CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S LETTER TO SHAREHOLDERS

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 HK$6,954 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 most 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 2011.

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.

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.

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.

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$m	As restated 2011 HK$m
Continuing operations:			
Revenue	2	93,272	96,890
Cost of sales		(83,529)	(83,636)
Gross profit		9,743	13,254
Other income and net gains	3	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	2	7,405	9,585
Share of results of			
Jointly controlled entities	2	2,145	3,080
Associated companies	2	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	5	(1,142)	(410)
Profit before taxation		9,098	12,984
Taxation	6	(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:	2		
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

CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$m	As restated 2011 HK$m
Dividends	7	(1,642)	(1,642)
Earnings per share for profit attributable to shareholders of the Company during the year (HK$)			
Basic earnings per share from:	8		
Continuing operations		1.83	2.45
Discontinued operations		0.08	0.08
		1.91	2.53
Diluted earnings per share from:	8		
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

	2012 HK$m	As restated 2011 HK$m
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

	Note	2012	2011
		HK$m	HK$m
Non-current assets			
Property, plant and equipment		100,445	85,132
Investment properties		16,359	15,270
Properties under development		8,712	6,628
Leasehold land - operating leases		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	11	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	11	255	401
Debtors, accounts receivable, deposits and prepayments	9	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	10	24,402	30,577
Derivative financial instruments	11	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	11	4,777	4,747
Provisions and deferred income		1,973	2,649
		104,589	81,819
Net assets		91,866	88,013

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2012

	Note	2012 HK$m	2011 HK$m
Equity			
Share capital		1,460	1,460
Perpetual capital securities		5,953	5,951
Reserves		76,170	72,452
Proposed dividend	7	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

NOTES TO THE FINANCIAL STATEMENTS

1 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 annual accounts. 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.

2 Segment information

(a) Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities:

Year ended 31 December 2012	Revenue Note (a) HK$m	Profit/ (loss) from consolidated activities HK$m	Share of results of jointly controlled entities HK$m	Share of results of associated companies HK$m	Finance income HK$m	Finance charges HK$m	Group total HK$m	Segment allocations Note (b) HK$m	Segment profit/(loss) HK$m	Taxation HK$m	Non-controlling interests HK$m	Profit/(loss) attributable to ordinary shareholders of the Company HK$m
Special steel	40,358	735	270	59	220	(901)	383	(7)	376	(52)	(113)	211
Iron ore mining	213	(700)	-	-	-	(331)	(1,031)	(1)	(1,032)	251	-	(781)
Property												
Mainland China	3,523	1,077	271	-	184	(69)	1,463	13	1,476	(603)	38	911
Hong Kong	243	370	-	264	-	-	634	126	760	(26)	-	734
Energy	18	(34)	1,294	-	29	-	1,289	-	1,289	(153)	-	1,136
Tunnels	812	528	247	-	3	-	778	-	778	(87)	(130)	561
Dah Chong Hong	48,014	1,821	12	(1)	33	(270)	1,595	(131)	1,464	(522)	(406)	536
Other investments	91	2,425	51	18	-	-	2,494	-	2,494	205	-	2,699
Change in fair value of investment properties	-	1,506	-	350	-	-	1,856	-	1,856	(287)	(22)	1,547
Corporate												
General and administration expenses	-	(397)	-	-	-	-	(397)	-	(397)	(73)	-	(470)
Exchange gain	-	74	-	-	-	-	74	-	74	-	-	74
Net finance charges	-	-	-	-	251	(291)	(40)	-	(40)	-	-	(40)
Continuing operations total	93,272	7,405	2,145	690	720	(1,862)	9,098	-	9,098	(1,347)	(633)	7,118
Discontinued operations:												
CITIC Telecom	3,610	349	1	190	1	(3)	538	-	538	(41)	(198)	299
Total	96,882	7,754	2,146	880	721	(1,865)	9,636	-	9,636	(1,388)	(831)	7,417
Profit attributable to:												
Holders of perpetual capital securities												(463)
												6,954

Notes:

(a) Companies making up each reportable segment are set out in the notes to the accounts.

(b) Segment allocations arising from property leases between segments were carried out at arms' length rentals.

2 Segment information (Continued)

(a) Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities (continued):

Year ended 31 December 2011 (as restated)	Revenue Note (a) HK$m	Profit/ (loss) from consolidated activities HK$m	Share of results of jointly controlled entities HK$m	Share of results of associated companies HK$m	Finance income HK$m	Finance charges HK$m	Group total HK$m	Segment allocations Note (b) HK$m	Segment profit/(loss) HK$m	Taxation HK$m	Non-controlling interests HK$m	Profit/(loss) attributable to ordinary shareholders of the Company HK$m
Special steel	44,043	2,926	142	28	317	(676)	2,737	(6)	2,731	(440)	(297)	1,994
Iron ore mining	83	(256)	-	-	-	(188)	(444)	-	(444)	21	-	(423)
Property												
Mainland China	5,459	2,116	1,141	-	94	(14)	3,337	10	3,347	(853)	(170)	2,324
Hong Kong	249	516	-	132	-	-	648	86	734	(26)	-	708
Energy	23	287	1,367	-	11	-	1,665	-	1,665	(77)	-	1,588
Tunnels	797	539	198	-	2	-	739	-	739	(89)	(132)	518
Dah Chong Hong	46,109	1,946	23	4	23	(248)	1,748	(90)	1,658	(513)	(528)	617
Other investments	127	(55)	209	19	-	-	173	-	173	(5)	-	168
Change in fair value of investment properties	-	1,835	-	546	-	-	2,381	-	2,381	(393)	(97)	1,891
Corporate												
General and administration expenses	-	(441)	-	-	-	-	(441)	-	(441)	(40)	-	(481)
Exchange gain	-	172	-	-	-	-	172	-	172	-	-	172
Net finance charges	-	-	-	-	247	22	269	-	269	(80)	-	189
Continuing operations total	96,890	9,585	3,080	729	694	(1,104)	12,984	-	12,984	(2,495)	(1,224)	9,265
Discontinued operations:												
CITIC Telecom	3,196	374	-	185	1	(1)	559	-	559	(65)	(195)	299
Total	100,086	9,959	3,080	914	695	(1,105)	13,543	-	13,543	(2,560)	(1,419)	9,564
								Profit attributable to:				
								Holders of perpetual capital securities				(331)
												9,233

Notes:

(a) Companies making up each reportable segment are set out in the notes to the accounts.

(b) Segment allocations arising from property leases between segments were carried out at arms' length rentals.

2 Segment information (Continued)

(a) Revenue and profit attributable to ordinary shareholders of the Company and holders of perpetual capital securities (continued)

An analysis of the Group's Revenue by geographical area is as follows:

	2012 HK$m	As restated 2011 HK$m
Mainland China	75,255	78,804
Hong Kong	10,123	9,711
Other countries	7,894	8,375
	93,272	96,890

2 Segment information (Continued)

(b) Assets and liabilities

An analysis of the Group's segment assets and liabilities by operating segment is as follows:

	Segment assets#		Investments in jointly controlled entities		Investments in associated companies		Total assets		Segment liabilities#		Total net assets		Additions of non-current assets[1] (other than financial instruments and deferred tax assets)	
	2012 HK$m	2011 HK$m	2012 HK$m	2011 HK$m	2012 HK$m	2011 HK$m	2012 HK$m	2011 HK$m	2012 HK$m	2011 HK$m	2012 HK$m	2011 HK$m	2012 HK$m	2011 HK$m
By principal activities														
Special steel	52,421	53,175	2,866	2,872	335	226	55,622	56,273	(26,058)	(27,295)	29,564	28,978	4,256	6,507
Iron ore mining	81,577	66,997	-	-	-	-	81,577	66,997	(40,393)	(42,059)	41,184	24,938	15,278	13,672
Property														
Mainland China	34,459	33,304	6,164	7,048	-	-	40,623	40,352	(8,466)	(9,616)	32,157	30,736	3,213	1,819
Hong Kong	8,671	7,685	-	-	6,902	6,319	15,573	14,004	(325)	(283)	15,248	13,721	-	300
Energy	2,960	2,011	6,756	6,899	-	-	9,716	8,910	(423)	(352)	9,293	8,558	219	4
Tunnels	942	956	1,266	1,021	-	-	2,208	1,977	(144)	(153)	2,064	1,824	1	2
Dah Chong Hong	19,816	20,355	254	239	237	228	20,307	20,822	(11,403)	(12,347)	8,904	8,475	1,077	2,088
Other investments	411	2,687	3,137	3,156	25	22	3,573	5,865	(65)	(571)	3,508	5,294	-	-
Corporate	14,454	11,185	-	-	-	-	14,454	11,185	(66,983)	(47,897)	(52,529)	(36,712)	-	7
Continuing operations total	215,711	198,355	20,443	21,235	7,499	6,795	243,653	226,385	(154,260)	(140,573)	89,393	85,812	24,044	24,399
Discontinued operations														
CITIC Telecom	3,733	2,884	-	43	-	427	3,733	3,354	(1,260)	(1,153)	2,473	2,201	362	320
Segment assets/(liabilities)	219,444	201,239	20,443	21,278	7,499	7,222	247,386	229,739	(155,520)	(141,726)	91,866	88,013	24,406	24,719

Corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the group treasury function and are not allocated to individually reportable segments.

1 Non-current assets are amounts expected to be recovered more than twelve months after the year end.
Segment assets and segment liabilities are presented with intercompany balances eliminated.

2 Segment information (Continued)

(b) Assets and liabilities (Continued)

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

	2012 HK$m	2011 HK$m
Mainland China	78,817	75,103
Australia	75,973	62,017
Hong Kong	19,804	20,344
Other countries	549	576
	175,143	158,040

3 Other income and net gains

	2012 HK$m	As restated 2011 HK$m
Other income		
Commission income, subsidy income, rebates and others	999	753
Dividend income from other financial assets		
- Listed shares	4	7
	1,003	760
Net exchange gain	51	348
Net gain from disposal/deemed disposal of jointly controlled entities and associated companies	2,454	209
Net gain from disposal of subsidiary companies	165	230
Net gain from disposal of investment properties	-	296
	2,619	735
	3,673	1,843

4 Profit from consolidated activities

	2012 HK$m	As restated 2011 HK$m
The profit from consolidated activities is arrived at after charging:		
Continuing operations		
Cost of inventories/ properties sold	71,846	70,835
Depreciation of property, plant and equipment	2,732	1,878
Amortisation of leasehold land – operating lease	52	37
Amortisation of intangible assets	162	140
Impairment losses on jointly controlled entity	30	-
Impairment losses on other financial assets	15	98
Impairment losses on property, plant and equipment	98	526
Impairment losses on trade and other receivables	23	15
Discontinued operations		
Depreciation of property, plant and equipment	138	116
Amortisation of intangible assets	14	9
Impairment losses on trade and other receivables	7	13

5 Net finance charges

	2012 HK$m	As restated 2011 HK$m
Finance charges		
Interest expense	5,228	4,066
Amount capitalised	(3,513)	(2,891)
	1,715	1,175
Other finance charges	135	106
Other financial instruments		
-Fair value loss	38	98
-Ineffectiveness on cash flow hedges	(26)	(275)
	1,862	1,104
Finance income		
Interest income	(720)	(694)
	1,142	410

6 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Tax outside Hong Kong is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations. Details are as follows:

	2012	As restated 2011
	HK$m	HK$m
Continuing operations		
Current taxation		
Hong Kong profits tax	220	220
Tax outside Hong Kong	1,251	1,799
Deferred taxation		
Changes in fair value of investment properties	284	390
Origination and reversal of other temporary differences	(408)	97
Effect of tax rate changes	-	(11)
	1,347	2,495
Discontinued operations		
Current taxation		
Hong Kong profits tax	55	45
Tax outside Hong Kong	1	4
Deferred taxation		
Origination and reversal of other temporary differences	(15)	16
	41	65

7 Dividends

	2012	2011
	HK$m	HK$m
2011 Final dividend paid: HK$0.30 (2010: HK$0.30) per share	1,095	1,095
Interim		
2012 Interim dividend paid: HK$0.15 (2011: HK$0.15) per share	547	547
Final		
2012 Final dividend proposed: HK$0.30 (2011: HK$0.30) per share	1,095	1,095
	1,642	1,642
Dividend per share (HK$)	0.45	0.45

8 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company of HK$6,954 million (2011: HK$9,233 million). The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of the Company adjusted for the effect of the conversion of dilutive potential ordinary shares of subsidiary companies, the effect of which is not material to the Group.

The basic earnings per share is based on the number of 3,649,444,160 shares in issue during the year (2011: weighted average number of 3,649,232,965 shares). The diluted earnings per share for 2012 is the same as the basic earnings per share as it is deemed that no potential additional ordinary shares would be issued at no consideration from the exercise of options because the exercise price was above the average market price of the Company's shares for the year ended 31 December 2012.

9 Debtors, accounts receivable, deposits and prepayments

	2012 HK$m	2011 HK$m
Trade debtors and bills receivable aged:		
- Within 1 year	6,579	7,375
- Over 1 year	20	48
	6,599	7,423
Accounts receivable, deposits and prepayments	8,865	8,830
	15,464	16,253

Notes:

(i) Trade debtors are net of provision and the ageing is classified based on invoice date.

(ii) Each business unit has its own defined credit policy.

(iii) The carrying amounts of debtors, accounts receivable, deposits and prepayments approximate their fair value.

(iv) Accounts receivable, deposits and prepayments include amounts due from jointly controlled entities of HK$311 million (2011: HK$185 million), dividend receivable from jointly controlled entities of HK$2,120 million (2011: HK$1,738 million), and amounts due from associated companies of HK$122 million (2011: HK$138 million) which are unsecured, interest free and recoverable on demand.

10 Creditors, accounts payable, deposits and accruals

	2012 HK$m	2011 HK$m
Trade creditors and bills payable aged:		
- Within 1 year	10,666	13,173
- Over 1 year	308	204
	10,974	13,377
Accounts payable, deposits and accruals	13,428	17,200
	24,402	30,577

Note:

The carrying amounts of creditors, accounts payable, deposits and accruals approximate their fair value.

11 Derivative financial instruments

	2012		2011	
	Assets HK$m	Liabilities HK$m	Assets HK$m	Liabilities HK$m
Qualified for hedge accounting – cash flow hedges				
- Interest-rate instruments	-	4,690	-	4,566
- Forward foreign exchange instruments	184	-	1,047	-
	184	4,690	1,047	4,566
Not qualified for hedge accounting				
- Interest-rate instruments	187	279	279	276
- Forward foreign exchange instruments	5	9	3	64
	192	288	282	340
	376	4,978	1,329	4,906
Less: current portion				
- Interest-rate instruments	66	192	73	95
- Forward foreign exchange instruments	189	9	328	64
	255	201	401	159
	121	4,777	928	4,747

FINANCIAL REVIEW AND ANALYSIS

Group Debt and Liquidity

The debt of CITIC Pacific as at 31 December 2012 as compared with 31 December 2011 is as follows:

in HK$ million	**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

Leverage (Net debt to Total capital*)	**50%**	46%

* Total capital = Total ordinary shareholders' funds and perpetual capital securities + Net debt

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

	Denomination					
in HK$ million equivalent	HK$	US$	RMB	JPY	Other	**Total**
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**

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.

Maturity Profile of Outstanding Debt

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

		Maturing in these years					
in HK$ million	Total outstanding debt	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.*

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.

Available Sources of Finance

As at 31 December 2012, CITIC Pacific had cash and deposits of HK$32.8 billion, and available loan and trade facilities of HK$32.3 billion:

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.

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.

Capital Commitments and Contingent Liabilities

As at 31 December 2012, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies were approximately HK$6 billion and the contingent liabilities had not changed significantly from the previous year end.

Risk Management

Risk Management Framework

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.

Financial Risk Management

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.

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.

Liquidity 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.

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.

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.

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.

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.

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. The ratio of floating rate to the total borrowings of the portfolio for CITIC Pacific was 61% as at 31 December 2012.

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.

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.

HUMAN RESOURCES

As of the end of December 2012, CITIC Pacific, including its principal subsidiaries, employed a total of 34,781 employees (2011: 33,295). CITIC Pacific has maintained a workforce with stable turnover for a number of years; in 2012, its overall turnover rate was 16.2% (2011: 17.4%).

CITIC Pacific offers competitive remuneration packages designed to attract, motivate and retain talented people and reviews the remuneration packages annually to ensure internal equity and market competitiveness.

CITIC Pacific appreciates the challenges of developing a successful business and managing a diverse workforce across different locations and therefore encourages its core operating business units to build a corporate culture that supports their long-term business development and sustainability. In 2012, CITIC Pacific China Holdings developed its corporate culture by defining its vision, mission and core values under the "2012 Consensus". CITIC Pacific Mining also launched a Cultural Capability Programme to promote mutual understanding between its Chinese and Australian employees.

CITIC Pacific is committed to creating a positive learning culture and an environment conducive to supporting staff development. Throughout 2012, a wide range of internal and external training and development programmes were organised. CITIC Pacific also encourages and supports continuous learning of its staff through external training sponsorship.

To sustain a positive momentum in building leadership capabilities and succession pipelines, CITIC Pacific completed its 2nd cohort of CITIC Pacific Leadership Development Programme (CPLDP) this year with around 35 senior managers attended. CITIC Pacific also builds its bench strength through its CITIC Pacific Management Trainee (MT) Programme. This year, the 2010 intakes of the MT Programme completed their 2-year traineeship at headquarters and were offered with a permanent job to pursue their future careers with CITIC Pacific.

In April 2012, CITIC Pacific launched a new learning initiative at the headquarters, the CITIC Pacific Lunch & Learn which promotes employee wellness and work-life balance through informal sharing or training sessions conducted at lunchtime.

Employee wellness is critical for establishing employee engagement, loyalty and trust as well as for building a sustainable workforce. Throughout 2012, CITIC Pacific and its subsidiaries provide employees and their families with education, wellness and support activities. While providing employees with an appropriate balance between work and personal life, these activities also strengthen team spirit and internal communication by bringing together employees from different functions and departments, and even different companies.

Corporate Social Responsibility

CITIC Pacific endeavours to operate its businesses in an environmentally responsible manner and in compliance with local environmental protection regulations. Every effort is put into minimising the environmental impacts of our businesses. In addition to ensuring that the relevant policies are in place and that our core operating business units are complying with them, CITIC Pacific factors environmental protection into the key results areas for measuring the performance of operating business units, wherever applicable.

CITIC Pacific believes that the nurturing and education of the younger generation is critical for the long-term development of a community. In 2012, CITIC Pacific and its subsidiaries in different locations launched technical and graduate traineeship programmes as well as apprenticeships for fresh graduates. They also offered summer internship opportunities to students. Jiangyin Xingcheng Special Steel and New Hong Kong Tunnel again hosted a number of student and community visits to their workplaces.

CITIC Pacific demonstrates a high level of commitment to serving the local communities through active participation in various events, donations and fundraising initiatives organised by various charities. Throughout 2012, CITIC Pacific and its subsidiaries in Hong Kong continued their support of charity and fundraising events organised by the Community Chest, Oxfam and the Hong Kong Red Cross.

In 2012, CITIC Pacific headquarters officially announced the establishment of its volunteer group, the "Caring People Team". With caring for people as its mission, the Team has put much effort into delivering love and care to the elderly, children and the underprivileged in the community. From May through December, 122 members of the Team including their families and friends dedicated 336 hours providing voluntary services to the community.

CITIC Pacific's subsidiaries in mainland China also took part in a wide variety of charitable events by organising blood donations, raising funds for people suffering from serious illnesses, and making donations to local charities that provide opportunities for basic education to children from poor families.

SHARE OPTION PLAN

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 which expired on 30 May 2010, pursuant to which the board may invite any director, executive or employee of CITIC Pacific or any of its subsidiary companies to subscribe for options over CITIC Pacific's shares.

During the period between the adoption of the Plan 2000 and its expiry, CITIC Pacific has granted six lots of share options:

Date of grant	Number of share options	Exercise price 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. 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.

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.

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.

CORPORATE GOVERNANCE

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. A full description of CITIC Pacific's corporate governance will be set out in the section of Corporate Governance contained in the Annual Report 2012.

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. The audit committee of the board reviewed the 2012 financial statements with management and the company's auditor and recommended its adoption by the board. The committee consists of three non-executive directors of whom two are independent.

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 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 in 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.

DIVIDEND AND CLOSURE OF REGISTER

The directors have resolved to recommend to shareholders the payment of a final dividend of HK$0.30 per share (2011: HK$0.30 per share), which together with the interim dividend of HK$0.15 per share (2011: HK$0.15 per share) already paid makes a total dividend of HK$0.45 per share (2011: HK$0.45 per share) for the year ended 31 December 2012. The total dividend of HK$0.45 per share will amount to HK$1,642 million of CITIC Pacific's profit for the year ended 31 December 2012 (2011: HK$1,642 million).

The proposed final dividend of HK$0.30 per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of CITIC Pacific to be held on Thursday, 16 May 2013 ("2013 AGM"), is to be payable on Wednesday, 5 June 2013 to shareholders whose names appear on the Register of Members of CITIC Pacific on 27 May 2013.

The register of members of the Company will be closed during the following periods:

(i) from Monday, 13 May 2013 to Thursday, 16 May 2013, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 AGM. In order to be eligible to attend and vote at the 2013 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 May 2013; and

(ii) from Thursday, 23 May 2013 to Monday, 27 May 2013, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with CITIC Pacific's Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 22 May 2013.

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.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the group. These forward looking statements represent CITIC Pacific'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.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of the announcement will be found on CITIC Pacific's website (www.citicpacific.com) and the Hong Kong Stock Exchange's website (www.hkex.com.hk). The full Annual Report will be made available on the websites of CITIC Pacific and the Hong Kong Stock Exchange around 19 March 2013.

By Order of the Board
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 28 February 2013

As at the date of this announcement, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Vernon Francis Moore and Liu Jifu; the non-executive directors of CITIC Pacific are Messrs André Desmarais, Ju Weimin, Yin Ke, Carl Yung Ming Jie and Peter Kruyt (alternate director to Mr André Desmarais); and the independent non-executive directors of CITIC Pacific are Messrs Alexander Reid Hamilton, Gregory Lynn Curl, Francis Siu Wai Keung and Dr Xu Jinwu.