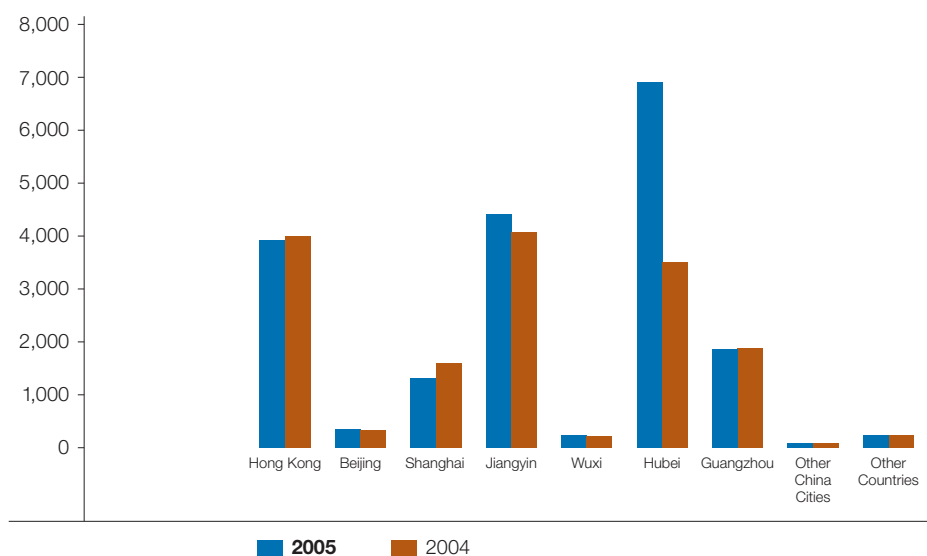


Human Resources

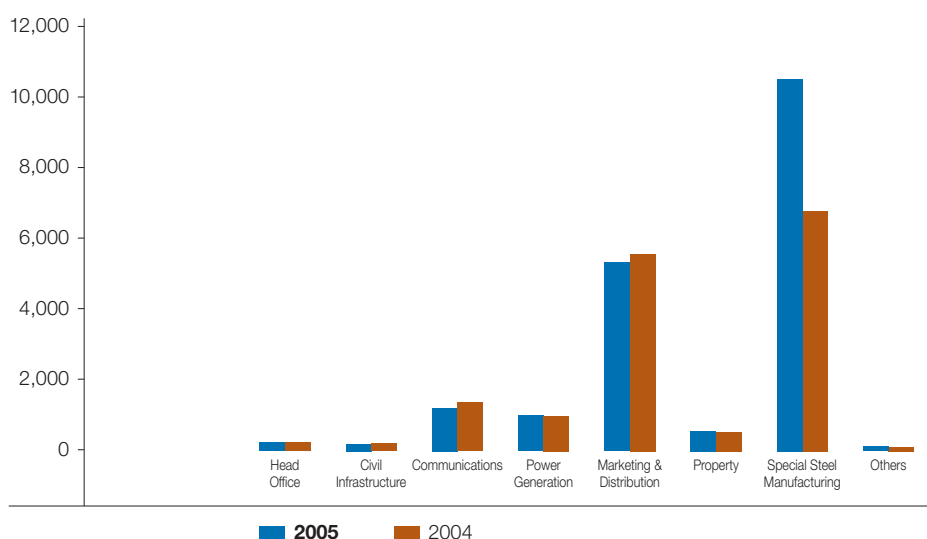
As at the end of December 2005, the Group employed 19,174 staff (2004: 15,915) in its headquarters in Hong Kong and its principal subsidiaries and joint venture companies. Employees working in the mainland of China increased to 15,019 (2004: 11,680) mainly because of the expansion of Special Steel Manufacturing. Those working in Hong Kong, however, slightly decreased to 3,912 (2004: 3,995) while the number of employees in other countries maintained at 243 (2004: 240).

The general economy in Hong Kong has exhibited a solid and broad-based upturn in 2005. It has led to significant positive improvements in the employment environment motivating staff to operate effectively and efficiently to attain better level of performance.

Headcount by Major City



Headcount by Business Segment



Human Resources Management

CITIC Pacific is an equal opportunity employer and adheres to non-discriminatory employment practices and procedures in recognizing and respecting individual's rights. Striving to administer a fair and consistent human resources management policy to the mutual benefit of its employees and the Group, it also upholds a high standard of business ethics and personal conduct of its employees. Every employee of the Group is required to strictly follow the Code of Conduct which covers the professional and technical standard of requirements in conducting business, and all heads of business units are charged with the responsibility of disseminating the Group's requirements to the people concerned. To ensure the proper enforcement of the Code of Conduct Policy, the Group requires all business units to report the compliance status of the Policy on a bi-annual basis.

Employee Compensation

CITIC Pacific aims to attract, retain and motivate employees who have the relevant skills, knowledge and competencies to develop, support and sustain the continued success of the Group. Employee's cash remuneration typically comprises a base salary and a variable compensation, mainly in the form of a performance-linked discretionary bonus which is based on the company's result and the individual's performance. Senior management of the Group receives a substantially higher portion of their cash remuneration in performance bonus, reflecting their contribution to the business outcomes and financial performance. Its compensation strategy is to cultivate a pay-for-performance culture to incentivize and reward employee performance that will lead to a long-term enhancement of the overall caliber of the Group. The replacement of the Group's many forms of guaranteed and fixed bonuses with performance-based variable compensation has been implemented effectively by having the top-performers adequately rewarded and the under-performers properly addressed. On an annual basis, the Group reviews the cash compensation and benefit programs provided for its employees to ensure that the total compensation is internally equitable, externally competitive, as well as in support of the Group's business strategy. Towards this end, Group companies are largely in conformity with this policy.

Remuneration Committee

The Remuneration Committee, established in August 2003, comprises three non-executive directors, and two of whom are independent non-executive directors. The Committee is chaired by Mr Norman Ho and meets at least once a year.

The principal role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and key executives, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option or other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration so as to align management incentives with shareholder interests.

Details of the CITIC Pacific Share Incentive Plan 2000 and the granting of options are reported on pages 69 to 71. Total remuneration paid to directors was HK\$109.7 million (2004: HK\$115.5 million) and further information on Directors' Emoluments can be found on page 101.

Retirement Benefits

For the Hong Kong employees, The CITIC Group Retirement Plan (“ORSO Plan”) was replaced by The CITIC Group Mandatory Provident Fund Scheme (“MPF Scheme”) since August 2003. While the new contributions are all made to the MPF Scheme, investments of the contributed benefits and vesting still continue under the ORSO Plan as a closed fund until the existing ORSO members cease their employment or have their vested benefits transferred out to the MPF Scheme no later than 1 August 2008. The Group has appointed HSBC Trustee (Hong Kong) Limited as Trustee of the ORSO Plan to ensure that the closed Plan is operated in accordance with provisions of the Trust Deed and Rules. HSBC Asset Management (Hong Kong) Limited and Fidelity Investment Management (Hong Kong) Limited are appointed as investment managers.

The MPF Scheme is managed by two fund managers initially offering its members investment choices of 9 funds in the Fidelity Retirement Master Trust and 5 funds in the Hang Seng Mandatory Provident Fund – SuperTrust. In February 2006, the Fidelity Retirement Master Trust has added 4 new multi-managers fund, expanding the fund range to 13 choices. HSBC Trustee (Hong Kong) Limited and HSBC Institutional Trust Services (Asia) Limited are the appointed Trustee respectively.

Retirement benefits for employees in the mainland and other locations are based primarily on local mandatory requirements.

Training & Development

CITIC Pacific is committed to providing a healthy organizational environment conducive to each individual’s development. Employees are encouraged to commit to continuous improvement by initiating their own learning and self-development plan with financial sponsorship by the Group. Seminars, courses by professional institutions and in-house training are also organized regularly to help employees improve job performance and prepare for future development. Where applicable, the Group arranges public institutions to conduct customized talks on specific subjects such as new legislative issues, work place safety and updates on new technology.

With the ever growing cross-border business activities between Hong Kong and the mainland, the Group encourages and is actively promoting business integration, knowledge sharing and skills transfer between staff in the two territories.

CITIC Pacific also believes in investing in the training and development of the younger members of the society. The Group has put in place various apprentice training programs in different industries of subsidiary companies. It also participates in the Government’s School-Business Partnership Program and supports both local and overseas university’s initiatives by providing internship opportunities in both Hong Kong and in the mainland China operations.