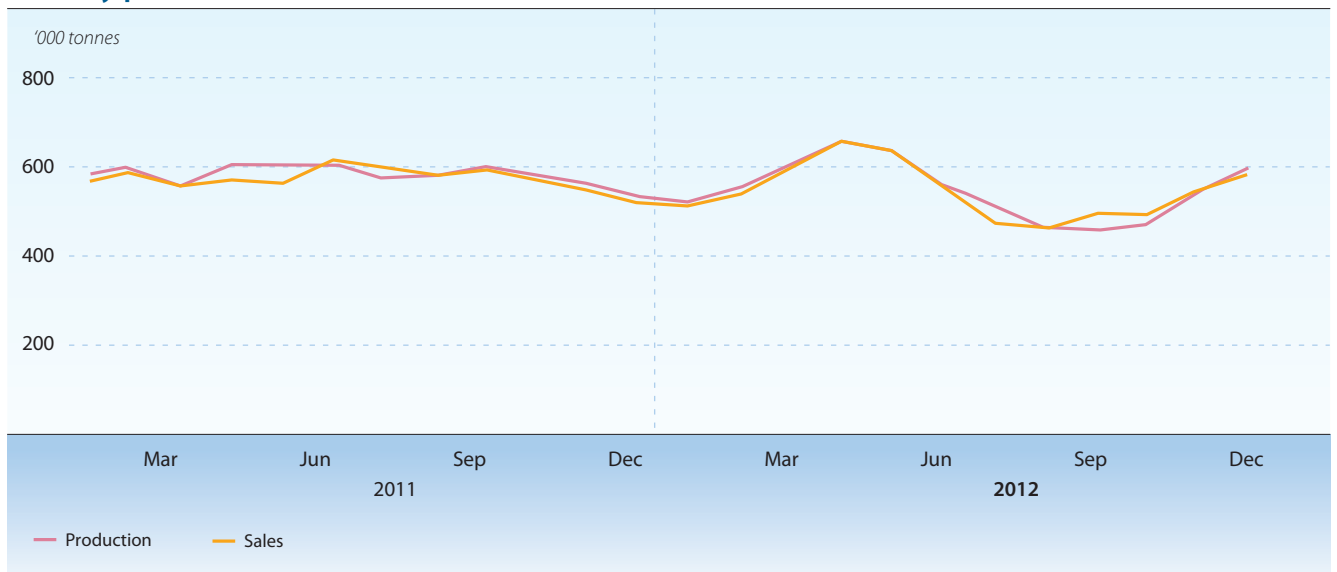
Form	Capacity ('000 tonnes)	Products
Bars and wires	5,180	Bearing steel Gear steel Spring steel Non-quenched and tempered free-cutting steel High-end core steel High-pressure tube billet steel Tools and die steel Big casting round billet
Plates	2,600	Pressure vessel steel plate High strength shipbuilding 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
Special forging steel	120	Railway bearing steel Tools and die steel Cold roller steel Ultra-high strength steel High-temperature alloy Stainless steel
Total	9,000	

Production

Category	Production ('000 tonne)	Percentage	Change from 2011
Bar steel	4,580	70%	(6)%
Plate	1,160	18%	2%
Seamless tubes	530	8%	(15)%
Wire steel	220	3%	(8)%
Forging steel	80	1%	0%
Total	6,570	100%	(6)%



Monthly production and sales volume



Products

Bars and wires

CITIC Pacific Special Steel has a long history of producing bars and wires and commands a leading position in the market for these products. They are mainly sold to the auto component and machinery manufacturing industries. The capacity utilisation rate of our bar and wire production lines in 2012 was 93%.

Sales volume of bars and wires in 2012 was 6% less compared with 2011. In the year under review, fixed investment in the real estate and infrastructure sectors declined, which resulted in decreased sales to the machinery manufacturing sector. In the auto component sector, suppliers to auto manufacturers such as Toyota and Honda reduced orders as a result of the dispute between China and Japan over the Diaoyu Islands in the second half of the year, which caused a sharp decline in demand for Japanese brand cars. This in turn negatively impacted our sales of bar and wire products.

Key bar steel products

Product	Sales ('000 tonnes)	China market share	
		2012	2011
Gear steel	820	29%	32%
Bearing steel	810	28%	26%
Alloy spring steel	370	21%	20%
Alloy structural steel	1,990	19%	15%

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

Special steel plates

Special steel plates, which are new additions to CITIC Pacific Special Steel, are manufactured at two production lines in our Xingcheng Special Steel plant. These plants have a total production capacity is 2.6 million tonnes of medium-to-thick (4,300mm and 3,500mm wide) plates annually. In 2012, production of special steel plates was 1.2 million tonnes, a 2% increase compared with 2011.

The market for steel plates remained oversupplied during the year. Price competition was fierce, especially for the conventional steel plates supplied to shipbuilding and building construction. In 2012, our steel plates were granted approval and received certifications from a number of customers and authorised institutions, such as Siemens, Vistas, American Petroleum Institutions (API), CE and Japanese Institutions Standard. However, since CITIC Pacific is a newcomer in this product category, more time is needed to develop the market and build a customer base.

Seamless steel tubes

In 2012, sales of seamless steel tubes was 530,000 tonnes, 13% less compared with 2011. In addition to a weak market, oversupply of these products in the domestic market and very weak exports, especially to the European market, were contributing factors. Utilisation of our seamless steel tube production lines was 48%.

At CITIC Pacific Special Steel, we put a great deal of effort into enhancing our production processes and improving the quality of our products. The result is that the sales volume of certain types of seamless steel tubes, such as ingot-casting and electro-slag, increased 12% from a year ago. The prices of these products are usually RMB7,000 per tonne higher than other steel tube products.

Special forging steel

In 2012, forging steel production and sales were 80,000 tonnes with a capacity utilisation rate of about 67%.

During the year, electro-slag certification was granted by FAG of Germany, and the certification process for our ring parts was completed by SKF of Sweden. We also supplied the steel used in the new engine designed by China's Aerospace Designer House, thereby laying a solid foundation for our high-end forging products to penetrate the aerospace industry.

Sales

CITIC Pacific Special Steel's primary market is mainland China, where we had approximately 3,100 customers in 2012 — a net increase of 200 customers over 2011. The increase was mainly driven by the development of new markets for special steel plates, and we believe that this will continue as our plate products become more established. In 2012, our top ten customers accounted for approximately 14% of sales revenue.

In 2012, 73% of our products were sold directly to our customers rather than through distributors. This is a key feature of the special steel business, where selling direct provides more visibility and stability in terms of the volume and price of our products. It also enables us to better understand the needs of our customers and any changes in the market environment. 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 products are sold to these regions in China



Our products are exported to these regions and countries

Region/Country	Sales volume ('000 tonnes)	Percentage of total exports
Asia	457	51%
<i>Korea</i>	204	23%
<i>Thailand</i>	50	6%
<i>Indonesia</i>	42	5%
<i>Vietnam</i>	31	3%
<i>Others</i>	130	14%
Europe	154	17%
Americas	158	17%
Middle East & Others	135	15%
Total	904	100%

Export markets suffered due to the slow global economic growth and the European debt crisis. However, CITIC Pacific Special Steel continued to explore overseas opportunities by focusing on developing markets for high value-added alloy plate and heat-treatment plate and by enhancing market awareness of our products. Following the development of our customer base and certification of our plate products, exports of our medium-to-thick plates increased, and this compensated for the decline in exports of other products affected by the weak global demand. Export volume in 2012 was about 900,000 tonnes, about the same level as 2011.

CITIC Pacific Special Steel's key customers

Customer	Profile	Percentage of revenue
Yangzhou Chengde Steel Pipe Co.	A private bearing company with the widest range of seamless steel tube products in China. It is also a key producer of high-end large diameter seamless steel tubes. The company has co-developed many unique products with CITIC Pacific Special Steel.	2.7%
Bekaert Management (Shanghai) Co., Ltd.	World's largest independent manufacturer of drawn steel wire products. The company has been working with CITIC Pacific for four years, during which CITIC Pacific Special Steel supplied a total of 500,000 tonnes of wire steel.	1.9%
SKF Group	A leading global bearing manufacturer buys 90% of its bars required in China from CITIC Pacific Special Steel. A global corporation agreement was signed between the two companies in 2011.	1.7%
Tri-Ring Group Corporation	The company's major business is manufacturing and marketing special purpose vehicles, automobile components, and metal forming equipment. 80% of the materials Tri-Ring uses are supplied by CITIC Pacific Special Steel.	1.6%
Xuzhou Rothe Erde Ring Mill Co., Ltd.	Wholly owned by Rothe Erde of ThyssenKrupp, Germany, the company is a leading manufacturer of seamless rolled rings in China. The company has been using big casting round billet supplied by Xingcheng Special Steel since 2007. The two companies have jointly developed large diameter casting billet, which successfully replaced imported billets.	0.9%
Sany Heavy Industry Co., Ltd.	The largest engineering machinery manufacturer in China and sixth largest in the world. One of the biggest customers of Xin Yegang's seamless tubes.	0.4%

Our products are sold to these industries

Industry	Sales ('000 tonnes)		Percentage of total sales	
	2012	2011	2012	2011
Auto components	2,010	2,020	31%	30%
Machinery manufacturing	1,560	1,530	24%	22%
Shipbuilding	660	950	10%	14%
Power generation	800	900	12%	13%
Oil and petrochemical	800	620	12%	9%
Metal works	420	390	6%	6%
Railway	120	140	2%	2%
Others	180	300	3%	4%
Total	6,550	6,850	100%	100%

CITIC Pacific Special Steel sold 55% of its 2012 production to the auto component and machinery manufacturing industries, which remain our two most important segments. Shipbuilding saw the biggest drop in sales over the past two years. This was due to the continuing weak demand in the shipping industry and the shift of our target customers for special plates to machinery manufacturing, oil and petrochemicals, high-rise construction and other specific industries. As a result, sales in the oil and petrochemical industries increased by volume and proportion. CITIC Pacific Special Steel has been tracking the demand for special steel products in various industries and flexibly adjusting its product mix according to varying demand and changes in the market.

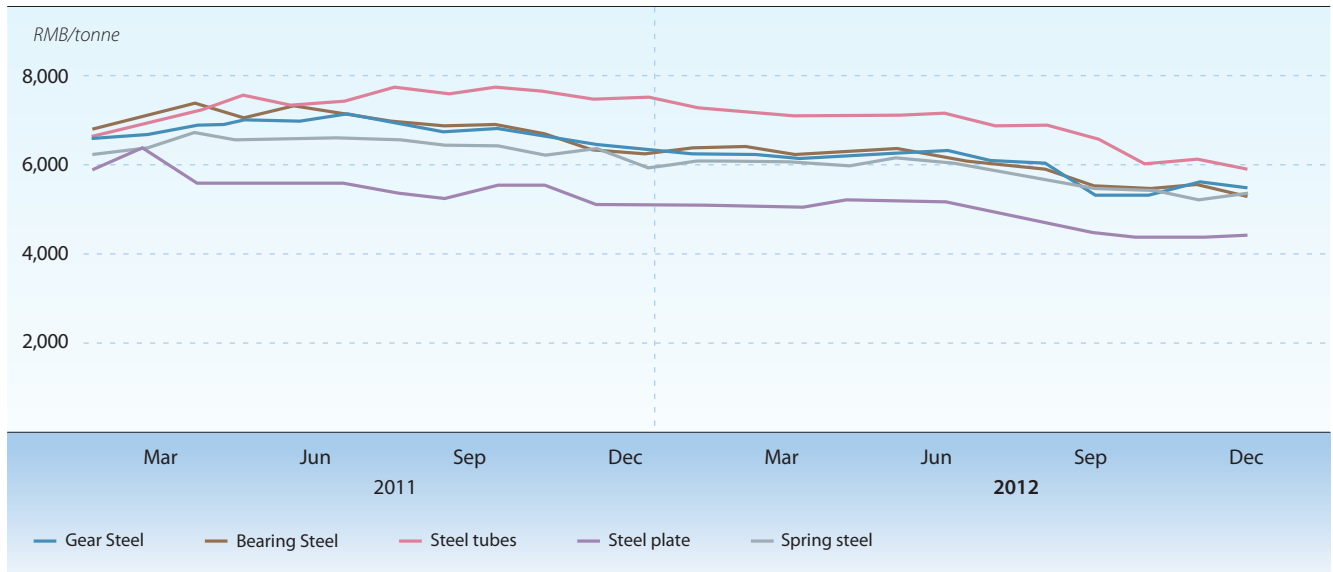
Product Pricing

Pricing of special steel products is mainly driven by two factors: demand and the cost of raw materials. Historically, in a market where demand and supply are in balance, increases in the price of raw materials can usually be absorbed by increasing the price of the products. However, in 2012, when there was oversupply in the market, associated with a decrease in selling prices, the profit margin of our steel mills was negatively affected.

These conditions contributed to CITIC Pacific Special Steel's 2012 average selling price falling 13% lower than that of 2011.

Since approximately 70% of our steel plants' production cost is directly attributable to the cost of raw materials, changes in the price of raw materials are a very important factor in determining the selling price of our finished products. It takes about two to three months to go through the process of raw material procurement, production, and then delivery of the final products to customers. Pricing is not fixed until orders are formally placed or before products are delivered. There will be further price adjustment based on the market demand and supply.

Major product prices



Raw Materials

Major raw materials

Type	Raw material used in 2012 ('000 tonne)	Percentage of total production cost
Iron Ore	9,880	29%
Scrap Steel	1,480	10%
Coke*	3,000	18%
Alloy	250	12%
Total	14,610	69%

* Compared with 2011, the coke used in 2012 has been adjusted to reflect the actual amount used in steel production

Price of major raw materials



Iron ore

Of the total 9.9 million tonnes of iron ore purchased in 2012, approximately 40% was sourced through supply contracts, which were for volume only. The rest was purchased on the spot market.

In 2012, the price of iron ore was volatile as the iron ore index decreased sharply from July to September but rebounded quickly in the fourth quarter. This market environment made it especially challenging for steel producers to manage raw material costs.

Once CITIC Pacific's iron ore mine in Australia is in full production, it will be able to meet our need for quality concentrate.

Source of iron ore

Country	Percentage of total	Main suppliers
Australia	53%	Hamersley, BHP
China	16%	Mines in Northeast China and Hubei Province
Brazil	15%	Vale
Others	16%	Jiangsu Huamao, Shandong Wanbao, Bao Mineral

Coke

CITIC Pacific Special Steel currently has 2 million tonnes of annual coke production capacity. In 2012, 1.8 million tonnes of coke was produced which met about 60% of the requirements of the two steel plants. The coking facility is being expanded by another 1.3 million tonnes, and this is expected to be completed at the end of 2013.

Scrap steel

In 2012, 99% of the scrap steel we used was sourced domestically, with only 1% coming from overseas markets.

Alloys

The main alloys used in the production of special steel are ferrosilicon, ferrochrome, ferromanganese, molybdenum, nickel and vanadium, and these are usually sourced domestically.

The Environment

Our steel plants continued to focus on reducing emissions, saving energy and eliminating outdated facilities. These efforts not only support the sustainable development of our business, but also reflect our commitment to social responsibility.

- Our energy-controlling centre is responsible for managing energy usage of the steel plants and planning for contingencies under a variety of scenarios. The centre helps reduce energy consumption by lowering the release rate of gases and oxygen, and by increasing the water recycling rate.
- In an effort to eliminate outdated facilities, Xin Yegang has closed two small blast-furnaces and one electric-arc furnace. These closures were in compliance with China's environmental regulations and had the added benefit of increasing our efficiency.

- Our research centre for energy conservation and emission reduction works closely with universities and research institutes in China to jointly develop new technologies and techniques that minimise our impact on the environment.
- We treat pollutants such as fumes and dust discharged from the production process and recycle and treat waste-water, gases and other waste residuals. The methods used are shown in the following table:

Major pollutants	Measures
Industrial fumes and dust	Cloth filter de-dusting and electric de-dusting
Sewage water	Cooling water recycling; small quantity treated in sewage treatment station before discharging
Waste residual	Recovered and recycled
Noise	Sound-proof coverage used for all noise-generating equipment Factories located away from residential areas
Sulphur dioxide (SO ₂)	Treated with wet de-sulphuring device

In 2012, all major indices in our two steel mills, such as sulphur dioxide emissions per tonne of steel and the comprehensive utilisation rate of solid wastes, met the standards set out in China's 12th Five-year Plan for the Iron & Steel Industry. The discharge of all major pollutants also met China's national standards.



Looking Forward

2012 was difficult for CITIC Pacific Special Steel as we suffered our first monthly loss in many years. We believe that the market for steel is unlikely to see major improvement in 2013. Steel producers will have to operate in an environment of excess capacity, weak demand and low product prices.

For CITIC Pacific Special Steel, our ultimate objective is to continue raising the core competencies of our business and maintain our market leading position. We aim to achieve this by employing a strategy of differentiating our products and our services, as well as continuing our efforts to reduce costs and increase the technology content of our products. Specifically, our work for 2013 will focus on the following areas:

Products and Services

1. *Improving product and service quality*

CITIC Pacific Special Steel currently has its own technical centres, laboratories and post-doctoral research centres, which are all nationally recognised for their industry expertise. Their work is to develop new products and offer services to clients needing consultation on special steel applications.

We aim to develop new products that will replace 10% of our outdated products each year. We have thus far achieved this goal. In 2012, 710,000 tonnes of new products were produced, about 11% of the year's total production.



2. *Optimising our product mix*

In the last few years, CITIC Pacific Special Steel has not only expanded its production capacity but also its product spectrum, and is now offering its customer with bars and wires, seamless steel tubes, special steel plates and special forging steel.

As special steel by nature is very specialised and tailored to customers' needs, it is important we understand the market and optimise our product mix by responding quickly to markets needs. For example, from our performance in 2012 it is clear that there was more demand for bar and wire products than other products. In 2013, we will thus take advantage of the market by increasing the production of these products to further cement our already strong position and raise their profitability.

In new product areas, our focus will be to identify key niche markets. For example, in seamless steel tubes we aim to increase our market share by providing quality products to oilfields, which require high strength tubes that are hydrogen sulphide-proof and carbon dioxide-resistant. In plates, we will put our efforts into developing high-end plate products used in marine engineering, high-rise construction, wind power generation and mould areas.

3. *One-stop service to customers*

We learned long ago that just selling products is far from enough; providing excellent services to customers is also critical in today's increasingly competitive market. One of the initiatives that we will continue is building product distribution centres near our key customers' production facilities. This value-added service provides customers easier and faster access to our products and also helps us to retain them.



Reducing costs and improving operating efficiency

One of the key focuses of our work is reducing costs and increasing operating efficiency. Specifically, our targets is to make maximum use of our iron and steel-making capacity, eliminate low-margin products and plan our production better in order to minimise excess inventory.

Major raw materials such as iron ore and coke represent approximately 70% of our steel plants' production costs. It is therefore important for us to minimise the cost of these raw materials.

A pellet plant with an annual capacity of 6 million tonnes is being constructed in phases in Jiangdu district, located in Yangzhou city of Jiangsu province. Its location on the Yangtze River will allow the pellets to be shipped to our steel plants. Once completed, it can pelletise iron ore concentrate from CITIC Pacific's Sino Iron ore mine in Western Australia.

A new coke making facility is also being constructed in Tongling, Anhui province. The first coke oven is expected to be completed in the second half of 2013. A second coke oven is scheduled for completion in end of 2013. By then, CITIC Pacific Special Steel will have a total annual capacity of 3.3 million tonnes in coking production, which will be sufficient to meet the needs of our two plants



Market development

1. Strategic relationships

Building strategic relationships with customers not only helps us market our products better but is also important for our understanding of the products and services they need through customer interactions.

In 2012, strategic relationships were established with prominent enterprises such as China Railway Group and the China Three Gorges Corporation. To date, we have signed strategic cooperation agreements with 13 well-known domestic and overseas companies, including SKF of Sweden, China State Construction and China Railway Group. These affiliations have allowed us to further expand our strategic client base and to set up a solid foundation for future sales expansion in domestic and international markets.

At the same time, being part of the big CITIC family means that support from CITIC Group is beneficial in the development of new markets for our special steel. For example, in last year CITIC Group signed strategic cooperation agreements with China State Construction Engineering, China Shipbuilding and China International Marine Containers in which CITIC Pacific Special Steel will be given priority when these companies require special steels.

2. Increase market penetration

In order to expand domestically and develop new overseas markets, we accelerated the certification process of our new plate and seamless steel tube products. These certifications are essential in tapping the markets for these products as they acknowledge customers' acceptance of the quality of our products. In 2012, our plate products for wind power usage obtained certifications from Siemens and Vestas Wind Systems, which enabled us to begin production for these customers. Our pipeline steel also obtained a production permit from CNPC and received an American Petroleum Institute (API) certificate. Pressure vessel plates have passed the national certification requirements for the pressure vessel industry and EU CE certification.



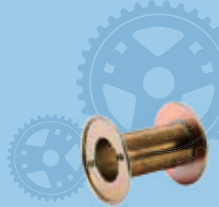

In 2013, CITIC Pacific Special Steel will continue the certification work of our new products and extend market penetration into key industry sectors such as energy, transportation, engineering machinery, and aerospace, which have all been identified as key areas for development in China. Recently, CITIC Pacific Special Steel set up a strategic team for developing overseas markets. This team aims to increase our share in the international market for our high-end products, such as bearing steel, steel for automobiles, seamless steel tubes and heat-treated bar steel.







Facts and Statistics

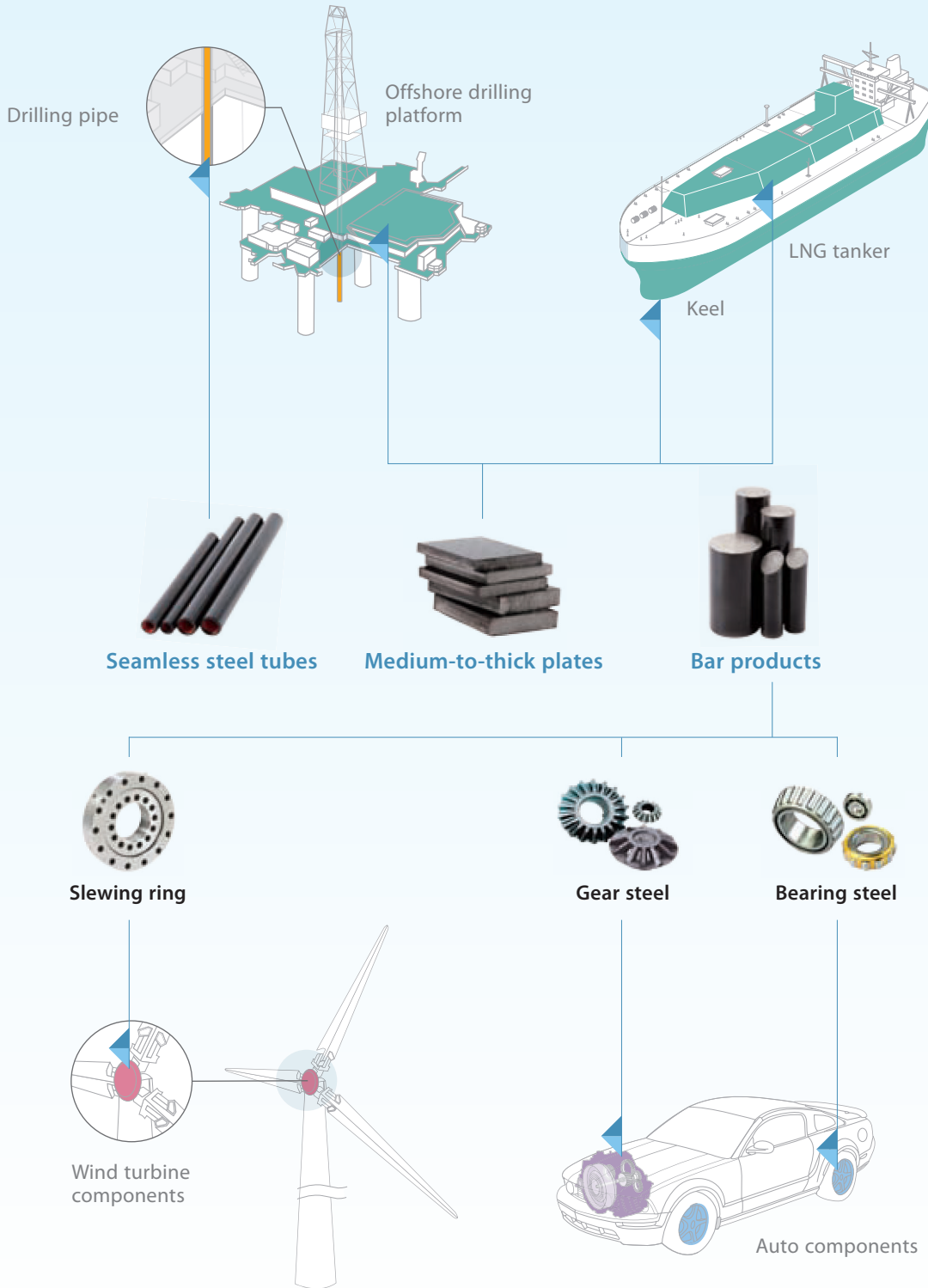
What is special steel?

Special steel refers to steel produced using special techniques, with special characteristics and special purposes. Categorized by shape, special steel includes bar steel, plates, strip steel, tube steel and wire steel. These products are sold to manufacturers for making products such as gears, bearings and springs.

INDUSTRIES AND MAJOR PRODUCTS USED			
<p>APPLIED INDUSTRY</p> <p>Auto Component</p>	<p>APPLIED INDUSTRY</p> <p>Machinery Manufacturing</p>	<p>APPLIED INDUSTRY</p> <p>Metal Work</p>	<p>APPLIED INDUSTRY</p> <p>Power Generation</p>
<p>PRODUCTS</p> <ul style="list-style-type: none"> ▪ Gear steel ▪ Bearing steel ▪ Spring steel ▪ Alloy structural steel 	<p>PRODUCTS</p> <ul style="list-style-type: none"> ▪ Alloy structural steel ▪ Carbon structural steel ▪ Tools and die steel 	<p>PRODUCTS</p> <ul style="list-style-type: none"> ▪ Tyre cord steel ▪ Steel for standard parts 	<p>PRODUCTS</p> <ul style="list-style-type: none"> ▪ High pressure tube billet ▪ Casting round tube billet 
<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> ▪ Transmission gears ▪ Bearings ▪ Transmitting shafts ▪ Connection rods ▪ Crankshafts 	<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> ▪ Oil cylinder pipes for engineering machinery ▪ Hydraulic props support for coal mining machinery ▪ Large modules 	<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> ▪ Radial tyres ▪ Standard bolt parts 	<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> ▪ High pressure boiler tubes ▪ Wind power ring parts

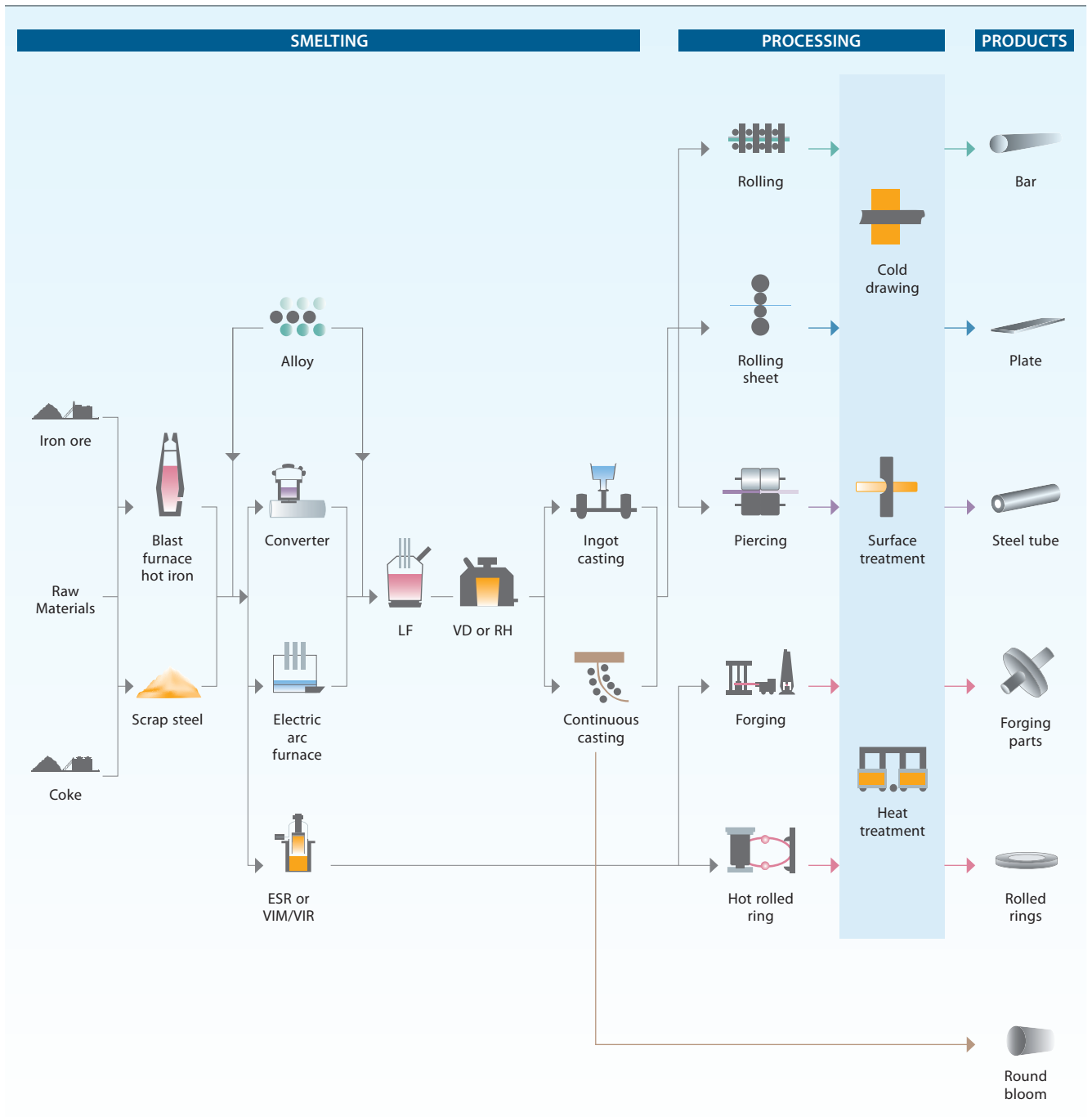
APPLIED INDUSTRY	APPLIED INDUSTRY	APPLIED INDUSTRY	APPLIED INDUSTRY
<p>Oil & Petrochemical</p> <p>PRODUCTS</p> <ul style="list-style-type: none"> Seamless steel tubes ▪ Medium-to-thick plate pipeline steel 	<p>Railway</p> <p>PRODUCTS</p> <ul style="list-style-type: none"> Spring steel ▪ Carbonisation bearing steel 	<p>Military</p> <p>PRODUCTS</p> <ul style="list-style-type: none"> Alloy structural steel ▪ High-temperature alloys 	<p>Shipbuilding</p> <p>PRODUCTS</p> <ul style="list-style-type: none"> Anchor chain steel ▪ High strength plate 
<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> Drill collars and casing couplings ▪ Oil and gas transport pipelines ▪ Offshore drilling platform 	<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> Locomotive springs ▪ Bogies ▪ Wheels ▪ Fasteners ▪ Bearings 	<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> Shells ▪ Body tubes ▪ Engine blades 	<p>PRACTICAL EXAMPLES</p> <ul style="list-style-type: none"> 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. From 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 MINING





Operation
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Project Facts
and Statistics**
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**Major
Milestones**
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KEY MILESTONES

2006

- MAR** Initial mining right purchased
- MAY** CITIC Pacific Mining formed
- DEC** Major Project Status granted by Australian government

2007



- JAN** EPC contract signed with MCC for the main processing area
- NOV** First deliveries of mining fleet to site, including RH 170 excavator and Terex haul trucks
- DEC** Start mining of bulk sample

2008



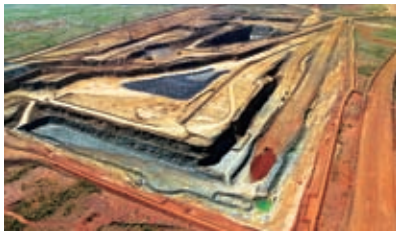
- MAR** About 30% of mining fleet on site
Movement of the first million tonnes of material from bulk sample pit
- MAY** Government approval to start construction
- AUG** Construction team mobilised to site
- DEC** Approval to export concentrate and pellets

2011



- JAN** CITIC Pacific's first 115,000 tonne vessel launched
- MAY** First gas turbine ready to supply power
- JUN** Over 100 million tonnes of material removed
- AUG** Successful testing of first in pit crusher
- SEP** Barges and transhipper arrived at the port
- OCT** Construction of desalination plant west line completed

2009



- FEB** Port construction begins at Cape Preston
- APR** Over 30 million tonnes of material removed
- OCT** First transshipment barge launched in China
- NOV** First major overseas delivery received through service wharf

2010



- FEB** First two grinding mills arrived at site from China
- MAR** First ball mill lifted onto foundations
- JUN** First major desalination module arrived

2012



- APR** CITIC Pacific exercised option to acquire an additional 1 billion tonnes of magnetite ore
- JUL** Over 150 million tonnes of material removed
- SEP** Desalination plant produces water
- NOV** Production line 1 commenced load commissioning and first iron ore concentrate produced

IRON ORE MINING

33% of assets



In HK\$ million

	2012	2011	Change
Assets			
Iron ore mine	75,024	61,747	22%
Vessels	6,553	5,250	25%
Capital expenditure			
Iron ore mine	15,502	11,873	31%
Vessels	1,010	710	42%

Review of 2012

The Sino Iron project achieved significant progress in 2012. The first production line and common facilities for all six lines commenced load commissioning in November and produced first concentrate, a major milestone for the largest magnetite project in Western Australia. The project's infrastructure also successfully delivered power and water to meet the needs of processing activities.

Fine tuning of the first production line is continuing. As of the end of February 2013, over 30,000 tonnes of magnetite ore had been ground by the grinding mills and over 10,000 tonnes of concentrate processed. We are currently preparing for first shipment to CITIC Pacific's special steel plant in Jiangyin, China.

Installation of the second production line is nearly complete, and its load commissioning is targeted for May 2013. The grinding mills for lines three to six have already been installed. Load commissioning of these four lines is scheduled to begin from the second half of 2014.

CITIC Pacific Mining will manage the project itself and we are in discussion with NETC, a subsidiary of MCC that has done the design work for the project, to continue its work. Having completed the work for line one and nearly completed the work for line two, some units of MCC have gained significant relevant experience and knowledge. They will be invited to join our team to perform specific tasks in the areas of construction, commissioning and technical services.

The infrastructure in support of the processing activities includes the 450 megawatt combined cycle power station, the first of its type in the Pilbara and the biggest desalination plant in the Australian mining industry. Both are now in operation providing the required power and water.

The transshipment operation moving concentrate product from the port onto barges, and then using transhippers to load it onto our vessels, will be the largest in Australia in terms of the volume of product to be handled and fleet size. The barge loader and marine assets have been commissioned in readiness for the first shipment. Recruitment, training of personnel and marine simulation are the final steps in preparation for the operation of the project.



Project Progress

Component	In operation	Construction activities
Processing		
Crushers	First crusher in operation	Second crusher commissioning commenced; target to begin load commissioning in April Mechanical installation of the third and fourth crushers is targeted for completion by the end of March
Conveyors	First conveyor in operation	Mechanical installation of 2 nd conveyor is targeted for completion by the end of March
Concentrators	Production line 1 in operation	Installation of production line 2 nearly completed Grinding mills of production lines 3 to 6 installed
Slurry and water pipelines	All pipelines are in operation	
Dewatering plant	First filter building in operation	Installation of second filter building completed and is targeted to start load commissioning in mid-April Installation of third and fourth filter buildings continuing
Port stockyard	Port stockyard ready for operation	
Tailings storage facility	Tailings dam in operation	Commissioning of tailings storage facility; load commissioning targeted for mid-April
Power station and gas pipeline	Power station and gas pipeline are in operation All seven gas turbines have gone through 30 megawatt load testing First combined cycle block has completed synchronisation and started generating power	Synchronisation and load testing of second and third blocks by June 2013
Desalination plant	East line is in operation	Commissioning schedule of the west line starting six months before production line 5 begins load commissioning
Port	Barge loader and marine assets commissioned in readiness for the first shipment	

Operation

Mining

Our mining team, which was set up in January 2008, will operate of six blast drills, five loaders, 23 trucks and various ancillary equipment. The fleet can process up to 55 million tonnes of material annually. At the end of January 2013, a total of 176 million tonnes of material had been removed from the mine pit and 4.6 million tonnes of magnetite iron ore stockpiled for processing.

The focus of the mining team has been on increasing mining productivity and improving equipment reliability, and this work will continue. An example of the work done on increasing the loading capacity and volume of the trucks and shovel buckets. So far, the truck load has increased from 277 tonnes to 325 tonnes and will reach 360 tonnes in May 2013. As for shovel improvements, our target is to improve capacity by 25% by the last quarter of 2013. A truck improvement programme has also been put in place to improve operating reliability through the upgrade of a number of components.

Maintenance systems have been developed for the mining fleet and the maintenance group will move into new workshops in early 2013, which will contribute to an increase in labour productivity and reduction of costs. Equipment suppliers have sent their representatives to the site to help resolve any issues that may come up during the initial phase of the operation.

The Life of Mine Plan is a mining development strategy that covers a broad spectrum of issues, from identifying the location of where material will be removed and waste and tailings placed to predicting iron ore grade and tonnes. The plan has been updated to incorporate new information gained during operation and to reflect the third billion tonne option exercised in April 2012. This allows the mining team to plan the activities of its mining fleet and human resources more accurately. The Mine Plan has been reviewed by a reputable and experienced third party group to check its accuracy and viability. Adjustments based on the feedback from the third party group have been incorporated into the plan.

Processing

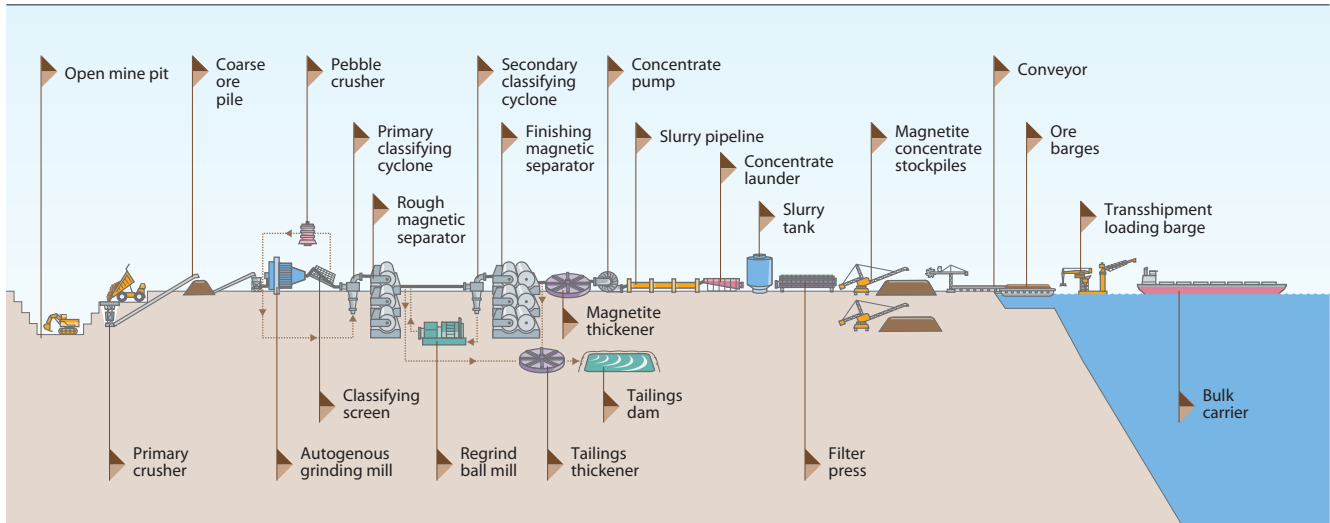
Processing involves activities from crushing and concentrating of magnetite ore to transporting and dewatering of slurry and stockpiling the final product, which can then be shipped.

Our processing team has been studying and analysing the information and statistics gathered during load commissioning of the first production line and common facilities. Accordingly, the operation plan is being updated to improve and optimise the processing activity. This includes the system configuration setting, maintenance plan, long-term consumable suppliers and operation personnel.

Commissioning and operating a large scale magnetite project such as the Sino Iron project will inevitably encounter many challenges. To address these challenges, the processing team has been focused on identifying and resolving equipment and operational issues that came up during the commissioning process. Over the course of the ramp up period, the processing area will continue to undergo fine tuning of its system and equipment in order to achieve targeted production.

The magnetite concentrate produced during the commissioning phase has reached 65.6%Fe with low impurities, making the product suitable for pellet production. Additional fine tuning and improvement will be done with the goal of achieving a higher quality product.

Magnetite process flowchart



Port

The Sino Iron project has built the first new port in the Pilbara in 40 years. Its breakwater extends 2.6 km from the tip of Cape Preston and will be the hub for exporting our concentrate product.

Magnetite concentrate will be transferred from the product stockpile by conveyor to the barge loader, which will load the 15,000 tonne deadweight barges. Due to the shallow sea level along the coastline, the ship cannot dock at the port. The transshipment method has been selected as the preferred option for transferring product from the port to the ship, as dredging the shipping channel was cost prohibitive. The transshipment fleet, which is the largest in Australia, comprises purpose-built tugs, barges and two transhippers.

The port is currently gearing up for the first shipment of magnetite concentrate to China. During the initial phase of production, smaller vessels will be used for export until production volume allows for the regular use of larger purpose-built mini-cape size vessels of 115,000 dwt.



Direct shipment from WA to CITIC Pacific Special Steel plant



Supporting Infrastructure

Power station

Our energy-efficient 450MW gas fired combined cycle power station is the cleanest in the Pilbara region, as it emits 40% less carbon dioxide than an open cycle plant. In 2012, the power station won Best Industrial Energy Efficiency Project at the Energy Efficiency Council Awards in Australia.

The power station has been providing steady power to the project following load testing of all seven gas turbines and synchronisation of the first combined cycle block throughout the year. As an independent power transmission and distribution system, the power station must provide a stable supply of power. The power plant is currently carrying out a series of reliability and efficiency studies. These include a load flow study, fault study, and an electrical motor start coordination and scenario analysis for shedding and dynamical network stability. The result of the study, which is expected to be completed in June 2013, will help the plant optimise its system setting.

Desalination plant

The plant uses reverse osmosis (RO) technology which pumps filtered seawater under high pressure through a semi-permeable membrane to produce desalinated water. It consists of two production sections, each with the capacity of producing 70 megalitres of water per day. The east section is currently supplying water to the first production line and for the daily needs at the site. Our team is currently focusing on plant improvements and optimisation, which will help reduce maintenance frequency and costs, as well as improve the plant's reliability. Works undertaken include detecting water output quality, installing additional monitoring devices to observe the working condition of the processing filters, and automating the membrane cleaning process. More data collection during operation will enable us to further our efforts of increasing the plant's operating efficiency.

Product

Analysis has been done on samples taken from the magnetite concentrate produced since November 2012. The results of the tests show that the small quantity of product is of high commercial quality with an iron content of around 65.6% and low impurities. Fine tuning and continued improvement will be made in the course of commissioning and ramp-up with the aim of producing a product that has even higher Fe content and lower in impurities.

In the concentrating process, the finer the final product, the higher its Fe content, and the lower the impurities, the more costly it is on a per tonne basis. Therefore, the ultimate quality of the magnetite concentrate produced when the mine is in operation will depend on the sales price achieved compared with the cost of production.

Health and Safety

CPM aspires to be a zero harm workplace. Our Occupational Health and Safety (OHS) management systems provide the framework for managing health and safety issues across the site. As we begin operation and prepare for first shipment in 2013, the amount of construction is decreasing. Activities on site are thus significantly different to previous operating conditions.

Our management teams have been providing strong leadership to address risk in the new operating environment. The OHS management system has been updated to reflect these changes and will continue to evolve as the operation ramp-up continues. In addition, each operating department has its own leadership, systems and processes in place to ensure workplace safety.

Throughout 2012, our recordable injuries rate was within the range expected for a major project such as Sino Iron. The vast majority of injuries were not severe, and employees returned to normal duties after a short period of time. We expect the injury rate will drop as construction work decreases.

Fibrous materials are a concern for almost all mines in the Pilbara region. CPM's executive management have maintained strong leadership on this issue by engaging with regulators and ensuring open and transparent communication on the management of fibre. In 2012, we finalised and submitted a Fibrous Minerals Management Plan to the WA Department of Mines and Petroleum, which they regarded as one of the most robust and comprehensive plans they had received. A number of initiatives have since been implemented, such as increasing the fibre designated areas where controls to minimise fibre exposure are in place. We will continue to proactively manage fibre risks during the operational phase.

During the year, our OHS team managed and addressed various health and safety issues, including injury management, rehabilitation and compensation, hygiene, drinking water and food as well as emergency and crisis management. Some key initiatives were improved training on health and safety in relation to fibre awareness, permit to work, inductions and hazard identification. We also established close relationships with independent leading experts in hygiene and medical resources, including fibre management, orthopaedic and occupational physicians and emergency medicine, and conducted desktop exercises for crisis and emergency management at the Perth office and on site.

Environment

Environmental management is a crucial aspect of CPM's operations. Our priorities are to maintain regulatory compliance as well as continuously improve our performance against set targets and objectives. The most material environmental impacts that the Sino Iron project has are energy consumption, emissions generation, water consumption, waste generation and land and marine disturbance. We are pleased to report that our performance in 2012 was in line with our regulatory obligations.

We are progressing with the final approval of our Operational Environmental Management System (EMS) and associated environmental Management Programme (EMPgm). Our EMS and other control mechanisms on site help us to monitor and report performance and identify areas for improvement.

A database is being developed that will be the primary source of environmental information. For dust and weather data, we have live data streams that allow us to monitor and where required, promptly respond to any trigger levels to avoid regulatory breaches where possible.

CPM recognises the importance of influencing desired responsible behaviour. Our environmental department runs various awareness programmes aimed at instilling a culture that can make a difference. One of our initiatives, The 'Leave No Trace' programme, won one of Australia's most prominent national environmental management awards in 2012. The award reinforces our belief that we are on the right track to embedding a sustainable culture in our organisation.

Issue with Mineralogy

CITIC Pacific acquired the right to take 2 billion tonnes of magnetite ore in the Pilbara from Mineralogy Pty Ltd. ("Mineralogy") between 2006 and 2008. CITIC Pacific has four options to acquire a further total of four billion tonnes of magnetite iron ore resource (i.e., 1 billion tonnes per option) at the same location. In April 2012, CITIC Pacific exercised the first option.

CITIC Pacific has received notices from Mineralogy alleging that certain terms of the Mining Right and Site Lease Agreements have been breached and suggesting that the Option Agreement has been repudiated.

CITIC Pacific is firmly of the view that Mineralogy's claims are without foundation. CITIC Pacific and its related entities have complied with the relevant terms of their agreements with Mineralogy. While we continue to have dialogue with Mineralogy, we will take all necessary actions to protect our investment.

In November 2012, CITIC Pacific obtained an injunction from the Supreme Court of Western Australia which restrains Mineralogy from purporting to terminate the Mining Right and Site Lease Agreements. The injunction will remain in place until the court makes a decision in relation to the issues in dispute between the parties concerning the Mining Right and Site Lease Agreements.

There is a disagreement between CITIC Pacific and Mineralogy as to the interpretation of the royalty clause in the Mining Right and Site Lease Agreements, particularly concerning the point when ore is "taken" (at which point a component of the royalty payable to Mineralogy becomes payable). CITIC Pacific maintains that ore is "taken" once it has passed through the primary crusher. This matter will be heard by the court on 23 and 24 April 2013.

Under the Option Agreement, Mineralogy has an obligation to nominate a company acceptable to CITIC Pacific which holds the right to mine 1 billion tonnes of ore. CITIC Pacific considers that Mineralogy has not satisfied the requirement. Mineralogy has alleged that CITIC Pacific has repudiated the option and purported to accept that repudiation. As a result, CITIC Pacific has sought declarations from the court and this matter is expected to be heard later this year.

Sino Iron Project Facts and Statistics

The Sino Iron project is 100% owned by CITIC Pacific which acquired the rights to extract 2 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 1 billion tonnes. Once this transaction is completed, the life of the mine will extend from 25 years to 32 years.

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

At the peak of construction about 4,000 people were engaged on the project. Approximately 900 people are expected to be employed during operation.

Major equipment

Component	Equipments	Specifications
Processing	Crushers	Size – 21m in height X 16m in width X 18m in length Weight – 1,500 tonnes per unit Capacity – 4,250 tonnes per hour per unit
	AG mill	Powered by a 28MW gearless drive Size – 12.2m in diameter X 11m in length Weight – 2,700 tonnes
	Ball mill	Powered by 15.6MW twin pinion drives Size – 7.9m in diameter X 13.6m in length Weight – 1,180 tonnes
	Magnetic separator	52 separators for each line Capacity – 4,551m ³ of slurry per hour
	Concentrate thickener	Size – 45m in diameter Capacity – 6,015m ³ per hour
	Dewatering plant	Capacity – Pressure filter capable of handling 4,204 tonnes of slurry per hour
Stockyard	Stacker	Weight – 1,290 tonnes Capacity – capable of handling 4,400 tonnes of magnetite concentrate per hour
	Reclaimer	Weight – 1,833 tonnes Capacity – capable of handling 10,500 tonnes of magnetite concentrate per hour
Port	Barges	Deadweight tonnes – 15,000-16,000 each
	Tugs	Bollard pull – 40 tonnes each
	Transhippers	Max. capacity of 4,500tph each
	Vessels	Deadweight – 115,000MT each
Supporting infrastructure	Power station	450 megawatt combined cycle, gas fired power station Capacity – 7 gas turbines of 47 megawatts each; 3 steam turbines of 58 megawatts each
	Desalination plant	Production capacity – full capacity of 140 megalitres per day Reservoir capacity – 15 megalitres

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.

At Sino Iron, drilling was undertaken using the diamond drilling method. In order to increase the bulk of resource into the measured classification, a substantial amount of additional expenditure is required. Given the known areal extent and consistency of the Joffre iron ore formation, CPM believes that such expenditure will not be economical. The company has rights to take two billion tonnes of magnetite ore. In April 2012, CITIC Pacific exercised an option to acquire the right for another 1 billion tonnes and the transaction is yet to be completed. We feel comfortable that the results of the mineral resource estimate indicate we have in excess of this amount of resource.

Total Joffre Resource

Classification	2010 results			2009 results
	Million Tonnes	Magnetic Fe (%)	Total Fe (%)	Million Tonnes
Measured	806	22.64	32.46	466
Indicated	1,489	22.94	31.90	1,158
Inferred	2,793	23.52	31.51	2,881
Total	5,089	23.21	31.77	4,504

Joffre is part of the Brockman Iron Formation, the main ore body for the project.

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.

About Magnetite Iron Ore

Iron ore is the raw material for steel making. The two types of ore that are being commonly extracted globally are haematite and magnetite ore. Magnetite is one of the most common iron oxide minerals. With a low-grade iron content of around 25% to 40%, it is of little value in its raw state and can only be used for steelmaking once it is concentrated. The concentrating process is capital intensive and requires downstream processing, including crushing, screening, grinding, magnetic separation, filtering and drying. The final product is a higher iron grade concentrate of 65% or above in Fe content with lower impurities compared with haematite fines, making it an ideal feedstock for the production of pellets, which are then fed into the blast furnace at a steel plant.

Magnetite concentrate commands a premium price for its higher quality in comparison with haematite ore products such as fines and lump. There are a number of advantages of using pellet over fine and lump. Using pellet is more environmentally friendly as pellet making uses less energy comparing with sinter production. Pellets perform better in blast furnace enabling high energy efficiency to be achieved in iron making. Feeding pellet into blast furnaces to make pig iron is very common in the Chinese steelmaking industry. With its uniform chemical composition and relatively higher iron content, pellet is considered an ideal raw material for steel production.

The Australian iron ore industry has traditionally been based on the mining, production and export of haematite ores, also referred to as 'Direct Shipping Ore' (DSO). This type of ore has higher iron content and requires only a simple crushing and screening process before it can be used in a steel plant. Most Australian iron ore production comes from DSO.

Although mining magnetite accounted for approximately 50% of global iron ore production in 2012, it is an emerging industry in the Australian iron ore mining sector. Industry trends point to an increasing role for Australian magnetite in the global iron ore trade. Furthermore, in light of a gradual decline in Pilbara haematite ore quality over the medium-to long-term, magnetite offers a viable alternative that promises to cement Australia's position as a key global supplier of this crucial steel-making commodity.



PROPERTY





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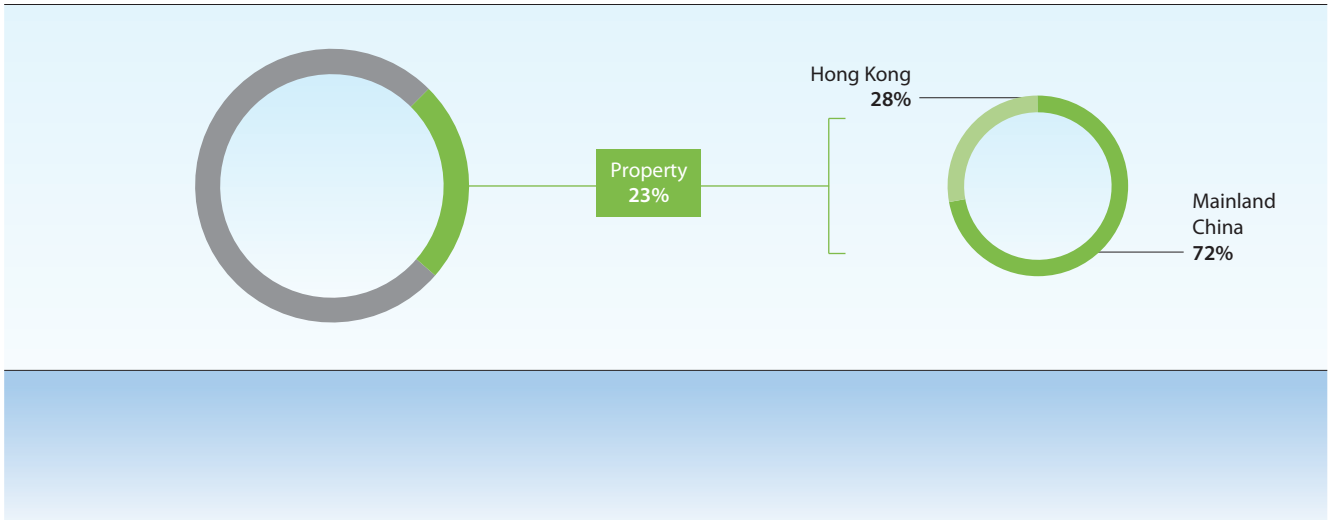
PROPERTY

23% of assets

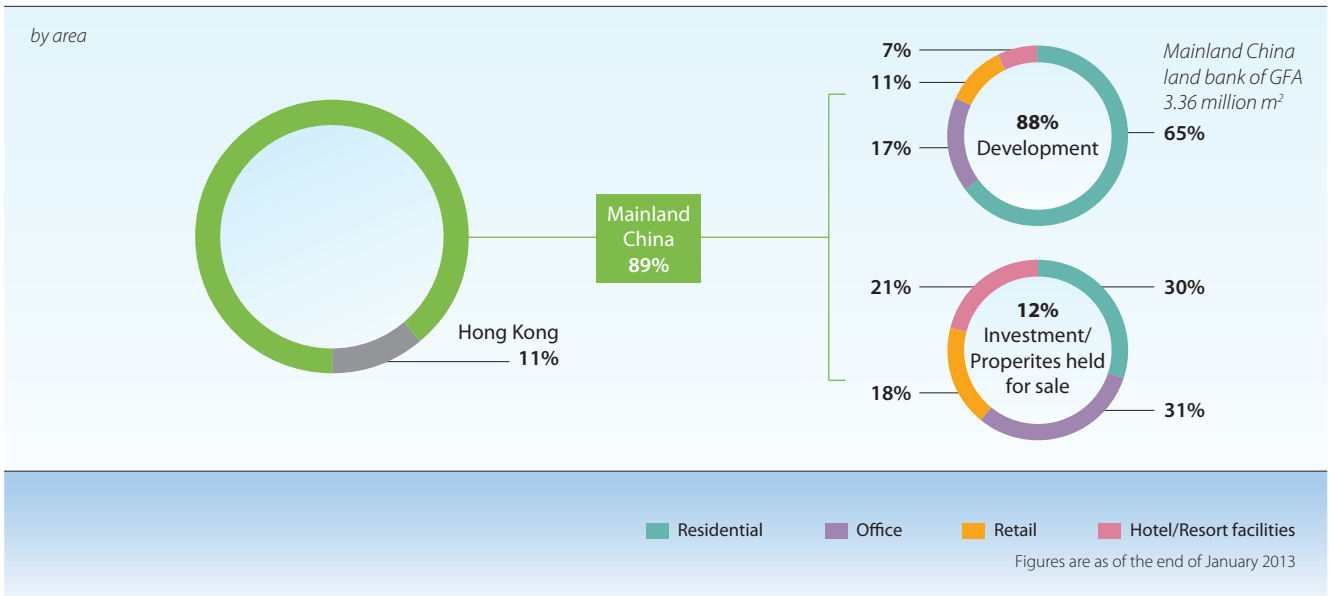


<i>In HK\$ million</i>	2012	2011	Change
Turnover	3,766	5,708	-34%
Profit contribution			
Mainland China	911	2,160	-58%
Hong Kong	569	412	38%
Assets			
Mainland China	40,623	40,352	1%
Hong Kong	15,573	14,004	11%
Cash inflow from operations	1,456	2,343	-38%
Capital expenditure	3,916	3,686	6%

Assets



CITIC Pacific properties



Note:

1. Land bank: permitted gross floor area (GFA).
2. Gross Area (GA): area for sale and lease.

Review of 2012

In 2012, the property market in mainland China continued to be affected by measures instituted by the Chinese government to moderate the rapid rise in property prices. As a result of the purchasing restrictions, sales were primarily to people looking for homes they would occupy themselves rather than for investment purposes.

In 2012, total sales of our properties in mainland China amounted to approximately 110,660m² of Gross Area (GA).

Contribution from our mainland properties declined 58% in 2012 compared with 2011. General market conditions aside, the decreased profit was also due to the fact that in 2011 we delivered two office buildings in Shanghai's Lu Jia Zui development, which clearly could not be repeated in 2012. Most of our residential developments, such as the Qingpu project in Shanghai and projects in Wuxi and Hainan, mainly attracted homebuyers searching for vacation properties or second homes. In response to the market situation, we adjusted our development pace so that most of our projects were under development with limited units for sale.

Looking at 2013, residential sales will likely remain sluggish. We will continue to monitor the market and adjust our development strategy and pace of sales accordingly. For example, given that current demand is largely from home buyers looking for residences they will occupy themselves, we will place a higher priority on buildings with standard-size units at our Jiading project in Shanghai.

The situation was quite different in the market for office and commercial properties. With the persistent demand for high-quality office buildings in prime locations, rentals remained strong at CITIC Square as did sales agreements signed with buyers for office buildings to be constructed at our Lu Jia Zui development. We also took advantage of the robust office market by acquiring lands on the former Shanghai World Expo site, where two office buildings will be constructed.

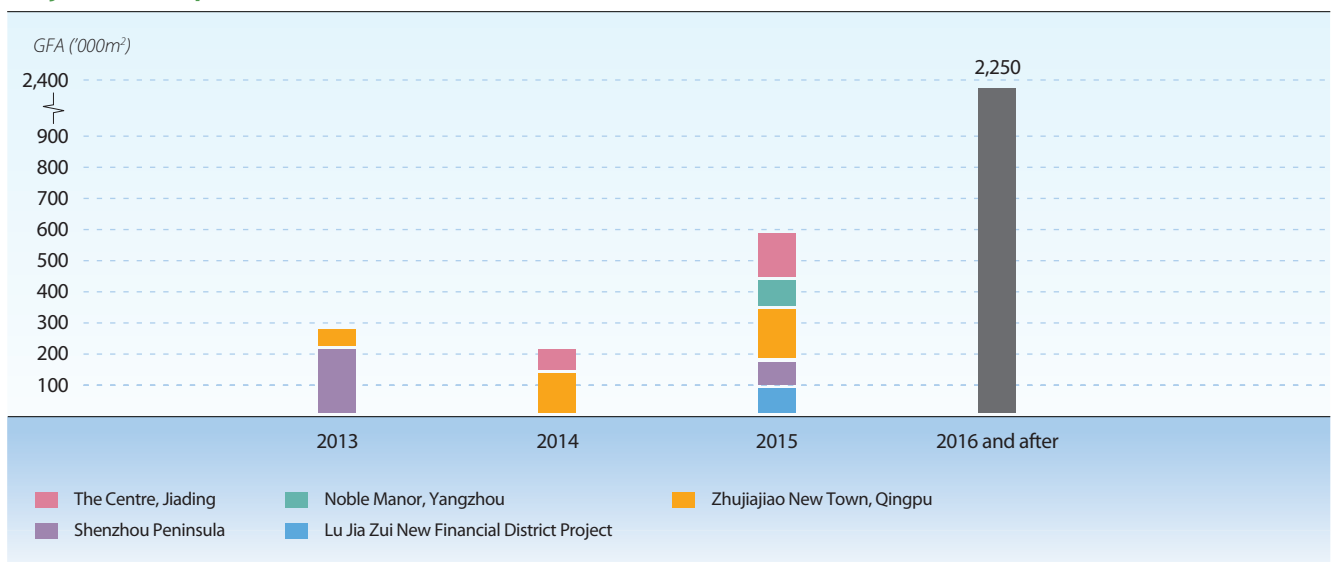


Major Development Projects

Project	Usage	Land bank (m ²)	Expected completion
Shanghai			
Lu Jia Zui New Financial District	Office, residential and retail	583,800	In phases from 2011 onwards (approx. 263,300m ² completed)
The Centre, Jiading	Office, hotel, residential and retail	445,300	In phases from 2011 onwards (approx. 92,600m ² completed)
Zhujiajiao New Town, Qingpu	Residential, hotel and retail	385,500	In phases from 2009 onwards (approx. 189,700m ² completed)
New Westgate Garden Phase II	Residential and retail	137,300	Resettlement in progress
Shanghai World Expo Site Project	Office and retail	57,700	2016
Jiangsu Province			
Noble Manor, Yangzhou	Residential	152,000	In phases from 2009 onwards (approx. 284,900m ² completed)
Xincheng Jinyuan, Jiangyin	Retail	18,100	In phases from 2011 onwards (approx. 160,000m ² completed)
Hainan Province			
Shenzhou Peninsula, Wanning	Hotel, retail and residential	1,578,600	In phases from 2011 onwards (approx. 220,700m ² completed)
Total		3,358,300	

Figures are as of the end of January 2013

Projected completion schedule



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

Jiading New Town, located in the north-western part of Shanghai, is one of the three major new development areas in Shanghai. Our project is in the core district of Jiading New Town and is designed to become the new focal point of this area. Business centres, sports and recreational facilities, scientific research districts and residential zones are planned for the surrounding area. Jiading New Town Station of the Metro Line No. 11 and other transportation hubs are within the project area.

Sales of units in The Centre began in the middle of 2010, and most of the residential units in the latest phase were completed and delivered in 2012. While the other phases were still under development, only a limited number of units were available for sale during the year. In 2012, a total of 6 residential units (760m² GA) were sold with an average selling price of RMB14,760/m².



SHANGHAI

- Metro Line 1
- Metro Line 2
- Metro Line 4
- Metro Line 7
- Metro Line 9
- Metro Line 11

Giading

PUXI

Qingpu

Metro Line 9

ZHUJIAJIAO NEW TOWN, QINGPU

(100% owned)

Site:
796,800m²
Gross floor area:
575,200m²
Completed:
189,700m² (GFA)
Land bank:
385,500m² (GFA)



Usage:
Low-density residential, retail and hotel

Zhujiajiao New Town is located in Qingpu District, Shanghai and is very close to Zhujiajiao Old Village, a renowned scenic spot. Showcasing the cultural traditions and history of the area, the residential project comprises apartments and villas and is fully equipped with business, travel and leisure facilities that will also serve as a new civic centre. The planned Metro Line No. 17, which will have a station close to our project, is scheduled to start construction in 2013.

In 2012, a total of 299 residential units (34,500m² GA) were sold with an average selling price of RMB11,560/m².



SHANGHAI WORLD EXPO SITE PROJECT

(99.2% owned)

Site:
12,500m²
Gross floor area:
Approx. 57,700m²
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. CITIC Pacific acquired two lands in November 2012 and will develop two office buildings on the site.

LU JIA ZUI NEW FINANCIAL DISTRICT PROJECT

(50% owned)

Site:
249,400m²
Gross floor area:
847,100m²
Completed:
263,300m² (GFA)
Land bank:
583,800m² (GFA)
Usage:
Office, retail, hotel and residential



Located in the Lu Jia Zui Financial District on the south shore of the Huangpu River, this multi-use project covering 10 sites will comprise office buildings, retail premises, a hotel and apartments.

The two office towers in Phase I were built to buyers' specifications and handed over in early 2011 to China Construction Bank and Agricultural Bank of China, which will use the towers as their regional headquarters. The Mandarin Oriental Pudong hotel, which features 362 guestrooms and 210 serviced apartments, will open for business in the second quarter of 2013. In 2012, we signed framework agreements with four financial institutions to build office buildings to their own specifications.

NEW WESTGATE GARDEN (PHASE II), HUANGPU

(100% owned)

Site:
35,300m²
Gross floor area:
Approx. 137,300m²
(subject to government approval)
Usage:
Residential and retail



New Westgate Garden is the first urban renewal project in the Laoximen area of Shanghai. The development is located in a prime area bordering the traditional Yu Garden, vibrant Huaihai Road and the fashionable Xin Tiandi area. A convenient transportation network surrounds the development with multiple transportation options, including subways, bridges, tunnels and highways, providing easy access to every other part of the city.

New Westgate Garden Phase I was completed in 2006, and almost all apartments have been sold and occupied. Phase II is in the process of relocating the local residents.



Hainan



- High speed east coast railway
- Highway



SHENZHOU PENINSULA, HAINAN ISLAND

(80%-100% owned)

Site:
6,790,400m²
Gross floor area:
1,799,300m²
Completed:
220,700m² (GFA)
Land bank:
1,578,600m² (GFA)
Usage:
Residential, hotel, retail and recreation



CITIC Pacific's Shenzhou Peninsula project is located in Wanning, Hainan Province, 112 km north of Sanya and 139 km south of Haikou. The planned area for the project is 18km² with a GFA of around 4 million m². It comprises high-end residential buildings, shopping arcades, resorts, an international golf course, and a yacht club. Recreational, cultural, conferencing and exhibition facilities are also planned.

On the peninsula, we currently have two hotels in operation – the Sheraton and Four Points, a golf course and a newly opened beach club, which provide recreational and entertainment activities for tourists and residents on the peninsula.

In 2012, we sold a total of 327 residential units (39,600m² GA) of our Shenzhou Peninsula project, with an average selling price of RMB15,500/m². Sales of the Sunbury, the Phase I residential apartments, began at the end of 2010 and units were delivered to buyers at the end of 2011. Sales of the Starbury, the Phase II residential apartments, began at the end of 2011. A total of 214 units were sold in 2012 with an average selling price of RMB15,330/m². Sales of the Yard of Island, the Phase III residential development, began at the end of 2012. Since Wanning has no purchase restrictions, 110 units sold quickly in 2012 with an average selling price of RMB15,920/m².



NOBLE MANOR, YANGZHOU

(100% owned)

Site:
328,600m²
Gross floor area:
436,900m²
Completed:
284,900m² (GFA)
Land bank:
152,000m² (GFA)
Usage:
Residential and retail



The project is located in Slender West Lake – Shugang Scenic Spot, a beautiful location in Yangzhou – and is only a 5-minute drive from the city centre. The area is filled with high-end residential units in a prime yet serene location. The project promotes an elite international community lifestyle, combining neoclassical architecture with a Shanghai-style cultural street.

In 2012, a total of 156 residential units (24,000m² GA) were sold with an average selling price of RMB9,600/m².



Sales progress of residential projects

Project	Approx. residential GFA (m ²)	Launched for sale (units & GA)	Sold in the past (up to end January 2013) (units & GA)	Sold in 2012 (units & GA)	Average selling price in 2012 (RMB/m ²)
Zhujiajiao New Town project, Qingpu	522,700	1,485 (170,300m ²)	1,426 (158,400m ²)	299 (34,500m ²)	10,960 (apartments) 14,220 (low-rise houses)
The Centre, Jiading	213,500	884 (82,400m ²)	883 (82,300m ²)	6 (760m ²)	14,760 (apartments)
Noble Manor, Yangzhou	419,200	2,041 (268,500m ²)	2,003 (262,300m ²)	156 (24,000m ²)	9,600 (apartments)
Taihu Jinyuan, Wuxi	228,200	1,104 (215,700m ²)	749 (145,900m ²)	67 (11,800m ²)	14,730 (apartments) 20,890 (low-rise houses)
Shenzhou Peninsula, Wanning	1,427,100	1,995 (239,400m ²)	936 (108,100m ²)	327 (39,600m ²)	14,610 (apartments) 18,950 (low-rise houses)
Total	2,810,700	7,509 (976,300m²)	5,997 (757,000m²)	855 (110,660m²)	

Major Investment Properties

Properties	Usage	Ownership	Approx. GA (m ²)	Occupancy (end of 2012)
CITIC Square, Shanghai	Office, retail	100%	114,000	99%
Royal Pavilion, Shanghai	Serviced apartments	100%	35,000	95%
New Westgate Garden, Retail Portion (phase I), Shanghai	Retail	100%	23,000	86%
Tower A, Pacific Plaza, Ningbo, Zhejiang Province	Office, retail	100%	49,000	74%
CITIC Plaza Shenhong, Shanghai*	Office, retail	100%	64,000	78%
Total			285,000	

* Properties held for sale with rental income.

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 2012. The main contribution to rental income was from CITIC Square, located on Nanjing Xilu, Shanghai, which enjoyed an occupancy rate of 99% at the end of the year.

Hong Kong Properties

Development Properties

1. 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 in close vicinity 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 construction of Phase 14, AMALFI (a mid-rise development of 164 apartments), was completed and put on sale at the end of 2012. During the year under review, 69% of the apartments were sold. Construction of Phase 15 (a low-rise development of approximately 17,400m² GFA) is underway, and marketing is planned for 2013. The site formation works for Phase 17, an upland villa project of approximately 4,000m² GFA located next to the golf course, is also underway for completion in 2016. The Auberge Discovery Bay hotel (approximately 26,000m² GFA) will soft open in March 2013.

2. Redevelopment at Kadoorie Hill

The Kadoorie Hill project covers a site of approximately 14,200m² GFA in an exclusive low-density residential district in Kowloon known for its extensive greenery and mature trees. Foundation works are currently underway. Completion of the project is scheduled for 2015.

Investment Properties

Our Hong Kong investment property portfolio provided stable rental income to CITIC Pacific. At the end of 2012, the average occupancy was approximately 93%.

Major Properties	Usage	Ownership	Approx. GA (m ²)
CITIC Tower	Office, retail	40%	52,000
DCH Commercial Centre	Office, retail	100%	36,000
Wyler Centre I	Industrial	100%	35,000
111 Lee Nam Road	Motor Services & Godown	100%	60,000
Yee Lim Industrial Centre, Block C	Cold Store & Godown	100%	30,000

OTHER BUSINESSES



Energy

In HK\$ million

	2012	2011	Change
Profit contribution			
Power generation	696	631	10%
Coal	440	753	-42%
Proportion of total contribution	14%	14%	-
Assets	9,716	8,910	9%

In 2012, affected by the macroeconomic environment, industrial electricity consumption decreased, total electricity and heat generated by power plants in which CITIC Pacific has an interest declined 11% and 1% respectively on a year-on-year basis. However, profit contribution for the year went up 10%, due to a 13% decrease in the price of coal and a slight upward adjustment of on-grid tariffs. The management team at our power plants continue to focus on cost control which also contributed to this profit increase.

Xin Julong coal mine in Shandong, in which CITIC Pacific holds a 30% interest, produced 6 million tonnes of coal in 2012, about the same as in 2011. However, price of coal decreased significantly in the second half. The average price was 15% lower in the year under review resulting in a 42% decline in profit contribution from this coal mine.

Power Plant	Installed location (Province)	Capacity (MW)	Ownership	Utilisation Type	Utilisation hours	Electricity generated			Heat generated		
						2012 (m kWh)	2011 (m kWh)	Change	2012 (kJ)	2011 (kJ)	Change
Ligang I&II	Jiangsu	1,440	65%	Coal fired	5,341	7,691	8,052	-4%	1,479	1,297	14%
III & IV	Jiangsu	2,460	71.4%	Coal fired	4,182	10,288	14,418	-29%	321	-	-
Hanfeng	Hebei	1,320	15%	Coal fired	5,894	7,781	7,373	6%	-	-	-
Huaibei	Anhui	640	12.5%	Coal fired	5,289	3,385	3,247	4%	-	-	-
Hohhot	Inner Mongolia	400	35%	Co-generation	4,825	1,930	1,876	3%	2,344	2,715	-14%
Chenming	Shandong	18	49%	Co-generation	5,303	95	101	-6%	3,200	3,358	-5%
Total		6,278				31,170	35,067	-11%	7,346	7,370	-1%



Tunnel

	Location	Ownership	Franchise till
Eastern Harbour Tunnel (Road)	Hong Kong	71%	2016
Western Harbour Tunnel	Hong Kong	35%	2023
<i>In HK\$ million</i>			
	2012	2011	Change
Profit contribution	561	518	8%
Proportion of total contribution	7%	5%	2%
Assets	2,208	1,977	12%

The Eastern Harbour Tunnel

www.easternharbourtunnel.com.hk

The Eastern Harbour Tunnel registered average daily traffic of 70,720 vehicles in 2012, an increase of 2% from 2011. Among the three cross-harbour tunnels in Hong Kong, the Eastern Harbour Tunnel had a 28% market share of total traffic in 2012, the same as 2011.

The Hong Kong government has proposed to adjust the toll fee of Central Harbour Tunnel and Eastern Harbour Tunnel in order to ease the current traffic problem. We will cooperate with the government so long as the return will not be affected.

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 2012, average daily traffic was 60,452 vehicles, up 6% from 2011. Among the three cross-harbour tunnels in Hong Kong, the Western Harbour Tunnel had a 24% market share of total traffic in 2012, an increase of 1% from 2011.



Dah Chong Hong

www.dch.com.hk

55.7% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01828

<i>In HK\$ million</i>	2012	2011	Change
Profit contribution	536	617	-13%
Proportion of total contribution	7%	6%	1%
Assets	20,306	20,822	-2%

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, Singapore, and Canada.

CITIC Telecom International

www.citictel.com

41.8% equity interest held by CITIC Pacific
Listed on the Stock Exchange of Hong Kong – code: 01883

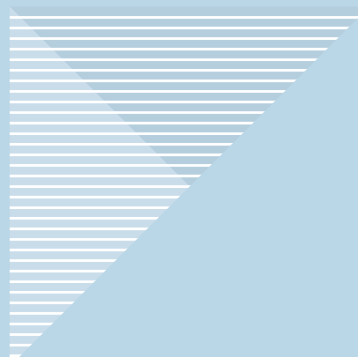
<i>In HK\$ million</i>	2012	2011	Change
Profit contribution	299	299	–
Proportion of total contribution	4%	3%	1%
Assets	3,733	3,354	11%

CITIC Telecom is one of Asia's leading hub-based service providers. In addition to serving its key markets in China and Hong Kong, CITIC Telecom is actively expanding its business to international telecoms operators. CITIC Telecom provides four main types of services including voice, SMS, mobile VAS and data services. Its independent hub connects with over 650 telecoms operators in 75 countries or regions.

In January 2013, CITIC Telecom entered into agreements to increase its shareholding in Companhia de Telecomunicações de Macau (CTM) to 99% from its current 20%. This acquisition, if approved by the regulatory authorities and shareholders, will enable CTM to expand its business as CTM is a fully pledged telecom operator providing services directly to industrial, commercial and domestic customers in Macau.

In February 2013, CITIC Group purchased an 18.54% interest from CITIC Pacific, reducing our interest to 41.76%.

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Financial Review

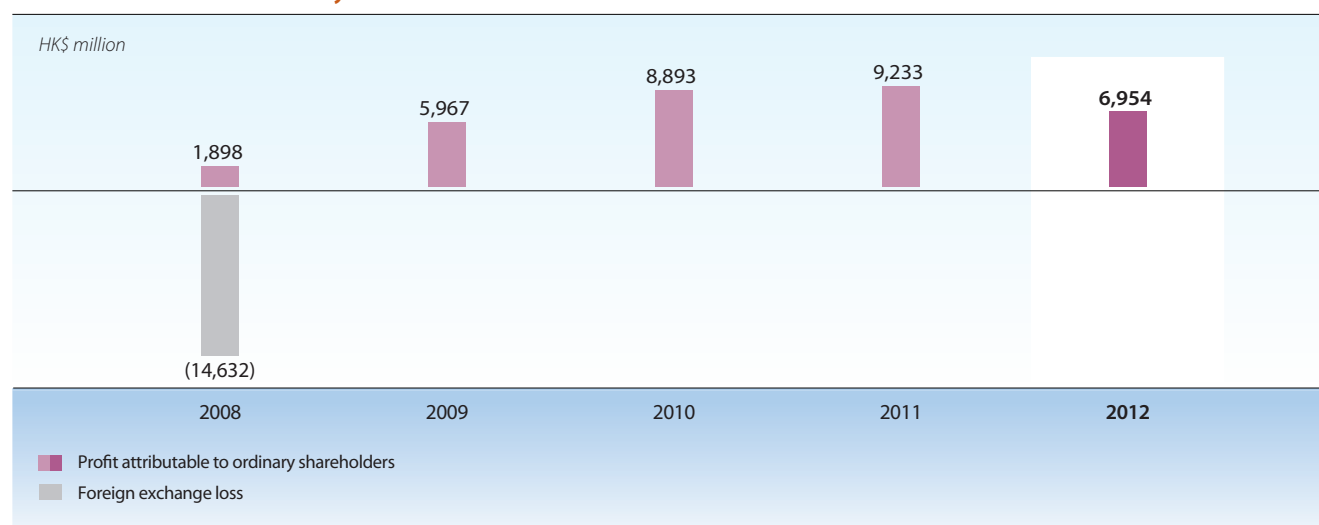
Summary of 2012

Earnings from underlying business operations dropped by 52% to HK\$3,456 million, resulting mainly from a decrease in the contribution of special steel and property businesses in China. Including the one-off items of HK\$2,850 million, total profit attributable to ordinary shareholders reduced 25% to HK\$6,954 million.

Group's Financial Results

<i>In HK\$ million</i>	2012	2011	Increase/(Decrease)	
Revenue	96,882	100,086	(3,204)	(3)%
Profit from consolidated activities	7,754	9,959	(2,205)	(22)%
Gain on disposal of assets	2,850	664	2,186	329%
Change in fair value of investment properties	1,547	1,891	(344)	(18)%
Net finance charges	(1,144)	(410)	734	179%
Taxation	(1,388)	(2,560)	(1,172)	(46)%
Profit attributable to ordinary shareholders	6,954	9,233	(2,279)	(25)%

Profit attributable to ordinary shareholders

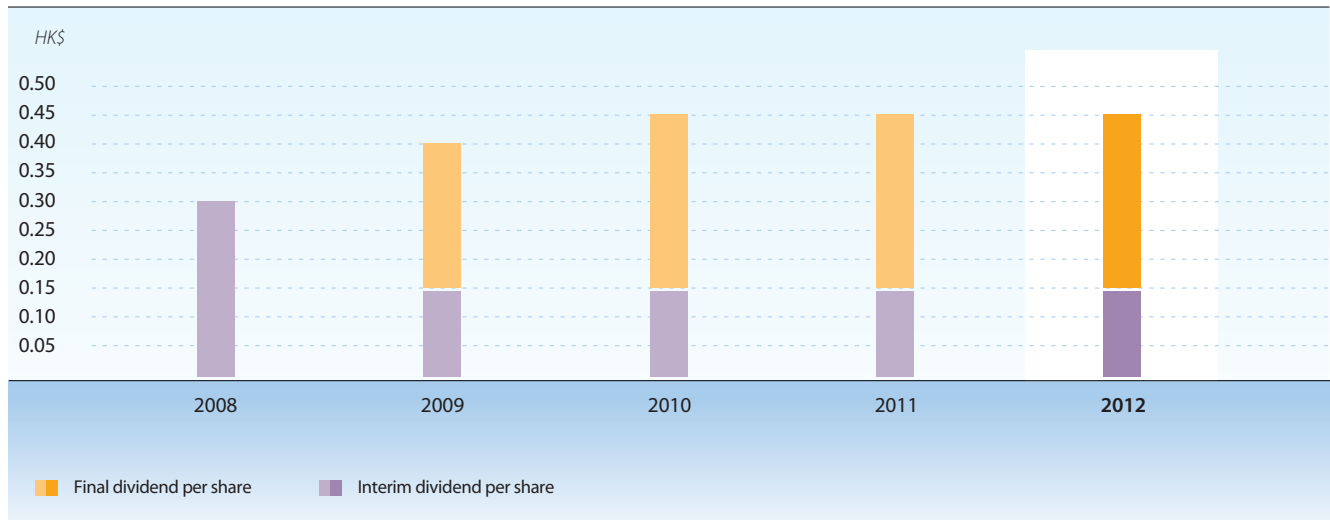


Earnings per share

Earnings per share were HK\$1.91 in 2012 compared with HK\$2.53 in 2011, a decrease of 25%. The number of shares outstanding was 3,649,444,160 at both 31 December 2011 and 2012.

Dividends

A final dividend of HK\$0.30 per share has been recommended to ordinary shareholders for approval at the Annual General Meeting. Together with the interim dividend per share of HK\$0.15 paid in September 2012, the total ordinary dividend will be HK\$0.45 per share, unchanged from the previous year. This equates to an aggregate cash distribution of HK\$1,642 million.



Contribution and assets by business

In HK\$ million	Contribution		Assets as at 31 December		Return on assets [^]	
	2012	2011	2012	2011	2012	2011
Special steel	211	1,994	55,622	56,273	1%	4%
Iron ore mining*	(781)	(423)	81,577	66,997	(1)%	(1)%
Mainland China property	911	2,160	40,623	40,352	2%	6%
Hong Kong property	569	412	15,573	14,004	4%	3%
Energy	1,136	1,384	9,716	8,910	12%	17%
Tunnels	561	518	2,208	1,977	33%	33%
Dah Chong Hong	536	617	20,306	20,822	5%	6%
CITIC Telecom [†]	299	299	3,733	3,354	14%	15%
Other investments	14	168	3,574	5,865	-	3%
Underlying business operations	3,456	7,129	232,932	218,554		
Gain on disposal of assets	2,850	664				
Fair value change in investment properties	1,547	1,891				
Others	(899)	(451)				
Profit attributable to ordinary shareholders	6,954	9,233				

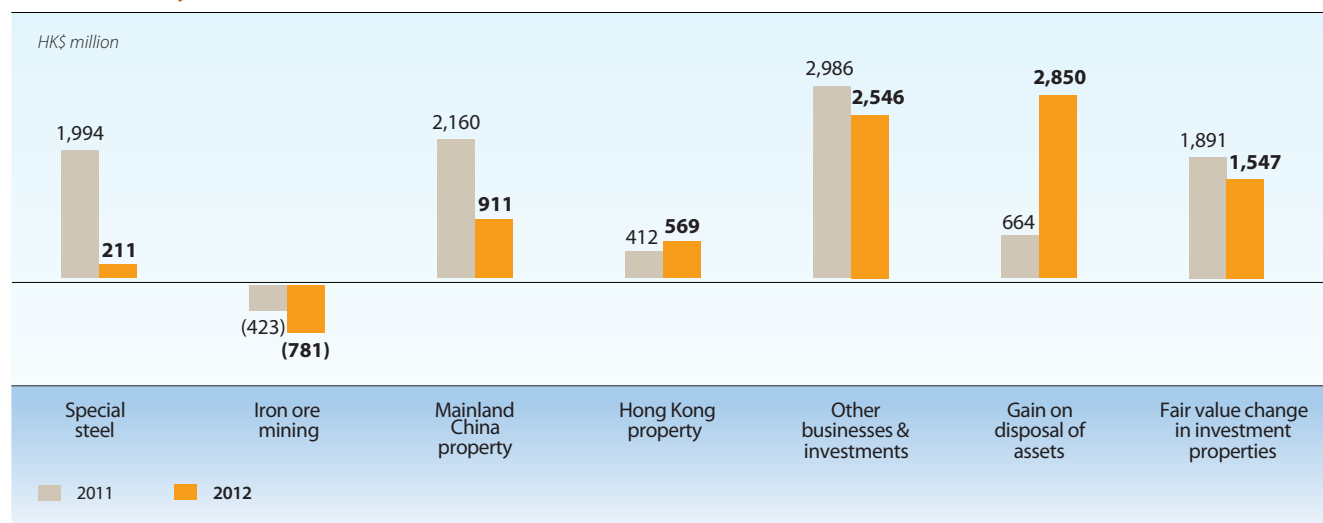
[^] earnings or losses in 100% of the business (i.e. both earnings or losses attributable and non-attributable to CITIC Pacific) divided by average total assets of the business, save for jointly controlled entities and associated companies which accounted for share of earnings and assets only

* for the purpose of segment analysis, Iron ore mining includes the mining operation in Western Australia, 12 mini-cape vessels operation and a trading and ship management business in Singapore

[†] classified as discontinued operations in 2012 as it was no longer to be accounted for as a subsidiary as the Group disposed of 18% interest in CITIC Telecom on 21 February 2013

Financial Review

Contribution by business



Special Steel: The sector reported a decrease in both sales volume and revenue in 2012 within a challenging environment. A total of 6.55 million tonnes of special steel products were sold during the year, 4% less than 2011, due primarily to sluggish market demand which fell sharply in the third quarter. The overall price of our products was down by 13% in 2012 as compared to 2011. Because of an analogous decrease in raw material prices during the period, margin was further eroded by lagged utilization of the cost of direct materials, purchased of two to three months of throughput on average.

Iron Ore Mining: The loss was HK\$358 million higher than 2011, reflecting increased provision made for the potential mismatch between the gas delivery under contracts and the production schedule, more non-capitalized bank loan interest and other operating expenses, and higher operating loss of vessels to be used to carry iron ore but currently chartered to third parties.

Mainland China Property: Lower net contribution in the sector during 2012 was due primarily to a reduced completion as compared to 2011, in which two towers at our Lu Jia Zui office development in Shanghai were handed over. Leasing business was comparatively steady, with our investment properties having comparable occupancy rates at the end of 2012 to previous years.

In HK\$ million	2012	2011	Increase/(Decrease)	
Sales	783	1,995	(1,212)	(61)%
Leasing	392	383	9	2%
Others and operating expenses	(264)	(218)	46	21%
Total	911	2,160	(1,249)	(58)%

Hong Kong Property: Earnings of leasing business benefited from rising rental and higher occupancy rates of our investment properties in Hong Kong. Property sales contribution was mainly from the Discovery Bay project by our associated company, Hong Kong Resorts.

<i>In HK\$ million</i>	2012	2011	Increase/(Decrease)	
Sales	158	59	99	168%
Leasing	411	353	58	16%
Total	569	412	157	38%

Energy: The energy division's contribution decreased 18%, but the power generation business contributed more because of a lower coal cost and generally higher tariffs. This was partially offset by fewer units of electricity sold because two power units at Ligang plant in Jiangsu were offline for three months for flue-gas denitrification systems upgrade. Full operations of the two power units were resumed in June. Lower earnings of the coal mine in Shandong were mainly due to a drop in coal prices, despite increase in sales volume and coal production.

<i>In HK\$ million</i>	2012	2011	Increase/(Decrease)	
Power generation	696	631	65	10%
Coal	440	753	(313)	(42)%
Total	1,136	1,384	(248)	(18)%

Tunnels: Higher earnings were mainly attributable to increased market share of the two tunnels. Average daily traffic for the Eastern and Western Harbour Tunnels increased 2% and 6% respectively as compared to 2011, which were higher than a 1% increase of overall traffic flow between Hong Kong and Kowloon. The Eastern Harbour Tunnel reported a decrease in earnings by 2% due to the expense of a tariff arbitration during the year.

Dah Chong Hong: The 13% decrease in contribution was due to slowdown of the PRC automobile market adversely affecting the profit margin on new car sales, and increased finance charges to service the higher level of automobile inventories in the PRC during 2012, partly offset by the growth of the food and consumer products businesses in both Hong Kong and the PRC.

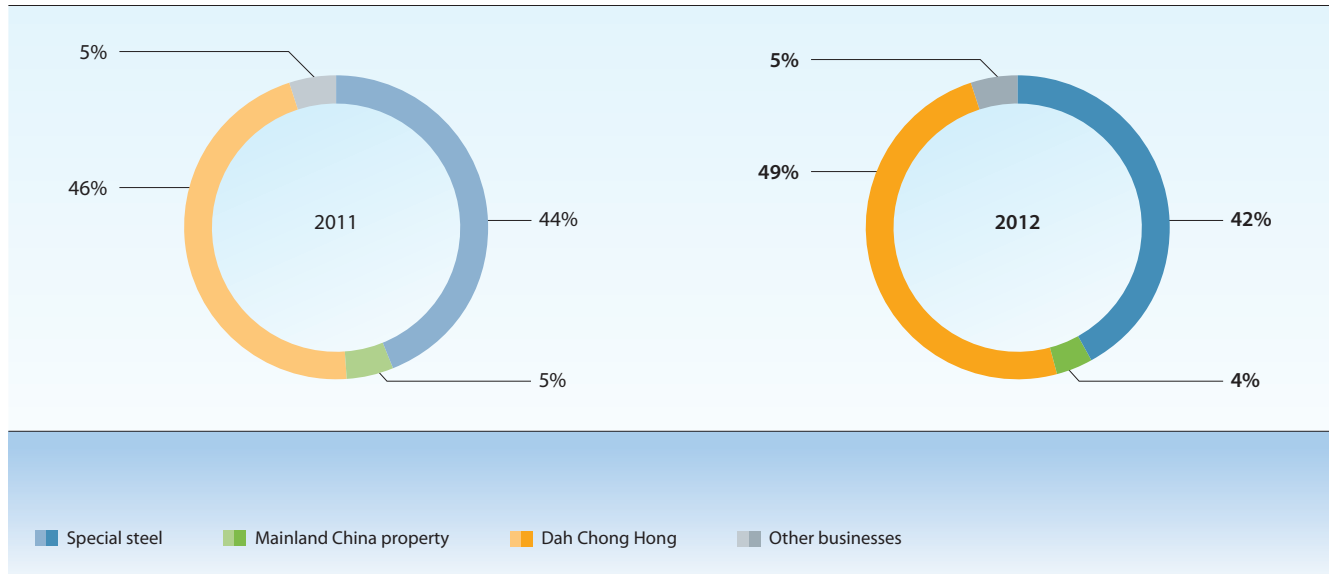
CITIC Telecom: In December 2012, CITIC Pacific announced the disposal of 18% interest in CITIC Telecom to a wholly-owned subsidiary of CITIC Group Corporation for a consideration of HK\$773 million. As a result of the disposal, completed on 21 February 2013, CITIC Pacific's shareholding in CITIC Telecom reduced to 42% from 60%, and an estimated profit will be recorded upon completion. After completion, CITIC Pacific will equity account for its shareholding in CITIC Telecom. The 2012 profit contribution from CITIC Telecom was at the same level as 2011. Business growth and an increase in share of an associate's profits were offset by the rise in depreciation and amortization expenses, and other operating expenses.

Revenue

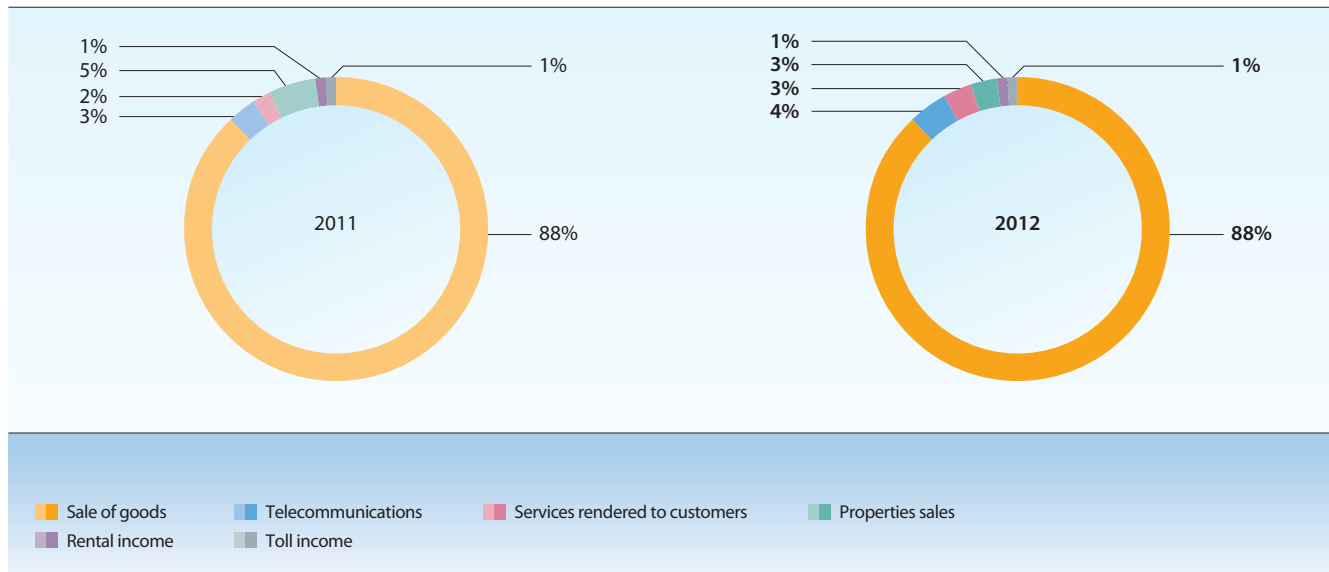
Revenue from operations decreased from HK\$100,086 million in 2011 to HK\$96,882 million in 2012. Special Steel and Dah Chong Hong accounted for the majority of the consolidated revenue of CITIC Pacific in 2012 as in previous years.

Financial Review

By business



By nature



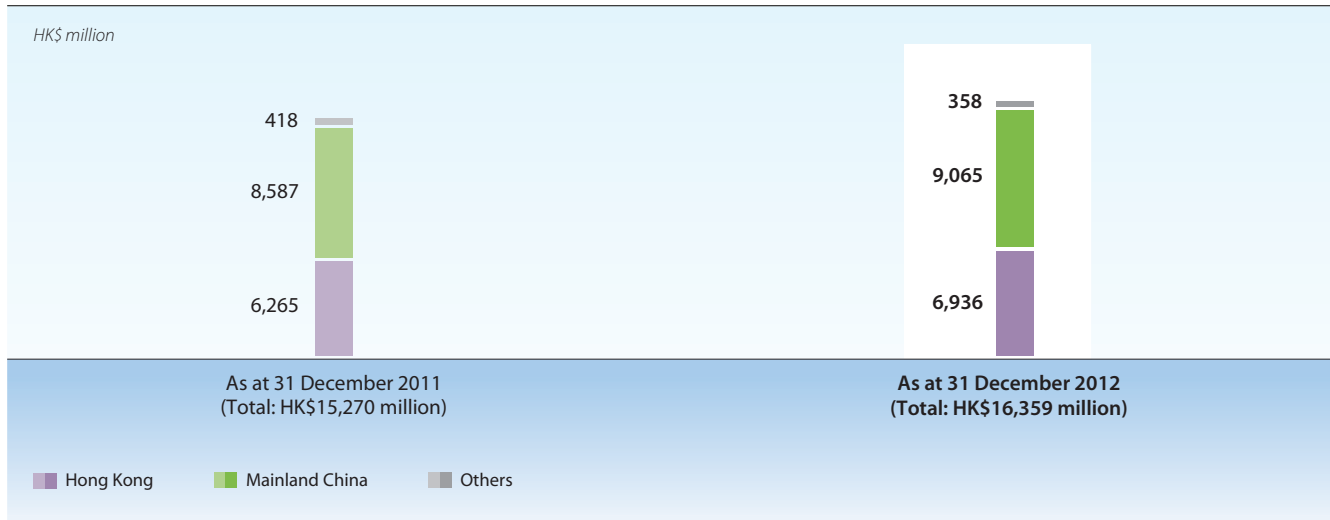
Gain on disposal of assets

A one-off gain of HK\$2,850 million was from disposal of the entire interest in CITIC Guoan and the Tai Chi Factory Building in Hong Kong, while the gain in 2011 was made from disposal of an investment property in Hong Kong, a power station in Zhengzhou and a construction site in Shanghai.

Change in the fair value of investment properties

The fair value of investment properties increased by HK\$1,547 million in 2012. This was due to an upward revaluation of investment properties of CITIC Pacific in both mainland China and Hong Kong.

Fair value of investment properties



Net finance charges

The increase in net finance charges from HK\$410 million to HK\$1,144 million was the result of higher interest expense on increased borrowing of HK\$18 billion to finance capital expenditure during the year, in particular the Australian mining project. Average cost of debt was 4.3%.

Taxation

Taxation in 2012 decreased by 46% to HK\$1,388 million mainly due to reduced earnings from underlying businesses.

Group's Cash Flows

In HK\$ million	2012	2011	Increase/(Decrease)	
Source of Cash:				
Cash inflows from business operations	7,519	7,934	(415)	(5)%
Other cash inflows	7,547	5,633	1,914	34%
Net borrowings	18,277	13,839	4,438	32%
Issue of shares and perpetual capital securities	–	5,798	(5,798)	(100)%
Sub-total	33,343	33,204	139	–
Use of Cash:				
Capital expenditure	(26,675)	(24,476)	2,199	9%
Dividends paid to ordinary shareholders	(1,642)	(1,642)	–	–
Distribution made to holders of perpetual capital securities	(461)	(230)	231	100%
Other cash outflows	(1,552)	(3,681)	(2,129)	(58)%
Sub-total	(30,330)	(30,029)	301	1%
Net Increase in Cash	3,013	3,175	(162)	(5)%

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Although the amount of cash the Group generated from business operations – HK\$7.5 billion – decreased 5% over the same period last year, it was compensated by other cash receipts including the proceeds of the disposal of CITIC Guoan of HK\$4.3 billion, and properties in Tai Chi Factory Building of HK\$220 million. The use of cash comprised capital expenditure, dividend distribution to ordinary shareholders, distribution to holders of perpetual capital securities (which were issued in 2011 to raise US\$750 million), and various other payments. The Group had a net cash inflow of HK\$3 billion for 2012.

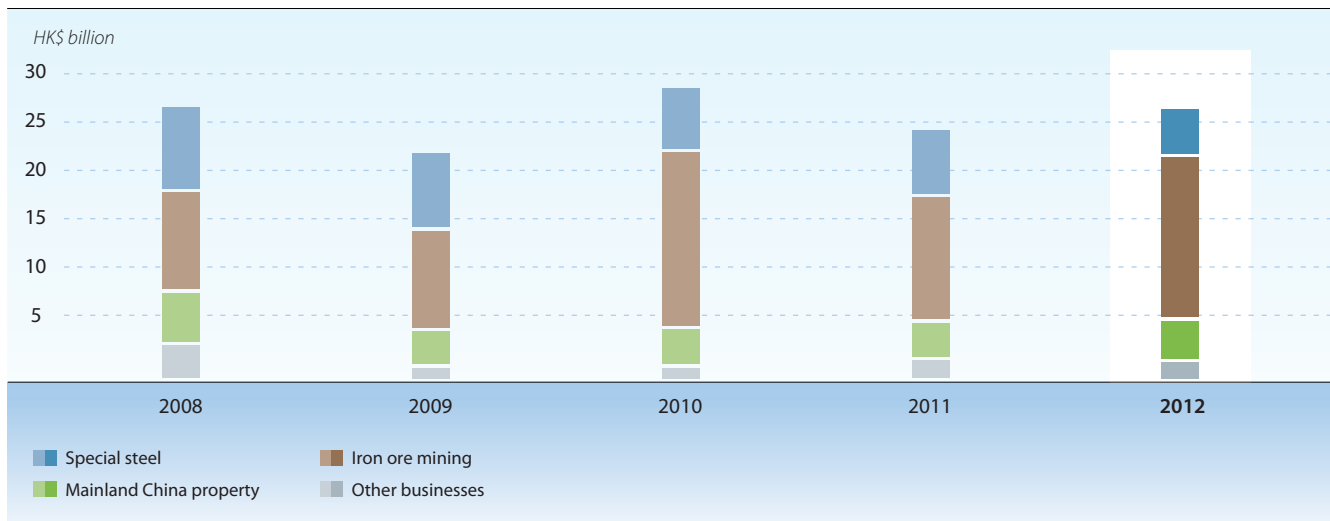
Cash inflows from business operations

<i>In HK\$ million</i>	2012	2011	Increase/(Decrease)	
<i>Cash inflows/(outflows) by business:</i>				
Special steel	4,704	4,956	(252)	(5)%
Iron ore mining	(390)	(253)	137	54%
Mainland China property	1,210	2,138	(928)	(43)%
Sub-total	5,524	6,841	(1,317)	(19)%
Hong Kong property	246	205	41	20%
Energy	(167)	137	(304)	n/a
Tunnels	554	540	14	3%
Dah Chong Hong	1,253	556	697	125%
CITIC Telecom	289	271	18	7%
Others	(180)	(616)	(436)	(71)%
Total	7,519	7,934	(415)	(5)%

Other cash inflows

<i>In HK\$ million</i>	2012	2011	Increase/(Decrease)	
Proceeds of divestment of businesses	4,299	2,055	2,244	109%
Dividends received from jointly controlled entities and associated companies	1,964	823	1,141	139%
Proceeds of sale of fixed assets and investment properties	1,083	892	191	21%
Others	201	1,863	(1,662)	(89)%
Total	7,547	5,633	1,914	34%

Capital expenditure



In HK\$ million	2012	2011	Increase/(Decrease)	
Special steel	4,613	6,539	(1,926)	(29)%
Iron ore mining	16,512	12,583	3,929	31%
Mainland China property	3,855	3,516	339	10%
Sub-total	24,980	22,638	2,342	10%
Others	1,695	1,838	(143)	(8)%
Total	26,675	24,476	2,199	9%

For the year of 2012, the capital expenditure in our special steel mills was mainly comprised of expenditure for renovation of existing plants at Xingcheng and Daye, as well as construction of Jiangdu Pellet Plant and Tongling Coke Plant Phase II.

Capital expenditure for iron ore mining in 2012 included continuing expenditure for the construction of the production lines and common facilities, as well as payment for delivery for eight vessels as compared to four in 2011, and capitalized interest.

Our property development projects on the mainland continued at a similar level with 2011.

Capital commitments

As at 31 December 2012, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies amounted to HK\$6 billion.

The future capital expenditure will be funded by the Group's cash and deposits, as well as available credit facilities. Pages 85 to 86 describe the HK\$33 billion of cash and deposits held by the Group and HK\$15 billion of available committed facilities as of 31 December 2012.

Financial Review

Group's Financial Position

<i>In HK\$ million</i>	As at 31 December 2012	As at 31 December 2011	Increase/(Decrease)		Note to the Financial Statements
Total assets	247,386	229,739	17,647	8%	
Fixed assets and properties under development	128,040	109,307	18,733	17%	4
Derivative financial instrument assets	376	1,329	(953)	(72)%	
Derivative financial instrument liabilities	4,978	4,906	72	1%	
Inventories	11,803	14,125	(2,322)	(16)%	
Net debt	83,808	67,777	16,031	24%	
Total ordinary shareholders' funds and perpetual capital securities	84,678	80,958	3,720	5%	

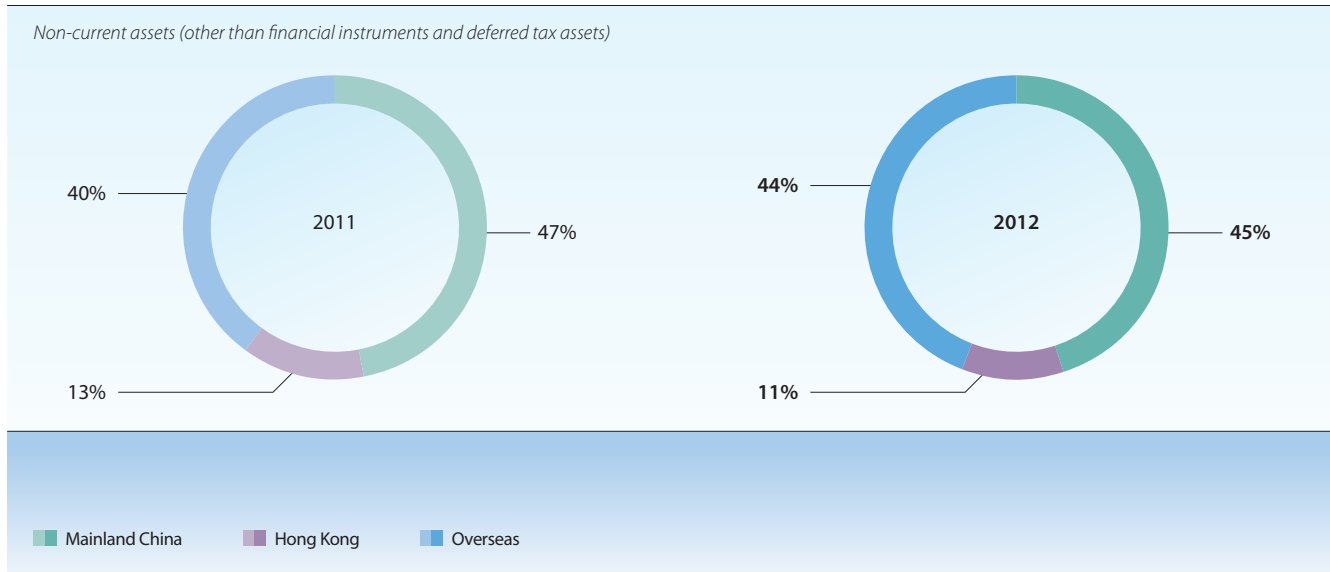
Total assets

Total assets increased from HK\$229,739 million at the end of 2011 to HK\$247,386 million at the end of 2012. Continuing construction and installation of equipment for iron ore mine were the main drivers of an increase in business assets.

By business



By geography



Derivative financial instruments

As at 31 December 2012, the Group had gross outstanding derivative instruments amounting to HK\$32 billion. These derivative instruments had a negative fair value of HK\$4.6 billion on 31 December 2012. All the derivative instruments were entered into to fix interest rate and foreign currency exposure in economic terms. The valuation loss in interest rate swaps arises because current interest rates are below the interest rates fixed by the swaps. The breakdown by type of the derivative financial instruments is shown below:

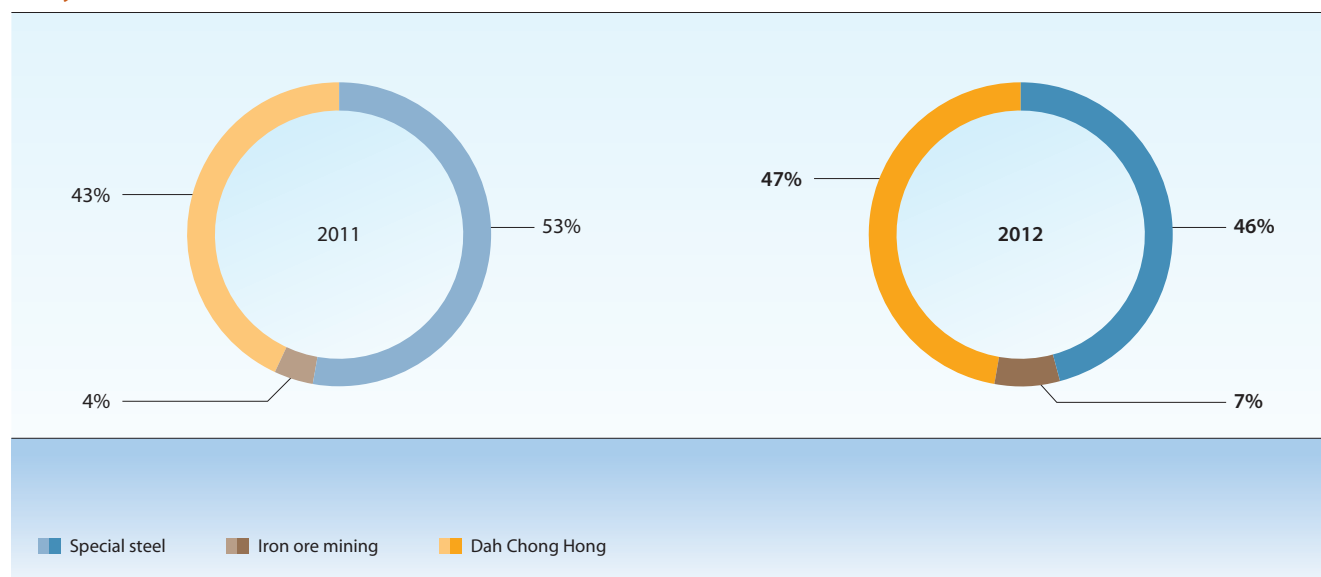
	Notional Amount		Fair Value as at	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<i>In HK\$ million</i>				
Forward foreign exchange contracts	1,018	7,552	180	986
Interest rate swaps	29,929	29,789	(4,969)	(4,842)
Cross currency swaps	644	400	187	279
Total	31,591	37,741	(4,602)	(3,577)

Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. Inventories as of 31 December 2012 dropped 16% as compared to 31 December 2011, due primarily to decrease in raw materials at Special Steel. The breakdown by business of inventories is shown on page 80.

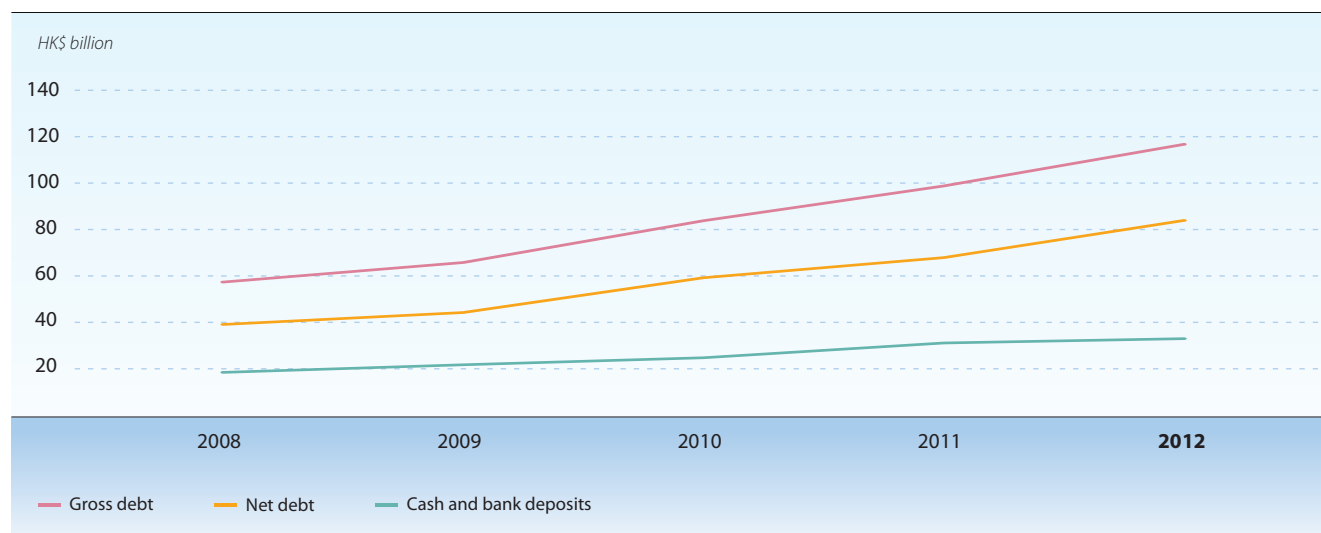
Financial Review

Analysis of inventories



Net debt

Net debt increased by 24%, in order to fund capital expenditure particularly expenditure on our Australian mining project. CITIC Pacific expects net debt to increase until major fixed asset investments in the iron ore mining businesses come into production and property developments are sold.



More details of outstanding debts and available loan and trade facilities can be found on pages 82 to 86.

Total ordinary shareholders' funds and perpetual capital securities

Total ordinary shareholders' funds and perpetual capital securities increased from HK\$80,958 million at 31 December 2011 to HK\$84,678 million at 31 December 2012 due to a profit for the year, offset by dividends paid to ordinary shareholders and distribution to holders of perpetual capital securities of HK\$2,103 million, a decrease of HK\$45 million in the reserves for exchange translations, negative movements of HK\$1,139 million in the hedging reserve mainly due to delivery of foreign exchange contracts and decrease in interest rate, and release of reserve amounting to HK\$413 million upon disposal of interest in CITIC Guoan.

Risk Management

Each day, every business faces numerous risks, and one of the essential elements of corporate governance is to ensure that these risks are appropriate and controlled.

Many parts of this report refer directly or indirectly to various risks faced by our businesses, but in this section key financial risk types are addressed. Other external risk types associated with the Group's businesses are also briefly discussed later in this section.

Risk Management Framework

Risk governance structure

Overall risk management starts with the board of directors. At each meeting, the board receives reports of the financial results and the financial positions of the Group, both current and projected. Written reports are provided to directors on all businesses identical to those reviewed by management at executive committee meetings.

The board has established asset and liability management, audit, executive, investment, nomination and remuneration committees whose activities play important roles of the overall control of various risks faced by the Group.

The Asset and Liability Management Committee ("ALCO") was set up by the board in October 2008 to oversee and monitor the financial risk exposures of the Group. 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 Treasury Policy (see below Risk Governance Policy), and communicating ALCO decisions to operating units, monitoring adherence and preparing management reports to be presented to ALCO, the executive committee and the board.

All business units, whether they are subsidiaries, associates or jointly controlled entities, are responsible for managing their 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 within their organisations and reporting those risks to ALCO on a timely basis.

Listed subsidiaries or associates including CITIC Telecom International, Dah Chong Hong and Daye Special Steel manage their financial and treasury affairs within the framework of the Group's Treasury Policy.

Risk governance policy

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

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

Risk Management

Financial Risk Management

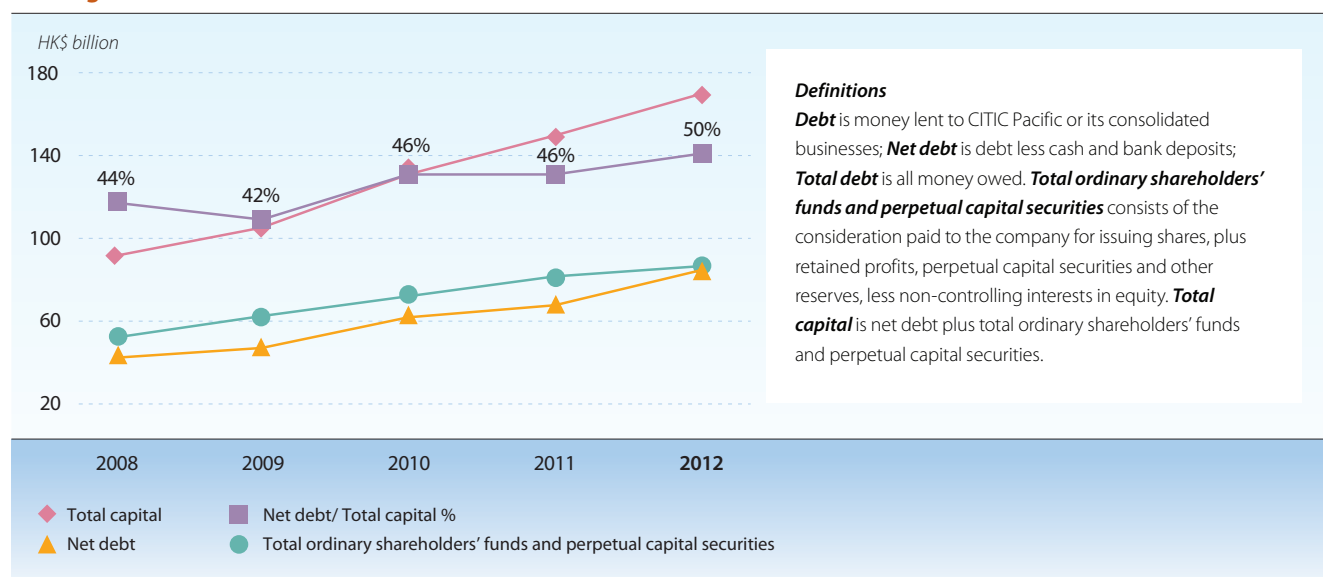
Asset and liability management

One of the main ALCO's functions is ALM. CITIC Pacific's investments in different businesses are financed by a mixture of long-term debt, short-term debt, common equity and 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 matched to the characteristics of our underlying business.

Debt and leverage

As at 31 December 2012, net debt was HK\$84.2 billion and total ordinary shareholders' funds and perpetual capital securities were HK\$84.7 billion. Net debt divided by total capital is the measure of our leverage. This ratio rose to 50% at the year-end mainly due to the issuance of additional debt to fund the company's investments in its Australian mining operations and growth in its other businesses.

Leverage



Total debt and net debt of CITIC Pacific are as follows:

<i>In HK\$ million</i>	31 December 2012	31 December 2011
Total debt	116,994	98,893
Cash and bank deposits	32,821	30,930
Net debt	84,173	67,963

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

Net debt increased by HK\$16 billion from the end of 2011 to that of 2012. Net external debt financed directly by each business is as follows:

<i>In HK\$ million</i>	31 December 2012	31 December 2011
Special steel	9,279	9,501
Iron ore mining	27,618	27,994
Mainland China Property	(7,150)	(8,149)
Ships	2,500	2,329
Dah Chong Hong	3,196	2,930
CITIC Pacific Limited*	49,742	34,208
Others	(1,012)	(850)
Total	84,173	67,963

* Including outstanding debt of a wholly-owned special purpose vehicle.

As at 31 December 2012, total outstanding debt of CITIC Pacific Limited and its subsidiaries amounted to HK\$116,994 million, of which HK\$22,136 million will mature by the end of 2013, against cash and deposits totalling HK\$32,821 million.

Total debt increased by HK\$18 billion in 2012. Facilities totalling HK\$53.3 billion were established or renewed during the year (HK\$33.7 billion by CITIC Pacific Limited and HK\$19.6 billion by its subsidiaries). The new facilities included US\$1,100 million and US\$1,000 million bonds due in 2018 and 2023 respectively issued under a global medium-term note programme, a HK\$7,100 million syndicated loan due in 2015 and RMB700 million notes due in 2017 under two PRC medium-term note programmes.

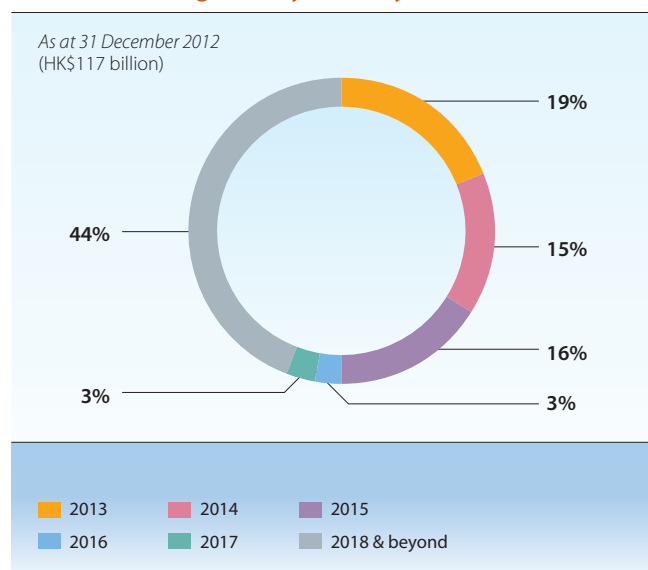
The maturity profile of the debt outstanding as at 31 December 2012 is as follows:

<i>In HK\$ million</i>	Total outstanding debt	Maturing in these years					
		2013	2014	2015	2016	2017	2018 and beyond
CITIC Pacific Limited	63,731	10,410	10,350	13,668*	1,331	59	27,913
Subsidiaries	53,263	11,726	7,250	5,466	2,208	3,468	23,145
Total	116,994	22,136	17,600	19,134	3,539	3,527	51,058

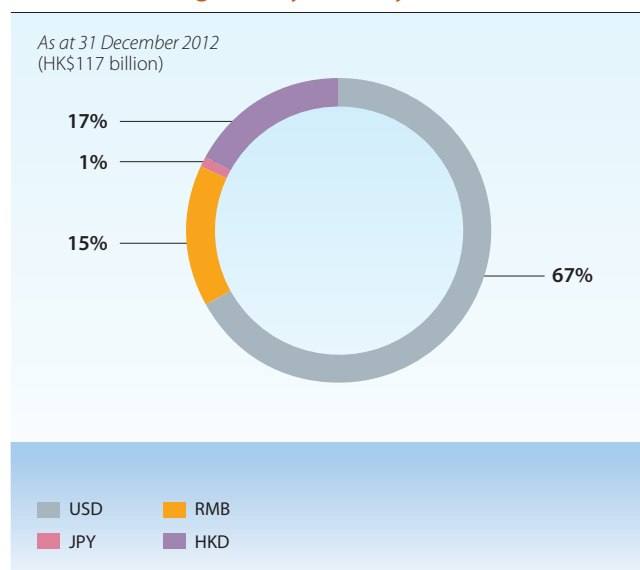
* Including outstanding debt of a wholly-owned special purpose vehicle.

Risk Management

Total outstanding debt by maturity



Total outstanding debt by currency



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 requirement.

The Group'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. Every day, the Group Treasury department manages the cash flows and plans for the next few months. The primary guarantee of liquidity is a substantial amount of available deposits with banks and undrawn committed credit facilities. In addition, the Group has available uncommitted money market lines.

CITIC Pacific actively seeks to diversify its funding sources so as not to be reliant on any one market. The funding programme is planned so that the amount maturing in any given year will not exceed the company's ability to raise new funds in that year.

As at the end of 2012, CITIC Pacific maintained borrowing relationships with over 30 major financial institutions based in Hong Kong, mainland China and other countries. 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. This is to ensure the Group adopts a prudent liquidity risk management approach.

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 totalling US\$3.8 billion with final maturities 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.

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. Banks' approval is required on a project-by-project basis.

The following sub sections reflect the Group'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 the Group.

In addition to the cash and deposits balance of HK\$32.8 billion as at 31 December 2012, CITIC Pacific had available loan and trade facilities of HK\$32.3 billion, of which HK\$14.7 billion was undrawn committed banking facilities. Loans can be drawn under these committed facilities before the contractual expiry dates.

The cash and deposits balance together with the undrawn committed banking facilities as at 31 December 2012 are more than sufficient to cover the debt repayments of HK\$22.1 billion in 2013.

The following table summarises CITIC Pacific's cash and deposits balance by business:

In HK\$ million

CITIC Pacific Limited	13,989
Mainland China property	8,100
Special steel	4,683
Dah Chong Hong	3,224
Iron ore mining	1,402
Ships	386
Others	1,037
Total	32,821

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

In HK\$ million

	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Committed facilities				
Term loans	96,385	81,684	14,701	46%
Short-term loans	3,900	3,900	-	-
Commercial paper (RMB commercial paper)	987	987	-	-
Global bonds (USD bond)	20,280	20,280	-	-
Domestic bonds (RMB note)	864	864	-	-
Private placement (JPY & USD note & RMB bond)	2,996	2,996	-	-
Total committed facilities	125,412	110,711	14,701	46%
Uncommitted facilities				
Money market lines and short-term facilities	15,769	6,194	9,575	29%
Trade facilities	10,820	2,816 [^]	8,004	25%
Total uncommitted facilities	26,589	9,010	17,579	54%
Total facilities	152,001	119,721	32,280	100%

[^] HK\$89 million was included in total debt.

Risk Management

The following table summarises CITIC Pacific's funding by source:

<i>In HK\$ million</i>	Total financial facilities	Amount utilised	Available unutilised facilities	Percentage breakdown of unutilised facilities
Source of funding				
Bonds				
Long-term	24,140	24,140	-	-
Short-term	987	987	-	-
Bank borrowings				
Mainland China	69,018	58,358	10,660	33%
Hong Kong	54,469	35,867	18,602	58%
Others	3,387	369	3,018	9%
Total facilities	152,001	119,721	32,280	100%

Pledged assets

As at 31 December 2012, CITIC Pacific had a total of HK\$69.6 billion of assets pledged for various facilities. Iron ore mining assets of HK\$63.3 billion were pledged under its financing documents. Contracts for twelve completed ships with carrying value of HK\$5.4 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\$0.9 billion were pledged to secure banking facilities, which mainly related to Dah Chong Hong's mainland China and overseas business.

Guarantees

Subsidiaries and affiliates secure debt facilities to fund their investments, to the extent possible, without recourse to CITIC Pacific. The major exception is for the iron ore mining project, which has not begun to generate cash flow. For this project, CITIC Pacific 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\$3.7 billion in debt facilities. Other guarantees mainly include those provided for ship financing, a Japanese Yen bond and trade facilities for a special steel company.

Loan covenants

Over the years, CITIC Pacific has developed a standard loan document, including covenants to facilitate the management of its loan portfolio and debt compliance. The standard financial covenants are generally as follows:

	Covenant limit	Actual 31 December 2012
Minimum Consolidated Net Worth		
Consolidated Net Worth	≥ HK\$25 billion	HK\$86 billion
Gearing		
Consolidated Borrowing/Consolidated Net Worth	≤ 1.5	1.36
Negative Pledge		
Pledged Assets/Consolidated Total Assets	≤ 30%	0.4%

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.

CITIC Pacific monitors these ratios on a regular basis and has been in compliance with these covenants and any others applicable to a particular facility.

Credit ratings

	S&P	Moody’s
31 December 2012	BB+ (Negative)	Ba1 (Negative)

The ratings reflect the agencies’ expectation that CITIC Pacific will continue to enjoy strong support from the CITIC Group as a strategically important subsidiary and there is no change in the ratings during 2012.

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

Risk Management

Net debt and cash in jointly controlled entities and associated companies

CITIC Pacific's non-consolidated businesses are classified as jointly controlled entities and 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 jointly controlled entities 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, who 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 jointly controlled entities and associated companies by business sector as at 31 December 2012:

<i>In HK\$ million</i>	Total net debt/(cash)	Proportion of net debt/(cash) attributable to CITIC Pacific
Special steel	(25)	(11)
Property		
Mainland China	(7,699)	(3,849)
Hong Kong and others	(341)	(163)
Energy	10,101	3,958
Tunnels	(97)	(34)
Dah Chong Hong	114	63
CITIC Telecom	(551)	(71)
Other investments	(182)	(289)
Total	1,320	(396)

Treasury Risk Management

In addition to ALM function, the other main ALCO's function is Treasury Risk Management. Treasury Risk Management essentially covers the following financial risk types inherent in CITIC Pacific's businesses:

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

Financial derivatives may be used to assist in the management of the above risk types. It is CITIC Pacific's policy not to enter into derivative transactions for speculative purpose. To the extent possible, gains and losses of the derivatives offset the losses and gains on the assets, liabilities or transactions being hedged both in economic terms and under accounting rules.

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

The use of derivative financial instruments is currently restricted by ALCO to interest rate swaps, cross currency swap 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 have been submitted for approval in 2012. From a risk management perspective, simple, cost-efficient and HKAS 39 hedge effective instruments are preferred.

Foreign exchange risk

CITIC Pacific has major operations in Hong Kong, mainland China and Australia whose functional currency is Hong Kong Dollar ("HKD"), Renminbi ("RMB") and United States dollar ("USD"). Entities within the Group 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.

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) registered capital of investment in mainland China

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.

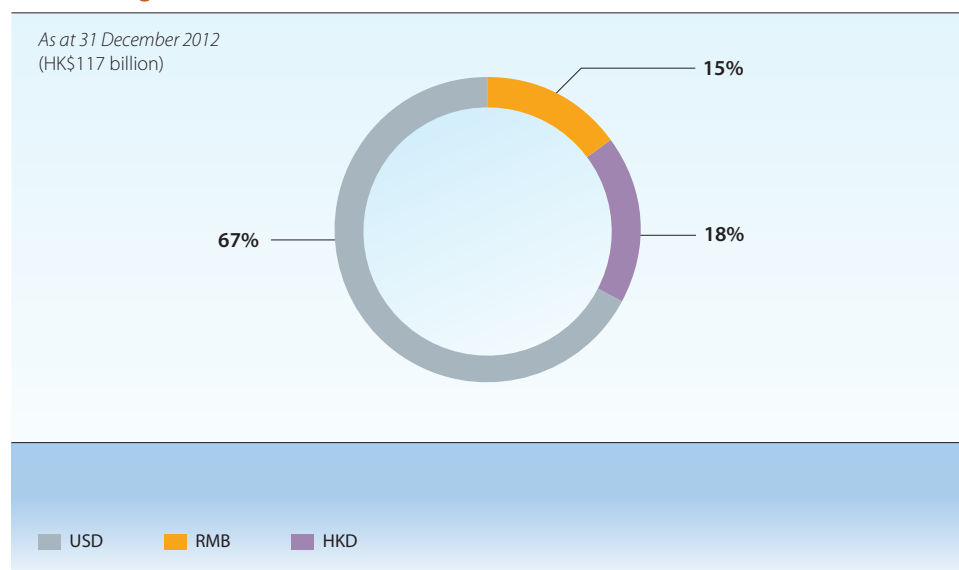
The consolidated financial statement is presented in HKD which is the Group's presentation currency and the Company's functional and presentation currency. Translation exposures from the consolidation of subsidiaries whose functional currency is not HKD are not hedged using derivative instruments, as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

The denomination of CITIC Pacific's borrowings and cash and bank deposit balances by currency as at 31 December 2012 is summarised as follows:

<i>In HK\$ million equivalent</i>	Denomination					Total
	HK\$	US\$	RMB	JPY	Other	
Total debt in original currency	20,171	78,551	17,199	610	463	116,994
Total debt after conversion	20,764	78,793	17,199	17	221	116,994
Cash and bank deposits	4,071	10,225	18,005	236	284	32,821
Net debt/(cash) after conversion	16,693	68,568	(806)	(219)	(63)	84,173

Risk Management

Outstanding debt after conversion



US Dollar (USD) – CITIC Pacific’s investment in businesses whose functional currency is USD is mainly the iron ore mining business, which had USD gross assets of HK\$79 billion. The Company uses its USD borrowings to hedge these USD assets through establishing a net investment hedge. As at 31 December 2012, CITIC Pacific had HK\$78.6 billion equivalent of US dollar debt.

Renminbi (RMB) – Businesses in mainland China had RMB gross assets of approximately HK\$126 billion as at 31 December 2012, offset by debts and other liabilities of HK\$42 billion. This gave CITIC Pacific an RMB net asset exposure of HK\$84 billion at 31 December 2012. 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.

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, as at 31 December 2012 the Australian mining operation had plain vanilla forward contracts with a notional amount of A\$112 million outstanding with maturities up to April 2013, which qualify as accounting hedges. The average rate of these contracts is 0.82 USD to 1.00 AUD. In 2013, the Australian mining operation will adopt a new policy to stabilise the effective exchange rate over time by entering into plain vanilla forward contracts to hedge its forecast future AUD expenditures with the objective of reducing the volatility of expenditure in non-USD currency.

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 2012.

Interest rate risk

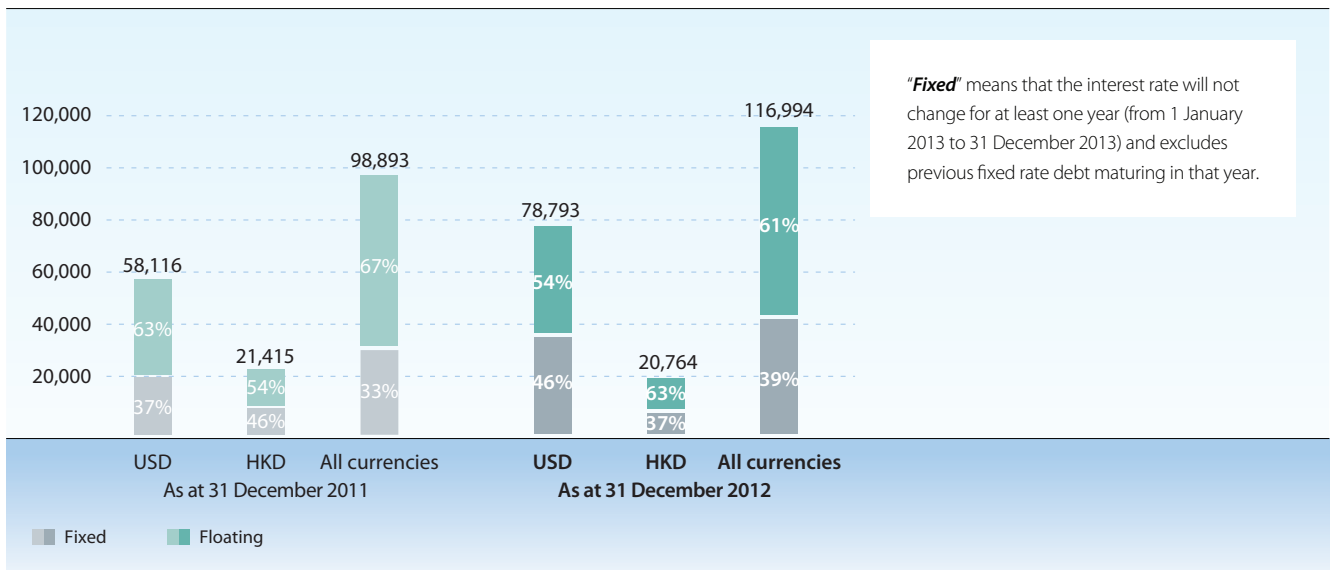
CITIC Pacific’s interest rate risk arises primarily from borrowings. Borrowings at variable rates expose CITIC Pacific to cash flow interest rate risk; whilst borrowings at fixed rates economically expose CITIC Pacific to fair value interest rate risk. In the current low interest rate environment, CITIC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

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.

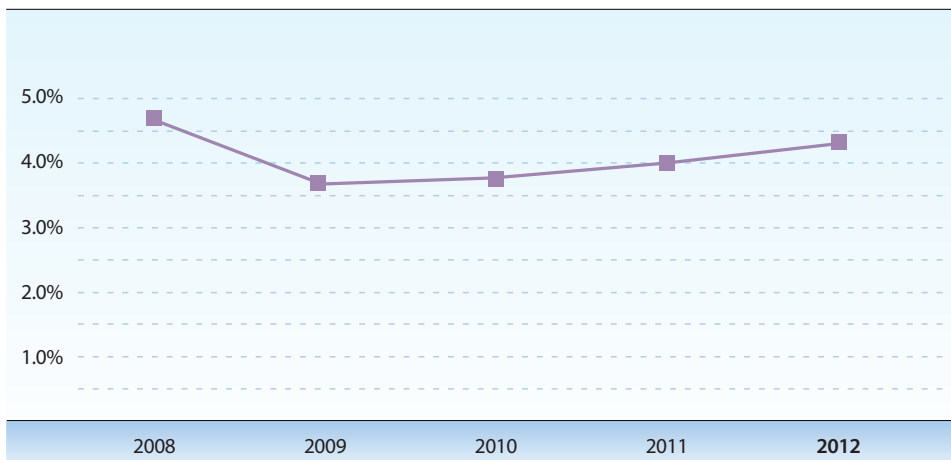
As at 31 December 2012, CITIC Pacific’s floating to fixed interest rate derivative contracts maturing over one year had a notional amount of HK\$22.1 billion. After hedging through interest rate swaps and the issuance of fixed rate debt, 61% of the borrowings of CITIC Pacific were linked to floating interest rates. In addition, CITIC Pacific has entered into HK\$3.2 billion of forward starting swaps to lock in fixed rates for periods up to 8 years.

Fixed and floating interest rates



CITIC Pacific’s overall weighted all-in cost of borrowing (including capitalised interest, fees and hedging costs) for 2012 was approximately 4.3% compared with 4.0% in 2011. This is mainly due to the average effect of those new higher interest rate bonds with longer maturity tenors.

Average borrowing costs



The average borrowing cost is calculated after including the interest rate swaps contracts which convert floating rate borrowings into fixed rate borrowings and the amortisation of fees.

Risk Management

Commodity risk

As CITIC Pacific produces and purchases commodities across its various businesses, it has exposure to commodity price and quantity risk. 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. It also hopes to achieve synergies in its businesses such as the manufacture of iron ore for its special steel operations, the ownership of ships to manage freight costs and production of coal as an adjunct to its power generation business.

Due to the delay in the commissioning of the first production line for the Australian mining operations, the projected delivery of natural gas under a long-term supply contract for the mining operations has exceeded the current needs of the project. To avoid breaking the contract and to retain the gas for future usage, the mining operation has entered into a commercial agreement to swap a portion of the excess gas for the next two years (up to January 2015) to be re-delivered back to the project from January 2019 to June 2029. Further negotiations are on-going with other gas companies to swap the remainder of the excess gas under similar terms and arrangements.

CITIC Pacific has considered the use of financial instruments to hedge its commodity exposures. However many commodities cannot be hedged effectively because there is no effective forward market for the product or there is insufficient liquidity in those markets. As at 31 December 2012, CITIC Pacific did not have any exposure to commodity derivatives.

Counterparty risk

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

The Group 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.

Other Major External Risks and Uncertainties

Economic risks

CITIC Pacific's businesses are all subject to the risks of negative developments in the economies in which they operate, which may be affected by global trends. The results of most of our businesses are closely linked to the success of the 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; the iron ore mine is expected to sell its output to steel mills in China, and our electricity is sold exclusively to users in mainland China. Our property developments are mainly in mainland China, and our infrastructure assets such as tunnels are in Hong Kong. Economic policies implemented that affect the whole economy, or sections of it, may adversely affect our business for periods of time.

In addition to its effects on our customers, changes to the global or local economies or regulations may adversely affect our relationship banks, joint venture partners, suppliers of goods (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 within time and budget resulting from inherent performance, disputes with contractors or their failure to perform to specification or contract, adverse weather conditions or other events.

Natural disasters or events, terrorism and disease

Our business could be affected by such things as earthquakes, typhoons, cyclones or adverse weather conditions, or acts or threats of terrorism, or the outbreak of highly contagious disease, 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.

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.

Ten Year Statistics

<i>At year end (in HK\$ million)</i>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total ordinary shareholders' funds and perpetual capital securities	38,026	37,116	39,243	46,709	59,675	49,768	60,391	68,346	80,958	84,678
per share (HK\$)	17.38	16.93	17.90	21.27	26.98	13.65	16.55	18.73	22.18	23.20
Debt										
Debt	10,528	14,580	21,218	18,293	28,654	57,234	65,675	83,683	98,707	116,629
Bank deposits	5,511	2,417	2,579	3,679	8,045	18,296	21,553	24,558	30,930	32,821
Net debt/total capital	12%	25%	32%	24%	26%	44%	42%	46%	46%	50%
Interest cover *	8x	15x	11x	20x	50x	(13)x	17x	21x	16x	9x
Capital employed	48,554	51,696	60,461	65,002	88,329	107,002	126,066	152,029	179,665	201,307
Property, plant and equipment	4,335	6,066	8,871	9,491	12,154	23,865	40,032	63,334	85,132	100,445
Investment properties	7,923	8,115	8,645	9,604	10,895	11,230	11,164	13,579	15,270	16,359
Properties under development	679	1,672	1,849	2,712	4,288	9,848	11,237	12,161	9,817	9,856
Leasehold land	1,194	1,596	1,618	1,712	1,641	1,483	1,581	1,597	2,277	2,524
Jointly controlled entities	4,085	7,852	10,413	14,922	17,446	21,140	22,097	21,681	21,278	20,443
Associated companies	22,584	21,439	23,239	16,459	17,812	14,924	5,797	6,345	7,222	7,499
Other financial assets	1,027	1,121	929	2,819	7,502	1,063	2,198	448	345	351
Intangible assets	1,570	1,736	1,746	3,536	4,557	8,934	10,868	12,944	16,202	17,253
Stockmarket capitalization	43,332	48,444	47,038	58,952	96,338	30,556	76,258	73,704	51,092	42,188
Number of shareholders	12,198	11,554	11,262	10,433	8,571	8,712	8,565	8,490	8,379	8,380
Staff	12,174	15,915	19,174	23,822	24,319	28,654	30,329	29,886	33,295	34,781
For the year (in HK\$ million)										
Net profit/(loss) after tax										
Net profit/(loss) after tax	1,147	3,551	3,934	8,384	10,797	(12,734)	5,967	8,893	9,233	6,954
per share (HK\$)	0.52	1.62	1.79	3.77	4.91	(5.70)	1.63	2.44	2.53	1.91
Contribution by major business										
Special Steel	178	438	808	1,333	2,242	1,617	1,415	2,102	1,994	211
Iron Ore Mining	-	-	-	-	-	(123)	376	(346)	(423)	(781)
Property										
Mainland China	112	125	154	308	197	523	524	583	2,324	911
Hong Kong and others	243	434	952	1,727	534	490	397	377	708	734
Energy	229	439	368	268	494	(1,090) [^]	886	1,959	1,588	1,136
Roads and tunnels	578	276	362	411	412	443	437	502	518	561
Dah Chong Hong	253	284	233	297	417	320	402	775	617	536
CITIC Telecom	116	120	122	191	157	181	196	248	299	299
Other investments	815	1,671	992	3,520	1,469	483	1,892	1,987	168	2,699
Net gain from listing of subsidiary companies	-	-	-	-	4,552 [†]	-	-	-	-	-
Fair value change of investment properties	(588)	198	700	1,189	1,171	(80)	137	1,298	1,891	1,547
EBITDA	3,126	5,666	6,412	11,882	15,160	(9,950)	10,765	15,744	18,398	15,059
Dividends per share (HK\$)										
Regular	1.00	1.10	1.10	1.10	1.20	0.30	0.40	0.45	0.45	0.45
Special	-	-	-	0.60	0.20	-	-	-	-	-
Cover	0.5x	1.5x	1.6x	3.4x	4.1x	(19.0)x	4.1x	5.4x	5.6x	4.2x

Note:

- 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.
 - 2008 & 2009 figures have been restated to reflect the Group's adoption of HKAS 17 (amendments) – "Leases".
 - 2008 figures have been restated to reflect the Group's adoption of HK(IFRIC)-Int 13 "Customer Loyalty Programmes".
 - The adoption of HKFRS 8 "Operating segments" in year 2009 has resulted in a change of presentation in segment information, in particular the aviation segment had been included in other investments segment.
- * Interest cover represents EBITDA ÷ interest expense charged to profit and loss account.
[^] The figures included HK\$449 million impairment loss.
[†] Includes 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 code on corporate governance practices (which was effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the corporate governance code ("CG Code") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 to the Listing Rules except that in respect of code provision A.6.7 of the CG Code, Mr. Carl Yung Ming Jie (re-designated as a non-executive director as from 31 December 2012), Mr. André Desmarais (a non-executive director) and Mr. Alexander Reid Hamilton (an independent non-executive director) were not able to attend the annual general meeting of CITIC Pacific held on 18 May 2012 ("AGM"). Mr. Carl Yung was ill, while Mr. Alexander Reid Hamilton and Mr. André Desmarais were away from Hong Kong due to other engagements. Mr. Peter Kruyt, the alternate director to Mr. André Desmarais, attended the AGM.

For the year 2012, CITIC Pacific had made further progress with its corporate governance practices including:

- Formalized CITIC Pacific's Corporate Governance Policy and Inside Information/Price Sensitive Information Disclosure Policy;
- Established the Nomination Committee and two meetings were held to review the board composition, diversity and to identify additional candidates to be appointed as an independent non-executive director of CITIC Pacific;
- Changed the composition of the board with the appointment of one additional independent non-executive director and resignation of two executive directors – the board now comprises four executive directors and eight non-executive directors of which four of them are independent;
- Carried out a self assessment of the performance of the board; and
- Rolled out the continuous professional development program for directors, including arranging a visit to the mine site, arranging presentations and for review relevant reading materials on developments on laws and regulations and corporate governance.

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.

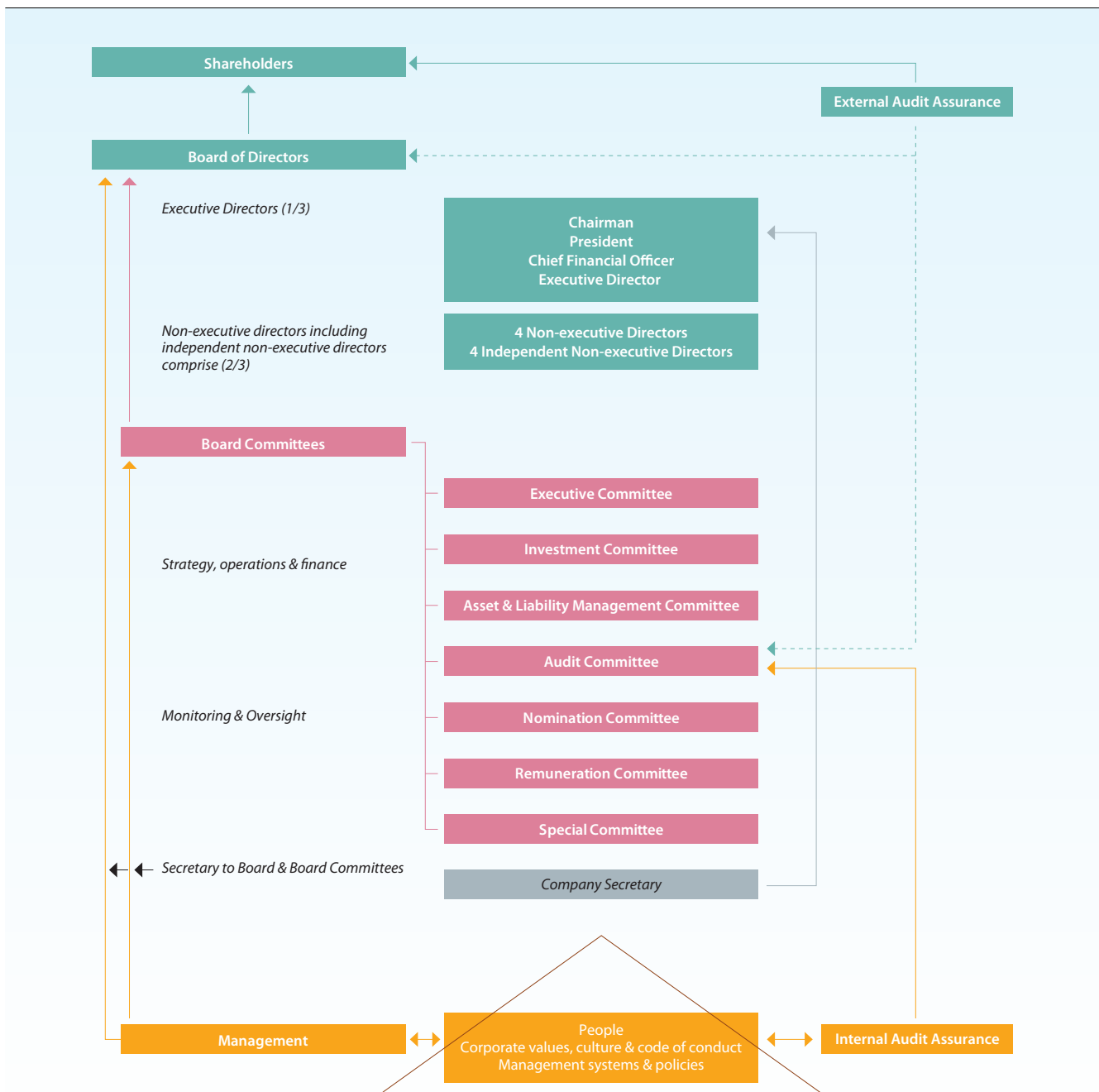
Preservation of Value and Strategy

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.

Corporate Governance

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 has 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 during 2012

With effect from 31 December 2012, an additional independent non-executive director was appointed to the board whilst at the same time, two executive directors have resigned from the board. The board currently comprises four executive directors, four non-executive directors and four independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise two-third of the board, of which independent non-executive directors make up one-third of the board.

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 2012.

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 of shareholders.

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Dr. Xu Jinwu was appointed as an independent non-executive director of CITIC Pacific with effect from 31 December 2012. He will hold office until the forthcoming annual general meeting of CITIC Pacific to be held on 16 May 2013 and is then eligible for re-election at such meeting. Thereafter, he will be subject to retirement by rotation and re-election in accordance with CITIC Pacific's Articles of Association. Induction materials were provided to Dr. Xu upon appointment and subsequently briefing sessions were given to him so that he has a proper understanding of CITIC Pacific's operations and businesses and is aware of his responsibilities under the requirement of the relevant regulatory bodies.

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 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\$100,000,000.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 101 to 109.

Continuous Professional Development Programme

CITIC Pacific has rolled out a continuous professional development programme ("CPD Program") 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 organized by various local organisations.

Under CITIC Pacific's CPD Program, the board visited the Sino Iron project in Australia in November 2012. Directors also attended briefings and reviewed the monthly business updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in the continuous professional development program is kept with the company secretary.

A summary of directors' participation in CITIC Pacific's CPD Program and other external training for the period from 1 January 2012 to 31 December 2012 is as follows:

	Attending briefings/seminars	Reading materials/ regulatory updates/ management monthly updates	Paying site visit
Executive Directors			
Mr. Chang Zhenming	√	√	√
Mr. Zhang Jijing	√	√	√
Mr. Vernon Francis Moore	√	√	√
Mr. Liu Jifu	√	√	
Mr. Kwok Man Leung ^(Note 1)	√	√	√
Mr. Milton Law Ming To ^(Note 1)	√	√	√
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 ^(Note 2)	√	√	
Independent Non-executive Directors			
Mr. Alexander Reid Hamilton	√	√	√
Mr. Gregory Lynn Curl	√	√	√
Mr. Francis Siu Wai Keung	√	√	√
Dr. Xu Jinwu ^(Note 3)			

Note: (1) resigned as executive director with effect from 31 December 2012

(2) re-designated as non-executive director with effect from 31 December 2012

(3) Dr. Xu Jinwu was appointed as independent non-executive director with effect from 31 December 2012. Induction materials and briefings were provided to Dr. Xu upon his appointment.

Board meetings and attendance

The board meets regularly to review financial and operating performance of CITIC Pacific and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2012. At the board meetings, the board reviewed significant matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and connected transactions. At each of 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 November 2012, a board meeting was held at the mine site in Australia where the board made a site visit in respect of its Sino Iron project. In December 2012, a special board meeting was held to approve a connected transaction and certain continuing connected transactions, the details of which are set out in the announcements of CITIC Pacific dated 18 December 2012 and 28 December 2012 in which detailed information of such transactions were presented to the board. A schedule of board meetings 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

Corporate Governance

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 meeting in 2012 is set out below:

	Board Meeting	Annual General Meeting on 18 May 2012
Number of Meetings	5	1
Executive Directors		
Mr. Chang Zhenming		
– Chairman	5/5	1/1
Mr. Zhang Jijing		
– Managing Director (title changed to President)	5/5	1/1
Mr. Vernon Francis Moore		
– Group Finance Director (title changed to Chief Financial Officer)	5/5	1/1
Mr. Liu Jifu	4/5	1/1
Mr. Kwok Man Leung ^(Note 1)	5/5	1/1
Mr. Milton Law Ming To ^(Note 1)	5/5	1/1
Non-executive Directors		
Mr. André Desmarais ^(Note 2)	2/5	0/1
Mr. Peter Kruyt (alternate director to Mr. André Desmarais)	4/5	1/1
Mr. Ju Weimin	5/5	1/1
Mr. Yin Ke	4/5	1/1
Mr. Carl Yung Ming Jie ^(Note 3)	3/5	0/1
Independent Non-executive Directors		
Mr. Alexander Reid Hamilton	4/5	0/1
Mr. Gregory Lynn Curl	4/5	1/1
Mr. Francis Siu Wai Keung	5/5	1/1
Dr. Xu Jinwu ^(Note 4)	0/0	0/0

- Note: (1) resigned as executive director with effect from 31 December 2012
 (2) where Mr. André Desmarais could not attend a board or general meeting, Mr. Peter Kruyt had attended them
 (3) re-designated as non-executive director with effect from 31 December 2012
 (4) appointed as independent non-executive director with effect from 31 December 2012

Chairman and the President

Mr. Chang Zhenming serves as the chairman of CITIC Pacific and Mr. Zhang Jijing as the president (former title as managing director) 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 of 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 including the nomination committee which was established on 1 March 2012. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive Committee

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

- receiving guidance from the chairman and president on CITIC Pacific's strategic direction and priorities;
- receiving and considering reports from group treasury and group financial control department on CITIC Pacific's results and forecasts;
- receiving and considering reports from leaders of CITIC Pacific's major businesses on their results, activities and prospects of their respective businesses; and
- receiving and considering quarterly reports from group internal auditor on internal controls of the group, and reports from other corporate functional leaders when required.

The executive committee is chaired by the 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 has the right to attend any executive committee meetings. The executive committee met eleven times in 2012. 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)	11/11
Mr. Vernon Francis Moore	11/11
Mr. Liu Jifu ^(Note 1)	4/11
Mr. Kwok Man Leung ^(Note 2)	11/11
Mr. Milton Law Ming To ^(Note 2)	9/11

Note: (1) five of the meetings were attended by his representative

(2) resigned as executive director and appointed as executive vice president with effect from 31 December 2012

Corporate Governance

Remuneration Committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in CITIC Pacific's 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 with effect from 1 January 2013, and minutes for the meetings are sent to the committee members within a reasonable time after the meetings. The revised 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 2012

The remuneration committee completed the following reviews in 2012:

1. reviewed and approved the remuneration policy;
2. approved the grant of share options by Dah Chong Hong under the Post-IPO Shares Option Scheme;
3. approved the salaries and bonuses of the executive directors and senior executives; and
4. considered the proposed amendments to its terms of reference to take into account the new code provisions which took effect from 1 April 2012 and recommended their adoption by the board.

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

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

Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 123 to 125.

The remuneration paid to the directors, by name, for the year ended 31 December 2012 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 2012 is set out below.

Remuneration of senior management other than directors for the full year of 2012

Total Remuneration Bands	Number of Executives
Below HK\$3,000,000	0
HK\$3,000,001 – HK\$6,000,000	8
HK\$6,000,001 – HK\$9,000,000	5
HK\$9,000,001 – HK\$12,000,000	0
HK\$12,000,001 – HK\$15,000,000	1
	14

Note: the above does not include (i) an executive who has resigned during the year 2012; (ii) an executive who has joined CITIC Pacific during the year 2012 and (iii) three new executives as from 1 January 2013

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 the external and internal auditors 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 external audit and oversee the appointment, remuneration and terms of engagement of CITIC Pacific's external auditor, as well as their 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");

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- Starting from March 2012, 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) the Company's policies and practices on compliance with legal and regulatory requirements, 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 with effect from the conclusion of the board meeting held on 1 Mar 2012)	4/4
Mr. Alexander Reid Hamilton (chairman until the conclusion of the board meeting held on 1 Mar 2012)	4/4
Non-executive Director	
Mr. Yin Ke	2/4
Other Attendees	
Group Finance Director (title changed to 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 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 summarizes the activities of the committee and highlights issues arising and reports to the board after each audit committee meeting.

Work Done in 2012

The audit committee performed the following in 2012:

Financial reporting	Reviewed the 2011 annual financial statements, annual report and results announcement
	Reviewed the 2012 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2011 annual report and 2012 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 of PricewaterhouseCoopers (“PwC”) on their statutory audit of 2011 annual financial statements and their independent review of 2012 half-year financial statements
	Discussed any financial reporting and control matters set out in the Audit Committee Reports submitted by PwC, or addressed in representation letters issued by management to PwC, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed PwC’s plans for their independent review of CITIC Pacific’s 2012 half-year financial statements and their statutory audit of the 2012 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of PwC as 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 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 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
Corporate governance and CG Code requirements	Noted any significant changes in financial or other risks faced by CITIC Pacific and reviewed management’s response to them
	Reviewed and approved the revisions to the terms of reference of CITIC Pacific’s audit committee in response to the new CG Code requirements effective from 1 April 2012
	Reviewed two whistle-blowing cases referred by internal audit, which were 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 and senior management
	Reviewed CITIC Pacific’s Corporate Governance Policy, Inside Information/Price Sensitive Information Disclosure Policy, Code of Conduct 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	

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In the audit committee meeting of February 2013, the audit committee reviewed and approved CITIC Pacific's annual financial statements and annual report for the year ended 31 December 2012, and considered reports from the external and internal auditors. The audit committee recommended that the board approves the 2012 annual report.

Nomination Committee

The board established a nomination committee on 1 March 2012. The 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 is authorised by the board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. The committee also reviews the size, structure and composition of the board and assesses the independence of independent non-executive directors.

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 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 expenses if necessary.

The nomination committee held two meetings in 2012 with full attendance by the committee members in person or by telephone. 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 in February 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)	2/2
Independent Non-executive Directors	
Mr. Alexander Reid Hamilton	2/2
Mr. Gregory Lynn Curl	2/2

Work Done in 2012

The nomination committee completed the following work in 2012:

1. reviewed the structure, size and composition of the board;
2. considered the proposal to reduce the size of the board; and
3. recommended the appointment of an independent non-executive director and re-designation of an executive director to a non-executive director for approval by the board.

In February 2013, the nomination committee also recommended the re-election of all the retiring directors at the forthcoming annual general meeting.

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 2012, there were 13 discussions of the committee covering 17 topics.

Membership and Participation

Members	Participation/Number of Meetings
Executive Directors	
Mr. Chang Zhenming (Chairman)	13/13
Mr. Zhang Jijing	13/13
Mr. Vernon Francis Moore	13/13
Mr. Kwok Man Leung ^(Note)	13/13
Mr. Milton Law Ming To ^(Note)	13/13

Note: resigned as executive director and appointed as executive vice president with effect from 31 December 2012

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Asset and Liability Management Committee

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

- review regularly the asset and liability balances of CITIC Pacific in aggregate and at subsidiary level;
- 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 treasurer, the group financial controller, 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 2012 to consider the matters within its terms of reference.

The meeting attendance of directors is as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Executive Directors	
Mr. Vernon Francis Moore (Chairman)	11/11
Mr. Kwok Man Leung ^(Note)	9/11
Mr. Milton Law Ming To ^(Note)	10/11

Note: resigned as executive director and appointed as executive vice president with effect from 31 December 2012

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 pending response from the Department of Justice.

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. CITIC Pacific's annual report 2011 received Bronze Award for Written Text: multi-industry (Products & Services) from an international award programme for the annual report industry, the ARC Awards, in the 2012 International ARC Awards Competition.

The adoption of new or amended accounting standards that became effective during the year has not had a significant impact on the accounts except for those disclosed in Note 2 on page 137.

The responsibilities of the external auditor with respect to the accounts for the year ended 31 December 2012 are set out in the Report of the Independent Auditor on the Summary Financial Report on page 143.

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External Auditors and their Remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. Since 1989, PwC has been engaged as CITIC Pacific's external auditor. The audit engagement partner responsible for the audit of CITIC Pacific is generally changed every seven years to ensure independence. The current audit partner has been engaged since 2011 to replace the previous one who was first appointed in 2006. During the year, PwC's fees for its services were approximately as follows:

Statutory audit fee: HK\$36 million (2011: HK\$26 million).

Fees for other services, including special audits, advisory services relating to accounting system, review of systems of internal control, review of the half-year financial statements and tax services: HK\$6 million (2011: HK\$8 million).

Other audit firms provided recurring audit services to subsidiaries at a fee of approximately HK\$33 million (2011: HK\$27 million) and provided other services for fees of HK\$5 million (2011: HK\$21 million).

Internal Controls

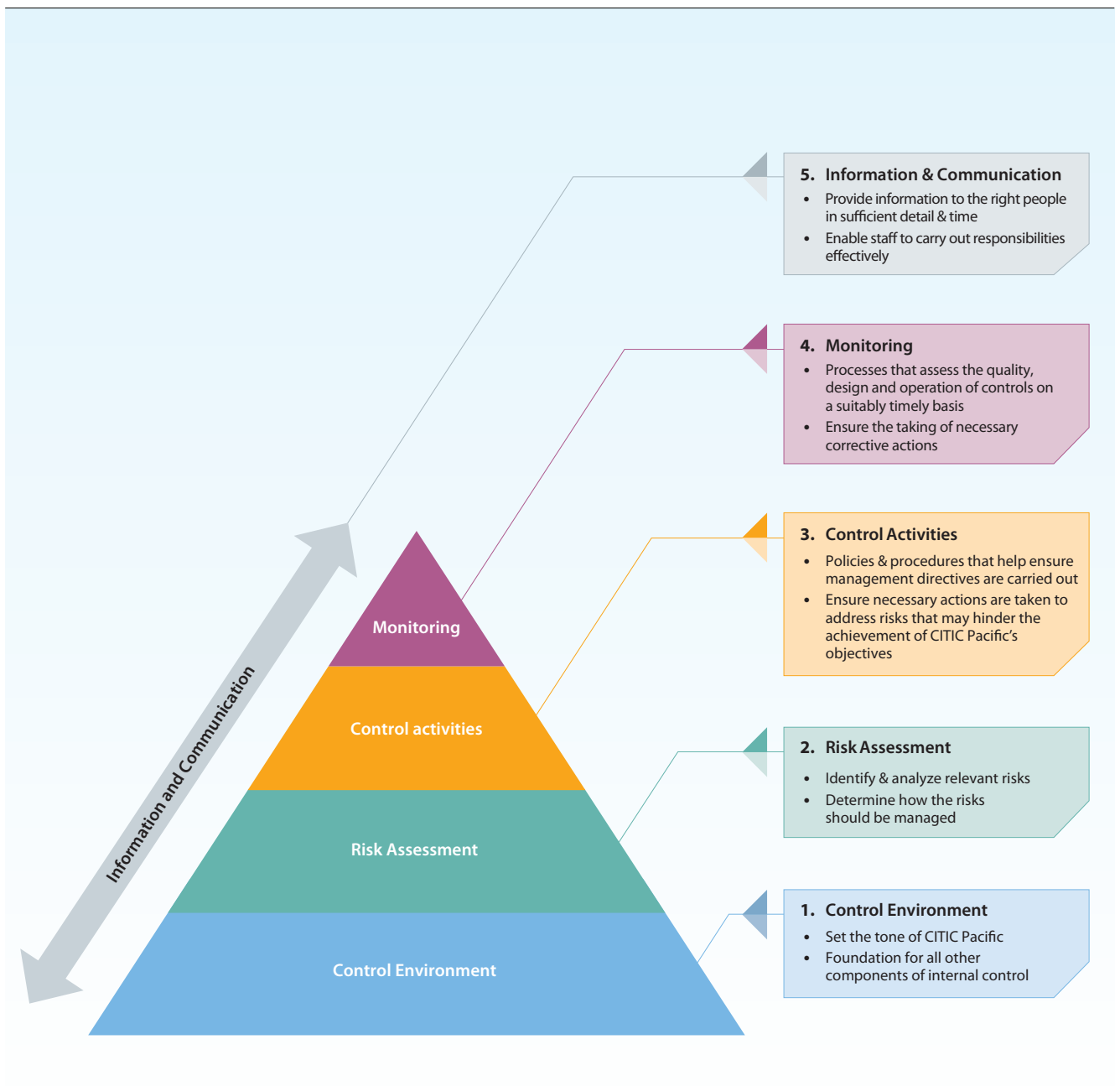
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Pacific in the following areas are achieved:

- 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:



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Key control policies and measures

Under the CITIC Pacific's internal control framework, the following key control policies and measures are implemented in the everyday activities, which are summarized below:

Key control policies and measures undertaken by CITIC Pacific	
Control Environment	<ul style="list-style-type: none"> • Corporate governance policy, human resources policy manual and code of conduct governing the conduct of business and governance work. • Whistle-blowing policy for facilitating internal reporting on suspected malpractice. • Inside information and price sensitive information disclosure policy on reporting and disseminating price-sensitive information.
Risk Assessment	<ul style="list-style-type: none"> • The risk management functions under group treasury department to identify and assess risks on different areas across CITIC Pacific. 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. • Production and review of risk assessment reports, as well as a variety of insurance arrangements to manage insurable risks.
Control Activities	<ul style="list-style-type: none"> • Major controls 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.
Monitoring	<ul style="list-style-type: none"> • Ongoing compliance monitoring and internal control reviews under the oversight of the audit committee (please refer to the section headed "Monitoring of internal control effectiveness" below). • CITIC Pacific's company secretariat and group legal functions for overall assessing and monitoring procedures in place to ensure compliance with Listing Rules and overseeing compliance matters in respect of applicable laws and other major regulations. • Group internal audit reporting directly to the audit committee and conducting independent reviews on the internal controls and risk management.
Information and Communication	<ul style="list-style-type: none"> • Implementation, maintenance and continuous development of enterprise resource planning (ERP) and information systems to support CITIC Pacific's businesses and operations, including financial controls and treasury management functions. • CITIC Pacific's intranet and corporate email systems for dissemination of corporate messages on a timely basis. • Corporate website and shareholders communication policy to ensure shareholders are informed of balanced and understandable information about CITIC Pacific and are encouraged 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 is summarized below:

Internal control monitoring	Particulars of major work done	Observations
Internal audit	<ul style="list-style-type: none"> • Reviewed the reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee • Evaluated the adequacy of resources and competency of the group internal audit function in discharging the internal audit responsibilities; also reviewed the progress of the internal audit work against the approved internal audit plan 	<ul style="list-style-type: none"> • Internal audit findings and recommendations, management's responses and remedial actions taken were considered at each audit committee meeting • Reports to the board on such reviews where appropriate
Compliance assessments	<ul style="list-style-type: none"> • Reviewed the compliance declarations undertaken by business units and head office functions of CITIC Pacific, whereby cases of non-compliance with laws, the Listing Rules or other regulations, code of conduct or other corporate policies are required to be reported to the audit committee on an annual basis • Considered any non-compliance cases noted in the internal audit reports 	<ul style="list-style-type: none"> • No significant non-compliance cases were noted during the year
Control self-assessments	<ul style="list-style-type: none"> • Reviewed the results of consolidated control self-assessments made by management of business units and head office functional departments, of their material controls and risk management activities undertaken with reference to the CITIC Pacific's internal control framework • Ensured documentation in relation to the management's control self assessments were reviewed by group internal audit • Reviewed letters of representation from executive management of business units confirming that their control self assessments remain correct and that their financial statements are prepared in accordance with the group's financial reporting policies 	<ul style="list-style-type: none"> • No material issues were identified during the year; business units and head office functions have indicated certain areas of internal control which they intend to further enhance • Positive confirmations from management were noted
Review of the accounting and finance functions under the CG Code requirements	<ul style="list-style-type: none"> • Engaged an external consultancy firm to conduct an independent review on the adequacy and competence of the staff of the accounting and finance functions of the group • Reviewed self assessments made by business units, group financial control, group treasury and group internal audit of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budget 	<ul style="list-style-type: none"> • Resources in the accounting and finance functions of the group are considered adequate • Qualifications and experience of the staff of the accounting and finance functions are satisfactory overall • Training activities and budgets have been given continual attention during the year and are satisfactory

Corporate Governance

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 authorized by the board to have access to all records, people and physical properties relevant to the performance of 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 prescribed under 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 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 2012

The group internal audit function, led by the group internal auditor, comprised 28 audit staff members at 31 December 2012 who are based in Hong Kong, Perth, Shanghai and Guangzhou respectively to provide audit services to various business units and functions of the group.

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 summarized 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 2012, 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 include:

- Provided oversight of the whistle-blowing channels whereby staff concerns about conduct of the business are raised and where appropriate investigations into reported cases are conducted; in 2012, two cases were received through the whistle-blowing channels, which were mainly 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 and major audit findings are reported on a monthly basis (quarterly reporting was conducted prior to May 2012).
- 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.
- Conducted reviews on the contract policy manuals and payment procedures of selected business units, as well as related approval documentations, with the objective of ensuring the review and approval processes are clearly defined in the policies and approval documentations.
- Carried out ongoing assessments of information technology controls pursuant to the annual audit plan.
- Assisted in the monitoring of the 2012 internal control and compliance self-assessment exercises for major business units and head office functions, regarding internal controls, risk management activities, compliance with legal and regulatory requirements, as well as adequacy, qualification, experience and training programmes of the financial reporting functions of the group.
- Exchanged viewpoints on corporate governance matters with an external consultancy firm; evaluated the internal control automation tools available from an external consultant during the year.
- Implemented continuous training and development programmes, including quarterly sharing sessions and training workshops, for all internal audit staff to enhance their audit skill sets and knowledge; introduction of data analytic tools, standardization of audit programmes, as well as development of an enhanced audit finding classification methodology were noted during the year.
- Benchmarked the internal audit charter against the 2012 version of the International Professional Practices Framework issued by the Institute of Internal Auditors to ensure that CITIC Pacific’s internal audit function remains in line with internationally recognized internal audit practices; thereafter submitted the internal audit charter to the audit committee for endorsement.

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 adopts a code of conduct which provides employees with a set of defined ethical standards for adherence. The code of conduct is posted on CITIC Pacific’s intranet for reference by all staff. New employees are informed of the rules and standards set out in

Corporate Governance

the code of conduct at the date of 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 channels as 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 2012, group internal audit received two cases mainly in relation to minor human resources issues of an operation in Hong Kong. They were handled according to CITIC Pacific's whistle blowing policy to the satisfaction of the audit committee, management and the whistle-blowers.

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 legal 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 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2012. The interests held by individual directors in CITIC Pacific's securities at 31 December 2012 are set out in the Directors' Report on pages 128 to 129.

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

Company Secretary

The company secretary is a full time employee of CITIC Pacific and has day-to-day knowledge of CITIC Pacific's affairs. The company secretary reports to the president of CITIC Pacific who is the chief executive as described under the Listing Rules. During 2012, the company secretary has taken no less than 15 hours of relevant professional training.

Constitutional Documents

There are no changes in the constitutional documents of CITIC Pacific during the year under review.

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 accountability of the board of directors. 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 as timely 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 2012, 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 meetings.

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.

Corporate Governance

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 the company'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 which took effect from 1 April 2012:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Section 113 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong), shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of CITIC Pacific as at the date of the deposit carries the right of voting 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 objects of the meeting 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. 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 from the date of the deposit of the requisition 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 Section 115A of the Companies Ordinance (Chapter 32 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 not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in CITIC Pacific on which there has been paid up an average sum, per shareholder, of not less than HK\$2,000, 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) a copy of the requisition 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 not less than 6 weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than 1 week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet CITIC Pacific's expenses in giving effect thereto.
- (iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of CITIC Pacific, an AGM is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

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 notice in writing of the intention to propose that person for election as a director and 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 2012.

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 14 to 67.

Dividends

The directors declared an interim dividend of HK\$0.15 per share for the year ended 31 December 2012 which was paid on 24 September 2012. The directors are recommending to shareholders at the forthcoming annual general meeting the payment of a final dividend of HK\$0.30 per share in respect of the year ended 31 December 2012, payable on 5 June 2013 to shareholders on the Register of Members at the close of business on 27 May 2013. This represents a total distribution for the year of HK\$1,642 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\$4 million.

Fixed Assets

Movements of fixed assets are set out in the summary financial statements on pages 139 to 140.

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 ("JPY Notes") to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY Notes on 28 October 2015 at 81.29% of the principal amount of such JPY Notes. All of the JPY Notes remained outstanding at 31 December 2012.

On 16 August 2010, CITIC Pacific issued and sold a total of US\$150 million principal amount of 6.9% notes due 2022 ("Notes"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the Notes remained outstanding at 31 December 2012.

On 15 April 2011, CITIC Pacific issued and sold a total of US\$500 million principal amount of 6.625% notes due 2021 ("US\$500m Notes") 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. The US\$500m Notes are listed on the Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"). All of the US\$500m Notes remained outstanding at 31 December 2012.

On 15 April 2011, CITIC Pacific issued and sold a total of US\$750 million principal amount of 7.875% perpetual subordinated capital securities ("Securities") to investors pursuant to the subscription agreement dated 8 April 2011. The Securities are listed on the Hong Kong Stock Exchange. All of the Securities remained outstanding at 31 December 2012.

On 3 August 2011, CITIC Pacific issued and sold a total of CNY1,000 million principal amount of 2.7% unlisted notes due 2016 ("CNY Notes") under the MTN Programme to investors pursuant to the subscription agreement dated 27 July 2011. All of the CNY Notes remained outstanding at 31 December 2012.

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 ("Commercial Paper") to investors. All of the Commercial Paper remained outstanding at 31 December 2012.

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 (together, the "US\$1,100m Notes") under the MTN Programme to investors pursuant to subscription agreements dated 12 March 2012 and 17 April 2012, respectively. The US\$1,100m Notes are listed on the Hong Kong Stock Exchange. All of the US\$1,100m Notes remained outstanding at 31 December 2012.

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 ("RMB Notes 1") to investors. All of the RMB Notes 1 remained outstanding at 31 December 2012.

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 (together, the "US\$1,000m Notes") under the MTN Programme to investors pursuant to subscription agreements dated 8 October 2012 and 4 December 2012, respectively. The US\$1,000m Notes are listed on the Hong Kong Stock Exchange. All of the US\$1,000m Notes remained outstanding at 31 December 2012.

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 ("RMB Notes 2") to investors. All of the RMB Notes 2 remained outstanding at 31 December 2012.

Directors' Report

Directors

The directors of CITIC Pacific in office during the financial year ended 31 December 2012 were:

Executive Directors

Mr Chang Zhenming

Mr Zhang Jijing

Mr Carl Yung Ming Jie, re-designated to a non-executive director on 31 December 2012

Mr Vernon Francis Moore

Mr Liu Jifu

Mr Kwok Man Leung, resigned as executive director and appointed as executive vice president of CITIC Pacific on 31 December 2012

Mr Milton Law Ming To, resigned as executive director and appointed as executive vice president of CITIC Pacific on 31 December 2012

Non-executive Directors

Mr André Desmarais

Mr Ju Weimin

Mr Yin Ke

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, appointed on 31 December 2012

In accordance with Article 95 of the Articles of Association of CITIC Pacific, Dr Xu Jinwu will hold office only until the next following general meeting of CITIC Pacific and is then eligible for re-election. In addition, pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Chang Zhenming, Vernon Francis Moore, Liu Jifu and Yin Ke shall retire by rotation in the forthcoming annual general meeting to be held on 16 May 2013 and, being eligible, offer themselves for re-election.

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 annual general meeting of CITIC Pacific to be held on 16 May 2013.

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

Both Messrs Zhang Jijing and Ju Weimin are non-executive directors of CITIC Resources Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange. CITIC Resources Holdings Limited is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production. Further details of its nature, scope and size of its business as well as its management can be found in the latest annual report of CITIC Resources Holdings Limited. In the event that there are transactions between CITIC Resources Holdings Limited and CITIC Pacific, Messrs Zhang Jijing and Ju Weimin will abstain from voting. Save as disclosed above, Mr Zhang and Mr Ju are not directly or indirectly interested in any business that constitutes or may constitute a competing business of CITIC Pacific.

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.

Directors' Report

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 12,320,000 shares have lapsed during the year ended 31 December 2012. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2012 is as follows:

A. CITIC Pacific directors

Name of director	Date of grant	Exercise price HK\$	Balance as at 01.01.12	Number of share options		Balance as at 31.12.12	Percentage to issued share capital
				Exercised/ cancelled during the year ended 31.12.12	Lapsed during the year ended 31.12.12		
Chang Zhenming	16.10.07	47.32	500,000	-	500,000	-	0.016
	19.11.09	22.00	600,000	-	-	600,000	
Zhang Jijing	19.11.09	22.00	500,000	-	-	500,000	0.014
Vernon Francis Moore	16.10.07	47.32	600,000	-	600,000	-	0.014
	19.11.09	22.00	500,000	-	-	500,000	
Liu Jifu	16.10.07	47.32	700,000	-	700,000	-	0.014
	19.11.09	22.00	500,000	-	-	500,000	
Carl Yung Ming Jie	16.10.07	47.32	800,000	-	800,000	-	0.014
	19.11.09	22.00	500,000	-	-	500,000	
Kwok Man Leung	16.10.07	47.32	600,000	-	600,000	N/A	N/A
	19.11.09	22.00	500,000	-	-	(Note 1)	(Note 1)
Milton Law Ming To	16.10.07	47.32	800,000	-	800,000	N/A	N/A
	19.11.09	22.00	500,000	-	-	(Note 1)	(Note 1)

Note:

1. Mr Kwok Man Leung and Mr Milton Law Ming To resigned as directors with effect from 31 December 2012.

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

Date of grant	Exercise price HK\$	Balance as at 01.01.12	Number of share options		Balance as at 31.12.12
			Exercised/ cancelled during the year ended 31.12.12	Lapsed during the year ended 31.12.12	
16.10.07	47.32	3,200,000	-	3,200,000	-
19.11.09	22.00	6,940,000	-	-	6,940,000
14.01.10	20.59	880,000	-	-	880,000

C. Others

Date of grant	Exercise price HK\$	Balance as at 01.01.12	Number of share options		Balance as at 31.12.12
			Exercised/ cancelled during the year ended 31.12.12	Lapsed during the year ended 31.12.12	
16.10.07	47.32	4,600,000 (Note 2)	-	4,600,000	-
19.11.09	22.00	3,110,000 (Note 2)	-	520,000	2,590,000

Note:

2. 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 2012.

Directors' Report

Share Option Plans Adopted by Subsidiaries of CITIC Pacific

CITIC Telecom International Holdings Limited ("CITIC Telecom")*

CITIC Telecom adopted a share option plan ("CITIC Telecom Share Option Plan") on 17 May 2007.

Since the adoption of the CITIC Telecom Share Option Plan, CITIC Telecom has granted three lots of share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK\$
23.05.07	18,720,000	23.05.07 – 22.05.12	3.26
17.09.09	17,912,500	17.09.10 – 16.09.15	2.10
17.09.09	17,912,500	17.09.11 – 16.09.16	2.10
19.08.11	24,227,500	19.08.12 – 18.08.17	1.54
19.08.11	24,227,500	19.08.13 – 18.08.18	1.54

All options granted were accepted except for options for 115,000 shares granted on 17 September 2009 and options for 200,000 shares granted on 19 August 2011. The share options granted on 23 May 2007 have expired at the close of business on 22 May 2012. The remaining options granted and accepted under the CITIC Telecom Share Option Plan can be exercised in whole or in part within 5 years from the date of commencement of the exercise period.

During the year ended 31 December 2012, none of the options granted was cancelled, but options for 682,500 shares were exercised and options for 16,255,500 shares have lapsed.

The grantees were CITIC Telecom Directors or CITIC Telecom Employees. None was granted to the directors, chief executive or substantial shareholders of CITIC Pacific.

Dah Chong Hong Holdings Limited ("DCH Holdings")

Pre-IPO Share Option Scheme

DCH Holdings adopted the Pre-IPO Share Option Scheme ("Pre-IPO Scheme") on 28 September 2007.

Since the adoption of the Pre-IPO Scheme, DCH Holdings has granted one lot of share options before its listing:

Date of grant	Number of share options	Exercise period	Exercise price per share HK\$
3.10.2007	18,000,000	17.4.2008 – 2.10.2012	5.880

All share options granted and accepted were fully vested on the date of grant but have a lock-up period of 6 months from the listing of DCH Holdings and are then exercisable in whole or in part within 5 years from the date of grant. All the share options granted under the Pre-IPO Scheme had been exercised by the close of business on 2 October 2012.

* ceased to be a subsidiary of CITIC Pacific with effect from 21 February 2013

The grantees were directors or employees of the 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 Pre-IPO Scheme during the year ended 31 December 2012 is as follows:

	Number of share options			Balance as at 31.12.12
	Granted during the year ended 31.12.12	Lapsed/ cancelled during the year ended 31.12.12	Exercised during the year ended 31.12.12	
Balance as at 1.1.12				
3,455,000	–	–	3,455,000*	–

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK\$8.64.

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ("Post-IPO Scheme") on 28 September 2007.

Since the adoption of the Post-IPO 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 2.5 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 share options granted will vest on the first anniversary of the date of grant. 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 4.4 years.

Directors' Report

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 Post-IPO Scheme during the year ended 31 December 2012 is as follows:

Date of Grant	Balance as at 1.1.12	Number of share options			Balance as at 31.12.12
		Granted during the year ended 31.12.12	Lapsed/ cancelled during the year ended 31.12.12	Exercised during the year ended 31.12.12	
7.7.2010	13,430,000	–	–	5,140,000*	8,290,000
8.6.2012	–	24,450,000 [◇]	–	–	24,250,000

[◇] Of the share options granted, 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 weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK\$8.18.

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 2012 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	200,000 (Note 1)	0.008

Note:

- Trust interest
- 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".

3. Share options in associated corporations

CITIC Resources Holdings Limited

Name of director	Date of grant	Exercise price HK\$	Exercise period	Number of share options			Balance as at 31.12.12	Percentage to issued share capital
				Balance as at 01.01.12	Granted during the year ended 31.12.12	Exercised/ lapsed/ cancelled during the year ended 31.12.12		
Zhang Jijing	02.06.05	1.018	02.06.06 – 01.06.13	10,594,315	-	-	10,594,315	0.135

Save as disclosed above, as at 31 December 2012, 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.

Directors' Report

Substantial Shareholders

As at 31 December 2012, 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;

Directors' Report

- (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 2012. 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 2012.

Auditors

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

By Order of the Board,
Chang Zhenming
Chairman
Hong Kong, 28 February 2013

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Consolidated Profit and Loss Account

For the year ended 31 December 2012

<i>In HK\$ million</i>	2012	As restated 2011
Continuing operations		
Revenue	93,272	96,890
Cost of sales	(83,529)	(83,636)
Gross profit	9,743	13,254
Other income and net gains	3,673	1,843
Distribution and selling expenses	(3,202)	(2,854)
Other operating expenses	(4,315)	(4,493)
Change in fair value of investment properties	1,506	1,835
Profit from consolidated activities	7,405	9,585
Share of results of		
Jointly controlled entities	2,145	3,080
Associated companies	690	729
Profit before net finance charges and taxation	10,240	13,394
Finance charges	(1,862)	(1,104)
Finance income	720	694
Net finance charges	(1,142)	(410)
Profit before taxation	9,098	12,984
Taxation	(1,347)	(2,495)
Profit for the year from continuing operations	7,751	10,489
Discontinued operations		
Profit for the year from discontinued operations	497	494
Profit for the year	8,248	10,983
Attributable to:		
Ordinary shareholders of the Company	6,954	9,233
Holders of perpetual capital securities	463	331
Non-controlling interests	831	1,419
	8,248	10,983
Profit attributable to ordinary shareholders of the Company arising from:		
Continuing operations	6,655	8,934
Discontinued operations	299	299
	6,954	9,233
Dividends	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK\$)		
Basic earnings per share from:		
Continuing operations	1.83	2.45
Discontinued operations	0.08	0.08
	1.91	2.53
Diluted earnings per share from:		
Continuing operations	1.83	2.45
Discontinued operations	0.08	0.08
	1.91	2.53

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

<i>In HK\$ million</i>	2012	As restated 2011
Profit for the year	8,248	10,983
Other comprehensive income, net of tax		
Cash flow hedging reserves movement from interest rate swap and foreign exchange contracts	(1,139)	(2,923)
Fair value changes from other financial assets	(5)	(112)
Transfer to profit and loss account on impairment of other financial assets	15	98
Surplus on revaluation of properties transferred from self-use properties to investment properties	61	–
Share of other comprehensive income of jointly controlled entities and associated companies	(39)	43
Exchange translation differences	(43)	2,488
Reserves released on disposal/dilution of interest in jointly controlled entities and non-current assets held for sale	(431)	(132)
Reserve released upon disposal/liquidation of subsidiary companies	(1)	(109)
Total comprehensive income for the year	6,666	10,336
Total comprehensive income for the year attributable to		
Ordinary shareholders of the Company	5,368	8,404
Holders of perpetual capital securities	463	331
Non-controlling interests	835	1,601
	6,666	10,336
Total comprehensive income for attributable to Ordinary shareholders of the Company arising from:		
Continuing operations	5,070	8,110
Discontinued operations	298	294
	5,368	8,404

Consolidated Balance Sheet

As at 31 December 2012

In HK\$ million	Note	2012	2011
Non-current assets			
Property, plant and equipment	4	100,445	85,132
Investment properties	4	16,359	15,270
Properties under development	4	8,712	6,628
Leasehold land – operating leases	4	2,524	2,277
Jointly controlled entities		20,443	21,278
Associated companies		7,499	7,222
Other financial assets		351	345
Intangible assets		17,253	16,202
Deferred tax assets		2,342	1,647
Derivative financial instruments		121	928
Non-current deposits and prepayments		1,908	4,031
		177,957	160,960
Current assets			
Properties under development		1,144	3,189
Properties held for sale		3,830	1,493
Other assets held for sale		379	2,388
Inventories		11,803	14,125
Derivative financial instruments		255	401
Debtors, accounts receivable, deposits and prepayments		15,464	16,253
Cash and bank deposits		32,821	30,930
		65,696	68,779
Assets of disposal group classified as held for sale		3,733	–
		69,429	68,779
Current liabilities			
Bank loans, other loans and overdrafts			
secured		1,456	1,329
unsecured		20,677	26,328
Creditors, accounts payable, deposits and accruals		24,402	30,577
Derivative financial instruments		201	159
Provision		1,870	–
Provision for taxation		1,065	1,514
		49,671	59,907
Liabilities of disposal group classified as held for sale		1,260	–
		50,931	59,907
Net current assets		18,498	8,872
Total assets less current liabilities		196,455	169,832
Non-current liabilities			
Long term borrowings		94,496	71,050
Deferred tax liabilities		3,343	3,373
Derivative financial instruments		4,777	4,747
Provisions and deferred income		1,973	2,649
		104,589	81,819
Net assets		91,866	88,013
Equity			
Share capital		1,460	1,460
Perpetual capital securities		5,953	5,951
Reserves	5	76,170	72,452
Proposed dividend		1,095	1,095
Total ordinary shareholders' funds and perpetual capital securities		84,678	80,958
Non-controlling interests in equity		7,188	7,055
Total equity		91,866	88,013

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 134 to 142 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.

The presentation of comparative information in respect of the year ended 31 December 2011 has been restated to show the discontinued operations separately from continuing operations.

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 in the Annual Report. These policies have been consistently applied to each of the years presented. The Accounts have been prepared in accordance with HKFRS, and under the historical cost convention, except as disclosed in the accounting policies. Adoption of the amendments which became effective in 2012 does not have a significant impact on the Accounts.

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 2012 may impact the Group in future years but are not yet effective for the year ended 31 December 2012:

Standard No.	Title	Applicable accounting period to the Group
HKAS 1 (Amendment)	Presentation of financial statements	2013
HKFRS 9	Financial instruments	2015
HKFRS 10	Consolidated financial statements	2013
HKFRS 11	Joint arrangements	2013
HKFRS 12	Disclosures of interest in other entities	2013
HKFRS 13	Fair value measurements	2013
HK (IFRIC) Int 20	Stripping costs in the production phase of a surface mine	2013
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	2014
HKFRS 7 (Amendment)	Financial instruments: disclosures – disclosures – offsetting financial assets and financial liabilities	2013
Annual Improvements 2009-2011 Cycle		2013

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

Notes to the Summary Financial Statements

3 Directors' emoluments

The remuneration of each director for the year ended 31 December 2012 is set out below:

<i>In HK\$ million</i> Name of director	Salaries, allowances and benefits				2012 Total	2011 Total
	Fees	in kind	Discretionary bonuses	Retirement benefits		
Chang Zhenming [#]	–	1.23	1.00	–	2.23	2.22
Zhang Jijing [#]	–	4.12	1.40	0.01	5.53	6.12
Vernon Francis Moore [#]	–	5.25	6.52	0.01	11.78	13.16
Liu Jifu [#]	–	1.68	4.43	0.01	6.12	8.01
André Desmarais	0.35	–	–	–	0.35	0.35
Ju Weimin	0.35	–	–	–	0.35	0.35
Yin Ke ¹	0.63	–	–	–	0.63	0.59
Carl Yung Ming Jie [#]	–	5.17	–	0.20	5.37	2.67
Alexander Reid Hamilton	0.55	–	–	–	0.55	0.50
Gregory Lynn Curl	0.44	–	–	–	0.44	0.27
Francis Siu Wai Keung	0.60	–	–	–	0.60	0.36
Xu Jinwu	–	–	–	–	–	–
Steve Kwok Man Leung [#]	–	4.22	6.23	0.20	10.65	11.95
Milton Law Ming To [#]	–	4.30	5.92	0.20	10.42	12.02
Li Shilin	–	–	–	–	–	0.21
Wang Ande	–	–	–	–	–	0.86
Willie Chang	–	–	–	–	–	0.18
Hansen Loh Chung Hon	–	–	–	–	–	0.16
Norman Ho Hau Chong	–	–	–	–	–	0.14
	2.92	25.97	25.50	0.63	55.02	60.12

Dr. Xu Jinwu has been appointed as an Independent Non-executive Director with effect from 31 December 2012.

Mr. Carl Yung Ming Jie has been re-designated as a Non-executive Director with effect from 31 December 2012.

Mr. Steve Kwok Man Leung and Mr. Milton Law Ming To resigned as Executive Directors with effect from 31 December 2012.

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

¹ Included fee of HK\$0.18 million from listed subsidiary companies of the Group.

Notes to the Summary Financial Statements

4 Fixed assets and properties under development

Group

In HK\$ million	Fixed assets									
	Property, plant and equipment								Properties under development	Total
	Leasehold land – finance leases and self-use properties	Plant and machinery	Construction in progress	Others	Sub-total	Investment properties	Leasehold land – operating leases			
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										
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	

Notes to the Summary Financial Statements

4 Fixed assets and properties under development (continued)

Group (continued)

In HK\$ million	Fixed assets								
	Property, plant and equipment								
	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 2011	11,398	19,209	38,514	4,056	73,177	13,579	1,769	10,072	98,597
Exchange adjustments	383	759	289	70	1,501	366	75	342	2,284
Additions	308	499	15,646	777	17,230	1	86	1,976	19,293
Acquisition of subsidiary companies	91	89	12	157	349	–	16	–	365
Disposals	(161)	(637)	(27)	(192)	(1,017)	(511)	(10)	(1,746)	(3,284)
Change in fair value of investment properties	–	–	–	–	–	1,835	–	–	1,835
Transfer upon completion	2,010	3,549	(5,763)	2,387	2,183	–	509	(2,692)	–
Transfer to investment properties/properties under development classified under current assets/inventories	–	–	(77)	(30)	(107)	190	–	(1,408)	(1,325)
Transfer from properties held for sale	–	–	–	–	–	–	–	246	246
Transfer from non-current deposits	–	–	2,118	1,787	3,905	–	–	–	3,905
Reclassification	(359)	4	–	494	139	(190)	51	–	–
At 31 December 2011	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916
Accumulated depreciation, amortisation and impairment									
At 1 January 2011	2,110	5,040	150	2,543	9,843	–	172	191	10,206
Exchange adjustments	77	236	1	36	350	–	11	–	361
Acquisition of subsidiary companies	19	37	–	66	122	–	1	–	123
Charge for the year	365	1,120	–	509	1,994	–	37	1	2,032
Depreciation capitalised to construction in progress	52	183	–	21	256	–	–	–	256
Written back on disposals	(139)	(563)	(26)	(111)	(839)	–	(2)	(30)	(871)
Impairment loss	95	250	148	33	526	–	–	–	526
Transfer to investment properties/current assets	–	1	–	(25)	(24)	–	–	–	(24)
Reclassification	(193)	–	–	193	–	–	–	–	–
At 31 December 2011	2,386	6,304	273	3,265	12,228	–	219	162	12,609
Net book value									
At 31 December 2011	11,284	17,168	50,439	6,241	85,132	15,270	2,277	6,628	109,307
Represented by									
Cost	13,670	23,472	50,712	9,506	97,360	–	2,496	6,790	106,646
Valuation	–	–	–	–	–	15,270	–	–	15,270
	13,670	23,472	50,712	9,506	97,360	15,270	2,496	6,790	121,916

Notes to the Summary Financial Statements

5 Reserves

Group

<i>In HK\$ million</i>	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 jointly controlled entities	-	-	-	-	-	37	4	-	(82)	(41)
Exchange translation differences	-	-	-	-	-	(45)	-	-	-	(45)
Reserves released on disposal/dilution of interest in jointly controlled entities	-	-	(79)	279	(7)	(423)	-	(22)	(179)	(431)
Reserves released upon disposal of a subsidiary company	-	-	(1)	-	-	-	-	-	-	(1)
Cash flow hedges	-	-	-	-	-	-	(610)	-	-	(610)
Fair value loss in the year	-	-	-	-	-	-	(1,646)	-	-	(1,646)
Transfer to construction in progress	-	-	-	-	-	-	662	-	-	662
Transfer to net finance charges	-	-	-	-	-	-	455	-	-	455
Tax effect	-	-	-	-	-	-	(1,139)	-	-	(1,139)
Fair value loss 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-used 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	-	-	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
<i>Representing</i>										
At 31 December 2012 after proposed final dividend										76,170
2012 final dividend proposed										1,095
										77,265
<i>Retained by</i>										
Company and subsidiary companies	36,533	29	765	(611)	140	8,042	(3,653)	2,031	25,703	68,979
Jointly controlled entities	-	-	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

Notes to the Summary Financial Statements

5 Reserves (continued)

Group (continued)

<i>In HK\$ million</i>	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 2011	36,515	29	1,030	(1,655)	156	6,673	403	1,341	22,395	66,887
Share of reserves of associated companies and jointly controlled entities	-	-	(5)	-	-	121	7	(1)	(80)	42
Exchange translation differences	-	-	-	-	-	2,307	-	-	-	2,307
Reserves released on disposal of a jointly controlled entity	-	-	(10)	37	-	(122)	-	-	(37)	(132)
Reserves released upon disposal of a subsidiary company	-	-	-	-	-	(109)	-	-	-	(109)
Cash flow hedges										
Fair value loss in the year	-	-	-	-	-	-	(2,716)	-	-	(2,716)
Transfer to construction in progress	-	-	-	-	-	-	(1,631)	-	-	(1,631)
Transfer to net finance charges	-	-	-	-	-	-	665	-	-	665
Tax effect	-	-	-	-	-	-	759	-	-	759
	-	-	-	-	-	-	(2,923)	-	-	(2,923)
Fair value loss of other financial assets	-	-	-	-	(112)	-	-	-	-	(112)
Transfer to profit and loss account on impairment of other financial assets	-	-	-	-	98	-	-	-	-	98
Dilution of interest in a subsidiary company	-	-	-	-	-	-	-	8	-	8
Acquisition of interests from non-controlling interests	-	-	-	-	-	-	-	(64)	-	(64)
Issue of shares pursuant to the share option plan	18	-	(3)	-	-	-	-	-	-	15
Share-based payments	-	-	7	-	-	-	-	-	-	7
Transfer from profits to general and other reserves	-	-	-	-	-	-	-	322	(322)	-
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	-	9,233	9,233
Dividends	-	-	-	-	-	-	-	-	(1,642)	(1,642)
Transaction costs related to issuance of perpetual capital securities	-	-	-	-	-	-	-	-	(68)	(68)
At 31 December 2011	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
<i>Representing</i>										
At 31 December 2011 after proposed final dividend										72,452
2011 final dividend proposed										1,095
										73,547
<i>Retained by</i>										
Company and subsidiary companies	36,533	29	927	(1,618)	130	8,074	(2,514)	1,581	20,524	63,666
Jointly controlled entities	-	-	26	-	5	332	1	25	5,824	6,213
Associated companies	-	-	(5)	-	-	18	-	-	2,115	2,128
Non-current assets held for sale	-	-	71	-	7	446	-	-	1,016	1,540
	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547

6 Post balance sheet events

Subsequent to the balance sheet date, a subsidiary company, CITIC Telecom, of the Group entered into two sale and purchase agreements with Sable Holding Limited (a wholly-owned subsidiary of Cable & Wireless Communications Plc) and Portugal Telecom, SGPS, S.A., PT Participações SGPS, S.A. and PT Comunicações, S.A., respectively to acquire their entire interests in Companhia de Telecomunicações de Macau, S.A.R.L. (being a total of 79% interest), for a total cash consideration of approximately HK\$9 billion, subject to adjustments as set out in the relevant sale and purchase agreements. Completion of the aforesaid acquisitions are conditional upon each other.

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 145, includes the summary financial statements of the Company for the year ended 31 December 2012. The summary financial statements of the Company set out on pages 134 to 142 which comprise the summary consolidated balance sheet as at 31 December 2012, 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 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 28 February 2013.

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 2012, 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, 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 2012 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 2012 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2013

Definition of Terms

Terms

Total debt	Short-term and long-term loans, notes and bonds
Net debt	Total debt less cash less bank deposits
Total capital	Total ordinary shareholders' funds and perpetual capital securities plus net debt
Cash inflows	Cash inflows represent cash generated from business operations after income taxes paid, and other cash inflows which principally include dividends from associated companies and jointly controlled entities, 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
Contribution by business	Segment profit/(loss) attributable to shareholders

Ratios

Earnings per share	Profit attributable to shareholders 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 business, 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, Wanchai, 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.

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)

13 May 2013 to 16 May 2013 (both days inclusive)

Closure of Register:

(for the purpose of ascertaining shareholders' entitlement to the proposed final dividend)

23 May 2013 to 27 May 2013 (both days inclusive)

Annual General Meeting:

16 May 2013, 11:00 a.m.

Granville and Nathan Room, Lower Lobby,

Conrad Hong Kong, Pacific Place,

88 Queensway, Hong Kong

Dividend payment:

5 June 2013

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, Wanchai, Hong Kong.

If Shareholders have already chosen to rely 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.

CITIC Pacific Ltd

32nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Tel +852 2820 2111
Fax +852 2877 2771

www.citicpacific.com

Stock code 00267

