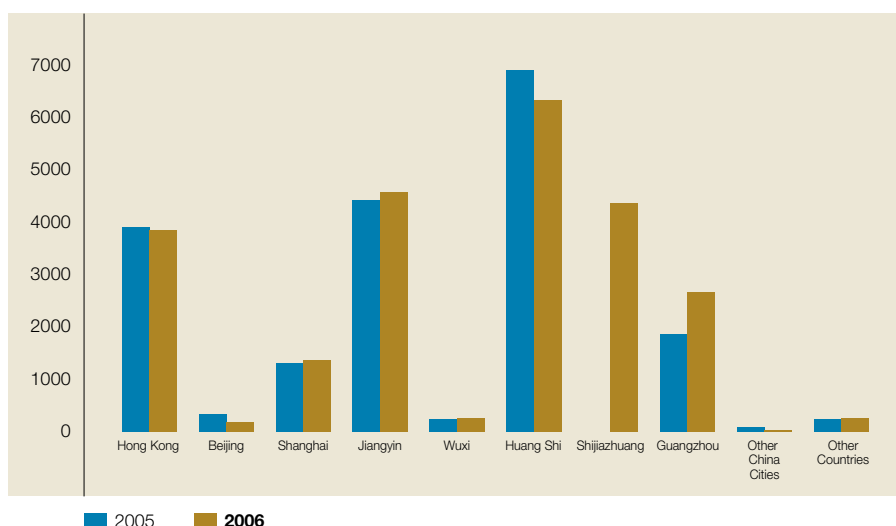


# Human Resources

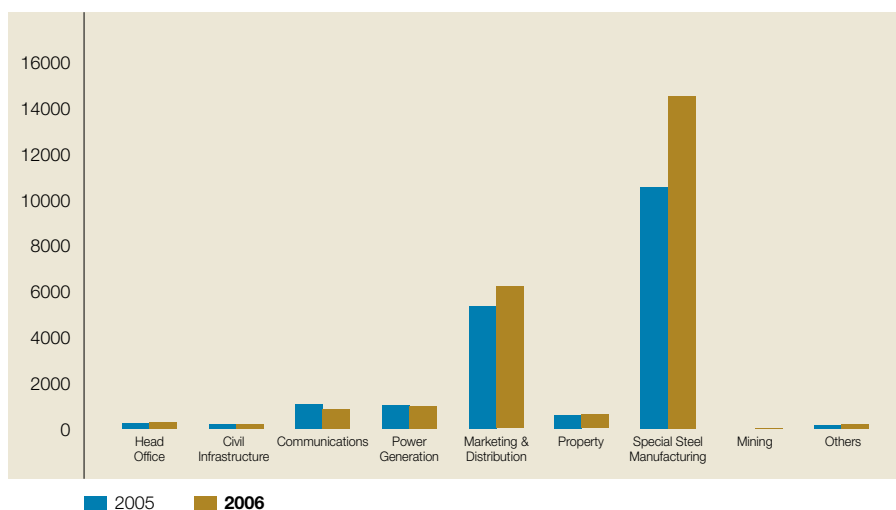
As at the end of December 2006, the Group employed 23,822 staff (2005: 19,174) in its headquarters in Hong Kong, principal subsidiaries and joint venture companies. Employees working in the mainland of China increased to 19,720 (2005: 15,019) mainly because of the acquisition of Shijiazhuang Steel Mill. Those working in Hong Kong, however, slightly decreased to 3,846 (2005: 3,912), while with the newly established iron ore mining business in Australia, the number of employees in other countries increased to 256 (2005: 243).

The recovery of economy in Hong Kong continued in 2006. 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 65 to 69. Total remuneration paid to directors was HK\$213.7 million (2005: 109.7million) and further information on Directors' Emoluments can be found on page 97.

## 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") in 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 CITIC Group offers two options of MPF Master Trust Schemes to its staff. The Schemes are Hang Seng Mandatory Provident Fund SuperTrust and Fidelity Retirement Master Trust. HSBC Provident Fund Trustee (Hong Kong) Limited and HSBC Institutional Trust Services (Asia) Limited are the appointed Trustee of the 2 Schemes respectively. Hang Seng MPF SuperTrust provides 5 fund choices to members and Fidelity Retirement Master Trust has expanded the fund range to 14 choices after adding 4 Multi-Managers Fund in February 2006 and the Asia Pacific Fund in July 2006.

As the MPF system has been in operation for more than five years, the Group has specially appointed Watson Wyatt, an independent consulting firm to conduct an overall review on their service quality as well as the investment performance of the two service providers. A summary report of the review was distributed to all staff members as reference for their fund choice.

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 supports the local university's initiatives by providing internship opportunities in both Hong Kong and in the mainland China operations.

To support the business growth as well as to prepare for management succession, the Group has launched the "Management Trainee Program" by in-taking a pool of talented young graduates to undergo a structured training with intensive on-the-job coaching and professional management training courses.

## Employee Opinion Survey

To enable continuous improvement in all aspects of operations by getting the input from staff of how they feel about the Group and their job, Watson Wyatt Hong Kong Limited was appointed to conduct an opinion survey independently and confidentially. With a high staff response rate, key results indicated that leadership and management effectiveness are the strengths in the Group as compared with the market norm, although attention may be required on work environment and communications.