CITIC PACIFIC

OUR STORY CHINA STORY

Annual Report
2013

CITIC Pacific at a glance

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

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

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

Our Businesses

Page
12 **Special Steel**

22% of assets

We are the largest dedicated special steel manufacturer in China.

Page
30 **Iron Ore**

33% of assets

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

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40 **Property**
Mainland China

17% of assets

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

Content

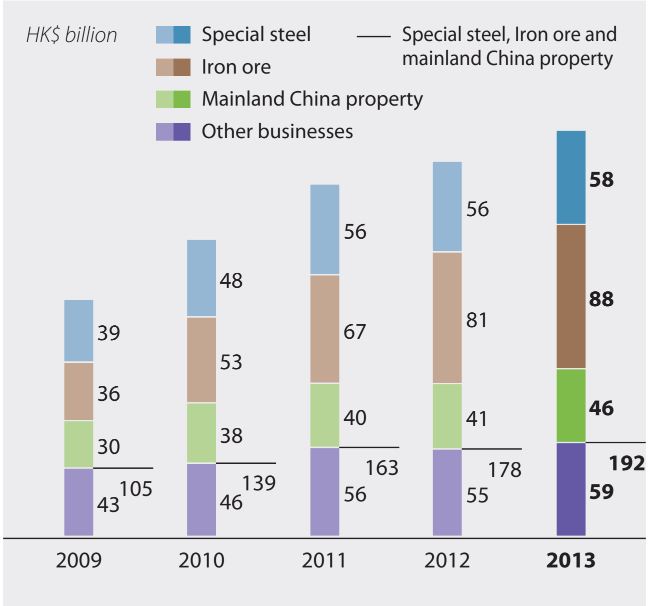
Highlights

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

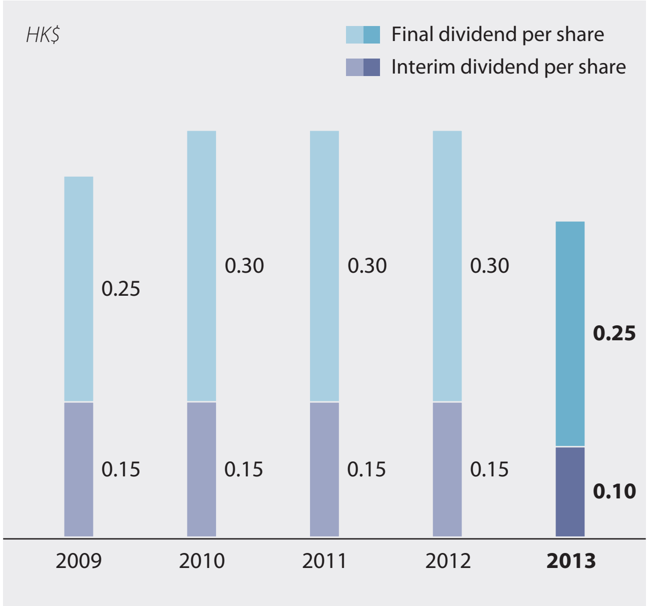
	Business assets		**Revenue***		**Attributable profit/(loss)**	
Our Businesses *In HK$ million*	**2013**	Increase/ (Decrease)	**2013**	Increase/ (Decrease)	**2013**	Increase/ (Decrease)
Special steel	**58,429**	2,807	**41,332**	974	**1,306**	1,095
Iron ore	**88,134**	6,557	**389**	176	**(1,619)**	(838)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

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

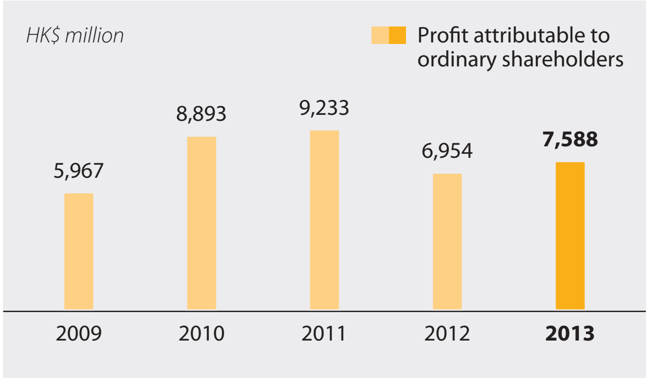
Assets by business



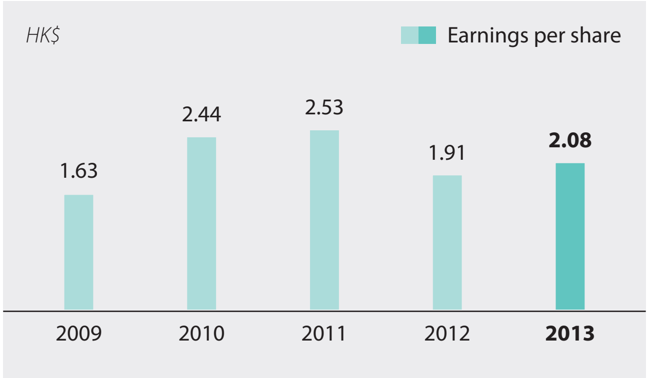
Dividend per share



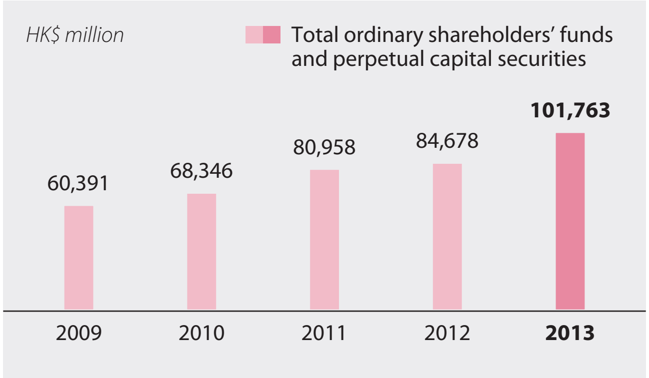
Profit attributable to ordinary shareholders



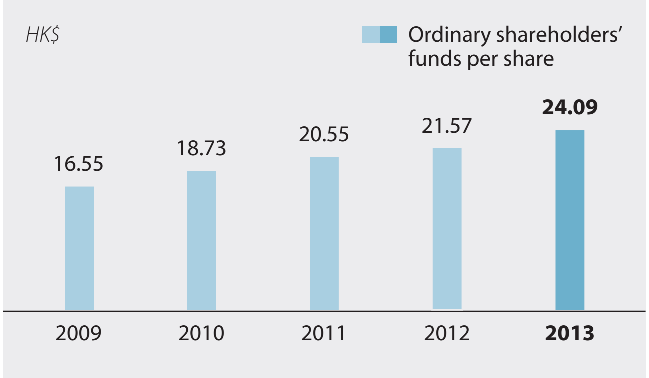
Earnings per share



Total ordinary shareholders' funds and perpetual capital securities



Ordinary shareholders' funds per share



Chairman's Letter to Shareholders

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

Dear Shareholders,

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

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

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

2013 Financial Results

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

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

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

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

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

Reflections on Sino Iron and the Wider Implications for Our Business

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

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

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

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

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

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

Valuable lessons

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Engaging with the public builds understanding

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

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

6. Risk management is critical

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

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

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

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

7. Meeting global standards inspires pride

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

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

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

Sino Iron – The Next Chapter

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

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

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

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

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

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

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

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

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

Chang Zhenming
Chairman
Hong Kong, 20 February 2014

SPECIAL STEEL

22% of assets

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

Review of 2013

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

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

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

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

CITIC Pacific Special Steel

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

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

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

Production capacity and products

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

Our operating philosophy

Sales and market development → Production management → Raw material procurement

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

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

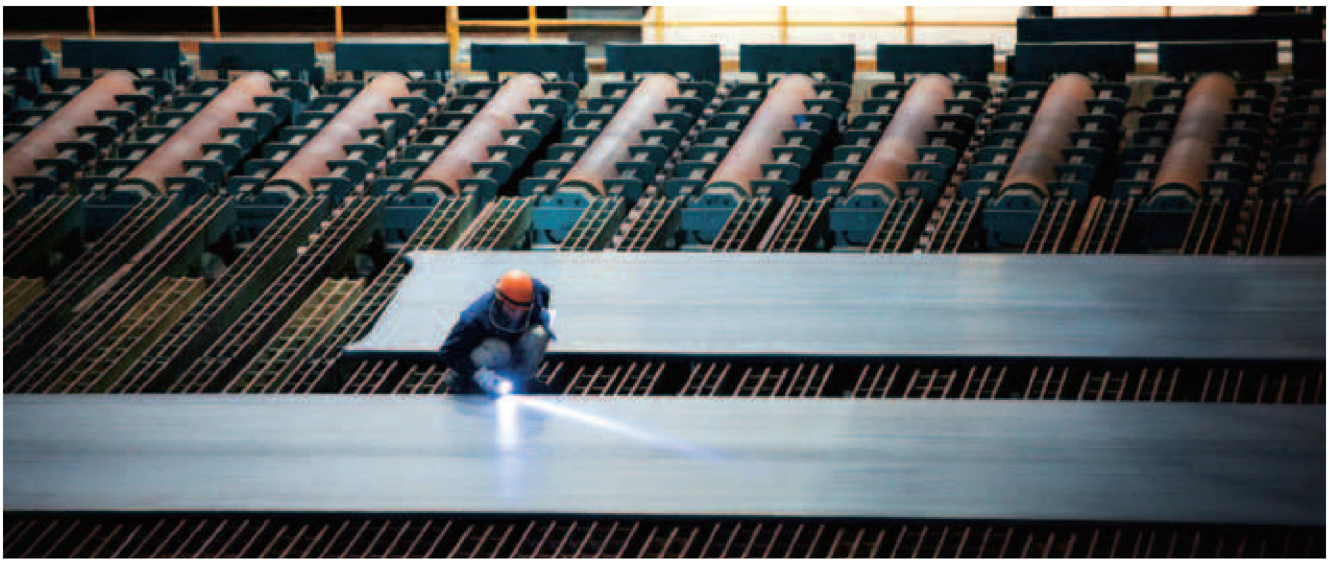
As one example of our marketing efforts, towards the end of each year we organise a sales and marketing conference for our existing and potential customers. This important forum is an opportunity to communicate with customers and understand their needs so that we can serve them better. Order agreements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

Sales and Marketing

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

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

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

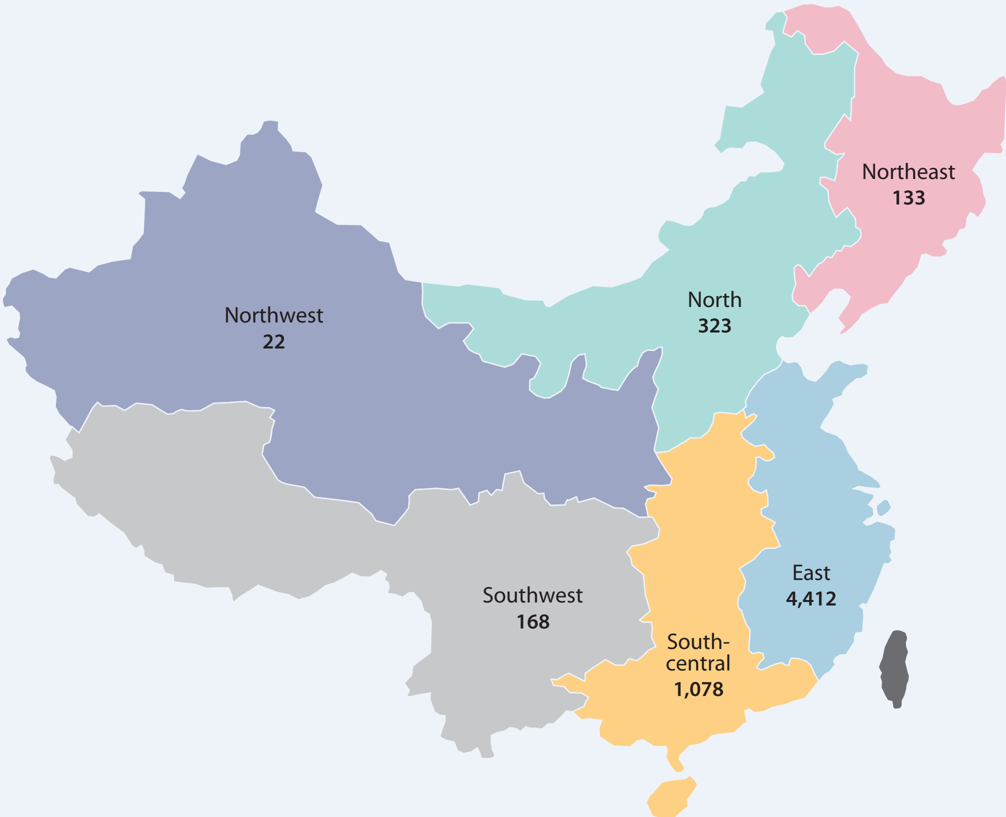


Our products are sold to these industries

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

Our products are sold to these regions in China

In '000 tonnes



Our products are exported to these regions and countries

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

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

Key customers

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

SALES AND MARKET DEVELOPMENT

Liu Jianjun
Executive – Sales & Marketing

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

Strategic alliances

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

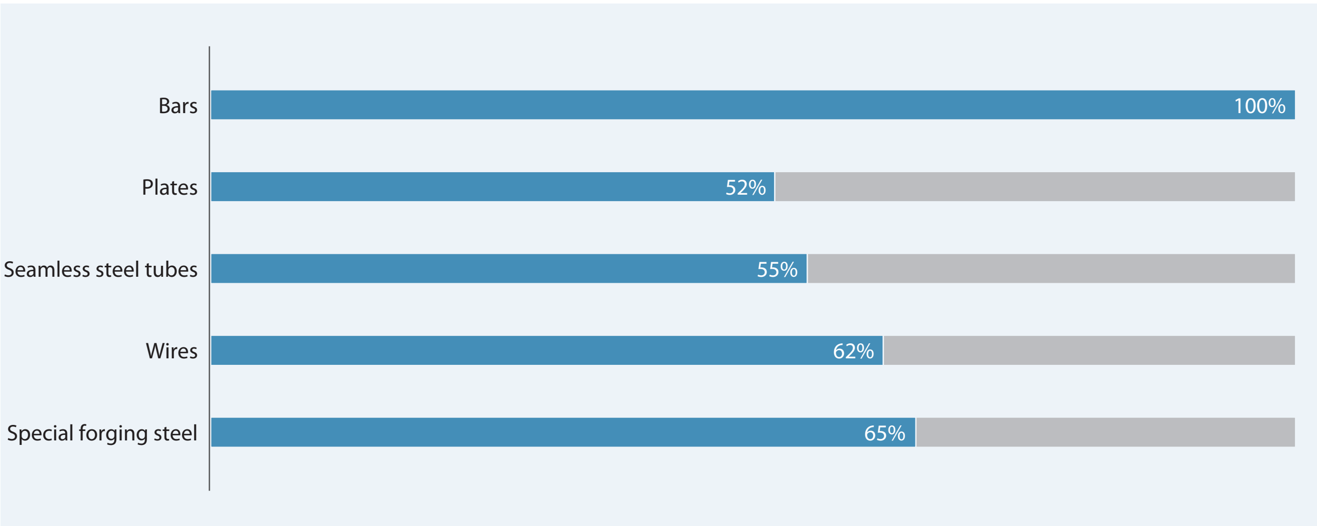
Understanding market trends

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

2013 production

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

Capacity utilisation



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

Hu Jiajia
Research Technician

Products

Bars

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

Special plates

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

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

Seamless steel tubes

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

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

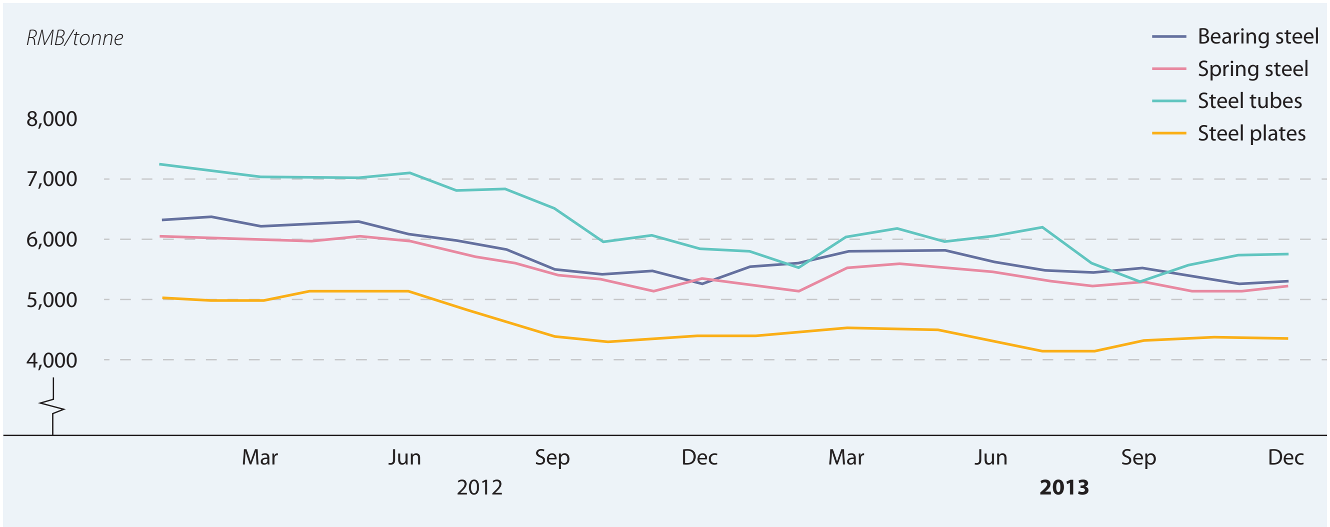
Wires

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

Special forging steel

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

Product pricing



RAISING OVERALL COMPETITIVENESS

Qian Gang

Vice President – CITIC Pacific Special Steel

General Manager – Jiangyin Xingcheng Special Steel Works

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

Enhancing our product mix, raising product quality

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

Speeding up the certification process

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

Benchmarking against leading global steel companies

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

Raw Materials

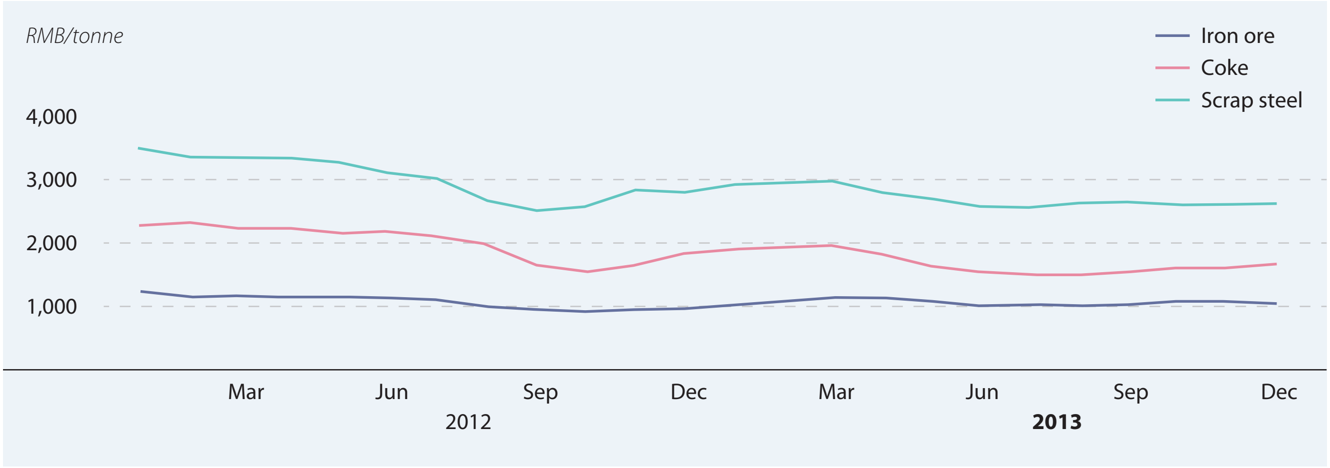
Major raw materials

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

Source of iron ore

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

Price of major raw materials



RAW MATERIAL PROCUREMENT

Li Xishan
Deputy General Manager – Procurement

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

Securing a stable supply

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

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

Reducing input costs

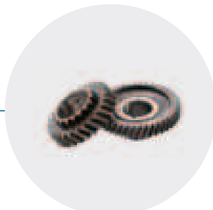
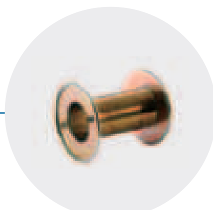
A centralised procurement strategy strengthens our bargaining power. Continued improvements in operating efficiency have also helped us reduce our raw material inventory and shorten the inventory cycle. Both of these are essential in our effort to reduce raw material input costs. In 2013, we shortened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

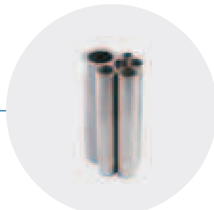
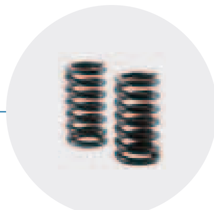
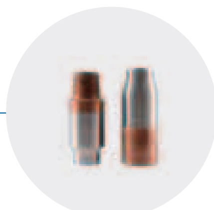
Facts and Statistics

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

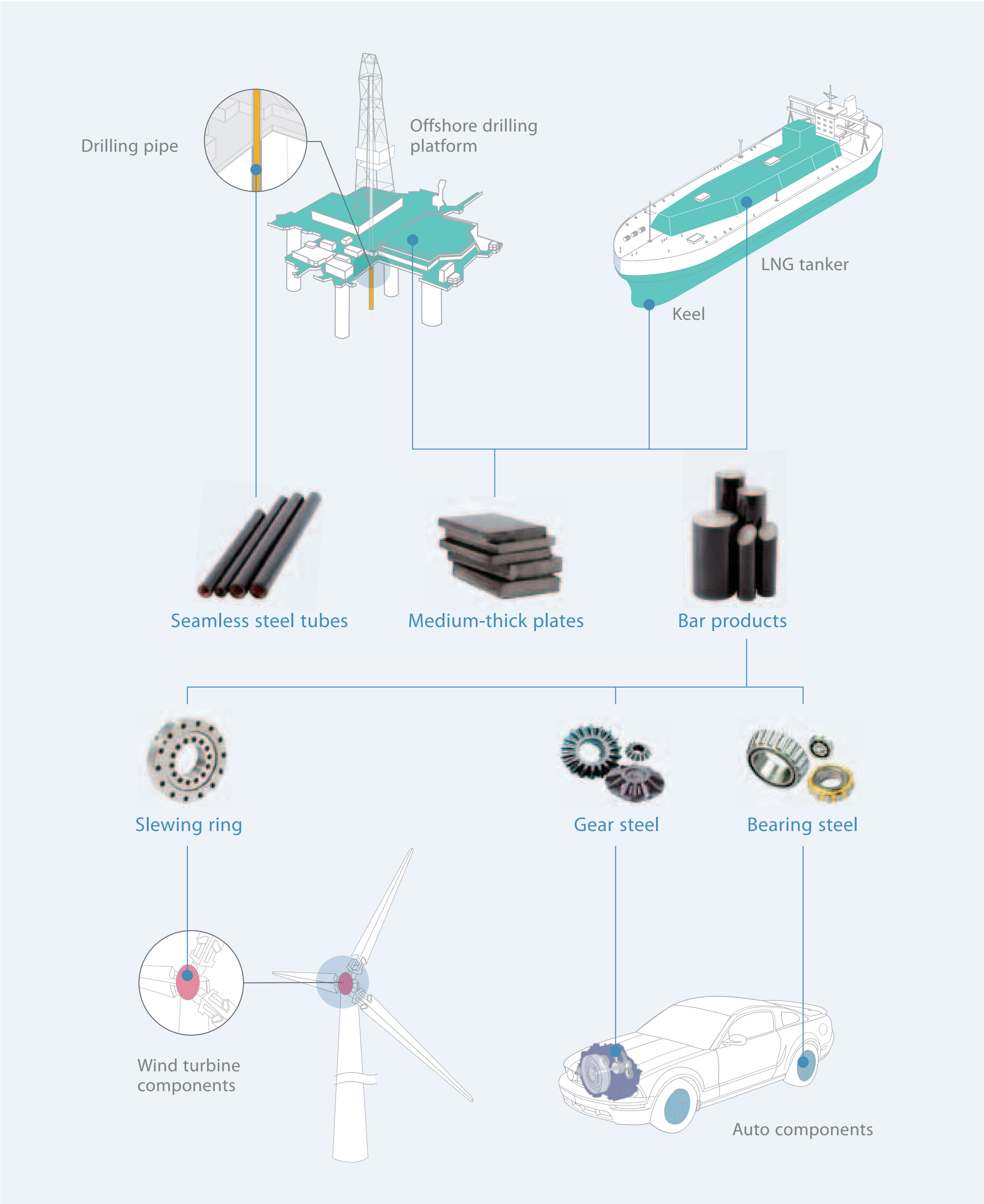
These products are sold to parts manufacturers for manufacturing products such as gears, bearings and springs.

Industries and major products used

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

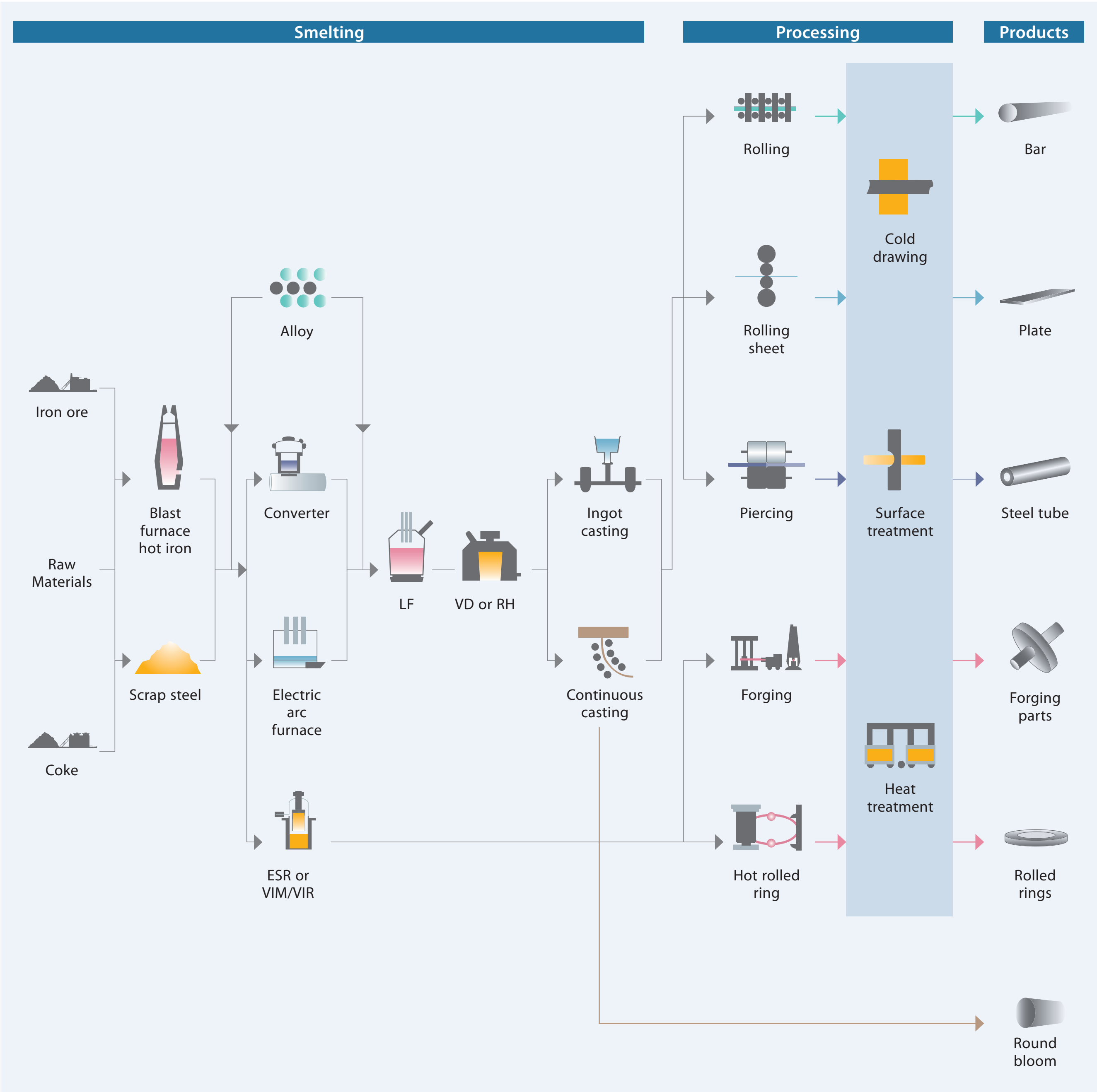
Applied industry		Products	Practical examples
Oil & Petrochemical		- Seamless steel tubes - Medium-heavy plate pipeline steel	- Oil and gas transport pipelines - Offshore drilling platform - Drill collars and casing couplings
Railway		- Spring steel - Carbonisation bearing steel	- Locomotive springs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

Practical examples



Special steel manufacturing process

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



IRON ORE

33% of assets

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

Review of 2013

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

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

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

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

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

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

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

Construction & Operation Highlights

Processing

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

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

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

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

Mining

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

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

Colin Barnett MLA
Premier of Western Australia

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

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

Power station

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

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

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

Desalination plant

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

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

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

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

Port

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

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

PRODUCT

Lisa Yang
General Manager – Technical Services

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

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

and these larger ocean-going vessels will be used in the export operations, which will ultimately increase efficiency and help deliver greater economies of scale.

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

Direct shipment from Western Australia to CITIC Pacific Special Steel plant

HEALTH, SAFETY AND ENVIRONMENT

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

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

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

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

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

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

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

Mineral Resources Estimate

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

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

Total Joffre resource – 2010 results

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

Measured Mineral Resource

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

Indicated Mineral Resource

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

Inferred Mineral Resource

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

Sino Iron Project Facts

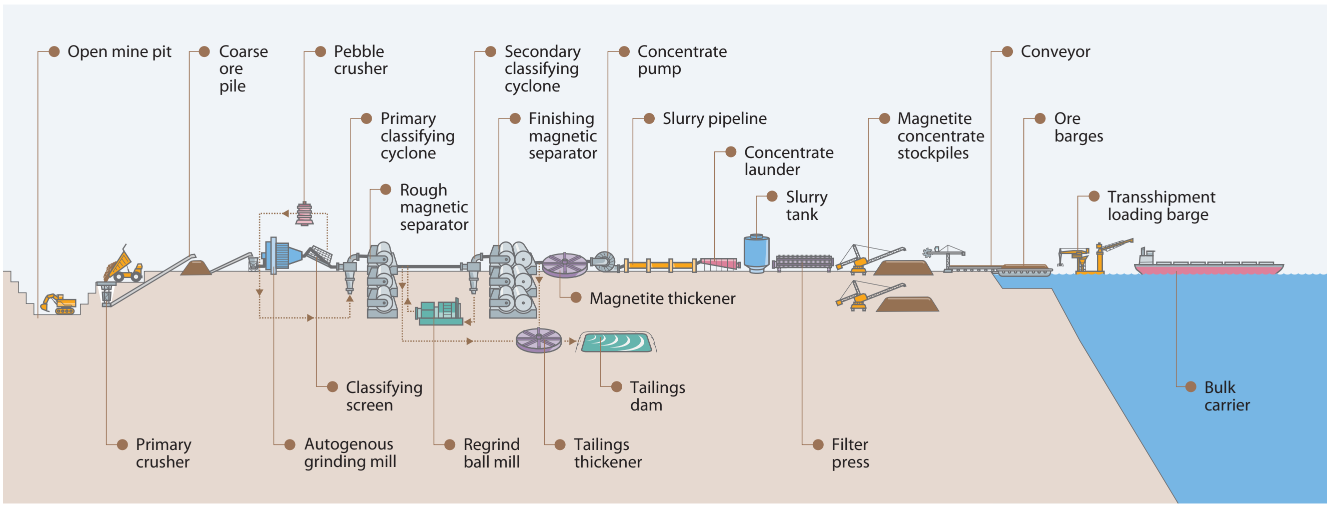
The Sino Iron project is 100% owned by CITIC Pacific, which acquired the rights to extract two billion tonnes of magnetite iron ore resource from its mine at Cape Preston, 100 kilometres southwest of Karratha in Western Australia's Pilbara region. The project currently has a mine life of 25 years.

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

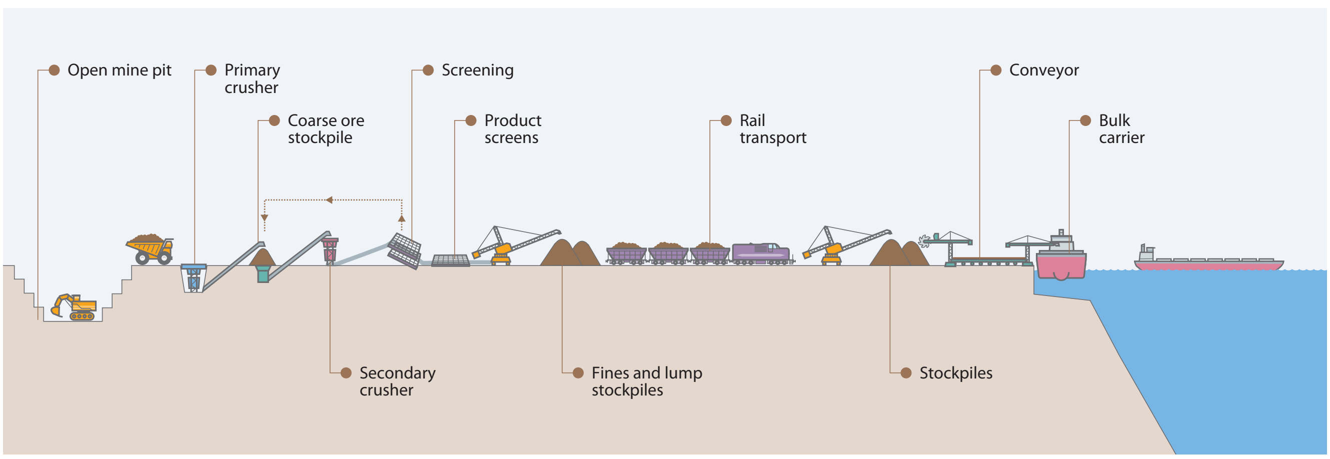
The Sino Iron project is being developed by CITIC Pacific Mining, a subsidiary of CITIC Pacific, with its headquarters in Perth and a representative office in Beijing. When completed, the project will have six production lines with the capacity to produce a total of 24 million tonnes of magnetite concentrate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

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

Sino Iron's magnetite process flowchart



Haematite process flowchart



PROPERTY

24% of assets

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

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

Review of 2013

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

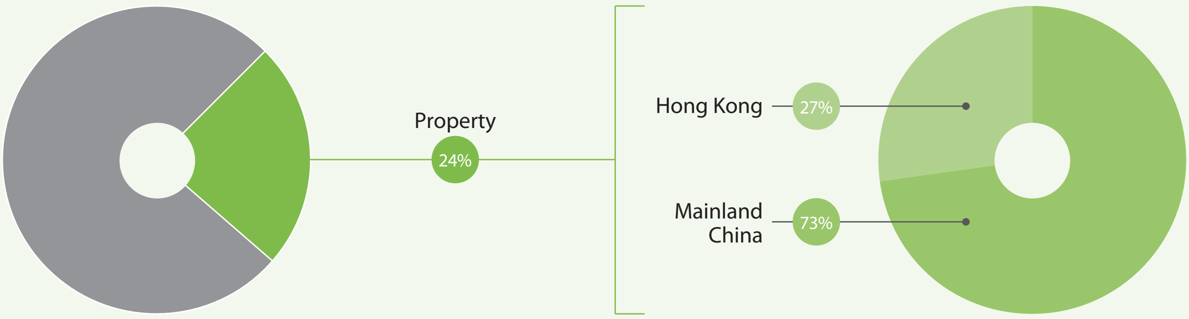
During the year, attributable profit from mainland property rose by 15% owing to the sale of a commercial building (CITIC Plaza Shenhong) in Shanghai. Most of our residential projects remained in the development phase, with limited finished units for delivery.

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

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

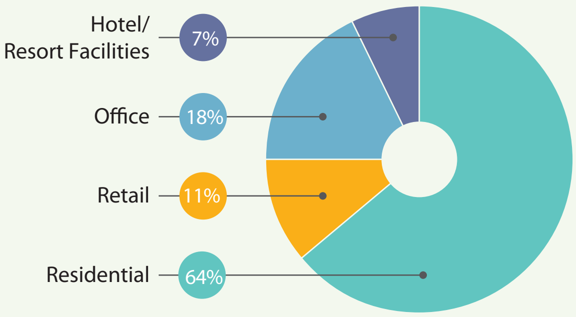
Looking at 2014, we do not anticipate significant changes to the policies adopted by the Chinese government. We will therefore continue to adjust our development strategies in response to the market situation. At the same time, we will consider increasing our land bank when appropriate.

Assets



Mainland China development properties

by GFA



Land bank in mainland China: 3.14 million m^2

Note:
GFA: permitted gross floor area

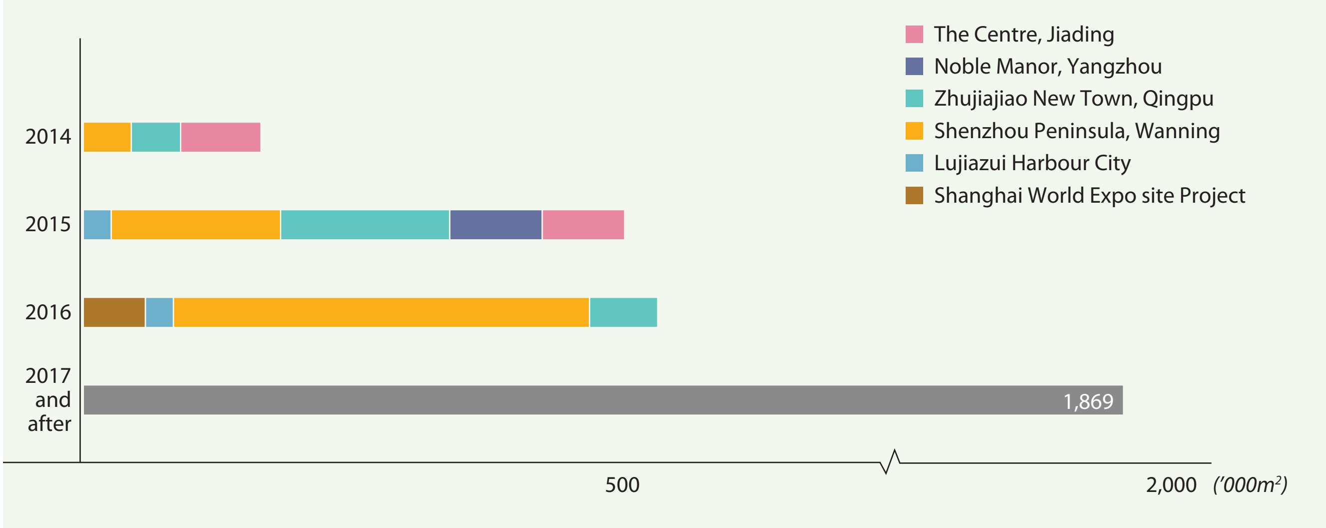
Mainland China Properties

Development projects

Project	Usage	Land bank (GFA)	Completion
Shanghai			
Lujiazui Harbour City	Office, residential and retail	583,800m^2	In phases from 2011 onwards (approx. 263,300m^2 completed)
The Centre, Jiading	Office, hotel, residential and retail	445,300m^2	In phases from 2011 onwards (approx. 92,600m^2 completed)
Zhujiajiao New Town, Qingpu	Residential and retail	331,600m^2	In phases from 2009 onwards (approx. 243,500m^2 completed)
New Westgate Garden Phase II	Residential and retail	137,300m^2	Resettlement in progress
Shanghai World Expo site Project	Office and retail	57,700m^2	2016
Jiangsu Province			
Noble Manor, Yangzhou	Residential	152,000m^2	In phases from 2008 onwards (approx. 284,900m^2 completed)
Hainan Province			
Shenzhou Peninsula, Wanning	Hotel, retail and residential	1,429,500m^2	In phases from 2011 onwards (approx. 369,800m^2 completed)
Total		**3,137,200m^2**	

Figures are as of the end of December 2013

Projected completion schedule



1 ZHUJIAJIAO NEW TOWN, QINGPU

(100% owned)

Site:	796,800m^2
Gross floor area:	575,200m^2
Completed:	243,500m^2 (GFA)
Land bank:	331,600m^2 (GFA)
Usage:	Low-density residential, retail and hotel

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

Sale progress in 2013:

Sold units and area:	458 (65,200m^2)
Average selling price:	RMB12,000/m^2 (apartments) RMB14,500/m^2 (low-rise houses)

2 THE CENTRE, JIADING

(100% owned)

Site:	156,000m^2
Gross floor area:	537,900m^2
Completed:	92,600m^2 (GFA)
Land bank:	445,300m^2 (GFA)
Usage:	Office, hotel, retail and residential

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

Sale progress in 2013:

Sold units and area:	353 (40,400m^2)
Average selling price:	RMB16,900/m^2

3 LUJIAZUI HARBOUR CITY, SHANGHAI

(50% owned)

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

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

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

4 SHANGHAI WORLD EXPO SITE PROJECT

(99.2% owned)

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

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

SHENZHOU PENINSULA, HAINAN ISLAND

(80%-100% owned)

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

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

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

Sale progress in 2013:

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

Special Feature
Shenzhou Peninsula

Unlike other projects we have developed elsewhere, Shenzhou Peninsula is not simply a tourism and property development. It is a project that involves the planning and development of the entire peninsula, including the construction of infrastructure and municipal facilities, transportation systems, public services, environmentally-sensitive features, and urban landscape design. Shenzhou Peninsula is a complicated yet interesting project. It is like a blank sheet of paper on which we have planned everything from the ground up, with ample space to play with. In the past few years, I have witnessed the development of the entire Shenzhou Peninsula, from a small fishing village to a new town today, in a 18km^2 area. In future, it will continue to be developed based on our blueprint.

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

MY DREAM OF LIVING ON THE ISLAND

Zhu Huayue
General Manager – Sales & Marketing

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

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

Sales progress of residential projects

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

Investment properties

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

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

Hong Kong Properties

Development properties

Discovery Bay

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

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

Redevelopment at Kadoorie Avenue

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

Investment properties

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

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

Other Businesses

Energy

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

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

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

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

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

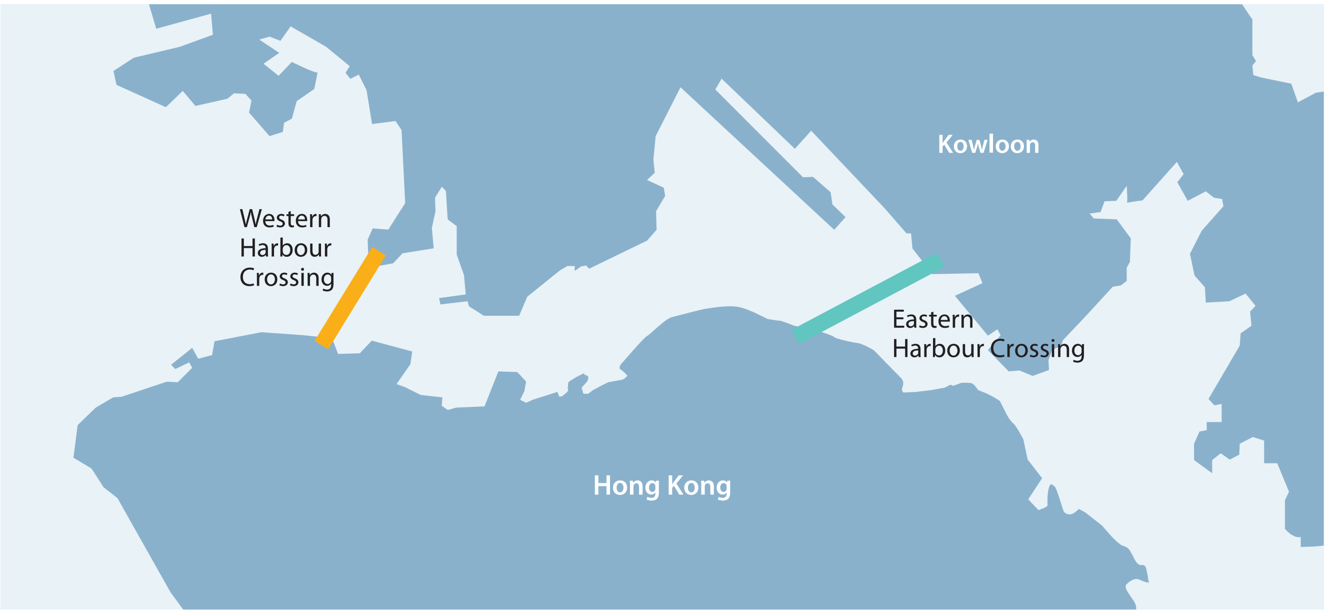
* 49% interest of Shangdong Chenming power plant was sold in November 2013

Tunnels

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

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

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



The Eastern Harbour Tunnel

www.easternharbourtunnel.com.hk

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

The Western Harbour Tunnel

www.westernharbourtunnel.com

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

Dah Chong Hong

www.dch.com.hk

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

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

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

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

CITIC Telecom International

www.citictel.com

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

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

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

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

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

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

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

Evaluating and Accounting for Projects

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

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

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

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

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

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

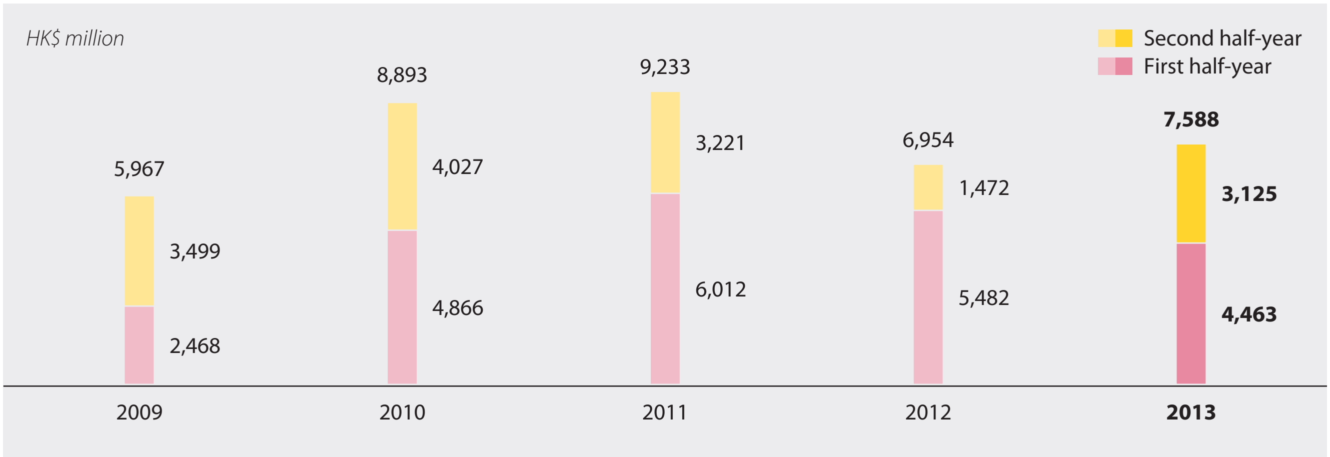
Although depreciation and interest will likely create a loss in the Sino Iron profit and loss account until the grinding mills are in commercial production at a greater scale, the economic value of the Sino Iron project is not affected as it is evaluated using likely cash flows (in and out) over the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

Financial Review

Overview

Profit attributable to ordinary shareholders

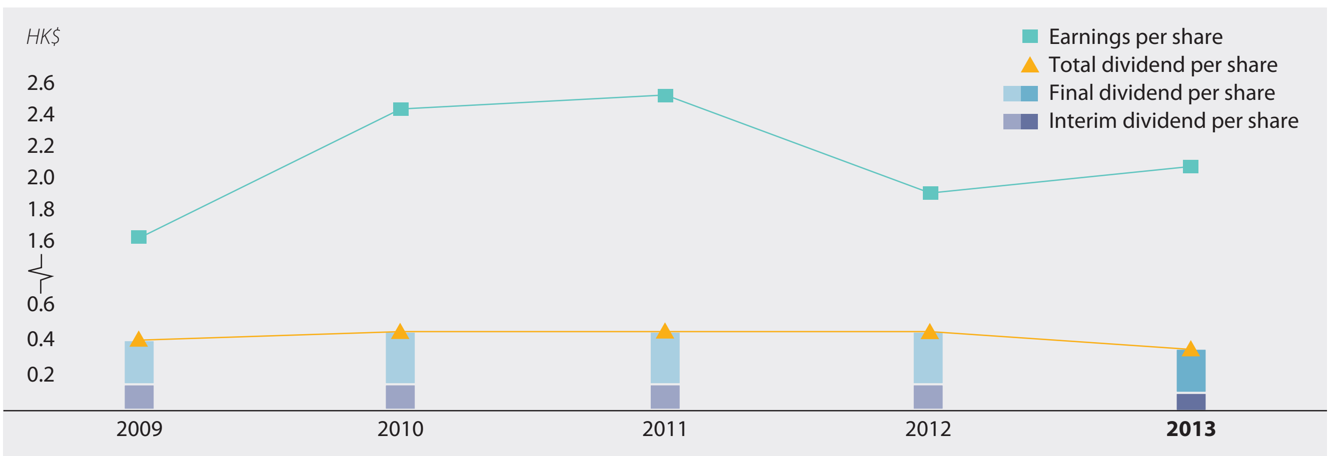
During 2013, the Group achieved a profit attributable to ordinary shareholders of HK$7,588 million, representing an increase of 9% year-on-year. Profit from underlying business operations was HK$4,901 million, 42% above 2012. Special steel improved significantly as a result of a higher profit margin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



Earnings per share and dividends

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

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

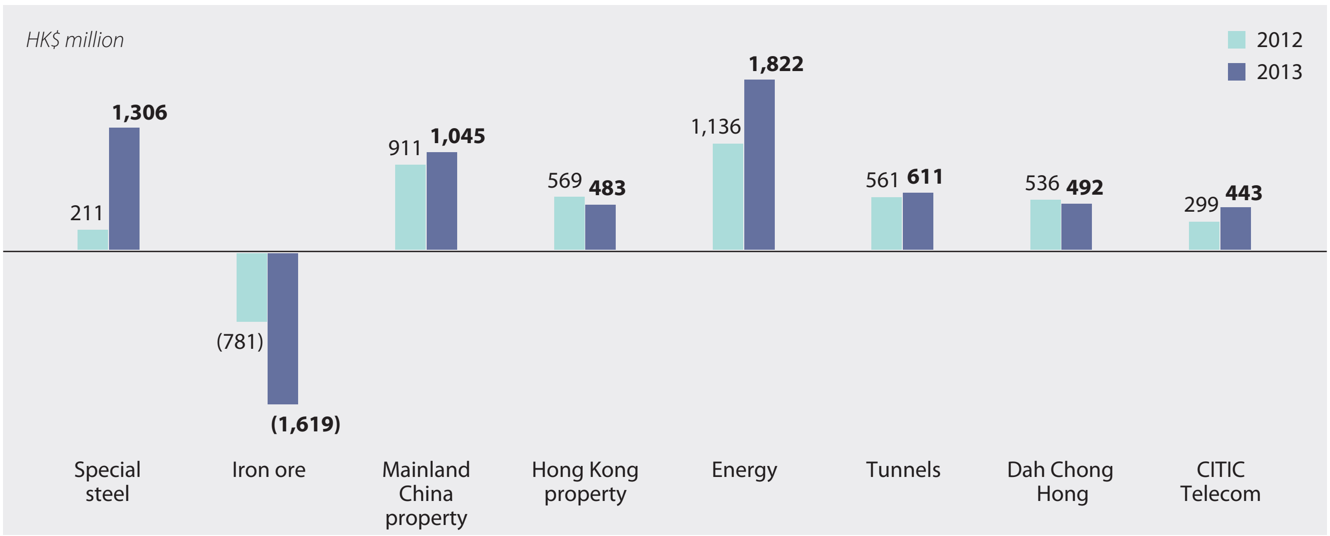


Attributable profit / (loss) and assets by business

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

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

Attributable profit / (loss) by business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

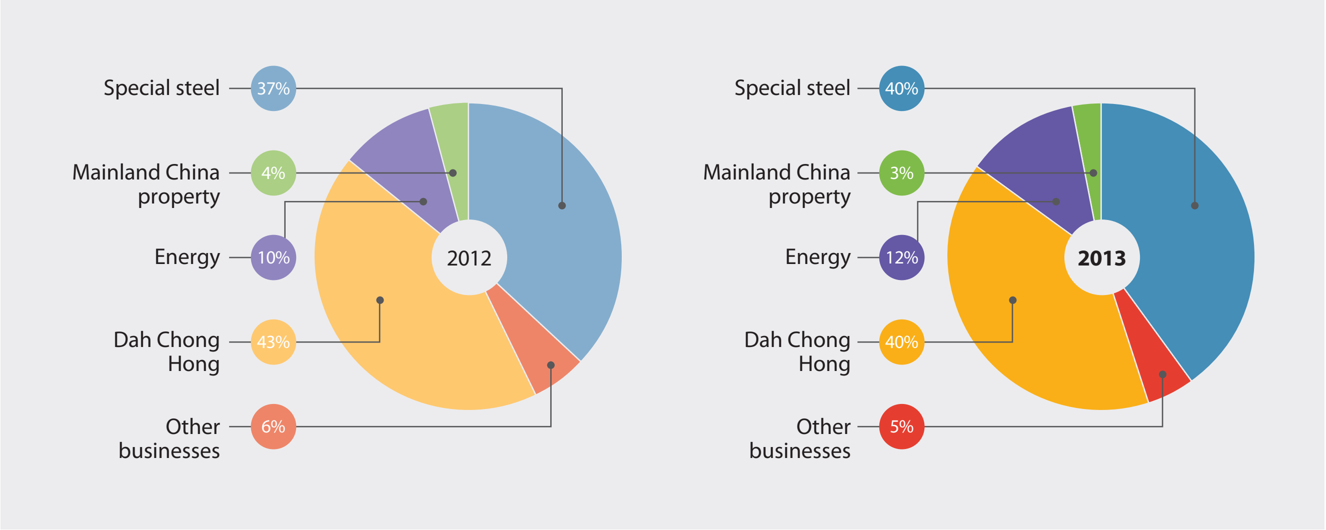
Others: These are mainly net unallocated finance charges and the profit attributable to holders of perpetual capital securities.

Group Financial Results

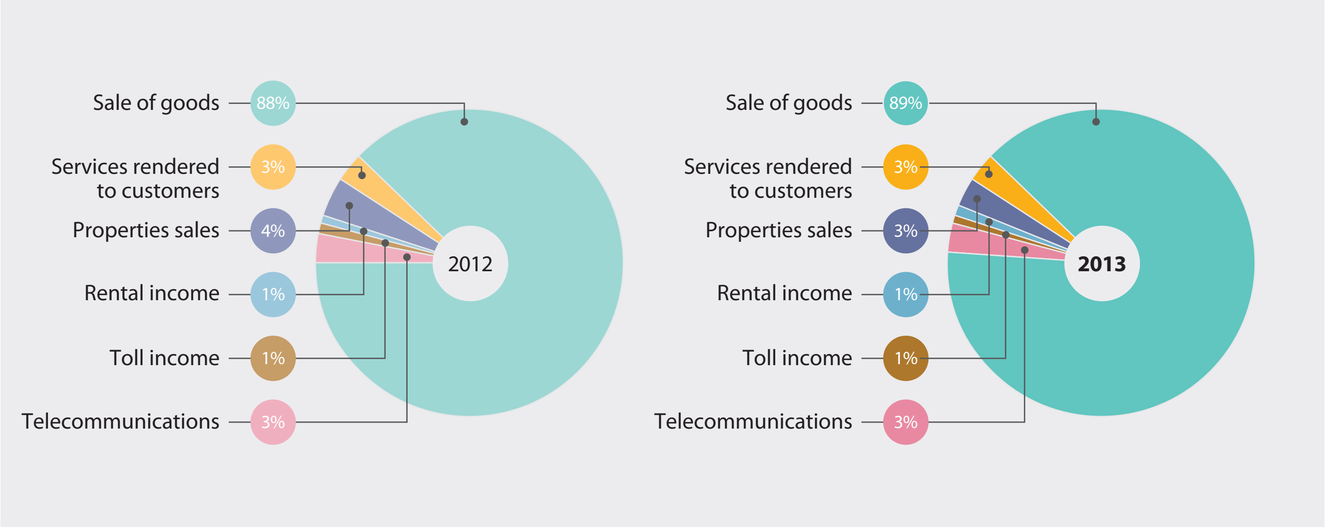
Revenue

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

By business



By nature



Net finance charges

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

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

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

Taxation

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

Group Cash Flows

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

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

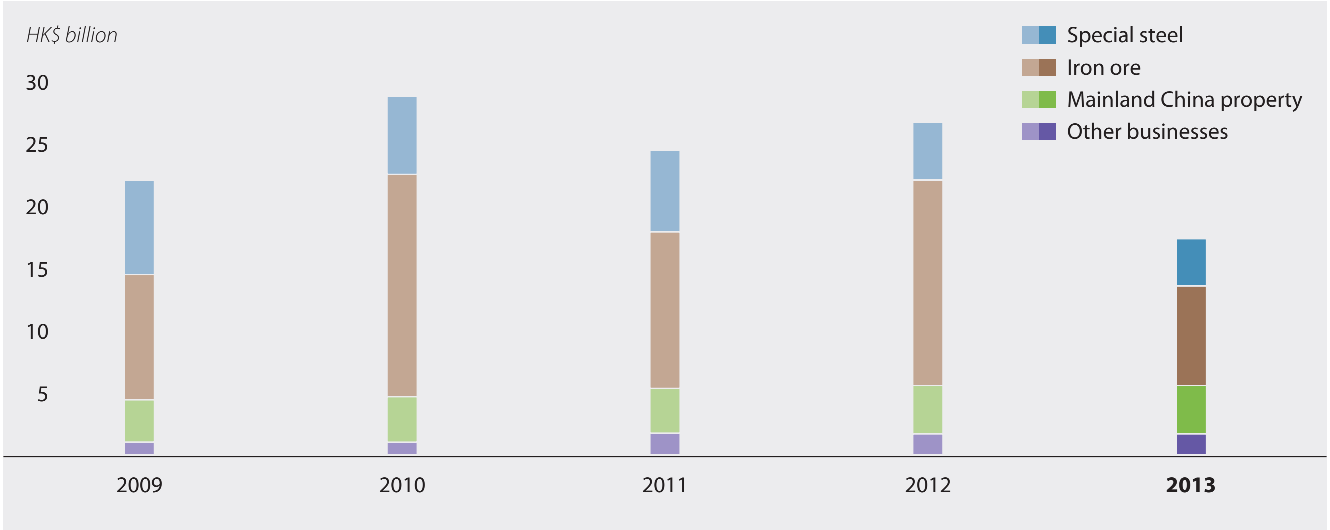
Cash generated from our business operations for 2013 increased 14% to HK$8.6 billion, primarily because more cash was generated from our property business in the PRC as a result of increased pre-sales. Other cash receipts in 2013 included proceeds from the disposal of CITIC Plaza Shenhong in Shanghai,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

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

Source of cash by business

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

Capital expenditure



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

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

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

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

Capital commitments

As at 31 December 2013, the contracted capital commitments of CITIC Pacific Limited and its subsidiary companies amounted to HK$5 billion. Details of the capital commitments are listed under Note 36 to the financial statements.

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

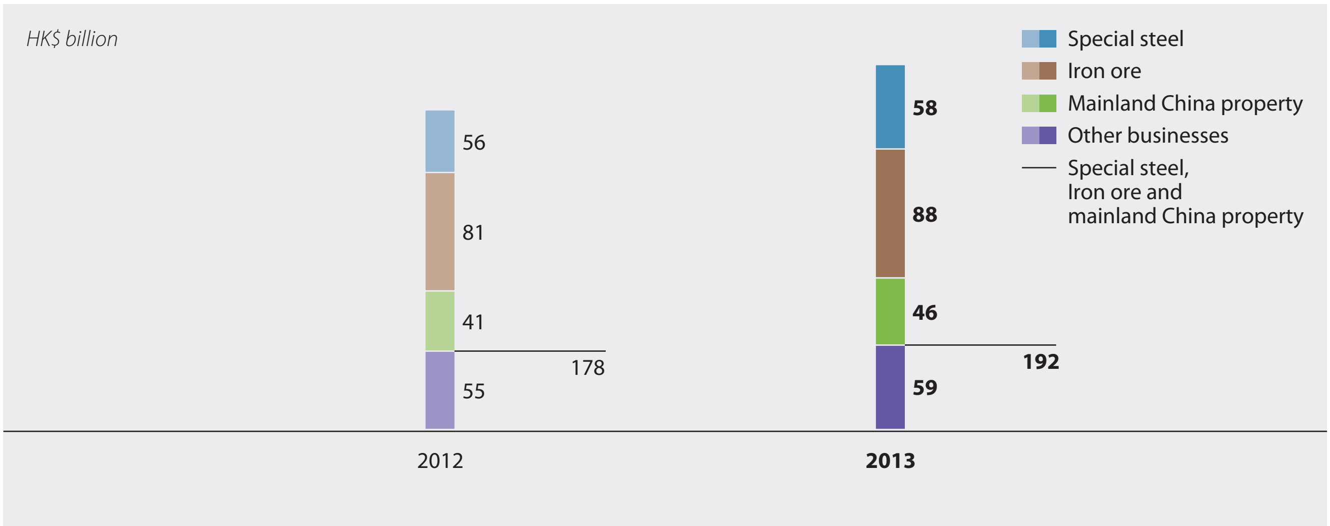
Group Financial Position

In HK$ million	As at 31 December 2013	As at 31 December 2012	Increase/(Decrease)		Note to the Financial Statements
Total assets	**267,779**	247,386	20,393	8%	5(b)
Fixed assets and properties under development	**138,705**	129,184	9,521	7%	15
Derivative financial instrument assets	**86**	376	(290)	(77)%	32
Derivative financial instrument liabilities	**2,697**	4,978	(2,281)	(46)%	32
Inventories	**14,660**	11,803	2,857	24%	23
Net debt	**85,660**	83,808	1,852	2%	
Total ordinary shareholders' funds and perpetual capital securities	**101,763**	84,678	17,085	20%	

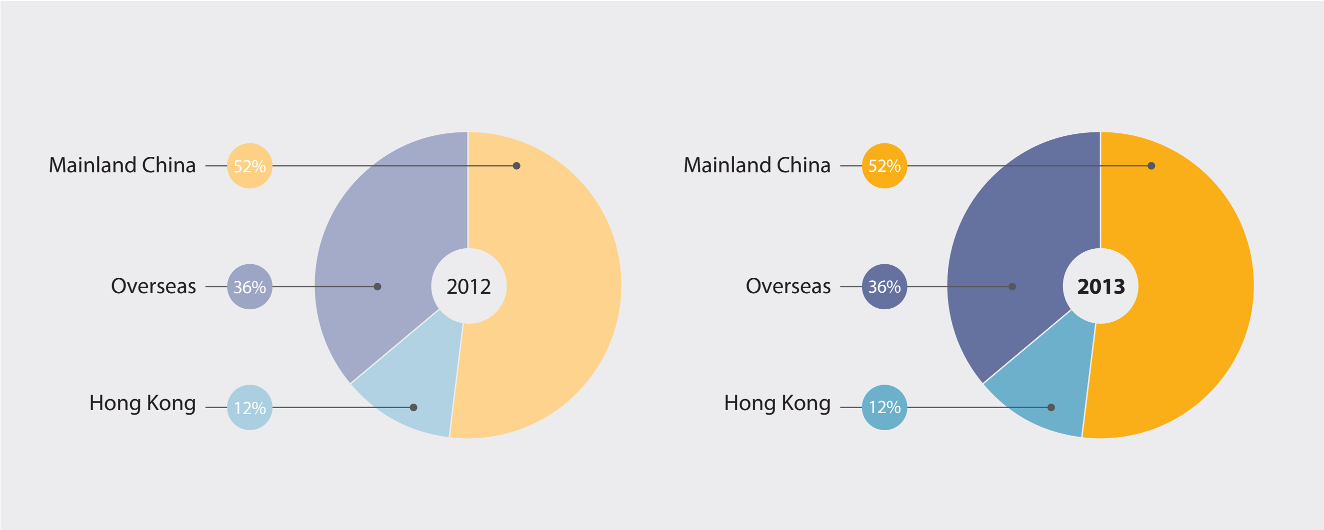
Total assets

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

By business

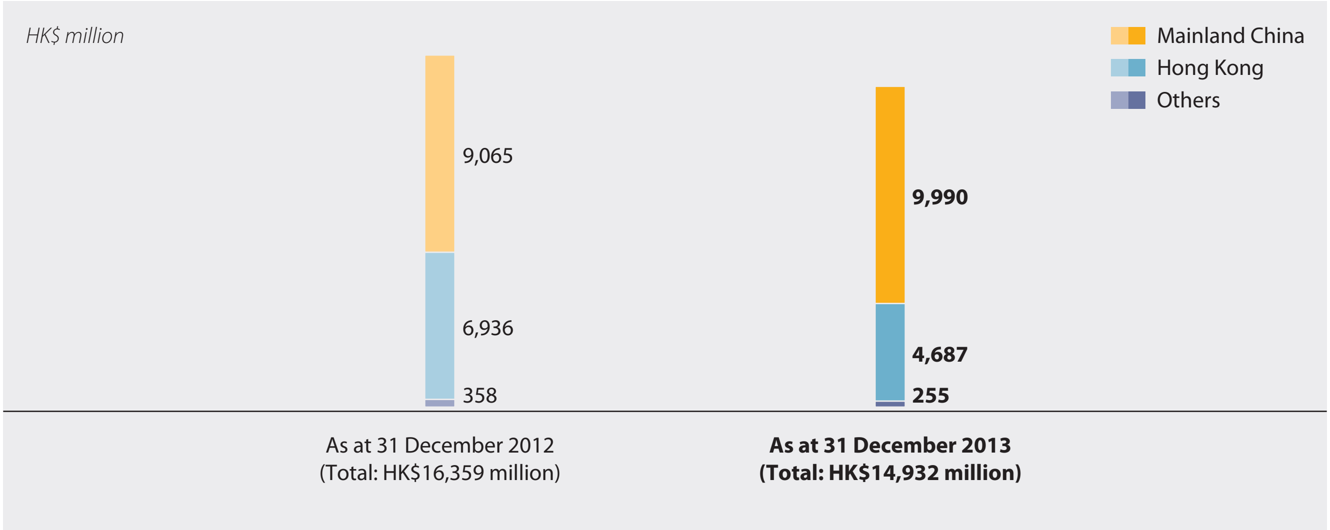


By geography



Fair value of investment properties

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



Derivative financial instruments

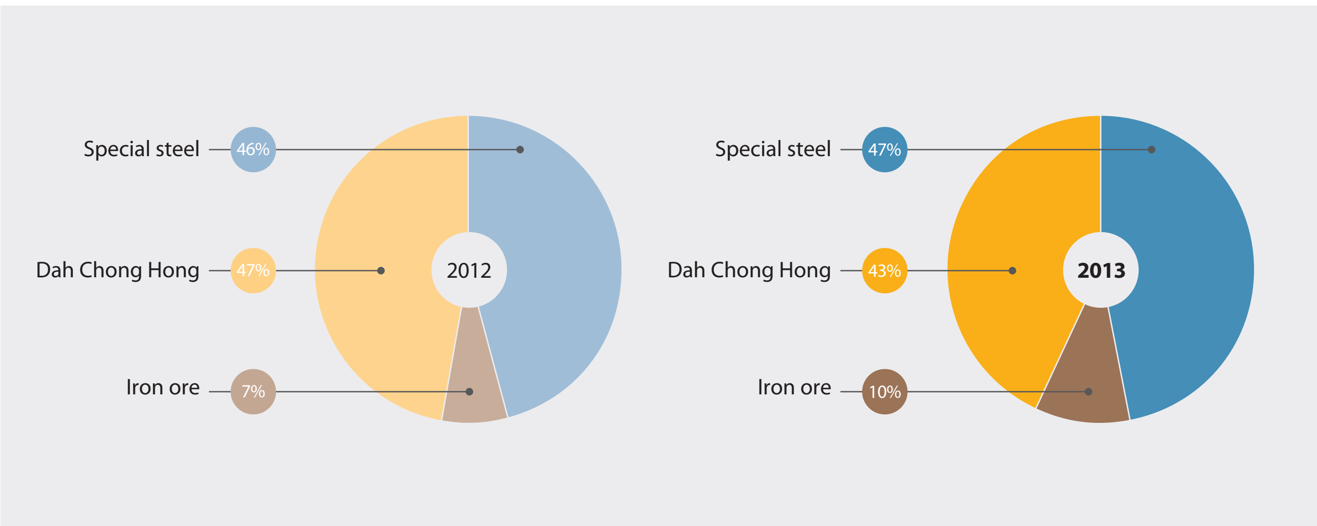
As at 31 December 2013, the Group had gross outstanding derivative instruments amounting to HK$29 billion. These derivative instruments had a negative fair value of HK$2.6 billion on 31 December 2013. All the derivative instruments were to fix interest rate and/or foreign currency exposure. The valuation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

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

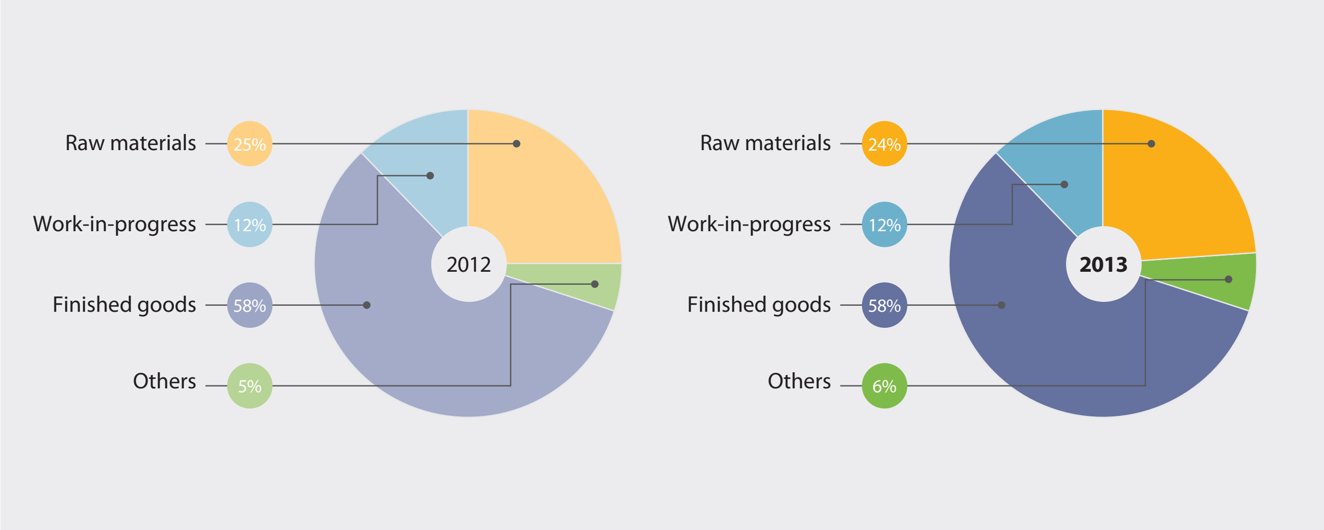
Inventories

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

By business

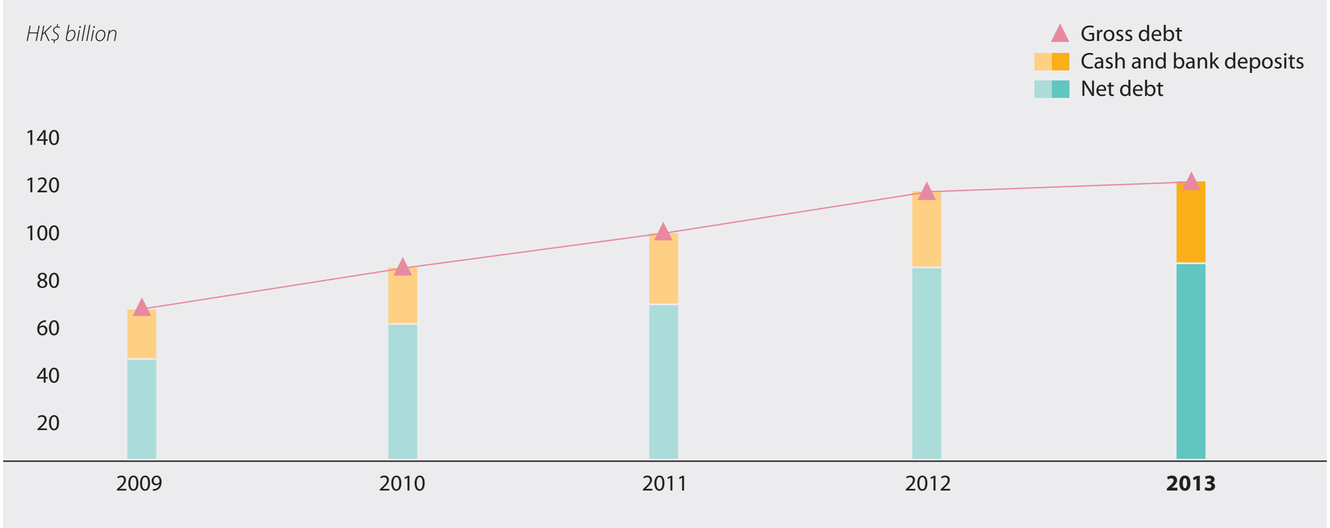


By type



Net debt

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



Total ordinary shareholders' funds and perpetual capital securities

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

Risk Management

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

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

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

Financial Risk

Governance structure

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

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

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

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

Governance policy

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

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

Financial Risk Management

Asset and liability management

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

Debt and leverage

Debt

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

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

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

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

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

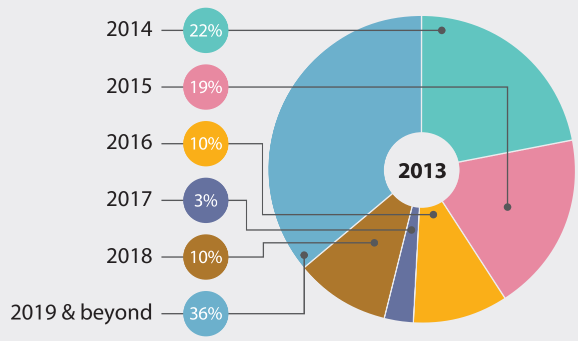
In HK$ million	**31 December 2013**	31 December 2012
Special steel	**13,346**	13,962
Iron ore	**27,737**	29,020
Vessels	**2,701**	2,886
Mainland China property	**776**	950
Dah Chong Hong	**7,435**	6,420
Corporate	**69,149**	63,731
Others	**–**	25
Total	**121,144**	116,994

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

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

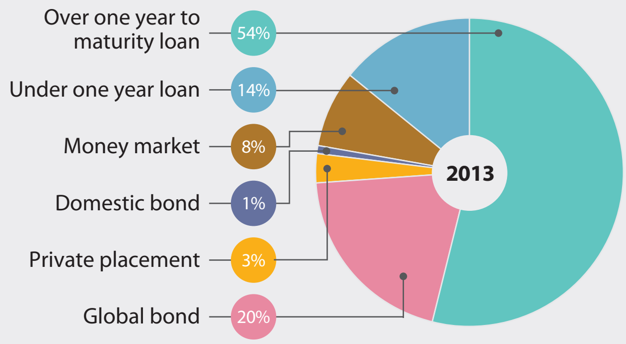
Total outstanding debt by maturity

As at 31 December 2013 (HK$121.1 billion)



Total outstanding debt by type

As at 31 December 2013 (HK$121.1 billion)



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

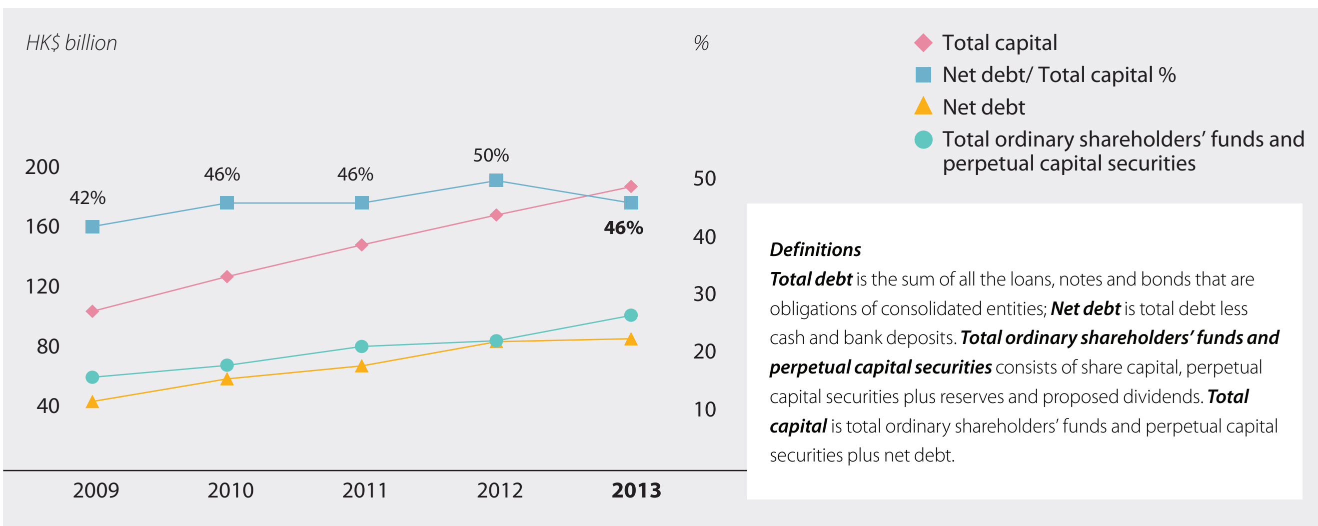
The following table shows the net debt/cash position of joint ventures and associated companies by business sector as at 31 December 2013:

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

Leverage

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

Leverage



Definitions

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

Liquidity risk management

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

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

How is the Australian mining development financed?

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

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

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

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

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

Available sources of finance

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

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

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

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

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

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

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

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

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

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

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

Financial covenants

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

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

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

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

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

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

Credit ratings

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

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

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

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

Capital commitments and contingent liabilities

Details of CITIC Pacific's capital commitments as at 31 December 2013 are listed under Note 36 to the financial statements.

Details of CITIC Pacific's contingent liabilities as at 31 December 2013 are listed under Note 39 to the financial statements.

Treasury risk management

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

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

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

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

Foreign exchange risk

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

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

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

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

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

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

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

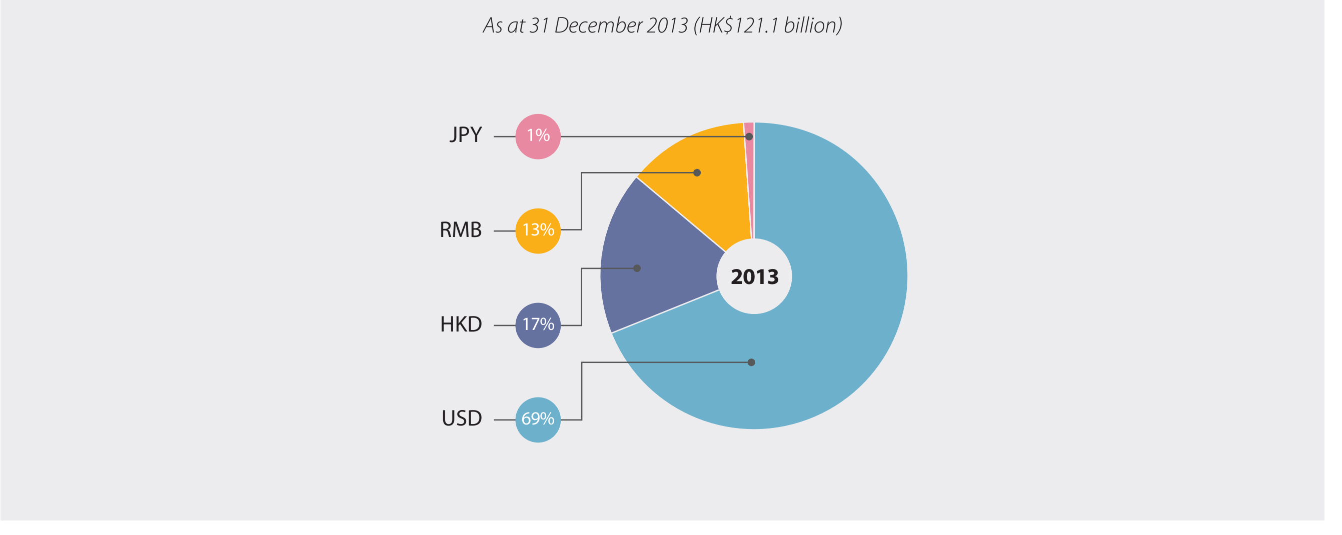
Australian Dollar (AUD) – Our Australian mining operation's functional currency is USD as the future revenues from its iron ore business are denominated in USD. However, a substantial portion of its developmental and operating expenditures are denominated in AUD. To manage the AUD exposure of the business,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

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

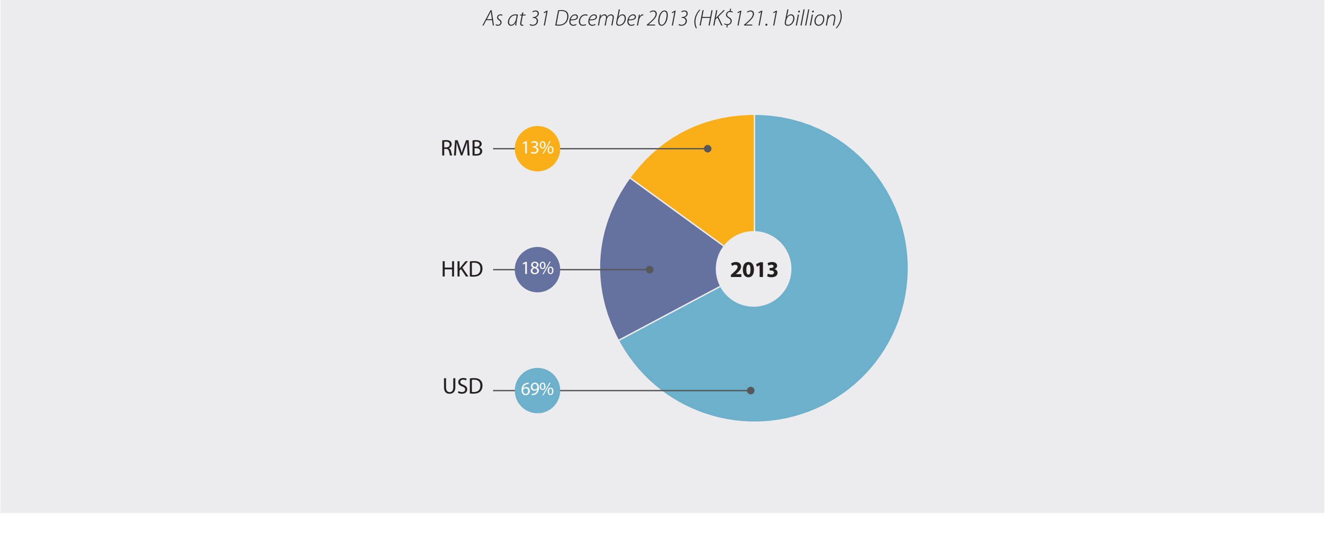
The denomination of CITIC Pacific Limited and its subsidiaries' total debt and cash and bank deposit balances by currency as at 31 December 2013 is summarised as follows:

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

Total outstanding debt by currency



Outstanding debt after conversion



Interest rate risk

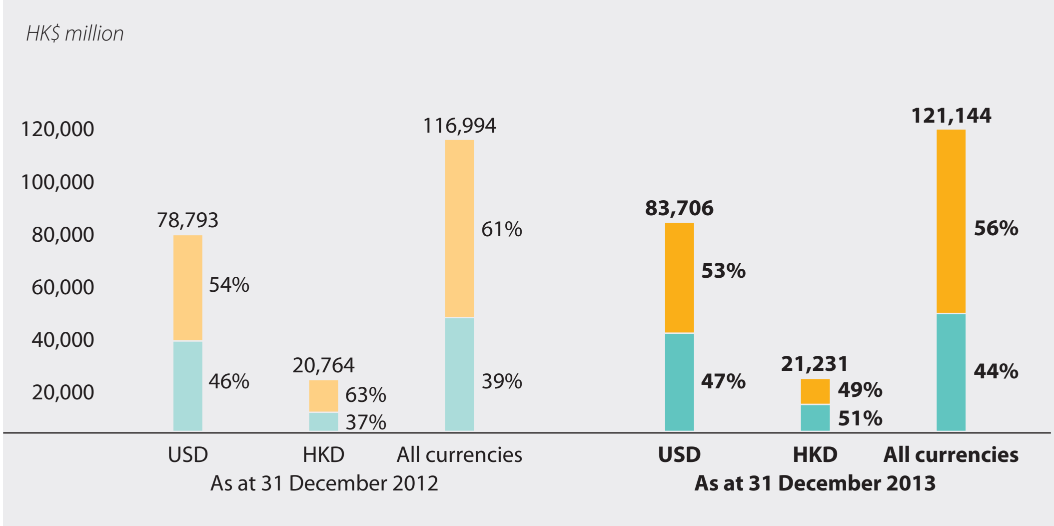
CITIC Pacific's interest rate risk arises primarily from debt. Borrowings at variable rates expose CITIC Pacific to cash flow interest rate risk, whilst borrowings at fixed rates economically expose CITIC Pacific to fair value interest rate risk. In the current low interest rate environment, CITIC Pacific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

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

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

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

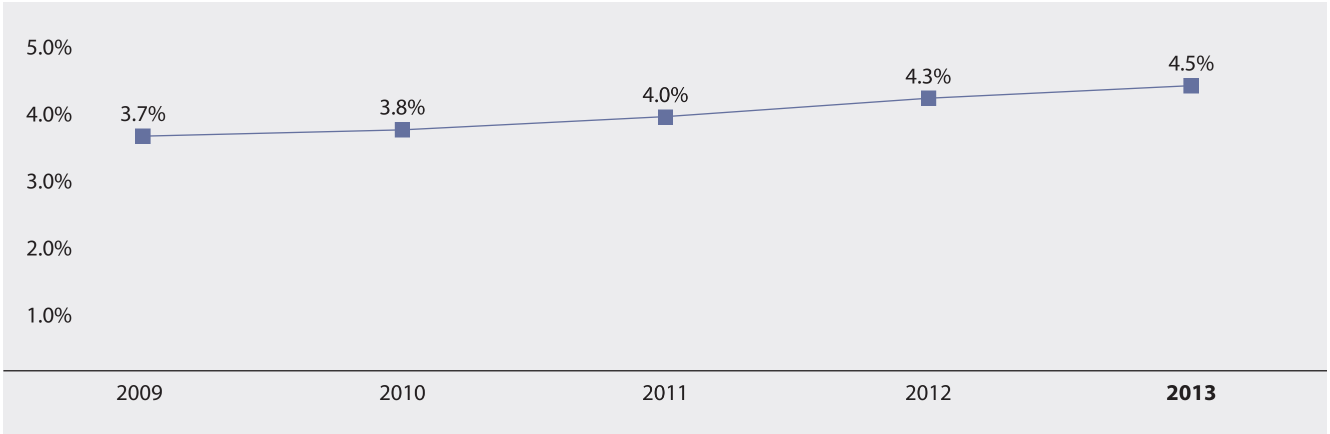
Fixed and floating interest rates



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

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

Average borrowing costs



Counterparty risk

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

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

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

Commodity risk

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

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

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

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

Business, Operational, Other External Risks and Uncertainties

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

Economic risks

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

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

Competitive markets

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

Regulation

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

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

Capital expenditure

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

Natural disasters or events, terrorism and disease

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

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

Ten Year Statistics

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

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

Note:

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

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

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

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

Ordinary shareholders' funds not including perpetual capital securities.

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

^ The figures included HK$449 million impairment loss.

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

Corporate Governance

Corporate Governance Practices

CITIC Pacific is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interests of our shareholders. At CITIC Pacific, we attach importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our people a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of CITIC Pacific, with particular focus on our accountability to shareholders and stakeholders. This report describes how CITIC Pacific has applied its corporate governance practices to its everyday activities.

CITIC Pacific has applied the principles and complied with all the code provisions of the corporate governance code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the year 2013 except for code provision A.6.7 of the CG Code. Mr André Desmarais and Mr Carl Yung Ming Jie (both being non-executive directors) were not able to attend the annual general meeting of CITIC Pacific held on 16 May 2013 ("2013 AGM"). Mr Carl Yung was ill, while Mr André Desmarais was away from Hong Kong due to other engagements. Mr Peter Kruyt, the alternate director to Mr André Desmarais, attended the 2013 AGM. Mr André Desmarais, Mr Ju Weimin, Mr Yin Ke and Mr Carl Yung Ming Jie (all being non-executive directors), and Mr Alexander Reid Hamilton and Dr Xu Jinwu (both being independent non-executive directors) were not able to attend the extraordinary general meeting of CITIC Pacific held on 4 December 2013 as all of them had other engagements.

For the year 2013, CITIC Pacific made further progress with its corporate governance practices, which including:

- Updating CITIC Pacific's code of conduct to update the scope of topics, including prevention of bribery practices and use of proprietary information; and

- Adopting the board diversity policy

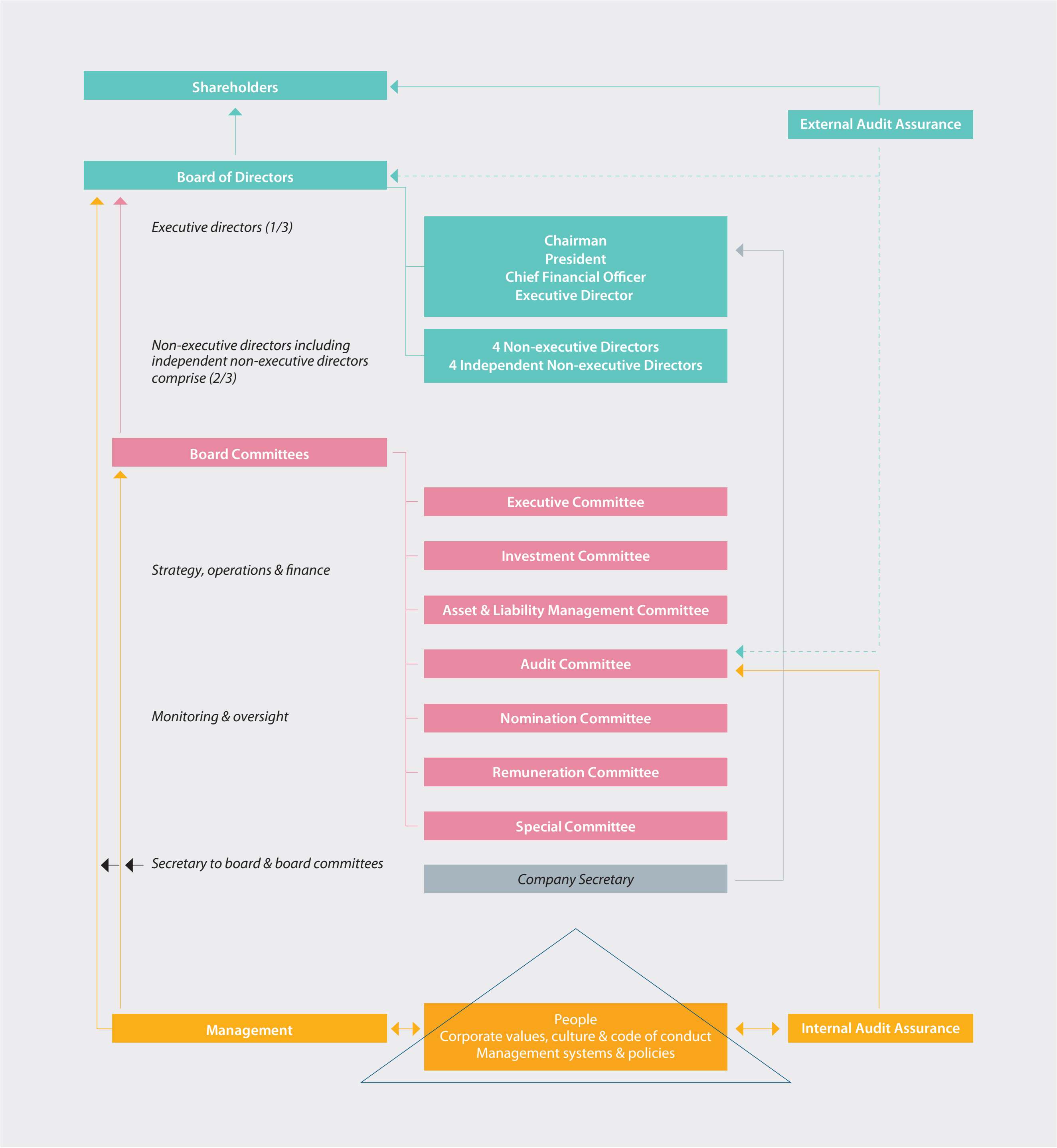
Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

Preservation of value and strategy

CITIC Pacific is a company with multiple businesses in a few industries. We are not simply an investment holding company, but rather an operating company. Our activities are concentrated in three main businesses: manufacturing special steel, mining iron ore and property in mainland China. We have other businesses but they represent only 28% of the assets of the company. When we analyse a business, we look at its market position, competitiveness, future prospects and our desire to influence its management.

Our strategy is clear. We will continue to invest capital in special steel, mining iron ore, their related upstream and downstream industries, and property in mainland China. We will consider expanding into products, upstream or downstream from our existing businesses, but they should have synergies with, or supplement and enhance the value of the main businesses, particularly steel and mining. Our expectation is that our businesses will generate a return on capital invested above the cost of our own capital and generate cash flow to the benefit of the company and its shareholders. By pursuing this strategy, CITIC Pacific expects to generate and preserve value for all its shareholders.

Corporate governance structure



Board of Directors

Overall accountability

The members of the board of directors are individually and collectively accountable to the shareholders for the success and sustainable development of CITIC Pacific. The board provides direction and approval in relation to matters concerning CITIC Pacific's business strategies, policies and plans, while the day-to-day business operations are delegated to the executive management. The board is accountable to the shareholders, and in discharging their corporate accountability, directors of CITIC Pacific are required to pursue excellence in the interests of the shareholders and fulfill their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year, the board performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The board is of the view that all directors have given sufficient time and attention to the Group's affairs and the board operates effectively as a whole. The board also noted the time involved by the directors in the company and other public companies held by the directors.

Board composition and changes

On 28 February 2014, the board announced that Mr André Desmarais has notified that due to his personal commitments, he would not offer himself for re-election after his retirement by rotation at the forthcoming annual general meeting of CITIC Pacific to be held on 14 May 2014 ("2014 AGM") pursuant to Article 104(A) of the articles of association of CITIC Pacific and accordingly he will retire as a non-executive director of CITIC Pacific by rotation at the 2014 AGM. Mr Peter Kruyt will also cease to act as the alternate director to Mr Desmarais on the same date accordingly. The board further announced the appointment of Mr Zeng Chen as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM. Mr Zeng will fill the vacated office following the retirement of Mr Desmarais. Mr Zeng will retire and be eligible for re-election at the next general meeting of CITIC Pacific after the 2014 AGM. Thereafter, he will be subject to retirement by rotation and re-election in accordance with CITIC Pacific's articles of association. Following the above board changes, the number of board members will remain at twelve, comprising five executive directors, three non-executive directors and four independent non-executive directors. Non-executive directors (including independent non-executive directors) comprise more than one-half of the board, of which independent non-executive directors make up one-third of the board. CITIC Pacific believes that the board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of CITIC Pacific's business.

In relation to the four non-executive directors who are not independent (as considered by the Stock Exchange), Mr André Desmarais is the deputy chairman, president and co-chief executive officer of a shareholder indirectly owning a stake of more than 1% in CITIC Pacific; Mr Ju Weimin is a vice president, the chief financial officer and secretary of CITIC Limited (a subsidiary company of CITIC Group Corporation); Mr Yin Ke is a director of a company in which CITIC Limited (a subsidiary company of CITIC Group Corporation) is a substantial shareholder; and Mr Carl Yung Ming Jie was an executive director of CITIC Pacific from 2000 to 2012.

CITIC Pacific has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors, together with information about the relationships among them, are set out on pages 110 to 112.

All directors, including the non-executive directors, have a specific term of appointment which is not more than three years since his re-election by shareholders at the general meeting. Each director has entered into an appointment letter with CITIC Pacific and pursuant to Article 104(A) of the articles of association of CITIC Pacific, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting during which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not a multiple of three then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote by shareholders.

Board responsibilities and delegation

The board collectively determines the overall strategies of CITIC Pacific, monitors performance and the related risks and controls in pursuit of the strategic objectives of CITIC Pacific. Day-to-day management of CITIC Pacific is delegated to the executive director or officer in charge of each business unit and function, who reports back to the board. Each business unit leader and corporate functional leader is a member of the executive committee, which meets monthly to review the operating and financial performance of CITIC Pacific. All board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of CITIC Pacific, including reports and recommendations on significant matters. All board members are provided with monthly management updates of the business operations of CITIC Pacific. Should separate independent professional advice be considered necessary by the directors, independent professional services would be made available to the directors upon request.

The board has delegated certain functions to the respective committees, the details of which are set out below. Matters specifically reserved for the board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments such as company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

CITIC Pacific has arranged Directors & Officers Liability and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK$1 billion.

Details of the responsibilities, membership, attendance and activities during the year of each board committee are set out on pages 88 to 97.

Continuous professional development programme

CITIC Pacific has rolled out a continuous professional development programme ("CPD Programme") for directors with an aim to improve their general understanding of CITIC Pacific's business, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices. In addition, directors may also choose to attend external courses, conferences and luncheons organised by various local organisations.

Under CITIC Pacific's CPD Programme, the board visited the development properties in Discovery Bay and Dah Chong Hong Motor Service Centre in November 2013. Directors also attended briefings, self-directed courses and seminars and reviewed the monthly business updates and other reading materials provided to them concerning the latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in the CPD Programme is kept with the company secretary.

A summary of directors' participation in CITIC Pacific's CPD Programme and other external training for the period from 1 January 2013 to 31 December 2013 is as follows:

	Briefings/seminars	Reading materials/ regulatory updates/ management monthly updates	Site visits
Executive Directors			
Mr Chang Zhenming	√	√	√
Mr Zhang Jijing	√	√	√
Mr Vernon Francis Moore	√	√	√
Mr Liu Jifu	√	√	√
Non-executive Directors			
Mr André Desmarais	√	√	√
Mr Peter Kruyt (alternate director to Mr André Desmarais)	√	√	
Mr Ju Weimin	√	√	
Mr Yin Ke	√	√	
Mr Carl Yung Ming Jie		√	
Independent Non-executive Directors			
Mr Alexander Reid Hamilton	√	√	
Mr Gregory Lynn Curl	√	√	
Mr Francis Siu Wai Keung	√	√	√
Dr Xu Jinwu	√	√	

Board meetings and attendance

The board meets regularly to review the financial and operating performance of CITIC Pacific and to discuss future strategy. Four regular board meetings and one special board meeting were held in 2013. At the board meetings, the board reviewed significant matters including CITIC Pacific's annual and half-year financial statements, annual budget, proposals for final and interim dividends, annual report and half-year report, and discloseable and connected transactions. At each of the regular board meetings, the board received a written report from the president on CITIC Pacific's major businesses, investments and projects, and corporate activities. During the year the board received detailed briefings on the progress of the Sino Iron project. In October 2013, a special board meeting was held to approve a discloseable and connected transaction, the details of which are set out in the announcement of CITIC Pacific dated 29 October 2013 in which detailed information of such transaction was presented to the board. A tour of Hong Kong properties in Discovery Bay and motor service centres of Dah Chong Hong was organised for the directors after the November board meeting. In early December, a ceremony was held at the mine site in Australia to celebrate the first shipment of iron ore concentrate of the Sino Iron project. A schedule of board meeting dates is fixed for each year ahead whenever possible, and the dates of the next regular board meetings are fixed at the close of each board meeting. At least 14 days' formal notice of all regular board meetings is given to all directors, and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and board papers for each meeting are sent to all directors at least three days in advance of every regular board meeting. All minutes of the board meetings are kept by the company secretary. Copies are provided to directors and the original minutes are available to all directors for inspection. In addition to the board meetings, the chairman also holds a meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors on an annual basis.

The attendance record of each director at board meetings and general meetings in 2013 is set out below:

	Board Meeting	Annual General Meeting on 16 May 2013	Extraordinary General Meeting on 4 December 2013
Number of Meetings	5	1	1
Executive Directors			
Mr Chang Zhenming (Chairman)	5/5	√	
Mr Zhang Jijing (President)	5/5	√	√
Mr Vernon Francis Moore (Chief Financial Officer)	5/5	√	√
Mr Liu Jifu	4/5	√	
Non-executive Directors			
Mr André Desmarais (Note)	3/5		
Mr Peter Kruyt (alternate director to Mr André Desmarais)	2/5	√	
Mr Ju Weimin	4/5	√	
Mr Yin Ke	5/5	√	
Mr Carl Yung Ming Jie	1/5		
Independent Non-executive Directors			
Mr Alexander Reid Hamilton	3/5	√	
Mr Gregory Lynn Curl	5/5	√	√
Mr Francis Siu Wai Keung	5/5	√	√
Dr Xu Jinwu	5/5	√	

Note: where Mr André Desmarais could not attend the board meeting or annual general meeting, Mr Peter Kruyt attended in his place

Chairman and the president

Mr Chang Zhenming serves as the chairman of CITIC Pacific and Mr Zhang Jijing as the president of CITIC Pacific. The president plays the same role and has the same responsibilities as that of the managing director. The chairman and the president have separate defined responsibilities whereby the chairman is primarily responsible for leadership and effective functioning of the board, ensuring key issues are promptly addressed by the board, as well as providing strategic direction for CITIC Pacific. The president is responsible for the day-to-day management of CITIC Pacific and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the board.

Board Committees

The board has appointed a number of committees to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Executive committee

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

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

The executive committee is chaired by the president (an executive director) and its membership includes the chief financial officer (an executive director), one other executive director, two executive vice presidents, leaders of major businesses in the Group and leaders of key head office functions. The chairman of the board has the right to attend any executive committee meetings. The executive committee met eleven times in 2013. The relevant executive directors as listed below together with the corporate functional leaders and leaders of major operating businesses attended the executive committee meetings. Full minutes of the meetings are kept by the company secretary, which were sent to the committee members after each meeting.

The meeting attendance of directors is as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Executive Directors	
Mr Zhang Jijing (chairman)	10/11
Mr Vernon Francis Moore	11/11
Mr Liu Jifu (Note)	6/11

Note: two of the meetings were attended by his representative

Remuneration committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere at CITIC Pacific group, so as to align management incentives with shareholder interests.

The committee currently comprises three independent non-executive directors with Mr Francis Siu Wai Keung as the chairman. The executive vice president, Mr Kwok Man Leung, serves as the secretary of the committee. The secretary prepares full minutes of the meetings and sends them to the committee members within a reasonable time after the meetings. The full terms of reference are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_remuneration.html) and the Stock Exchange's website.

The composition of the remuneration committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (chairman)	1/1
Mr Alexander Reid Hamilton	1/1
Mr Gregory Lynn Curl	1/1

Work done in 2013

The remuneration committee completed the following in 2013:

1. reviewed and approved the remuneration policy;

2. approved the salaries and bonuses of the executive directors and senior executives; and

3. recommended to the board revision of the fees for the non-executive directors serving on the audit committee.

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

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

In February 2014, the remuneration committee approved the remuneration package of the newly appointed executive director.

Details of CITIC Pacific's remuneration policies are set out in the Human Resources section on page 136, and directors' emoluments and retirement benefits are disclosed on pages 193 to 194. Share options granted under the CITIC Pacific Share Incentive Plan 2000 which ended on 30 May 2010 are disclosed on pages 122 to 124.

The remuneration paid to the directors, by name, for the year ended 31 December 2013 is set out in Note 12 to the financial statements. The remuneration paid to the senior management, by band, for the year ended 31 December 2013 is set out below.

Remuneration of senior management other than directors for the full year of 2013

Total Remuneration Bands	Number of Executives
Below HK$3,000,000	0
HK$3,000,001 – HK$6,000,000	11
HK$6,000,001 – HK$9,000,000	2
HK$9,000,001 – HK$12,000,000	2
HK$12,000,001 – HK$15,000,000	0
HK$15,000,001 – HK$18,000,000	1
	16

Note: (1) the above does not include an executive who resigned during the year 2013
(2) the above includes an executive who resigned in 2014

Audit committee

The audit committee acts on behalf of the board in providing oversight of CITIC Pacific's financial reporting, annual audit and interim review, internal control as well as corporate governance. It consists of three non-executive directors: Mr Francis Siu Wai Keung (chairman), Mr Alexander Reid Hamilton and Mr Yin Ke. Mr Siu and Mr Hamilton are independent non-executive directors having the relevant professional qualification and expertise in financial reporting matters. The audit committee meets four times a year with CITIC Pacific's external auditor, the chief financial officer, group financial controller and group internal auditor attending the meetings, taking part in the discussions and answering questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee chairman and other committee members also meet in separate private sessions with the external auditor and group internal auditor without the presence of management.

Duties of the audit committee

The authority, role and responsibilities of the audit committee are set out in written terms of reference which are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_audit.html) and the Stock Exchange's website. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Amendments to the terms of reference are submitted to the board for approval.

Under its terms of reference, the audit committee shall:

- Review and monitor the integrity of financial information of CITIC Pacific and provide oversight of the financial reporting process;
- Monitor the effectiveness of the external audit and oversee the appointment, remuneration and terms of engagement of CITIC Pacific's external auditor, as well as his independence;
- Oversee the system of internal control and risk management, including the Group's internal audit function as well as arrangements for concerns raised by staff on financial reporting and other matters ("whistle-blowing");
- Undertake corporate governance functions delegated from the board, including:

  (a) reviewing CITIC Pacific's policies and practices on corporate governance and making recommendations to the board as well as CITIC Pacific's compliance with the CG Code and disclosures in the corporate governance report;

  (b) reviewing and monitoring:

    (i) the training and continuous professional development of directors and senior management;

    (ii) CITIC Pacific's policies and practices on compliance with legal and regulatory requirements, and the Group's code of conduct; and

    (iii) the Group's whistle-blowing policy and system.

Committee composition and meeting attendance

The composition of the audit committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Independent Non-executive Directors	
Mr Francis Siu Wai Keung (chairman)	4/4
Mr Alexander Reid Hamilton	4/4
Non-executive Director	
Mr Yin Ke	4/4
Other Attendees	
Chief Financial Officer	4/4
Group Financial Controller/Director of Financial Control	4/4
Group Internal Auditor	4/4
External Auditor	4/4

The company secretary acts as the secretary to the committee. Sufficient resources are made available to the committee when required. An agenda and accompanying committee papers are sent to the committee members at least three days prior to each meeting. The company secretary prepares full minutes of the audit committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment after each meeting and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting.

The chairman of the committee summarises the activities of the committee and highlights issues arising and reports to the board after each audit committee meeting.

Work done in 2013

The audit committee performed the following in 2013:

Financial reporting	Reviewed the 2012 annual financial statements, annual report and results announcement
	Reviewed the 2013 half-year financial statements, half-year report and results announcement
	Recommended to the board approval of the 2012 annual report and 2013 half-year report
	Examined checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements
External audit and interim review	Reviewed Audit Committee Reports provided by the external auditor on their statutory audit of the 2012 annual financial statements and their independent review of the 2013 half-year financial statements
	Discussed financial reporting and control matters set out in the Audit Committee Report submitted by the external auditor or addressed in representation letters issued by management to the external auditor, and reviewed the status of assurances provided by the business and functional management with respect to the integrity of the financial statements
	Reviewed the external auditor plans for their independent review of CITIC Pacific's 2013 half-year financial statements and their statutory audit of the 2013 annual financial statements, including the audit scope and the nature of their work
	Considered the independence of the external auditor of CITIC Pacific

Internal control and internal audit	Examined management's annual self-assessments of the effectiveness of the internal controls of the Group, including adequacy of the staff resources, qualifications and experience of CITIC Pacific's accounting and finance functions
	Reviewed the internal audit charter and internal audit priority weighting policy and approved group internal audit's annual internal audit plan and reviewed the overall audit work progress in each committee meeting
	Reviewed group internal audit's quarterly reports on risk management and internal control findings, recommendations, management response and progress in rectification of internal control and other matters
	Reviewed the staffing and resources of the group internal audit department
	Noted any significant changes in financial or other risks faced by CITIC Pacific and reviewed management's response to them
Corporate governance and Code requirements	Reviewed the terms of reference of the audit committee
	Reviewed the one whistle-blowing case received through the whistle-blowing channel, which was resolved by the management
	Reviewed reports submitted by the management on the Group's compliance with the code of conduct, regulatory and statutory obligations, and internal policies regarding the conduct of business and corporate governance work
	Reviewed the training and continuous professional development of directors
	Reviewed CITIC Pacific's Corporate Governance Policy, Code of Conduct, Whistle-blowing Policy, and other corporate governance practices under the CG Code
	Reviewed CITIC Pacific's compliance with the CG Code and disclosures in the corporate governance report
	Noted updates on corporate governance practices in Hong Kong, e.g. board diversity and Environmental, Social and Governance Reporting
	Considered the potential impact of the new COSO internal control requirements on the Group's internal control practice

In the audit committee meeting of February 2014, the audit committee reviewed and approved CITIC Pacific's annual financial statements and annual report for the year ended 31 December 2013, and considered reports from the external and internal auditors. The audit committee recommended that the board approve the 2013 annual report.

Nomination committee

The nomination committee was established by the board with written terms of reference in compliance with the CG Code. Following the adoption of the board diversity policy on 14 August 2013, the terms of reference of the nomination committee were revised in line with the new CG Code requirements which took effect from 1 September 2013. The revised full terms of reference are available on CITIC Pacific's website (http://www.citicpacific.com/en/investors/corporate-governance_nomination.html) and the Stock Exchange's website.

The nomination committee reports directly to the board and its primary functions are:

- to determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship;
- to review the structure, size, composition and diversity of the board at least annually and make recommendations on any proposed changes to the board;
- to assess the independence of independent non-executive directors; and
- to make recommendations to the board on the appointment or re-appointment of directors.

Starting from August 2013, the nomination committee undertakes an additional function delegated from the board to review the board diversity policy adopted in August 2013, and makes recommendations on any required changes to the board. This policy sets out the approach to achieve diversity on the board which will include and make good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective function of the board as a whole. CITIC Pacific believes that diversity can strengthen the performance of the board, and promote effective decision-making and better corporate governance and monitoring. The nomination committee discusses and agrees annually the relevant measurable objectives that the board has set for implementing this policy and makes recommendations to the board for adoption. It also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

The nomination committee comprises three members, two of whom are independent non-executive directors, and is chaired by the chairman of the board. The nomination committee meets at least annually and at such other times as it shall require. The company secretary acts as the secretary to the committee. The committee is provided with sufficient resources enabling it to perform its duties, and it can seek independent professional advice at CITIC Pacific's expense if necessary.

During the year, one nomination committee meeting was held with full attendance by the committee members in person or by video conference. The company secretary prepared full minutes of the nomination committee meetings, and the draft minutes were sent to all committee members. One set of resolutions was passed by circular by all the committee members during 2013.

The composition of the nomination committee during the year as well as the meeting attendance are as follows:

Membership and Attendance

Members	Attendance/Number of Meetings
Executive Director	
Mr Chang Zhenming (chairman)	1/1
Independent Non-executive Directors	
Mr Alexander Reid Hamilton	1/1
Mr Gregory Lynn Curl	1/1

The nomination committee completed the following work in 2013:

1. reviewed the structure, size, composition and diversity of the board;

2. considered the proposed amendments to its terms of reference to take into account the new CG Code requirements for board diversity policy and recommended their adoption by the board;

3. reviewed the board diversity policy and discussed the measurable objectives, including knowledge and experience, skills, independence, age and gender and nationality, and agreed that these measurable objectives were achieved for the diversity of the board which contributed to the corporate strategy and the business development of CITIC Pacific; and

4. recommended to the board the re-election of the retiring directors at the forthcoming annual general meeting.

In February 2014, a meeting was held at which the nomination committee recommended to the board the appointment of Mr Zeng Chen as an executive director of CITIC Pacific. The nomination committee members also noted the retirement of Mr André Desmarais.

Investment committee

The investment committee was set up in May 2009 to provide advice to the chairman, the president and the board on:

- investment plans, feasibility studies and proposed disposals or divestments initiated by the businesses in the Group or the committee itself;

- the strategy and planning of CITIC Pacific; and

- the annual operating and capital expenditure budgets and business plans of CITIC Pacific and businesses in the Group, amendments to approved budgets and unbudgeted capital expenditure.

The committee is chaired by the chairman of the board. The other members are the president (an executive director), chief financial officer (an executive director) and two executive vice presidents. Prior to the committee meetings, business proposals and feasibility studies are prepared by the proposing business, and the Group's business development department provides analysis to facilitate discussions. Depending on the availability of members, discussions are made either in physical meetings or in writing. Discussion results will be notified to people concerned with implementation for information and follow up.

The committee meets on an "as required" basis. In 2013, there were eleven discussions of the committee covering 18 topics.

Membership and Participation

Members	Participation/Number of Discussions
Executive Directors	
Mr Chang Zhenming (chairman)	11/11
Mr Zhang Jijing	11/11
Mr Vernon Francis Moore	11/11

Asset and liability management committee

The asset and liability management committee was established in October 2008 to review the financial position of CITIC Pacific and set limits as appropriate on its financial risk exposures during the financial risk management process. The principal responsibilities of the asset and liability management committee are to:

- review regularly the asset and liability balances of CITIC Pacific in aggregate and at the subsidiary level;
- review and set limits on exposure at Group, subsidiary or business unit levels in relation to
  - asset and liability structure
  - counterparties
  - currencies
  - interest rates
  - commitments and contingent liabilities;
- review and approve financing plans;
- approve the use of new financial products; and
- establish hedging policies.

The committee is chaired by the chief financial officer (an executive director). Other members include two executive vice presidents, the group financial controller, the group treasurer, and the executives with responsibility for treasury, treasury risk management and financial control.

The chief financial officers of major business units may be invited to attend and report at the meetings of the asset and liability management committee from time to time. The committee met eleven times during 2013 to consider the matters within its terms of reference. All the meetings were chaired by Mr Vernon Francis Moore.

Special committee to deal with matters relating to investigations of CITIC Pacific

A special committee to deal with matters relating to the investigations of CITIC Pacific was established in April 2009 to

- approve communications between CITIC Pacific and any relevant authorities or third parties in relation to the investigations by the Securities and Futures Commission and the Commercial Crime Bureau of the Hong Kong Police Force;
- consider the issue of legal professional privilege and to make decisions on behalf of CITIC Pacific in connection therewith; and
- seek legal and professional advice on behalf of CITIC Pacific as well as approve their fees.

The committee comprises three members, namely, Mr Zhang Jijing (executive director), Mr Ju Weimin (non-executive director) and Mr Francis Siu Wai Keung (independent non-executive director). No physical committee meetings were held during the year, and the committee members reviewed the matters concerning the protection of legal professional privilege by way of circulation and received written independent legal advice.

On 28 March 2012, the Court of Appeal handed down judgment, overturning the Court of First Instance's judgment of 18 March 2011, ruling that the six documents voluntarily handed to the Securities and Futures Commission were protected by legal professional privilege. The Court of Appeal's judgment is final and conclusive as no appeal has been made to the Court of Final Appeal, and CITIC Pacific is in the process of recovering its legal costs of this part of the proceedings and seeking return of the relevant privileged documents.

CITIC Pacific filed a notice of appeal on 9 January 2012 against the judgment in relation to approximately 1,600 further items handed down by the Court of First Instance on 19 December 2011. The hearing dates of this part of the proceedings remain to be fixed.

Accountability and Audit

Financial reporting

The board of directors recognises the importance of integrity of financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs and of its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. The board endeavours to present to shareholders a balanced and understandable assessment of CITIC Pacific's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable.

There are new or revised accounting standards that became effective during the year, of which the most significant and relevant to the Group are disclosed in Note 1(a) on page 163.

The responsibilities of the external auditor with respect to the accounts for the year ended 31 December 2013 are set out in the Independent Auditor's Report on page 272.

External auditors and their remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. PwC has been engaged as CITIC Pacific's external auditor since 1989 and retired at the close of the 2013 AGM. Since then, KPMG has been appointed as CITIC Pacific's external auditor in place of PwC; more details in relation to the appointment are disclosed in the announcement of CITIC Pacific dated 2 April 2013. For year 2013, KPMG's fees for its services were approximately as follows:

Statutory audit fee: HK$41 million (2012: HK$21 million)

Fees for other services, including review of the half-year financial statements, special audits, advisory services relating to systems and tax services: HK$11 million (2012: HK$6 million).

Other audit firms (including PwC) provided statutory audit services at a fee of approximately HK$15 million (2012: HK$44 million) and provided other services for fees of HK$5 million (2012: HK$9 million).

Internal controls

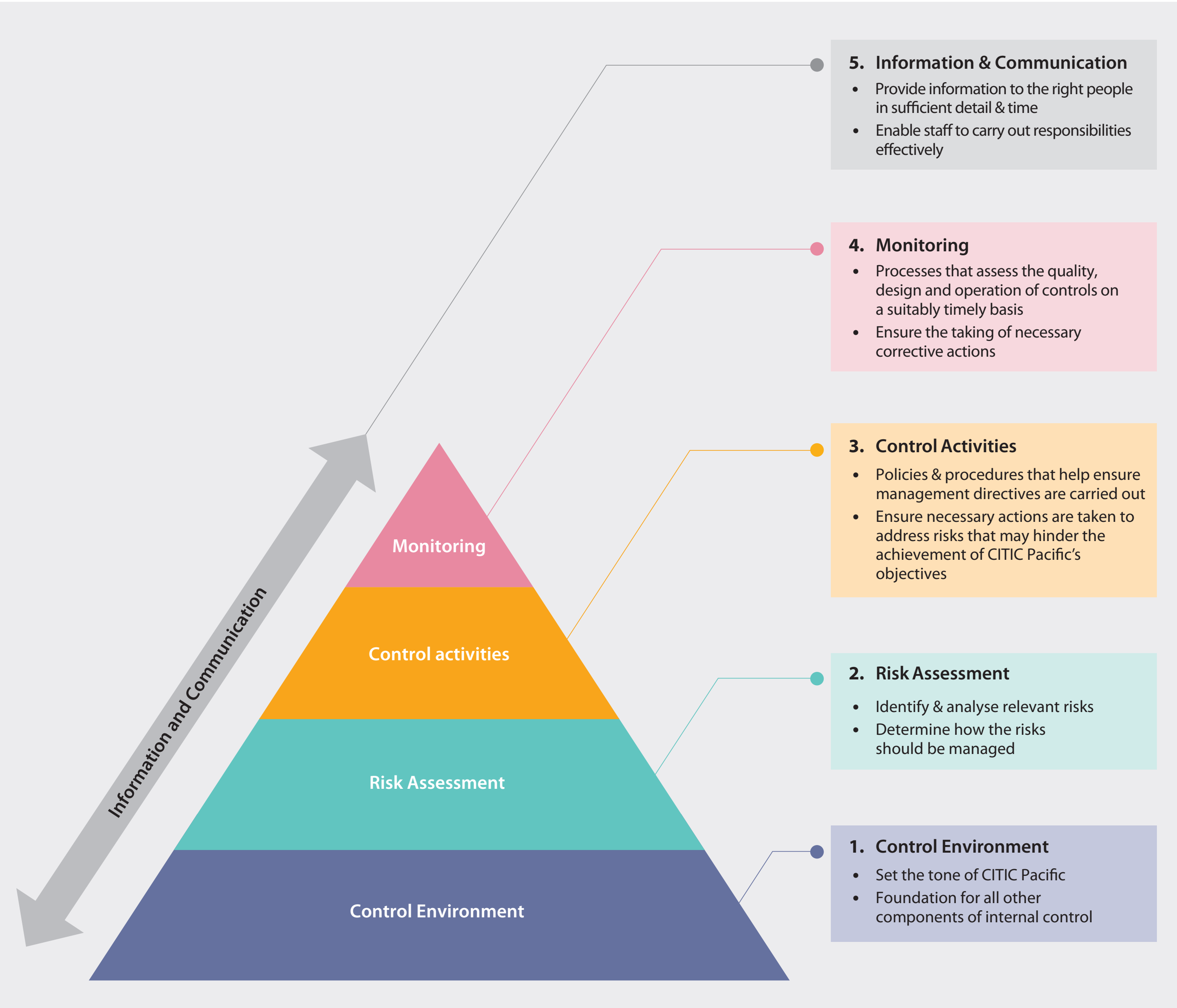
The board has overall responsibility for maintaining a sound and effective internal control system, which is designed and operated to provide reasonable assurance that the business objectives of CITIC Pacific in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets by the management;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by business units and functions.

CITIC Pacific's internal control framework

CITIC Pacific has developed an integrated internal control framework for providing assurance of the achievement of its business objectives, which is consistent with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and the Basic Standard for Enterprise Internal Control (the "Basic Standard"), which takes effect from 2012 in mainland China and is commonly called China-Sox.

The internal control framework adopted by CITIC Pacific is demonstrated below:



In May 2013, the COSO released an updated and enhanced version of its COSO internal control framework ("the new COSO"). The board and management are now assessing the impact of the new requirements for ensuring smooth implementation across the Group by the end of 2014.

As part of this internal control initiative, new internal control self-assessment tools will be deployed, and the internal control questionnaires will be updated.

Key control policies and measures

Under CITIC Pacific's internal control framework, risk management and internal control are primarily the collective responsibility of every manager and employee. For consistent compliance by every person in CITIC Pacific, the following key control policies and measures are implemented in the everyday activities, which are summarised below:

Key control policies and measures undertaken by CITIC Pacific	
Control Environment	• Corporate governance policy, human resources policy manual and code of conduct governing the conduct of business and governance work, as well as periodic reviews and refresher training sessions on important ethical practices. • Whistle-blowing policy for facilitating internal reporting of suspected malpractice. • Inside information and price sensitive disclosure policy on reporting and disseminating price-sensitive information.
Risk Assessment	• The risk management functions under group treasury department as well as a risk management working group to identify and assess financial and other risks in different areas across CITIC Pacific. The long-term objective is to further promote and monitor formal business-wide risk management processes. Further information in this regard is set out in the Risk Management Section of this Annual Report. • Asset and liability management committee and risk management functions of other board committees to oversee management of both financial and non-financial risks. • Executive committee of CITIC Pacific as well as steering and management committees at the business unit level for ongoing monitoring of business, operational and other risks. • Ongoing implementation of operational risk management system in certain business units; increasing number of reviews of departmental risk registers as well as associated action plans; improvements noted in regular reporting to senior management in the risk assessment process. • Production and review of risk assessment reports, as well as a variety of insurance arrangements to manage insurable risks.
Control Activities	• Major control systems and processes, including budgetary and cost controls, financial reporting systems and processes for management reporting, corporate policies and procedures for approvals, reviews and segregation of duties in everyday activities.

Key control policies and measures undertaken by CITIC Pacific	
Monitoring	• Ongoing compliance monitoring and internal control reviews under the oversight of the audit committee (please refer to the section headed "Monitoring of internal control effectiveness" below). • CITIC Pacific's company secretariat and group legal functions for overall assessing and monitoring procedures in place to ensure compliance with Listing Rules and overseeing compliance matters in respect of applicable laws and other major regulations. • Group internal audit reporting directly to the audit committee and conducting independent reviews on the internal controls and risk management.
Information and Communication	• Implementation, maintenance and continuous development of enterprise resource planning (ERP) and information systems to support CITIC Pacific's businesses and operations, including financial controls and treasury management functions. • CITIC Pacific's intranet and corporate email systems for dissemination of corporate messages on a timely basis. • Corporate website and shareholders communication policy to ensure shareholders receive balanced and understandable information about CITIC Pacific to encourage them to participate in general meetings of CITIC Pacific.

Monitoring of internal control effectiveness

On behalf of the board, the audit committee during the year evaluated the effectiveness of the internal control system of the Group, including financial, operational and compliance controls and risk management, as well as adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions, and their training programme and budget.

Major internal control reviews conducted during the year are summarised below:

Internal control monitoring	Particulars of major work done	Observations
Internal audit	• Reviewed the reports of group internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee • Evaluated the adequacy of resources and competency of the group internal audit function in discharging the internal audit responsibilities; also reviewed the progress of the internal audit work against the approved internal audit plan	• Internal audit findings and recommendations, management's responses and remedial actions taken were considered at each audit committee meeting • Reports to the board on such reviews where appropriate
Compliance assessments	• Reviewed the compliance declarations undertaken by business units and head office functions of CITIC Pacific, whereby cases of non-compliance with the code of conduct are required to be reported on a half-yearly basis; and, non-compliance with laws, the Listing Rules, other regulations, or other corporate policies are required to be reported on an annual basis • Considered any non-compliance cases noted in the internal audit reports	• No significant non-compliance cases were noted during the year
Control self-assessments	• Reviewed the results of consolidated control self-assessments made by management of business units and head office functional departments, of their material controls and risk management activities undertaken with reference to CITIC Pacific's internal control framework • Ensured documentation in relation to the management's control self assessments were reviewed by the group internal audit • Reviewed letters of representation from executive management of business units confirming that their control self assessments remain correct and that their financial statements are prepared in accordance with the Group's financial reporting policies	• No material issues were identified during the year; business units and head office functions have indicated certain areas of internal control which they intend to further enhance • Positive confirmations from management were noted

Internal control monitoring	Particulars of major work done	Observations
Review of the accounting and finance functions under the CG Code requirements	• Reviewed self assessments made by business units, group financial control, group treasury and group internal audit of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budget	• Resources in the accounting and finance functions of the Group are considered adequate • Qualifications and experience of the staff of the accounting and finance functions are satisfactory overall • Training activities and budgets have been given continual attention during the year and are satisfactory

The board and management will continue to look into opportunities for further enhancing the effectiveness of the internal control system of the Group by ensuring that adequate and effective internal controls are in place under CITIC Pacific's internal control framework, and that they are in conformity with the internal control requirements under the Listing Rules and other applicable regulations and laws in different jurisdictions.

Internal audit

CITIC Pacific regards group internal audit as an important part of the board and audit committee's oversight function. The principal objective of group internal audit, which is set out in an internal audit charter, is to provide the board and the management with useful information and recommendations on the adequacy and effectiveness of the internal control system of the Group.

Authority and accountability

Under the internal audit charter endorsed by the audit committee, the group internal audit function is authorised by the board to have access to all records, people and physical properties relevant to the performance of the internal audit. The group internal auditor has unrestricted access to the chairman of the audit committee and reports directly to the audit committee for direction and accountability. This reporting relationship enables group internal audit to provide an objective assurance to the effectiveness of the internal control system of the Group.

Duties

The duties of group internal audit are described in the internal audit charter. It requires that (a) internal audits are conducted with proficiency, objectivity and due professional care in compliance with the standards, guidelines, and the code of ethics of the Institute of Internal Auditors; (b) audit testing and reviews are carried out at all levels of the Group to provide reasonable assurance as to whether the system of internal control is adequate; the assets of the Group are properly safeguarded; the operations are conducted effectively and efficiently in accordance with the Group's strategic objectives, policies and procedures as well as relevant laws and regulations; and the accounting records of the audited entities and operations are reliable and (c) special reviews are conducted by group internal audit when required by the management, the audit committee or the board.

Internal audit resources and major work done in 2013

The group internal audit function, led by the group internal auditor, comprised 28 audit staff members at 31 December 2013 who are based in Hong Kong, Perth, Shanghai and Guangzhou respectively to provide audit services to various business units and functions of the Group. In response to CITIC Pacific Mining's transition from construction to operations, the group internal audit function was strengthened by the addition of three operational auditors. This enabled the integrated operational audits on the mining operations as well as the downstream value-chain activities. During the year, the audit of a major subsidiary of CITIC Telecom International Holdings Limited, a listed associate, was completed on a co-sourcing basis with a leading professional accounting firm to increase the internal audit value.

During the year, the group internal auditor prepared and submitted the annual internal audit plan to the audit committee for approval, according to a risk-based audit priority weighting policy. Pursuant to the approved annual plan, detailed audit planning for each audit, followed by field visits and discussions with management, was conducted with the use of a risk-based audit methodology. Reports to the management were prepared after completion of the audit work, and were summarised for review at each audit committee meeting. Continual follow-up work was undertaken by group internal audit to establish the extent of completion of remedial actions taken by the management, with follow-up results, audit progress and available resources reviewed by the audit committee at each committee meeting.

In 2013, group internal audit issued internal audit reports and observation papers to the management covering various operational and functional units of the Group, including iron and steel operations, property, energy, head office functions, Dah Chong Hong Holdings Limited and CITIC Telecom International Holdings Limited. Group internal audit also conducted other reviews during the year.

Other tasks performed by the group internal audit function and the group internal auditor during the year included:

- Provided oversight of the whistle-blowing channel whereby staff concerns about conduct of the business are raised and where appropriate investigations into reported cases are conducted; in 2013, one case was received through the whistle-blowing channel, which was in relation to minor human resources issues.

- Attended all monthly meetings of the executive committee to ensure that the group internal auditor stays abreast of all major developments in the Group and the audit work progress, major audit findings and related follow-up results are reported on a monthly basis.

- Worked together with the management of a special steel business in mainland China and an external consultancy firm, with respect to the implementation of the internal control requirements under the Basic Standard for Enterprise Internal Control (the "Basic Standard" or commonly called the "China-Sox") for ensuring full compliance with the regulations. The special steel company has issued its first China-Sox compliance report in the 1st quarter of 2013.

- Delivered a presentation on the new COSO internal control requirements in the Group's finance conference; presented the whistle-blowing process of CITIC Pacific in the Group's finance conference, human resources conference and head office's code of conduct refresher sessions respectively, with the objective of promoting good staff conduct.

- Carried out ongoing assessments of information technology controls pursuant to the annual audit plan; participated in the development of the Group's new treasury system by providing internal control suggestions for enhancement purposes.

- Assisted in the monitoring of the 2013 internal control and compliance self-assessment exercises for major business units and head office functions, regarding internal controls, risk management activities, compliance with internal policies and legal and regulatory requirements, as well as the adequacy, qualification, experience and training programmes of the accounting and financial reporting functions of the Group.

- Liaised with internal control software houses and explored the feasibility of introducing an online standardised platform for facilitating the Group's internal control self-assessments, as well as enhanced audit management tools.

- Rendered support in the groundwork for the group-wide corporate governance initiatives, namely, new COSO implementation and Environmental, Social and Governance (ESG) reporting.

- Implemented continuous training and development programmes, including quarterly sharing sessions and periodic training workshops, for all internal audit staff to enhance their audit skill sets and knowledge.

- Benchmarked the internal audit charter against the latest version of the International Professional Practices Framework issued by the Institute of Internal Auditors to ensure the group internal audit function remains in line with internationally recognised internal audit practices; the revised internal audit charter was submitted to the audit committee for endorsement in May 2013.

Business Ethics

Code of conduct

At CITIC Pacific, we consider ethical corporate culture and employees' honesty and integrity to be important assets. We endeavour to comply with the laws and regulations of the countries in which we operate, and all directors and employees are required to act responsibly to ensure that the reputation of CITIC Pacific is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, CITIC Pacific has adopted a code of conduct which provides employees with a set of defined ethical standards for adherence. The code of conduct was revised in 2013 to update the scope of topics, including prevention of bribery practices, use of proprietary information, conflicts of interest and inside information. The new version of the code was posted on CITIC Pacific's intranet for reference by all employees in the head office and sent to all business units for further dissemination to their employees. To ensure existing employees fully understand the revised code, briefing sessions for employees in the head office were conducted in 2013. A separate briefing was also arranged for representatives from the finance and human resources functions of our subsidiaries to facilitate further communication and execution of the code.

New employees are informed of the rules and standards set out in the code of conduct upon joining CITIC Pacific and are required to acknowledge their understanding of the code of conduct. The heads of business units are charged with the responsibility of disseminating the code of conduct requirements to the people concerned and are required to report the compliance status of the code of conduct on a bi-annual basis to the head of group human resources. The audit committee receives reports on the execution of the code of conduct and its compliance at least once a year and, where necessary, recommendations were made to the board and management for implementation.

Whistle-blowing policy

CITIC Pacific considers the whistle-blowing channel a useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. CITIC Pacific has adopted a whistle-blowing policy setting out principles and procedures for guiding the directors and employees of CITIC Pacific in reporting cases of fraud, corruption or misconduct in a fair and proper manner.

According to the whistle-blowing policy, concerns can be raised in writing to the group internal auditor, chairman of the audit committee, the president or the chairman of the board by post to a designated post box. In addition, emails and phone calls to confidential hotlines can be sent directly to the group internal auditor. Upon receipt of the report, group internal audit will undertake an initial enquiry and, if appropriate, subsequent investigation work. Where necessary, the head of human resources will be involved in handling relevant cases about staff conduct. Results of the enquiry and investigation are reported directly to the chairman of the audit committee or the president where appropriate. The whistle-blowing policy is posted on CITIC Pacific's intranet. During 2013, group internal audit received one case from the whistle-blowing channel, which was mainly in relation to a minor human resources issue of an operation in mainland China. It was handled according to CITIC Pacific's whistle-blowing policy. During the course of the year, briefing sessions on the whistle-blowing process of CITIC Pacific were respectively conducted in the Group's finance conference, human resources conference and head office code of conduct refresher sessions.

Inside information/price sensitive information disclosure policy

CITIC Pacific has adopted an inside information/price sensitive information disclosure policy setting out the practices and procedures for monitoring business and corporate developments and events so that any potential inside information/price sensitive information is promptly identified and relayed to the board to enable it to make timely decisions on disclosure, if necessary, and for taking appropriate measures to preserve confidentiality of inside information/price sensitive information until proper dissemination of the inside information/price sensitive information via the electronic publication system operated by the Stock Exchange.

Good employment practices

In Hong Kong, CITIC Pacific has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legally compliant, non-discriminatory and professional employment practices are implemented.

Directors' and relevant employees' securities transactions

CITIC Pacific has adopted the model code for securities transactions by directors of listed companies ('model code') contained in Appendix 10 to the Listing Rules. All directors confirmed that they have complied with the required standard set out in the model code throughout 2013. The interests held by individual directors in CITIC Pacific's securities as at 31 December 2013 are set out in the Directors' Report on 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 2013, the company secretary took no less than 15 hours of relevant professional training.

Constitutional Documents

There were no changes in the constitutional documents of CITIC Pacific during the year under review. However, in order to be in line with the substantial amendments under the new Companies Ordinance which came into force on 3 March 2014, the board proposes to amend the existing memorandum and articles of association of CITIC Pacific which is subject to shareholders' approval for adoption of the new articles of association of CITIC Pacific ("New Articles") at the 2014 AGM. The New Articles will be posted on CITIC Pacific's website and the Stock Exchange's website.

Communication with Shareholders

CITIC Pacific considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as to ensure the board of directors is accountable. Major means of communication with shareholders of CITIC Pacific are as follows:

Information disclosure at corporate website

CITIC Pacific endeavours to disclose all material information about the Group to all interested parties as widely and in as timely a manner as possible. CITIC Pacific maintains a corporate website at http://www.citicpacific.com, where important information about CITIC Pacific's activities and corporate matters such as annual reports and half-year reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

During 2013, CITIC Pacific issued press announcements in respect of a number of notifiable transactions and connected transactions, which can be viewed on CITIC Pacific's website (http://www.citicpacific.com/en/investors/announce_index.php).

General meetings with shareholders

CITIC Pacific's annual general meeting provides a useful platform for direct communication between the board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meeting.

Voting by poll

Resolutions put to vote at the general meetings of CITIC Pacific (other than on procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and CITIC Pacific respectively on the same day as the poll.

Investor relations

CITIC Pacific aims to generate sustainable shareholder value over the long-term, and we recognise that effective management of stakeholder relationships, including those with investors, is key to realising that value. We believe that company objectives and shareholder objectives should be aligned for long-term value creation, and we hope that our shareholders agree with our conviction that sustainable long-term growth is more important than short-term gains.

CITIC Pacific acknowledges its responsibility to engage with shareholders and respond respectfully to their questions. We aspire to transparent and open communications and are committed to timely disclosure of relevant and material information. We meet with investors regularly to update them on our business progress and strategy. In addition, we attempt to respond promptly to questions received from the media and individual shareholders. We endeavour to share both financial and non-financial information that is relevant and material, and we attempt to clearly communicate our business strategy through biannual and other timely communications. In all cases, great care is taken to ensure that price sensitive information is not disclosed selectively. When announcements are made through the Stock Exchange, the same information will be made available on CITIC Pacific's website.

When we achieve major business milestones, we will consider inviting groups of investors to visit our facilities, such as the Sino Iron project in Western Australia, our steel plants and property projects. These requests can be made through CITIC Pacific's Investor Relations department and will be given due consideration, so long as they do not interfere with regular business operations.

Shareholders' rights

Set out below is a summary of certain rights of the shareholders of CITIC Pacific as required to be disclosed pursuant to the mandatory disclosure requirement under the CG Code:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of CITIC Pacific representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of CITIC Pacific, may require the directors of CITIC Pacific to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the company secretary in hard copy form or sent to CITIC Pacific in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of CITIC Pacific do not within 21 days after the date on which the written requisition is received by CITIC Pacific proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of CITIC Pacific.

Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the board of directors of CITIC Pacific in writing through the company secretary whose contact details are as follows:

The Company Secretary
CITIC Pacific Limited
32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Email: contact@citicpacific.com
Tel No. : +852 2820 2184
Fax No. : +852 2918 4838

The company secretary will forward the shareholders' enquiries and concerns to the board of directors and/or relevant board committees of CITIC Pacific, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of CITIC Pacific ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

(ii) CITIC Pacific shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of CITIC Pacific entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of CITIC Pacific at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong for the attention of the company secretary in hard copy form or is sent to CITIC Pacific in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Pursuant to Article 108 of CITIC Pacific's articles of association, no person other than a retiring director shall, unless recommended by the board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given a notice in writing of the intention to propose that person for election as a director and a notice in writing by that person of his willingness to be elected shall have been given to CITIC Pacific in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Board of Directors

CHANG Zhenming *(Chairman, Executive Director)*
Age 57: Mr Chang is responsible for the leadership and effective functioning of the board, ensuring that key issues are addressed by the board. He provides the strategic direction for CITIC Pacific. From 2000 to 2005 he served as an executive director, from 2006 as a non-executive director, and since 2009 as the chairman of CITIC Pacific. He is the chairman of CITIC Group Corporation, CITIC Limited and CITIC Hong Kong (Holdings) Limited and the vice chairman of CITIC International Financial Holdings Limited. He has been appointed as the chairman and a non-executive director of China CITIC Bank Corporation Limited with effect from 28 August 2013. He was a non-executive director and deputy chairman of Cathay Pacific Airways Limited, and resigned as a non-executive director of China CITIC Bank International Limited with effect from 15 March 2013. Mr Chang is the chairman of both the investment committee and the nomination committee.

Gregory Lynn CURL *(Independent Non-executive Director)*
Age 65: a director since 2011. He joined Temasek International as president on 1 September 2010, following his retirement from Bank of America in March 2010. He is also a director of Post Holdings, Inc. He was a director of the University of Virginia's Jefferson Scholars Foundation, The Enstar Group, Inc., Grupo Financiero Santander Serfin, and a non-executive director of China Construction Bank Corporation. Mr Curl is a member of both the remuneration committee and the nomination committee.

André DESMARAIS *(Non-executive Director)*
Age 57: a director since 1997. He is deputy chairman, president and co-chief executive officer of Power Corporation of Canada and a senior advisor to the International Advisory Council of China Association for the Promotion of Industrial Development and Honorary Chairman of the Canada China Business Council. Mr Desmarais will retire as director by rotation at the forthcoming annual general meeting to be held on 14 May 2014 ("2014 AGM") pursuant to Article 104(A) of the articles of association of CITIC Pacific, and will not offer himself for re-election.

Alexander Reid HAMILTON *(Independent Non-executive Director)*
Age 72: a director since 1994. He is an independent non-executive director of Shangri-La Asia Limited, Esprit Holdings Limited, COSCO International Holdings Limited, Octopus Cards Limited, DBS Bank (Hong Kong) Limited and JP Morgan China Region Fund Inc. (formerly known as JF China Region Fund, Inc.). He was a partner of PricewaterhouseCoopers. Mr Hamilton is a member of the audit committee, the remuneration committee and the nomination committee.

JU Weimin *(Non-executive Director)*
Age 50: a director since 2009. He is a non-executive director of Asia Satellite Telecommunications Holdings Limited and has been re-designated from the chairman to deputy chairman with effect from 1 January 2014, a non-executive director of CITIC Securities Company Limited and China CITIC Bank International Limited and a director of CITIC International Financial Holdings Limited and CITIC Hong Kong (Holdings) Limited. He is also a vice president, the chief financial officer and secretary of CITIC Limited. He resigned as the chairman and a non-executive director of CITIC Resources Holdings Limited with effect from 22 July 2013 and a non-executive director of China CITIC Bank Corporation Limited with effect from 28 October 2013. He was the chairman of CITIC Trust Co. Ltd, an executive director and a vice president of CITIC Group Corporation. Mr Ju is a member of the special committee.

LIU Jifu *(Executive Director)*
Age 70: a director since 2001. He is a director of CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited, and a non-executive director of CITIC Telecom International Holdings Limited. He is the chairman of the supervisory board of Companhia de Telecomunicações de Macau, S.A.R.L. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited and the chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd. Mr Liu is a member of the executive committee.

Vernon Francis MOORE *(Chief Financial Officer, Executive Director)*
Age 67: Mr Moore is responsible for treasury, financial control, risk management and corporate communications and investor relations for the CITIC Pacific group. He has been a director since 1990, transferring from CITIC Hong Kong (Holdings) Limited ("CITIC HK"). He is a director of CITIC Pacific Mining Management Pty Ltd, the chairman of New Hong Kong Tunnel Company Limited and Western Harbour Tunnel Company Limited, and an independent non-executive director of CLP Holdings Limited. He was a non-executive director of Cathay Pacific Airways Limited, and from 1987 to 2007 an executive director of CITIC HK. Mr Moore is the chairman of the asset and liability management committee, and a member of both the executive committee and the investment committee.

Francis SIU Wai Keung *(Independent Non-executive Director)*
Age 59: a director since 2011. He is an independent non-executive director of GuocoLand Limited, China Communications Services Corporation Limited, Hop Hing Group Holdings Limited and Beijing Hualian Hypermarket Co., Ltd. He has been appointed as an independent non-executive director of Shunfeng Photovoltaic International Limited and China Huishan Dairy Holdings Company Limited with effect from 12 July 2013 and 5 September 2013 respectively. He resigned as an independent non-executive director of Hua Xia Bank Co., Limited with effect from 27 February 2014. He joined KPMG Manchester, UK in 1979 and returned to Hong Kong in 1986 and became a partner of KPMG Hong Kong in 1993. From 2000 to 2002, he was a senior partner of KPMG Shanghai Office. From 2002 to March 2010, he was a senior partner of KPMG Beijing Office, and a senior partner of Northern Region, KPMG China. Mr Siu is the chairman of both the audit committee and the remuneration committee, and a member of the special committee.

XU Jinwu *(Dr. -Ing.) (Independent Non-executive Director)*
Age 64: a director since 2012. He is the vice president of The Chinese Society for Metals (中國金屬學會) and the chairman of the Metallurgical Equipment Committee of The Chinese Society for Metals (中國金屬學會冶金設備分會). He was appointed as the president of University of Science and Technology Beijing in 2004 and retired in 2013. He served as an independent director of Ningbo Donly Transmission Equipment Co., Ltd. from January 2006 to January 2012 and Xinyu Iron & Steel Co., Ltd. from April 2006 to April 2009.

YIN Ke *(Non-executive Director)*
Age 50: a director since 2009. He is the chief executive officer, executive director and chairman of CITIC Securities International Company Limited, an executive director and vice chairman of CITIC Securities Company Limited, and a non-executive director of Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust, which was listed on the Hong Kong Stock Exchange in April 2011). He is also a director of Hui Xian Investment Limited and Beijing Oriental Plaza Co., Ltd. He was a non-executive director of Zhongxing Shenyang Commercial Building Group Co., Ltd., CITIC Dameng Holdings Limited and Dah Chong Hong Holdings Limited. Mr Yin is a member of the audit committee.

Carl YUNG Ming Jie *(Non-executive Director)*
Age 45: re-designated as a non-executive director since 2012. He joined CITIC Pacific in 1993. He was an executive director since 2000 and deputy managing director from 2007 to 2012.

ZHANG Jijing *(President, Executive Director)*
Age 58: Mr Zhang is responsible for the day-to-day management of CITIC Pacific and the effective implementation of corporate strategy and policies. He served as a non-executive director from April 2009 and re-designated as an executive director from November 2009. He is a vice president of CITIC Limited, the chairman of CITIC Pacific China Holdings Limited and CITIC Pacific Mining Management Pty Ltd, and a director of CITIC Hong Kong (Holdings) Limited. He has been appointed as the chairman and a non-executive director of Dah Chong Hong Holdings Limited with effect from 1 January 2014. He resigned as a non-executive director of CITIC Resources Holdings Limited with effect from 18 September 2013. He was an executive director and a vice president of CITIC Group Corporation, the head of the strategy and planning department of CITIC Limited, a non-executive director of CITIC Securities Company Limited and China CITIC Bank Corporation Limited. He also previously served as the managing director of CITIC Australia Group and a director and vice president of CITIC Australia Pty. Ltd. Mr Zhang is the chairman of the executive committee and a member of both the investment committee and the special committee.

Peter KRUYT *(Alternate Director to André Desmarais)*
Age 58: an alternate director to André Desmarais since 2003. He is vice president of Power Corporation of Canada, chairman of Power Pacific Corporation Limited and the Canada China Business Council, and president and chief executive officer of Victoria Square Ventures Inc. Upon retirement of Mr André Desmarais by rotation at the 2014 AGM, Mr Kruyt will cease to act as the alternate director to Mr Desmarais accordingly.

New director to the board

On 28 February 2014, CITIC Pacific announced that Mr Zeng Chen has been appointed as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM. Mr Zeng will stand for re-election at the next general meeting after he takes up the office.

ZENG Chen *(Executive Director)*
Age 50: Mr Zeng was appointed as the chief executive officer of CITIC Pacific Mining Management Pty Ltd ("CPM") on 28 February 2014 and is responsible for the overall operation and management of CPM. He has been re-designated as a non-executive director of CITIC Resources Holdings Limited with effect from 1 March 2014. Mr Zeng has over 25 years of experience in project development, management, and a proven record in leading cross-cultural professionals in the resources sector. He has worked in Australia since 1994 and has extensive experience in various industries including aluminum smelting, coal mining and bulk commodity trading.

Group Executives

Chang Zhenming
Chairman and Executive Director of CITIC Pacific

Zhang Jijing
President and Executive Director of CITIC Pacific

Vernon Francis Moore
Chief Financial Officer and Executive Director of CITIC Pacific

Liu Jifu
Executive Director of CITIC Pacific

Kwok Man Leung
Age 45: executive vice president of CITIC Pacific, joined CITIC Pacific in 1993. Mr Kwok is responsible for coordinating new project developments as well as assisting the President in managing the operations of the Group with a focus in coordinating the special steel, iron ore mining, PRC property, Dah Chong Hong Holdings Limited, CITIC Telecom International Holdings Limited, infrastructure and other businesses of CITIC Pacific. Mr Kwok is in charge of the business development and group human resources & administration of CITIC Pacific. Mr Kwok is a member of the executive committee, the investment committee and the asset and liability management committee.

Milton Law Ming To
Age 50: executive vice president of CITIC Pacific, joined CITIC Pacific in 1992. Mr Law is responsible for managing the operations of Hong Kong property, shipping and resources trading, and assisting the President in liaising with the iron ore mining and energy businesses. Mr Law is a member of the executive committee, the investment committee and the asset and liability management committee.

Yu Yapeng
Age 58: vice president of CITIC Pacific, chairman of CITIC Pacific Special Steel Co., Ltd. since 2012, joined CITIC Pacific in 1993. Mr Yu is in charge of the special steel business of CITIC Pacific. From 1988 to June 2008, he has been the chief engineer, executive vice general manager and general manager of Jiangyin Xingcheng Special Steel Works Co., Ltd. He was the vice chairman of China Special Steel Enterprises Association since 1997 and now is the chairman of China Special Steel Enterprises Association. He is a director and the president of CITIC Pacific Special Steel group and the chairman of Daye Special Steel Co., Ltd. He is a member of the executive committee.

Liu Yong
Age 50: vice president of CITIC Pacific, managing director of CITIC Pacific China Holdings Limited, which assumes the overall management responsibility of CITIC Pacific's property business portfolio in the PRC. Mr Liu has more than 20 years' business experience in real estate development and operation in mainland China. He has served as general manager of Shenzhen Changcheng Investment Holding Co., Ltd and the chairman of CITIC Real Estate Investment (Shanghai) Company. He is a senior professional manager. Mr Liu is a member of the executive committee.

Li Yajun
Age 50: vice president of CITIC Pacific, general manager of CITIC Pacific energy department, joined the Ligang Power plant in 1987. Mr Li is in charge of the energy business of CITIC Pacific. He is the chairman of Sunburst Energy Development Co., Ltd., Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited. Mr Li has over 23 years' practical experience in power plant management. In recent years, he has been involved in coal and other energy industries. He also has extensive experience in investment and capital management. Mr Li is a member of the executive committee.

Fei Yiping
Age 50: vice president of CITIC Pacific, group financial controller, appointed in 2009. He joined CITIC Group Corporation in 1991. He is a director and chief financial officer of CITIC Hong Kong (Holdings) Limited, a non-executive director of Dah Chong Hong Holdings Limited. He is responsible for the financial control, tax services and financial information management systems of the Group. He has over 14 years of experience in accounting and financial management. Mr Fei is a member of both the executive committee and the asset and liability management committee.

Luan Zhenjun
Age 46: vice president of CITIC Pacific, group treasurer, joined CITIC Pacific in 2012. He joined China CITIC Bank in 1992. He was a deputy general manager in the finance department of CITIC Group Corporation before joining CITIC Pacific. Mr Luan is responsible for the Group's financing, banking relations and finance risk management. Mr Luan is a member of both the executive committee and the asset and liability management committee.

Ricky Choy Wing Kay
Age 39: vice president of CITIC Pacific, company secretary and group general counsel, joined CITIC Pacific in 2008. He is a qualified solicitor in Hong Kong. He previously practised as a commercial lawyer in private practice in Hong Kong. He is a member of the executive committee.

Corporate Functional Leaders

Holly Chen Meng
Age 47: director of group investor relations & corporate communications, joined CITIC Pacific in 2001. Prior to that, she worked for over 10 years at investment banks including Lehman Brothers, Merrill Lynch and Citibank, where she obtained extensive experience in corporate finance and corporate communications. She is a member of the executive committee.

Alan Lee Kwok Wing
Age 51: director of the financial control department, joined the internal audit department of Dah Chong Hong Holdings Limited in 1992 and was CITIC Pacific's head of internal audit from 1996 until 2000. He is a certified public accountant and previously worked for an international accountancy firm. He is a member of the asset and liability management committee.

Raymond Ma Wai Man
Age 47: group internal auditor and director of the group internal audit department, joined CITIC Pacific in 2008. He has over 25 years of experience in auditing and finance. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He is a member of the executive committee.

Other Operating Business Leaders

Special Steel

Xie Wei
Age 49: president of CITIC Pacific Special Steel Co., Ltd., joined CITIC Pacific in 2010. From 1996 to June 2008, he was the vice general manager, general manager and chairman of Baosteel No.5 Steel Co., Ltd. and the assistant general manager of Baosteel Group. From May 2006 to May 2010, he was the assistant general manager of Baoshan Iron & Steel Co., Ltd., general manager of Baosteel Special Steel Co., Ltd. and general manager of the Baosteel Special Steel Business Unit. He is the deputy director of the China Special Steel Institute and Shanghai Institute of Metal since 2000. He has been a director, executive vice president and the president of CITIC Pacific Special Steel group since May 2010. He is a director of Daye Special Steel Co., Ltd. and the chairman of Jiangyin Xingcheng Special Steel Works Co., Ltd.

Property

Aaron Wong Ha Hang
Age 55: director, property department in Hong Kong, joined CITIC Pacific in 1996. He is an executive director of Hong Kong Resort Company Limited and a director of New Hong Kong Tunnel Company Limited. Before that, he worked for an international consulting firm in the United Kingdom and in Hong Kong. Mr Wong is a member of the executive committee.

Tunnels

Miranda Yip Siu Wai
Age 50: general manager of New Hong Kong Tunnel Company Limited (“NHKTC”), joined NHKTC in 1999 as deputy general manager. She was appointed as executive director and general manager in 2004. She has extensive experience in public administration.

Dah Chong Hong Holdings

Yip Moon Tong
Age 61: chief executive officer of Dah Chong Hong Holdings Limited (“DCH Holdings”), listed on the Hong Kong Stock Exchange, joined DCH Holdings Group in 1992. He has over 30 years of experience in both the public and private sectors, in the engineering and motor vehicle businesses.

Directors’ Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2013.

Principal Activities

The principal activity of CITIC Pacific is to hold the subsidiaries, associates and joint ventures through which its business operations are carried out, employing staff and raising finance. Their major areas of operation are set out in the Business Review on pages 12 to 53.

Dividends

The directors declared an interim dividend of HK$0.10 per share for the year ended 31 December 2013 which was paid on 23 September 2013. The directors are recommending to shareholders at the forthcoming annual general meeting the payment of a final dividend of HK$0.25 per share in respect of the year ended 31 December 2013, payable on 3 June 2014 to shareholders on the Register of Members at the close of business on 22 May 2014. This represents a total distribution for the year of HK$1,277 million.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 28 to the financial statements.

Donations

Donations made by CITIC Pacific and its subsidiary companies during the year amounted to HK$5 million.

Fixed Assets

Movements of fixed assets are set out in the Financial Statements on pages 195 to 202.

Major Customers and Suppliers

The aggregate percentage of purchases from CITIC Pacific and its subsidiary companies’ five largest suppliers is less than 30%. The aggregate percentage of sales to CITIC Pacific and its subsidiary companies’ five largest customers is less than 30%.

None of the directors, their associates nor any shareholders (which to the knowledge of the directors own more than 5% of CITIC Pacific’s share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The names of the principal subsidiary companies, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in Note 43 to the financial statements.

Issue of Debt and Perpetual Capital Securities

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of CITIC Pacific, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 to investors for general corporate purposes pursuant to the subscription agreement dated 26 October 2005. Each noteholder will have the right at such noteholder's option to require the issuer to redeem all of such noteholder's JPY notes on 28 October 2015 at 81.29% of the principal amount of such JPY notes. All such notes remained outstanding at 31 December 2013.

On 16 August 2010, CITIC Pacific issued and sold a total of US$150 million principal amount of 6.9% notes due 2022, to an investor pursuant to the purchase agreement dated 11 August 2010. All such notes remained outstanding at 31 December 2013.

On 15 April 2011, CITIC Pacific issued and sold a total of US$500 million principal amount of 6.625% notes due 2021 to investors under the US$2,000 million medium term note programme (as subsequently increased to US$4,500 million on 25 September 2012, the "MTN Programme") established on 6 April 2011 pursuant to the subscription agreement dated 8 April 2011. These 6.625% notes are listed on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange"). All such notes remained outstanding at 31 December 2013.

On 15 April 2011, CITIC Pacific issued and sold a total of US$750 million principal amount of 7.875% perpetual subordinated capital securities to investors pursuant to the subscription agreement dated 8 April 2011. These securities are listed on the Hong Kong Stock Exchange. All such securities remained outstanding at 31 December 2013.

On 3 August 2011, CITIC Pacific issued and sold a total of RMB1,000 million principal amount of 2.7% unlisted notes due 2016 under the MTN Programme to investors pursuant to the subscription agreement dated 27 July 2011. All such notes remained outstanding at 31 December 2013.

On 27 February 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB800 million principal amount of 6% short term commercial paper due 2013 to investors. All such commercial paper was fully repaid at maturity and none remained outstanding as at 31 December 2013.

On 21 March 2012, CITIC Pacific issued and sold a total of US$750 million principal amount of 6.875% notes due 2018, and on 26 April 2012, CITIC Pacific issued an additional US$350 million principal amount of 6.875% notes due 2018, which were consolidated to form a single series under the MTN Programme to investors pursuant to subscription agreements dated 12 March 2012 and 17 April 2012, respectively. These 6.875% notes are listed on the Hong Kong Stock Exchange. All such notes remained outstanding at 31 December 2013.

On 20 June 2012, Hubei Xin Yegang Steel Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB500 million principal amount of 5.23% medium term notes due 2017 to investors. All such notes remained outstanding at 31 December 2013.

On 17 October 2012, CITIC Pacific issued and sold a total of US$750 million principal amount of 6.8% notes due 2023, and on 11 December 2012, CITIC Pacific issued an additional US$250 million principal amount of 6.8% notes due 2023, which were consolidated to form a single series under the MTN Programme to investors pursuant to subscription agreements dated 8 October 2012 and 4 December 2012, respectively. These 6.8% notes are listed on the Hong Kong Stock Exchange. All such notes remained outstanding at 31 December 2013.

On 27 November 2012, Jiangyin Xingcheng Special Steel Works Co Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB200 million principal amount of 6.06% medium term notes due 2017 to investors. All such notes remained outstanding at 31 December 2013.

On 10 April 2013, CITIC Pacific issued and sold a total of US$500 million principal amount of 6.375% notes due 2020 under the MTN Programme to investors pursuant to the subscription agreement dated 27 March 2013. These 6.375% notes are listed on the Hong Kong Stock Exchange. All such notes remained outstanding at 31 December 2013.

On 22 May 2013, CITIC Pacific issued and sold a total of US$800 million principal amount of 8.625% perpetual subordinated capital securities and an additional US$200 million principal amount of 8.625% securities, which were consolidated to form a single series to investors pursuant to the subscription agreement and the agreement to amend the subscription agreement dated 14 May 2013 and 20 May 2013, respectively. These securities are listed on the Hong Kong Stock Exchange. All such securities remained outstanding at 31 December 2013.

On 5 June 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB500 million principal amount of 4.93% medium term notes due 2016 to investors. All such notes remained outstanding at 31 December 2013.

On 31 July 2013, CITIC Pacific issued and sold a total of HK$500 million principal amount of 5.9% unlisted notes due 2018 under the MTN Programme to an investor pursuant to the subscription agreement dated 29 July 2013. All such notes remained outstanding at 31 December 2013.

On 10 September 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of CITIC Pacific, issued and sold a total of RMB200 million principal amount of 5.99% short term commercial paper due 2014 to investors. All such paper remained outstanding at 31 December 2013.

Borrowings

Particulars of borrowings of CITIC Pacific and its subsidiary companies are set out in Note 29 to the financial statements.

Directors

In accordance with Article 104(A) of the articles of association of CITIC Pacific, Messrs André Desmarais, Carl Yung Ming Jie, Gregory Lynn Curl and Francis Siu Wai Keung shall retire by rotation at the forthcoming annual general meeting to be held on 14 May 2014 ("2014 AGM"). Messrs Carl Yung Ming Jie, Gregory Lynn Curl and Francis Siu Wai Keung, being eligible, offer themselves for re-election at the 2014 AGM. Mr André Desmarais has notified that due to his personal commitments, he would not offer himself for re-election after his retirement by rotation at the 2014 AGM. Mr Peter Kruyt will also cease to act as the alternate director to Mr Desmarais on the same date accordingly. Mr Desmarais has been a director of CITIC Pacific since December 1997 and has served the board for over 16 years. The board expresses its sincere gratitude to Mr Desmarais and Mr Kruyt for their services and valuable contributions made to CITIC Pacific.

The board has appointed Mr Zeng Chen as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM. Mr Zeng will fill the vacated office following the retirement of Mr Desmarais. Mr Zeng will retire and be eligible for re-election at the next general meeting of CITIC Pacific after the 2014 AGM.

Except for the above changes, the directors of CITIC Pacific whose names and biographical details appear on pages 110 to 112 were the directors in office during the whole of the financial year ended 31 December 2013.

Management Contract

CITIC Pacific entered into a management agreement with CITIC Hong Kong (Holdings) Limited ("CITIC HK") on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to CITIC Pacific and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Chang Zhenming, Zhang Jijing, Liu Jifu and Ju Weimin had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the 2014 AGM.

Directors' Interests in Contracts of Significance

None of the directors of CITIC Pacific has, or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies, which was significant in relation to the business of CITIC Pacific, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Competing Interests

Save as disclosed below, none of the directors of CITIC Pacific has any direct or indirect interest in a business which competes or may compete with the business of the Group as required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Mr Zhang Jijing, president and executive director of CITIC Pacific and Mr Ju Weimin, non-executive director of CITIC Pacific, resigned as non-executive directors of CITIC Resources Holdings Limited ("CITIC Resources") on 18 September 2013 and 22 July 2013 respectively. Mr Zeng Chen who has been appointed as an executive director of CITIC Pacific with effect from the conclusion of the 2014 AGM is currently a non-executive director of CITIC Resources. CITIC Resources is a subsidiary of CITIC Group Corporation and listed on the Hong Kong Stock Exchange. It is an integrated provider of strategic natural resources and key commodities. Through its subsidiaries and associates, CITIC Resources has interests in oil exploration, development and production; bauxite and coal mining; import and export of commodities; aluminum smelting; and manganese mining and processing. Further details of the nature, scope and size of business as well as its management can be found in the latest annual report of CITIC Resources.

Related Party Transactions

CITIC Pacific and its subsidiary companies entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Related Parties Transactions", the details of which are set out in Note 40 to the financial statements of CITIC Pacific. Some of these transactions also constitute "Continuing Connected Transactions" and "Connected Transactions" under the Listing Rules as summarised below.

Connected Transactions

Set out below is information in relation to certain connected transactions involving CITIC Pacific and/or its subsidiaries, particulars of which were previously disclosed in the announcements of CITIC Pacific and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of CITIC Pacific. The full text of each announcement can be found on http://www.citicpacific.com/en/investors/announce_index.php.

1. On 7 March 2013, Stenway Holdings Inc. ("Stenway", a wholly-owned subsidiary of CITIC Pacific) entered into a share purchase agreement to acquire the remaining 25% interest in Silver Wings Enterprises Inc. ("Silver Wings") from its joint venture partner, Nippon Steel & Sumitomo Metal Corporation ("NSSMC") at the consideration of RMB530 million. Silver Wings is a joint venture between CITIC Pacific (through Stenway) and NSSMC established to build and develop at the site of Jiangyin Xingcheng Special Steel Works Co., Ltd. a production line with steel melting, casting, and rolling facilities to produce high-end special steel.

Silver Wings is accounted for as a jointly controlled entity of CITIC Pacific but as CITIC Pacific indirectly holds a 75% interest in Silver Wings, it is a subsidiary of CITIC Pacific under the Listing Rules. NSSMC is a substantial shareholder of Silver Wings, and therefore is a connected person of CITIC Pacific. The above acquisition was completed during the year.

2. On 29 October 2013, 上海信泰置業有限公司 (Shanghai Xintai Property Company Limited) (a non-wholly owned subsidiary of CITIC Pacific) entered into a framework agreement with China CITIC Bank Corporation Limited ("CITIC Bank") for the disposal of the property to be constructed at Lot 66/19, Block 503, Shanggangxincunjiedao, Pudong New Area, Shanghai, the People's Republic of China for a consideration of RMB2,500 million.

   CITIC Bank is a subsidiary of CITIC Group Corporation, which is the controlling shareholder of CITIC Pacific and therefore is a connected person of CITIC Pacific. The transaction was completed during the year.

3. On 19 December 2013, Sino Iron Pty Ltd and Pacific Resources Trading Pte. Ltd. (both are wholly-owned subsidiaries of CITIC Pacific) respectively entered into the Liners Contract and the Procurement Contract for the purchase of the mill liners and the contract spares from CITIC Heavy Industries Co., Ltd. ("CITIC Heavy Industries") at the contract sum of US$6.7 million for the Liners Contract and US$7,408,098 for the Procurement Contract. The mill liners and the contract spares are required for the ongoing operation and maintenance of the production lines of the Group's Sino Iron project.

   CITIC Heavy Industries is a subsidiary of CITIC Group Corporation, which is the controlling shareholder of CITIC Pacific, and therefore is a connected person of CITIC Pacific.

Non-Exempt Continuing Connected Transactions

Set out below is information in relation to certain non-exempt continuing connected transactions involving CITIC Pacific and/or its subsidiaries, particulars of which were previously disclosed in the announcements of CITIC Pacific and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of CITIC Pacific. The full text of each announcement can be found on http://www.citicpacific.com/en/investors/announce_index.php.

1. On 24 November 2010, 中企網絡通信技術有限公司 (China Enterprise ICT Solutions Limited, formerly known as China Enterprise Communications Ltd.) ("CEC", a non-wholly owned subsidiary of CITIC Telecom International Holdings Limited ("CITIC Telecom") and in which CITIC Group Corporation holds 45.09% interest) entered into an exclusive service agreement (the "Exclusive Service Agreement") with two subsidiaries of CITIC Telecom, China Enterprise Netcom Corporation Limited ("CEC-HK") and CITIC Telecom International CPC Limited ("CPC"). Under the Exclusive Service Agreement, CEC shall provide technical and support services to the customers of CEC-HK and CPC in the PRC for a term of three years to facilitate the provision of value-added telecom services to these customers. CEC will be responsible for arranging, operating and maintaining all necessary technical and support services exclusively in the PRC to service the customers of CEC-HK and CPC in the PRC. A service fee shall be payable to CEC monthly with reference to CEC's costs in servicing such customers provided that CEC-HK and CPC shall be entitled to retain the first 30% of the corresponding sales proceeds from customers such that the service fee shall not in any event exceed 70% of the relevant sales proceeds. If CEC's costs shall be less than 70% of the corresponding sales proceeds, CEC on one hand and CEC-HK and CPC on the other shall be entitled to share the surplus equally. The annual cap for the transactions under the Exclusive Service Agreement for the ten months ended 31 October 2013 is US$60 million (approximately HK$468 million). CITIC Telecom was formerly a subsidiary of CITIC Pacific, but has ceased to be a subsidiary of CITIC Pacific on 21 February 2013. In accordance with the Listing Rules, CEC is an associate of CITIC Group Corporation, and therefore is a connected person of CITIC Pacific.

The aggregate service fee paid by CEC-HK and CPC to CEC under the Exclusive Service Agreement for the period from 1 January 2013 to 20 February 2013 was approximately HK$23.82 million.

2. In the ordinary and usual course of business, CITIC Pacific and its subsidiaries maintain bank balances with China CITIC Bank Corporation Limited ("CITIC Bank") and China CITIC Bank International Limited ("China CITIC Bank International") on normal commercial terms. On 6 May 2010, CITIC Pacific entered into a master agreement with CITIC Bank and China CITIC Bank International setting out that the bank balances and deposits maintained by the Group with CITIC Bank and China CITIC Bank International would be no more than HK$1,400 million in aggregate on any given day for the period from 31 May 2010 to 31 December 2010 and the two years ended 31 December 2011 and 31 December 2012.

   The Group continued with the bank deposit arrangements with CITIC Bank and its relevant subsidiaries after 31 December 2012. On 28 December 2012, CITIC Pacific entered into a new master agreement with CITIC Bank for the period commencing on 1 January 2013 in respect of the continuing bank deposit arrangements with CITIC Bank and its relevant subsidiaries setting out that the aggregate maximum bank balance maintained by the Group with CITIC Bank and its relevant subsidiaries on any given day for the year ended 31 December 2013 and the two years ending 31 December 2014 and 31 December 2015 will not exceed HK$1,400 million.

   CITIC Bank is a subsidiary of CITIC Group Corporation, which is the controlling shareholder of CITIC Pacific, and therefore is a connected person of CITIC Pacific.

   As at 31 December 2013, the aggregate bank balances maintained by the Group with CITIC Bank and its relevant subsidiaries totalled approximately HK$1,142 million. This sum did not include the sum of RMB625 million (equivalent to approximately HK$795 million) which was received in an escrow account maintained with CITIC Bank for receiving funds in respect of the disposal of a property located at the Shanghai World Expo site to CITIC Bank as set out in CITIC Pacific's announcement dated 29 October 2013.

The independent non-executive directors of CITIC Pacific have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2013 (the "Transactions") and confirm that:

a. the Transactions have been entered into in the ordinary and usual course of business of CITIC Pacific;

b. the Transactions have been entered into on normal commercial terms or on terms no less favourable to CITIC Pacific than terms available to or from (as appropriate) independent third parties; and

c. the Transactions were entered into, in all material respects, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

CITIC Pacific's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 120 to 121 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by CITIC Pacific to the Hong Kong Stock Exchange.

On 20 August 2007, Catak Enterprises Corp. (a wholly-owned subsidiary of CITIC Pacific) entered into a sale and purchase agreement ("Sale and Purchase Agreement") with China Metallurgical Group Corp. ("MCC") for the disposal of a 20% interest in Sino Iron Pty Ltd ("Sino Iron", a wholly owned subsidiary of CITIC Pacific) ("Disposal") at cost, i.e. for a consideration equivalent to 20% of all the funds provided to Sino Iron Holdings Pty Ltd by the Group up to the date of completion of the Disposal together with interest. The Group's shareholding in Sino Iron would be reduced to 80% as a result of the Disposal if it proceeded to completion.

When the Sale and Purchase Agreement was entered into, it was envisaged that completion of the Disposal was to occur within a relatively short period. On this basis, the General Construction Contract dated 24 January 2007 as amended or supplemented by its supplemental contracts for the engineering, procurement and construction of the first two production lines of the Sino Iron project have been disclosed as continuing connected transactions, in advance of the requirements under the Listing Rules to do so. Given the delay in satisfaction of certain conditions to completion of the Disposal, the Sale and Purchase Agreement is no longer effective, and given that completion never occurred, MCC and its associates were not and are not connected persons of CITIC Pacific as defined under the Listing Rules. As completion of the Disposal did not occur, the advance payment made by MCC has been fully refunded at the instruction of MCC and applied by MCC to the Sino Iron project.

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. The major terms of the Plan 2000 are as follows:

1. The purpose of the Plan 2000 is to promote the interests of CITIC Pacific and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of CITIC Pacific, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of CITIC Pacific.

2. The participants of the Plan 2000 are any director, executive or employee of CITIC Pacific or its subsidiaries as invited by the board.

3. The maximum number of shares over which options may be granted under the Plan 2000 shall not exceed 10% of (i) the issued share capital of CITIC Pacific from time to time or (ii) the issued share capital of CITIC Pacific as at the date of adopting the Plan 2000, whichever is the lower.

4. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of CITIC Pacific in issue.

5. The exercise period of any option granted under the Plan 2000 must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The exercise price determined by the board will be at least the higher of (i) the closing price of CITIC Pacific's shares as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of 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 per share HK$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10
16 October 2007	18,500,000	47.32
19 November 2009	13,890,000	22.00
14 January 2010	880,000	20.59

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share and HK$47.32 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011 and 15 October 2012 respectively.

None of the share options granted under the Plan 2000 were exercised or cancelled, but options for 430,000 shares have lapsed during the year ended 31 December 2013. A summary of the movements of the share options under the Plan 2000 during the year ended 31 December 2013 is as follows:

A. CITIC Pacific directors

			Number of share options			
Name of director	Date of grant	Exercise price HK$	Balance as at 01.01.13	Exercised/ lapsed/ cancelled during the year ended 31.12.13	Balance as at 31.12.13	Percentage to issued share capital
Chang Zhenming	19.11.09	22.00	600,000	–	600,000	0.016
Zhang Jijing	19.11.09	22.00	500,000	–	500,000	0.014
Vernon Francis Moore	19.11.09	22.00	500,000	–	500,000	0.014
Liu Jifu	19.11.09	22.00	500,000	–	500,000	0.014
Carl Yung Ming Jie	19.11.09	22.00	500,000	–	500,000	0.014

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

		Number of share options		
Date of grant	**Exercise price** HK$	**Balance as at 01.01.13**	**Exercised/ lapsed/ cancelled during the year ended 31.12.13**	**Balance as at 31.12.13**
19.11.09	22.00	6,790,000	–	6,790,000
14.01.10	20.59	600,000	–	600,000

C. **Others**

		Number of share options			
Date of grant	**Exercise price** HK$	**Balance as at 01.01.13**	**Exercised/ cancelled during the year ended 31.12.13**	**Lapsed during the year ended 31.12.13**	**Balance as at 31.12.13**
19.11.09	22.00	2,740,000 *(Note)*	–	150,000	2,590,000
14.01.10	20.59	280,000 *(Note)*	–	280,000	–

Note:
These are in respect of share options granted to former directors or employees under continuous contracts, who have subsequently retired or resigned.

CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 (the "Plan 2011") on 12 May 2011. The major terms of the Plan 2011 are as follows:

1. The purpose of the Plan 2011 is to promote the interests of CITIC Pacific and its shareholders by (i) providing the eligible participants with additional incentives to continue and increase their efforts in achieving success in the business of CITIC Pacific group, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of CITIC Pacific group.

2. The eligible participants of the Plan 2011 are any employee, executive director, non-executive director, independent non-executive director or officer, consultant or representative of any member of CITIC Pacific group as the board may in its discretion select.

3. The total number of shares which may be issued upon exercise of all options to be granted under the Plan 2011 must not in aggregate exceed 10% of the shares in issue as at the date of adopting the Plan 2011. As at 20 February 2014, the total number of shares available for issue under the Plan 2011 is 364,944,416, representing 10% of the issued share capital of CITIC Pacific.

4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of CITIC Pacific in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of CITIC Pacific in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Pacific in a general meeting.

5. The exercise period of any option granted under the Plan 2011 must not be more than ten years commencing on the date of offer of the grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

7. The subscription price determined by the board will be at least the higher of (i) the nominal value of CITIC Pacific's shares; (ii) the closing price of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer of the grant; and (iii) the average of the closing prices of CITIC Pacific's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant.

8. The Plan 2011 shall be valid and effective until 11 May 2021.

No share options were granted under the Plan 2011 during the year ended 31 December 2013.

Share Option Plan Adopted by Dah Chong Hong Holdings Limited ("DCH Holdings"), a Subsidiary of CITIC Pacific

DCH Holdings adopted a share option scheme ("Share Option Scheme") on 28 September 2007. The major terms of the Share Option Scheme are as follows:

a. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees of the DCH Holdings group and to promote the long term financial success of DCH Holdings by aligning the interests of grantees to DCH Holdings' shareholders.

b. The participants of the Share Option Scheme are any employee of the DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.

c. The maximum number of shares over which share options may be granted under the Share Option Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Hong Kong Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 20 February 2014, the maximum number of shares available for issue under the Share Option Scheme is 132,750,000, representing approximately 7.25% of the issued share capital of DCH Holdings. Share options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.

d. The total number of shares issued and to be issued upon exercise of share options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of DCH Holdings in issue.

e. The exercise period of any share option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

f. The acceptance of an offer of the grant of the share option must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee.

g. The subscription price determined by the board of DCH Holdings will not be less than whichever is the higher of (i) the closing price of DCH Holdings' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of DCH Holdings' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share of DCH Holdings.

h. The Share Option Scheme shall be valid and effective till 27 September 2017, after which no further share options will be granted.

Since the adoption of the Share Option Scheme, DCH Holdings has granted the following share options:

Date of grant	**Number of share options**	**Exercise period**	**Exercise price per share** HK$
7.7.2010	23,400,000	7.7.2010 – 6.7.2015	4.766
8.6.2012	24,450,000	8.6.2013 – 7.6.2017*	7.400

* Subject to a vesting scale

The share options granted on 7 July 2010 were accepted and fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 7 July 2010 was HK$4.69 per share. The remaining contractual life of the share options is 1.5 years.

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. A further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH Holdings immediately before the grant on 8 June 2012 was HK$7.49 per share. The remaining contractual life of the share options is 3.4 years.

The grantees were directors or employees of DCH Holdings group working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

A summary of the movements of share options under the Share Option Scheme during the year ended 31 December 2013 is as follows:

		Number of share options			
Date of Grant	**Balance as at 1.1.13**	**Granted during the year ended 31.12.13**	**Lapsed/ cancelled during the year ended 31.12.13**	**Exercised during the year ended 31.12.13**	**Balance as at 31.12.13**
7.7.2010	8,290,000	–	–	2,150,000*	6,140,000
8.6.2012	24,250,000	–	400,000	100,000*	23,750,000

* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options granted on 7 July 2010 and 8 June 2012 were exercised was HK$7.14 and HK$8.99 respectively.

Disclosure Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the changes in monthly salaries for the following directors with effect from 1 January 2014:

	Changes	
Director	2013 Monthly Salary (with effect from 1 January 2013) (HK$)	**2014 Monthly Salary (with effect from 1 January 2014) (HK$)**
Chang Zhenming*	–	–
Zhang Jijing	353,160	**367,290**
Vernon Francis Moore	441,570	**459,230**
Liu Jifu	135,860	**141,300**

* Mr Chang Zhenming receives a monthly cash allowance of HK$100,000.

Notes:

(1) For information in relation to the 2013 full year emoluments of the directors, please refer to Note 12 to the financial statements.

(2) The following proposals in relation to remuneration of non-executive directors for serving on the audit committee of the board with effect from the financial year ending 31 December 2014 have been endorsed by the remuneration committee in December 2013 and the board in February 2014 and will be put forward for shareholders' approval at the 2014 AGM:

(a) raising the remuneration of the non-executive director who serves as the chairman of the audit committee from HK$100,000 per annum to HK$150,000 per annum; and

(b) raising the remuneration of each of the non-executive directors who serves as a member of the audit committee from HK$100,000 per annum to HK$130,000 per annum.

Directors' Interests in Securities

The interests of the directors in shares of CITIC Pacific or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2013 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in CITIC Pacific and associated corporations

	Number of shares	
Name of director	**Personal interests unless otherwise stated**	**Percentage to issued share capital**
CITIC Pacific Limited		
Vernon Francis Moore	4,200,000 (Note 1)	0.115
Liu Jifu	840,000	0.023
André Desmarais	8,145,000 (Note 2)	0.223
Carl Yung Ming Jie	300,000	0.008
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC Telecom International Holdings Limited		
Vernon Francis Moore	275,000 (Note 1)	0.008

Note: 1. Trust interest

2. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares

2. Share options in CITIC Pacific

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC Pacific are stated in detail in the preceding section "Share Option Plan Adopted by CITIC Pacific".

Save as disclosed above, as at 31 December 2013, none of the directors of CITIC Pacific had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations or any interests which are required to be entered into the register kept by CITIC Pacific pursuant to section 352 of the SFO or any interests which are required to be notified to CITIC Pacific and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year were there any subsisting agreements enabling the directors of CITIC Pacific to acquire benefits by means of acquisition of shares in, or debentures of, CITIC Pacific or any other corporate, which at the relevant time, CITIC Pacific, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies was a party.

Substantial Shareholders

As at 31 December 2013, the interests of the substantial shareholders, other than the directors of CITIC Pacific or their respective associate(s), in the shares of CITIC Pacific as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Interest in the shares of CITIC Pacific

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group Corporation	2,098,736,285	57.508
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC HK	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522

CITIC Group Corporation is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary company of CITIC Group Corporation	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC HK	747,486,203	20.482
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342

CITIC HK is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary company of CITIC HK	Number of shares of CITIC Pacific	Percentage to issued share capital
Affluence Limited	46,089,000	1.263
Winton Corp.	30,718,000	0.842
Westminster Investment Inc.	101,960,000	2.794
Jetway Corp.	122,336,918	3.352
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.522
Hainsworth Limited	93,136,000	2.552
Southpoint Enterprises Inc.	10,000,000	0.274
Raymondford Company Limited	2,823,000	0.077

CITIC Group Corporation is the holding company of CITIC Limited. CITIC Limited is the holding company of CITIC Investment (HK) Limited and CITIC HK. CITIC Investment (HK) Limited is the direct holding company of Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited. CITIC HK is the direct holding company of Heedon Corporation, Hainsworth Limited, Affluence Limited and Barnsley Investments Limited. Heedon Corporation is the direct holding company of Winton Corp., Westminster Investment Inc., Jetway Corp., Kotron Company Ltd. and Honpville Corporation. Kotron Company Ltd. is the direct holding company of Cordia Corporation. Affluence Limited is the direct holding company of Man Yick Corporation which is the direct holding company of Raymondford Company Limited. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc.

Accordingly,

(i) the interests of CITIC Group Corporation in CITIC Pacific duplicate the interests of CITIC Limited in CITIC Pacific;

(ii) the interests of CITIC Limited in CITIC Pacific duplicate the interests of CITIC Investment (HK) Limited and CITIC HK in CITIC Pacific;

(iii) the interests of CITIC Investment (HK) Limited in CITIC Pacific duplicate the interests of Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited in CITIC Pacific;

(iv) the interests of CITIC HK in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

(v) the interests of Heedon Corporation in CITIC Pacific duplicate the interests in CITIC Pacific of all its direct and indirect subsidiary companies as described above;

(vi) the interests of Kotron Company Ltd. in CITIC Pacific duplicate the interests of Cordia Corporation in CITIC Pacific;

(vii) the interests of Affluence Limited in CITIC Pacific duplicate the interests in CITIC Pacific of its direct and indirect subsidiary companies as described above;

(viii) the interests of Man Yick Corporation in CITIC Pacific duplicate the interests of Raymondford Company Limited in CITIC Pacific; and

(ix) the interests of Barnsley Investments Limited in CITIC Pacific duplicate the interests of Southpoint Enterprises Inc. in CITIC Pacific.

Shareholding Statistics

Based on the share register records of CITIC Pacific, set out below is a shareholding statistics chart of the registered shareholders of CITIC Pacific as at 31 December 2013:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,204	50.70
1,001 to 10,000	3,197	38.56
10,001 to 100,000	815	9.83
100,001 to 1,000,000	66	0.80
1,000,001 to 100,000,000	3	0.04
100,000,001 to 500,000,000	4	0.05
500,000,001 to 2,000,000,000	2	0.02
Total:	**8,291**	**100**

As at 31 December 2013, the total number of issued shares of CITIC Pacific was 3,649,444,160 and based on the share register records of CITIC Pacific, HKSCC Nominees Limited held 1,564,071,237 shares in entities range from 1,000 to 418,513,965 shares, representing 42.86% of the issued share capital of CITIC Pacific.

Share Capital

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2013. Neither CITIC Pacific nor any of its subsidiary companies has purchased or sold any of CITIC Pacific's shares during the year ended 31 December 2013.

Service Contracts

As at 31 December 2013, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the group and any director proposed for re-election at the forthcoming annual general meeting.

Continuing Disclosure Requirements Under Rule 13.22 of the Listing Rules in Relation to Financial Assistance to Affiliated Companies

CITIC Pacific has included a proforma combined balance sheet of the relevant affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and joint ventures.

Proforma combined balance sheet of affiliated companies

In HK$ million	**CITIC Pacific Limited and its subsidiary companies' attributable interests as at 31 December 2013**
Fixed Assets	11,159
Joint Ventures	179
Other Financial Assets	22
Deferred Tax Assets	33
Intangible Assets	1,629
Other Non Current Assets	1,505
Net Current Liabilities	(780)
Total Assets Less Current Liabilities	13,747
Long Term Borrowings	(3,274)
Deferred Tax Liabilities	(223)
Other Non-Current Liabilities	(246)
Loan from Shareholders	(3,418)
	6,586

Auditor

At the close of the 2013 annual general meeting held on 16 May 2013, Messrs PricewaterhouseCoopers, Certified Public Accountants retired as auditor of the Group upon expiration of its term of office and Messrs KPMG, Certified Public Accountants was appointed as new auditor of the Group to hold office until the conclusion of the 2014 AGM.

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

Sufficiency of Public Float

Based on information that is publicly available to CITIC Pacific and within the knowledge of the directors as at the date of this annual report, CITIC Pacific has maintained the amount of public float as required under the Listing Rules.

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

Human Resources

Caring for Our People

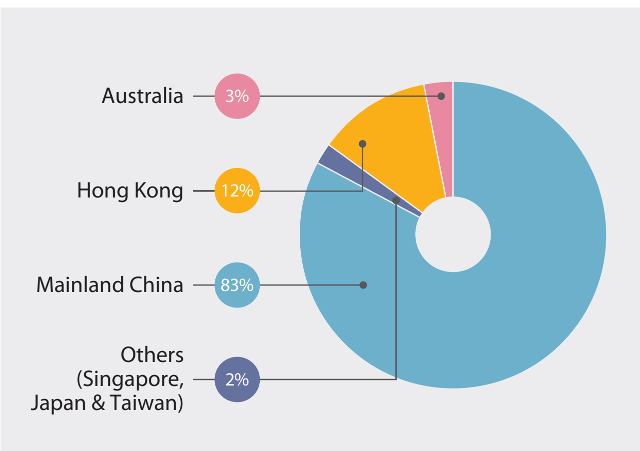
At CITIC Pacific, we value our people as important assets who support our long-term business development and sustainability. As a diversified company employing over 36,000 employees worldwide, we foster a high quality working environment by upholding employment practices that promote fairness, equality and respect. We safeguard employees' rights and interests, offer them training and development opportunities in pursuit of a rewarding career path, and provide a safe and healthy workplace. We also encourage work-life balance to ensure the well-being of our staff.

Workforce

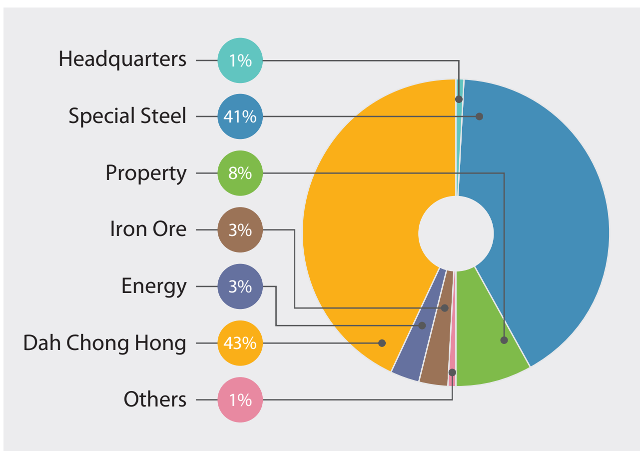
CITIC Pacific has a multicultural workforce. As of the end of December 2013, we employed a total of 36,512 employees (2012: 34,781) in our worldwide operations, including our principal subsidiaries in different regions. Over the years, we have been supported by a competent and engaged workforce with stable employee turnover.

Our Workforce Profile

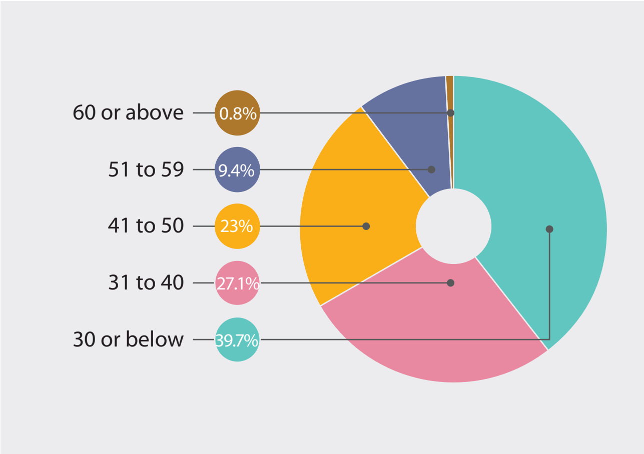
Headcount by Location



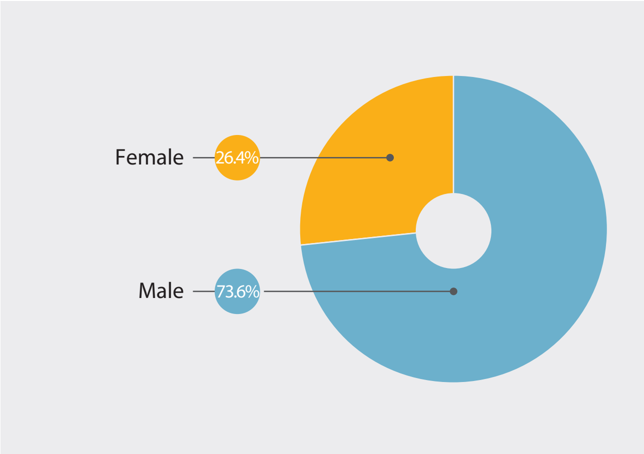
Headcount by Business Segment



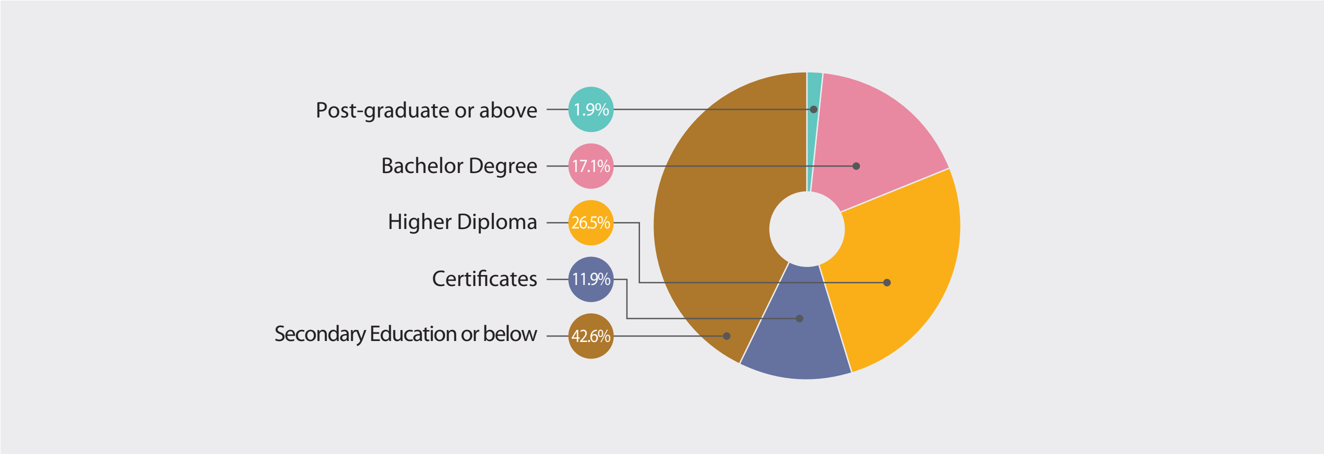
Workforce by Age Group



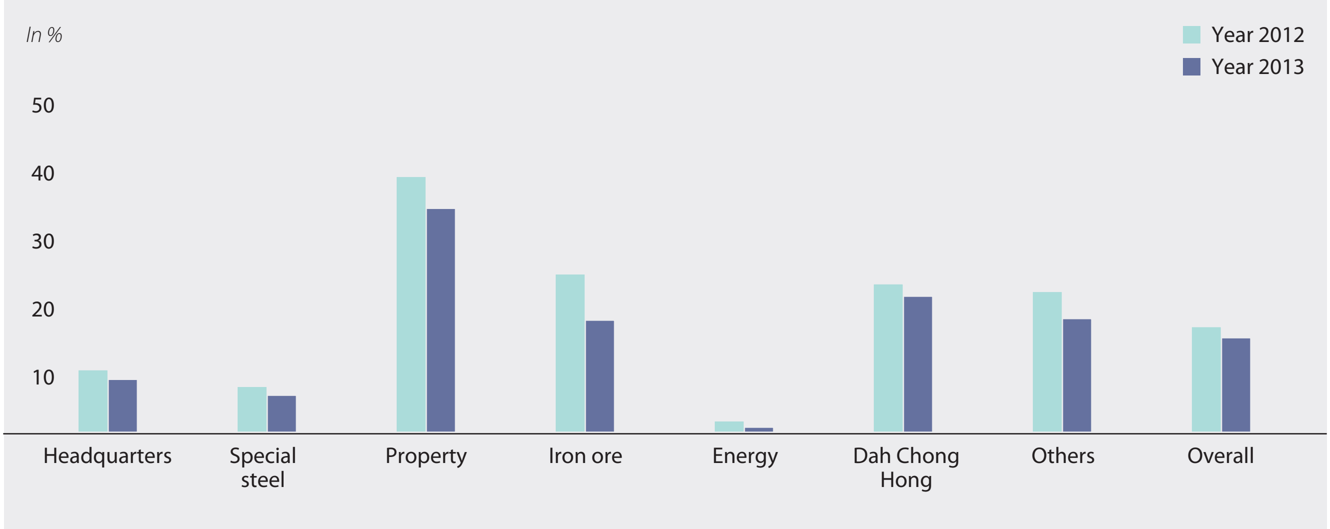
Workforce by Gender



Workforce by Education Background



Staff Turnover Rate (Voluntary Resignation)



Equal Opportunity

We are committed to providing employees with equal opportunities in respect of all human resources related matters, including recruitment, appointment, career advancement, training and development, regardless of age, gender, physical or mental state, marital status, family status, race, colour, nationality, religion, political affiliation, or sexual orientation. We attract, reward and recognise our people based on their qualifications, skills and competencies to meet the job requirements and their performance and contributions during their service with us.

Remuneration

People at CITIC Pacific are rewarded with competitive remuneration packages that are commensurate with their respective roles and responsibilities as well as the associated challenges and complexity of their jobs. To ensure internal equity and market competitiveness, we review remuneration packages annually by referencing the pay levels of comparable positions in the market. Most of our subsidiary companies provide supplementary benefits and insurance coverage above statutory requirements to ensure the well-being of our people and meet their expectations.

In driving performance and supporting the principle of "pay-for-performance", CITIC Pacific has implemented a performance-based bonus scheme underpinned by a performance management system that measures both individual and business performance. Based on specific industry characteristics and modes of operation, our operating business units define reasonable performance measures, or Key Performance Indicators (KPIs), in line with their own business focus and priorities. Each year, the total bonus awarded to employees is determined according to business results or achievement of KPIs, if applicable, of the respective operating business units. Individual employees are awarded with bonuses based on individual performance and contributions, with appropriate differentials applied to effectively reward outstanding performers.

Remuneration packages for senior executives are reviewed and approved by the CITIC Pacific Remuneration Committee based on the following principles:

- Remuneration should reasonably reflect performance, responsibilities and complexity, as well as time commitment, in order to attract, motivate and retain high calibre employees.
- Remuneration should be determined with reference to the pay levels of comparable listed companies as agreed by the Remuneration Committee and the top management.
- No individual should be involved in decisions relating to his/her own remuneration.

People Development

Believing that "People are the Key to Success", CITIC Pacific has invested substantially in staff training and development, with the ultimate goal of building a competent and committed workforce who produces desired performance in support of our organisational strategies and business objectives. During 2013, a wide range of internal and external training and development programmes were launched in building leadership and management capabilities, as well as expanding business and professional expertise, competencies and skill sets. Company sponsorship was also offered to encourage individual employees at all levels to take external training or study programmes related to their jobs or development needs.

Leadership development is always integral to CITIC Pacific's learning and development strategy. Following the success of the CITIC Pacific Leadership Development Programme (CPLDP) since its first launch in 2011, CITIC Pacific continued the partnership with the Hong Kong University of Science and Technology (HKUST) in organising the third cohort in 2013. So far, more than 100 senior managers from our headquarters and subsidiaries have attended the programme. Last April, a new training module on Change Management was added to the CPLDP training curriculum for those who completed the first two modules. In 2014, the CPLDP will continue to be a key development initiative of CITIC Pacific.

To build succession pipelines, management development programmes were implemented in CITIC Pacific for growing future managers. CITIC Pacific China Holding ("CP China") started its Management Trainee (MT) Programme to develop high calibre university graduates through comprehensive training and mentoring by senior executives, while CITIC Pacific Mining ("CP Mining") provided a "Foundations of Management Programme" for all managers. Similar training programmes were also organised by the Special Steel and Energy Divisions. At our headquarters, customised training programmes for managers and supervisors were delivered to equip them with required skills.

Effective on-boarding is essential for integrating new joiners into the company and having them make positive contributions quickly. During the year, our headquarters and subsidiaries including CP China, Special Steel and CP Mining implemented induction programmes for over 2,500 new employees. At Special Steel, a mentorship programme was also set up specifically for developing new hires.

In the areas of professional and functional training, CITIC Pacific has made tremendous efforts to giving employees the up-to-date knowledge, skills and insights they need to maintain high work standards and accomplish business objectives in compliance with legal and industry requirements. Among the programmes offered were courses in International Financial Reporting Standard (IFRS) Training, Internal Audit Training and the Human Resources Management Learning Series for employees at our headquarters and subsidiaries. In 2013, the Annual Functional Conferences of Finance and Human Resources Functions continued to be an important initiative of CITIC Pacific for building a solid platform for encouraging knowledge and experience sharing among participants and internal and external experts, and also for enhancing functional alignment and developing teamwork. We also invited a trainer from the Wharton Business School of the University of Pennsylvania in the US to familiarise senior finance executives at our headquarters and subsidiaries with the EVA (Economic Value-Added) management performance metric ahead of its implementation.

To provide an efficient, safe and healthy work environment, CITIC Pacific organised regular technical and operational training and assessments during the year. A highly significant programme comprising training, on-the-job practices and tests took place intensively at CP Mining for site operators and contractors as this huge project entered trial production in 2013. Over 24,000 participants attended for acquiring core operational competencies and skills to ensure compliance with safety, regulatory and legal requirements, and 240 employees attended the operator traineeship programme to gain the industry's national accreditation qualifications. To further improve operational efficiency and cost savings in support of the trial production, CP Mining also implemented the Learning Management System (LMS) and Field Assessment Technology (FAST). In mainland China, the Special Steel group collaborated with local universities and training institutes to provide comprehensive technical training needed for gaining professional qualifications. In recognition of its training efforts, the Special Steel group received the Best Practice of Staff Training & Development Award granted by the All China Federation of Trade Unions in November 2013.

Promoting employee wellness through an informal learning format called CITIC Pacific Lunch & Learn was well received by our employees. During the year, a variety of topics covering physical and mental health, personal interests, leisure activities and work-life balance was organised at our headquarters. As the programme received an overwhelmingly positive response from employees, more sessions with an expanded list of topics will be provided in 2014.

To support the ever-increasing training needs of employees, CITIC Pacific has begun making use of internal trainers to deliver a variety of training programmes. At CP China, line managers conducted functional training in sales and marketing, finance and cost control and product design for over 1,500 participants during the year. The human resources development team at headquarters also provided training in a range of management and generic skills. In the year ahead, internal trainers will continue to deliver management and general skills training as well as specific functional training at both our headquarters and subsidiaries.

Putting great resources and efforts into people development is going to be a long-term goal and commitment of CITIC Pacific. To recognise the group's achievements in people development, the Employees Retraining Board of the HKSAR Government confirmed that CITIC Pacific will receive the Manpower Developer Award for another two years from 2014-2016.

Occupational Health and Safety

CITIC Pacific endeavours to provide a healthy, hygienic and safe working environment. We ensure our workplaces are healthy, issue internal guidelines on safety management, comply with local statutory safety requirements, and provide safety training. What's more, we encourage our people to participate in social and recreational activities for work-life balance, and organise health and stress management activities to promote health awareness.

CITIC Pacific is committed to providing a zero-fatality workplace, our most critical goal. In 2013, we achieved this goal by having a year without work-related fatalities in all our businesses. The following provides more information about the health and safety performance of our major operating business units:

Iron Ore

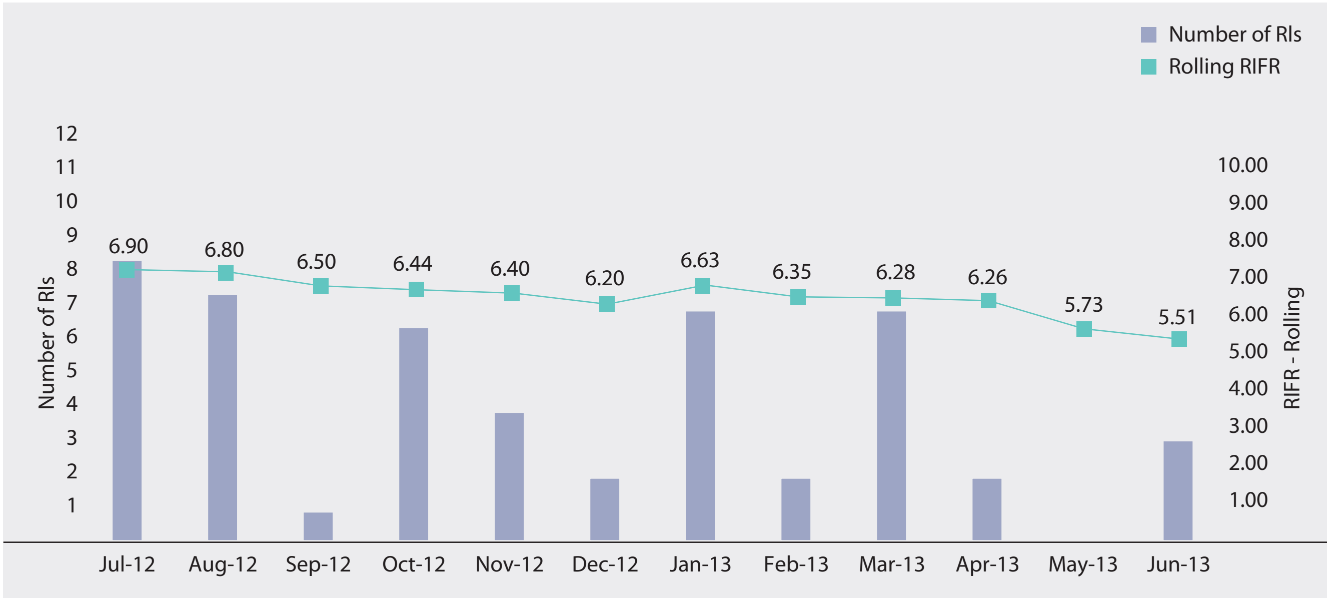
The health and safety performance of our iron ore business in Australia remained generally steady over the year. We noted reductions in recordable injuries, which were welcome results. We also made important progress in our approach to enhancing our health and safety management systems as we moved into production and initial shipment during the year.

CITIC Pacific Mining – Key Indicators for Health and Safety Performance

	2012						2013					
	Jul	Aug	Sep	Oct	Nov	Dec	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**
Fatalities	0	0	0	0	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Number of RIs	8	7	1	6	4	2	**7**	**2**	**7**	**2**	**0**	**3**
Rolling 12 month RIs	81	80	76	75	73	70	**73**	**68**	**65**	**62**	**54**	**49**
Rolling RIFR	*6.9*	*6.8*	*6.5*	*6.4*	*6.4*	*6.2*	***6.6***	***6.4***	***6.3***	***6.3***	***5.7***	***5.5***
Number of LTI	0	0	1	0	0	0	**1**	**0**	**0**	**1**	**0**	**0**
Rolling 12 month LTI	9	8	7	5	5	5	**6**	**6**	**4**	**4**	**3**	**3**
Rolling LTIFR	*0.8*	*0.7*	*0.6*	*0.4*	*0.4*	*0.4*	***0.6***	***0.6***	***0.4***	***0.4***	***0.3***	***0.3***
Occupational illness	14	9	9	13	8	3	**3**	**5**	**6**	**2**	**1**	**0**

RI	Recordable Injury which includes Lost Time Injury (LTI), Restricted Work Injury, and Medical Treatment Injury
RIFR	Recordable Injury Frequency Rate (Total Injuries per 1,000,000 Total man hours)
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate (Total Injuries per 1,000,000 Total man hours)

CITIC Pacific Mining – Recordable Injury: Number & Rolling Frequency Rate in 2012/13



We were well on track in managing the changes in the health and safety risk profile as we moved into production in our iron ore business. We continued to ensure our health and safety management system was in alignment with the operational management plans; stakeholder engagement through regular meetings and other communication channels, including close contact with the Australian regulatory bodies and safety alliances, remained a core part of our approach.

Fibrous Mineral Management

Worker exposure to fibrous minerals remains one of our greatest occupational health concerns. In this regard, a fibrous minerals management committee has been formed for effective control of fibre whereas significant resources have been dedicated to monitoring and better understanding the impacts related to fibre exposure across the life cycle of our product from mining through to shipment, and to modify our controls accordingly.

As we move towards processing, the exposure risk increases. During the year, we prepared for this transition. We expanded the designated areas program that identifies the level of fibre risk across the site and enables appropriate controls to be implemented. We also continued to promote education and awareness through ongoing employee and contractor training programmes, and by developing a "fibrous minerals awareness" booklet. In addition, we sought improvements to respiratory protection equipment by sourcing face masks that are safer and more comfortable, using a fit testing program that ensures masks fit and are worn correctly to prevent exposure. Fibre matter meetings were conducted regularly on site to resolve issues and apply controls to ensure employees have a safe place to work. Overall, significant headway has been made around managing fibrous minerals risk, and delivered innovative solutions (see Case Study below).

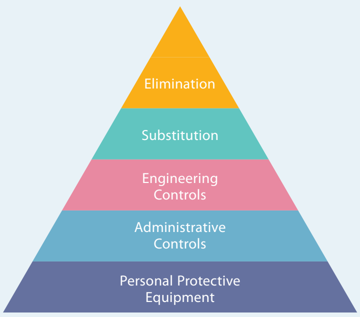
Case Study – Leading innovation in managing risk from fibrous minerals

In April 2013, CITIC Pacific Mining (CPM) was recognised for health and safety innovation by winning the 2013 Chamber of Minerals and Energy's Innovation in Health and Safety Awards for our HEPA (high efficiency particulate air) fibrous minerals filtration system. The awards were designed to showcase industry best practice with the goal of improving local work places.

The HEPA filtration system prevents fibrous minerals such as asbestos from entering vehicle cabins and provides a system for removing airborne dust and fibre from within the cabin. The system is complemented by a comprehensive testing regime that allows the system to maintain its integrity during the life of the vehicle. An alarm is activated when the positive pressure within the cabin drops indicating a leak to atmosphere. A Dispersed Oil Particulate (DOP) testing process is also conducted at regular intervals to ensure the integrity of the system is maintained.

The HEPA filtration system is the result of workers on the ground being actively engaged in the management of, and making continuous attempts to identify increased controls for, exposure to fibrous minerals. The mining team and hygiene team based at CPM's Sino Iron project collaborated with an external consultant to develop, field test and refine the system.

In the past, workers were required to rely on other form of hazard controls against fibre exposure such as administrative controls and personal protective equipment. The HEPA filtration and DOP testing systems have enabled lifting the fibrous minerals controls to an engineering solution which is critical to improving the health and safety of workers exposed to fibre during the course of their work. Workers are no longer required to wear masks inside the vehicle cabins.



The HEPA system has now been rolled out across the entire mining fleet on site.

Production plants in mainland China

Health and safety is taken seriously at each of our special steel plants and power plants in mainland China. We have established various safety management committees and safety supervisory departments. During the year, we made great efforts to improve health and safety management systems. We established defined responsibilities at various management levels. Operating standards were maintained for compliance by all staff, with the facilitation of safety training and safety awareness programmes. A safety monitoring process was in place for continuous improvement as well as ensuring compliance with applicable laws and regulations in mainland China. Looking ahead, we will be formalising and standardising our health and safety performance indicators as well as our reporting mechanisms for all our production plants in mainland China.

Property business in mainland China

Our property business targets zero industrial incidents. We required all our staff and contractors to fully comply with local regulatory requirements on health and safety. To achieve this goal, key safety performance indicators have been incorporated in the enterprise performance management systems. Our project management teams were specifically engaged to supervise and monitor the performance of contractors and ensured corrective actions were taken when health and safety issues were identified. We continued to improve the health and safety processes of our property business in mainland China by applying PDCA (plan-do-check-act) management methods.

Employee Wellness

Employees today expect more than just job satisfaction, fair compensation and development opportunities from employers. They seek harmonious relationships and a balance in their work and personal lives. At CITIC Pacific, we offered a wide range of social and recreational activities to our staff and their families throughout the year, which helped achieve a better work-life balance while strengthening team spirit and internal communication. These included annual outings, annual dinners, birthday and festive parties, family days, team-building games, sports competitions and many other activities. We also encouraged our people and their family members to take part in volunteer and charity services as part of their family and social activities. Over the years, we believe these efforts have successfully increased employee engagement, loyalty and trust.

2013 Major Employee Wellness Activities

Hong Kong	
CITIC Pacific head office	• CITIC Pacific group annual dinner • Family 3D movie screening night • Family outing, hiking and lunch gathering • Staff Christmas party • Lunch & Learn sessions on physical and mental health, personal development, leisure activities
Dah Chong Hong	• Family day to HK Disneyland, Ocean World in Shanghai • Staff movie day • 7th DCH Guangdong Sports Day • Interest classes (fishing, wine tasting, dining room etiquette) • Table tennis tournament
New HK Tunnel	• Family day trip to Ocean Park • Outdoor activities (hiking, BBQ, squid fishing) • Competitions (bowling, mahjong) • Interest classes (car repair, flower planting, computers)
Mainland China	
Special Steel group	• Culture and sports competitions (essay writing, photography, calligraphy, chess, football, basketball, table tennis, swimming) • Variety shows on Labour Day and National Day • Staff travel tours • 2013 New Year run • Tug-of-war, hiking competitions
PRC Property division	• Outward bound activities for promoting corporate culture • Staff birthday parties, spring dinners • Competitions (tug-of-war, rope jumping, badminton, talent show) • Yangzhou International Marathon
Energy division	• 2013 Spring Tea Party • 2nd Sunburst Cup – Table Tennis Competition • Talk on photography • Staff travel tours to Taiwan and Yunnan • 2nd Culture & Art Week
Australia	
CITIC Pacific Mining	• Chinese National Day Flag Raising Ceremony • First shipment celebration • Christmas parties • Family Christmas day
Singapore	
Pacific Resources Trading & Chengxin Shipmanagement	• Bowling match • Family day trip to Legoland in Malaysia • Healthy Meal Day • Christmas gathering

Corporate Social Responsibility

At CITIC Pacific, we run our businesses in a socially responsible manner while creating economic value for our shareholders. In addition to offering a safe and healthy workplace as well as rewarding job opportunities, we place great emphasis on minimising our environmental impacts and ensuring the well-being of the local communities where we operate.

Environmental Protection

We are committed to environmental protection and sustainable development. We not only strictly observe local statutory regulations but incorporate environmental protection into the key performance indicators of our core operating business units, wherever applicable.

During the year, our operating business units took proactive measures to mitigate the impact of our operations on the environment:

	Headquarters	**Iron Ore**	**Special Steel**	**Energy**	**Property**
Enhancing energy efficiency (Carbon Footprint reduction)	√	√	√	√	√
Waste reduction and recycling	√	√	√	√	√

Increasing efforts will be made to further enhance our systems and processes to consistently measure, collect and aggregate data on emissions, energy consumption and waste, with the aim of achieving better reporting of our environmental protection status and activities.

Headquarters

CITIC Tower, our head office building in Hong Kong, has been designed and built for energy-saving (e.g. double glazing windows). We implemented a number of energy-saving initiatives to reduce energy consumption after completion of the building, including:

- Progressively retrofitted energy-efficient LEDs;
- Optimised performance by adding enhanced combination of chillers for improving energy efficiency;
- Turned off lights, computers, monitors and printers when not in use;
- Maintained office and server room temperatures at levels that minimise energy use;
- Used energy and water-saving water taps.

CITIC Tower is subject to regulatory energy audits and our energy consumption was recognised as lower than average consumption levels. Our management team will continue to make an effort to achieve further energy savings and ultimately reduce our carbon footprint, which reflects the community's calls for a low carbon business.

CITIC Tower

Iron Ore

Environmental management is an integral part of our iron ore business. Our performance was on track during the year regarding the environmental targets set. Importantly, there were no fines or infringement notices received this year from the environment regulators.

Environmental Performance

CITIC Pacific Mining (CPM) uses land disturbance, rehabilitation, and greenhouse gas emission as useful environmental indicators to track impacts and performance. During 2012/13, we achieved satisfactory outcomes in relation to all these indicators which were in line with our approvals and obligations.

CPM – Combined-cycle Gas Turbine Power Station

CPM Land Disturbance and Rehabilitation Data

Financial Year	Land Disturbance During Reporting Period (Ha)	Total Land Disturbance To Date (Ha)	Rehabilitated during reporting period (Ha)	Cumulative Rehabilitation (Ha)
2012/13	108	2,080	27	224

CPM Greenhouse Gas Emissions & Energy Consumption Data

	Greenhouse Gas Emissions			Energy	
Financial Year	Scope 1 (t $CO_{2\text{-}e}$)	Scope 2 (t $CO_{2\text{-}e}$)	Total of Scope 1 & 2 (t $CO_{2\text{-}e}$)	Energy Consumed (GJ)	Energy Produced (GJ)
2012/13	247,478	326	247,804	4,820,882	541,531

As the project progresses into operations, the focus will remain on progressive rehabilitation, with emissions expected to increase as more components of the project are commissioned and approach an operational phase. The lower emissions profile of our combined-cycle natural gas power station has been recognised nationally by the Australia Energy Efficiency Council (see Case Study below).

Case Study – Carbon footprint minimisation

In CITIC Pacific Mining's Sino Iron Project, we use a combined-cycle gas turbine power station, which is in contrast with the many large, open-cycle gas turbine power stations developed in the nearby regions of Pilbara constructed solely to supply power to mining sites. In fact, nearly half of the energy generated is lost as heat in an open-cycle plant. The term combined-cycle is used to describe the process where this lost energy is captured and used to heat water to generate steam power energy. Recovery and reuse of this heat through the steam process creates a more efficient power plant with reduced greenhouse gas emissions.

Combined-cycle requires upfront capital investment. We take a longer term business view and therefore made the choice for a combined-cycle power station in CITIC Pacific Mining's Sino Iron Project, the first and largest of its type in the Pilbara region.

Our mining operation's power station is a 450 MW combined-cycle gas fired power station. It is approximately 40 per cent more efficient than an open-cycle gas turbine power station and at full capacity is able to save greenhouse gas (GHG) emissions of 440,000 t CO_{2-e} per year.

It is important to understand the scale of this abatement of GHG emissions being equivalent to approximately one quarter of the reduction offered by the entire current capacity of the photovoltaic power plants installed in Australia.

This 450 megawatt combined-cycle power station is the first of its type in the Pilbara region and has been recognised by the Australia Energy Efficiency Council as being the "Best Industrial Energy Efficiency Project". CITIC Pacific Mining was recognised for effectively acting upon the corporate claim of 'carbon footprint minimization'.

Given the number of open-cycle plants in the Pilbara region and other locations, there is a massive potential to further reduce greenhouse emissions, as illustrated by our achievement in this area.

Environmental Compliance and Outlook

Our environmental compliance performance remained steady over the year. No incidents were triggered for reporting to the regulators. The majority of non-reportable environmental incidents were in relation to minor spills.

As we were entering the operational phase, there will be changes in the environmental risk profile; we will remain vigilant across the site to ensure environmental compliance. Tailored education and awareness programmes will also be implemented for different activities on site.

Our environmental priorities for the ensuing year will remain unchanged, which are regulatory compliance as well as continual performance improvement against the targets and objectives set in our Operational Environmental Management System that has been completed. The further development of this Operational Environmental Management System will enable us to achieve continual mitigation of the environmental impacts of our iron ore business.

Special Steel

Our special steel plants continued to focus on reducing sulphur dioxide (SO_2) emissions and saving energy. We treated pollutants such as fumes and dust discharged from the production process, and treated and recycled waste-water, gases and other waste residuals. These efforts demonstrated our clear commitment to corporate social responsibility.

In 2013, all our major environmental indices of our two special steel plants, including sulphur dioxide (SO_2) emissions per tonne of steel production, and the utilisation rate of solid waste, continuously met the regulatory standards of the iron and steel industry in China. The discharge of all major pollutants also met China's national standards. Major results of our environmental protection efforts made during the year are as follows:

- Implemented de-sulphuring processes to reduce sulphur dioxide (SO_2) from the exhaust gas. Our special steel plants reduced approximately 11,000 tonnes of sulphur dioxide in the production processes.
- Implemented sewage treatment systems to remove contaminants from waste water for water recycling. Our sewage treatment systems have over the year treated approximately 140,000 tonnes of sewage water.
- Our energy-controlling centre, responsible for managing energy usage of the special steel plants, continued to help reduce energy consumption by lowering the release rate of gases, and by increasing the water recycling rate.
- Our self-developed power stations utilised an energy recovery design that uses residual pressure and residual heat from blast furnace gas to generate as high as 50% of the electricity required for our special steel production as well as heat for consumption by the local communities, which continued to achieve effective energy savings during the year.

De-sulphuring System in Special Steel Plants

Energy

Our power plants actively implemented environmentally-friendly measures during the year, following the implementation of the China's national 12th Five Year Plan on resource conservation and environmental protection. Major investments have been made to enhance our electricity production efficiency. Our power plants have also developed and enhanced various environmental management systems, standards and guidelines for compliance by all staff. The following activities carried out during the year are notable examples that demonstrate our pledge for protecting the environment:

- Continued to develop and implement new technology to further improve the efficiency of electricity generation and coal usage.
- Completed the implementation of de-sulphuring and de-nitration processes to respectively reduce sulphur dioxide (SO_2) and nitrogen oxide (NOx) from exhaust gas. The intensity of sulphur dioxide and nitrogen oxide emitted by our biggest power plant in mainland China was less than or equal to 50mg/Nm^3 and 100 mg/Nm^3 respectively, which met prevailing regulatory standards.
- Further improved technology and processes on water consumption; our biggest power plant in mainland China saved 1.06 million tonnes of water during the year.
- Our coal mining joint venture in Shandong replaced the coal heating systems with new water-heat pump systems and accordingly saved energy consumption equivalent to 20,000 tonnes of standard coal usage.

De-sulphuring System in Power Plants

Property

Our mainland property business implemented a number of environmentally-friendly initiatives for delivering a better environment to the local communities. During the design phase of our property development projects, we took into consideration increased green plantation and landscaping as well as environmentally-friendly building materials to reduce consumption of energy and natural resources. For commercial properties, we are implementing environmental management programmes to save energy as well as utility costs. We have also developed sewage treatment systems for removing contaminants from waste water, as implemented in our Hainan operations.

Current Challenges and the Way Forward

Climate change continues to be one of the challenges to our sustainable development. We are continuing to review our environmental protection strategies and performance targets, including carbon footprint reduction. We have been taking a forward-thinking approach of responding to our stakeholders about their environmental concerns. We are engaging with our stakeholders and working with external consultants to develop environment, social and governance reporting mechanisms as well as implement other initiatives in relation to environmental protection.

Youth Development

CITIC Pacific supports youth development in the communities in which we operate. In 2013, our subsidiaries CITIC Pacific Mining in Australia, Special Steel group in mainland China, and Dah Chong Hong and New Hong Kong Tunnel in Hong Kong continued to provide technical and graduate traineeship programmes and apprenticeships for fresh graduates. They also offered summer internship opportunities to students.

In support of young indigenous people at our mine sites in Roebourne and Karratha of West Australia, CITIC Pacific Mining continued its partnership with the Clontarf Foundation, which aims to improve the education, discipline, self-esteem, life skills and employment prospects of young indigenous people. The Clontarf Foundation now has schools in these two areas to develop employment opportunities for them.

In mainland China, Jiangyin Xingcheng Special Steel collaborated with local schools to provide sponsorships and assistance for improving the learning conditions of underprivileged children. It also sponsored three children of its employees to pursue their tertiary education through its Jinqiu Education Assistance initiative.

With the growth of its business in mainland China, Dah Chong Hong has extended its contributions towards youth to additional locations in the country. In 2013, Dah Chong Hong sponsored the third minivan in its Mobile Classroom Project. The objective of this project is to provide a full range of educational support, including voluntary services and resources to villages and schools in some of the most remote rural areas.

Organising company or site visits for students was another initiative in 2013. During the year, New Hong Kong Tunnel hosted seven visits to the Eastern Harbour Tunnel for over 300 students and young people from various charity organisations. In Australia, CITIC Pacific Mining provided a haul truck simulator during the Roebourne School Activities Day and the FeNaCING Festival to give students and local residents the opportunity to experience driving some of the biggest mining equipment in the world.

Community Service

At CITIC Pacific, we again supported charitable initiatives in response to local community needs throughout the year, demonstrating our high level of commitment to serving communities in Hong Kong, China, Australia and other locations where we operate.

In Hong Kong

In recognition of our work on behalf of the elderly, children and underprivileged in the community, we have been awarded the Caring Company logo by the Hong Kong Council of Social Service for more than five consecutive years.

Throughout 2013, we continued supporting charity and fundraising events in Hong Kong organised by the Community Chest and Oxfam Hong Kong. During the year, we again participated in Green Day, Skip Lunch Day, Love Teeth Day and Dress Casual Day organised by the Community Chest. To support Oxfam Hong Kong's emergency relief and rehabilitation work for Ya'an City after the earthquake on 20 April 2013, we donated HK$1 million to Oxfam Hong Kong.

As in previous years, our dedicated volunteer teams in Hong Kong continued serving the community by providing volunteer services in partnership with various non-profit organisations. Throughout 2013, volunteer team members including employees and their family members from CITIC Pacific headquarters, Dah Chong Hong and New Hong Kong Tunnel (1,075 people in total) contributed a total of 5,152 hours of volunteer service to those in need.

During the year, the Caring People Team of CITIC Pacific headquarters supported the Oxfam Rice Sale, delivered festive gift bags to the elderly during the Tuen Ng Festival, and took part in the Unicef Charity Run 2013, among other charitable activities. Thanks to the efforts of the team, we were proud to be awarded the Highest Participation Award (Corporate) Bronze Award at the Oxfam Rice Sale. The team also provided voluntary services for new charitable events such as manning the fundraising hotlines at the Community for the Chest television show in May, as well as support to the participants of the Oxfam Trailwalker 2013 and the Sign Language Event for people with hearing disabilities, both in November.

Dah Chong Hong once again supported the Oxfam Rice Sale in the year by sponsoring rice for the event and sending 50 volunteers to sell rice. To support Oxfam in its poverty alleviation and emergency relief projects in Africa and Asia, including Hong Kong and mainland China, Dah Chong Hong sent five teams to the 2013 Oxfam Trailwalker. Another group of employees volunteered to act as the support team for the five participating teams.

In 2013, New Hong Kong Tunnel continued its partnership with the Christian Family Service Centre (CFSC) and Fu Hong Society to provide voluntary services to the elderly and disabled respectively. Collaborating with the



CFSC, the volunteers of New Hong Kong Tunnel made regular visits to the elderly, especially those suffering from Alzheimer's disease, assisted in producing training kits, and helped stimulate their memories through some exercises. Throughout the year, volunteers accompanied the elderly in various outdoor activities such as outings and visits to exhibition centres. In partnership with the Fu Hong Society, volunteers accompanied the disabled at indoor golf training sessions and assisted them in playing games of indoor golf.

In Australia

A positive and sustainable relationship with the communities in and around the Sino Iron area is vital to the future success of the Sino Iron project. During the year, CITIC Pacific Mining continued to support the three indigenous groups in the area. Activities included contributing to the community through sponsorships and partnerships, attending local community events and providing employment opportunities.

In partnership with Kulcha Multicultural Arts of West Australia (KULCHA), CITIC Pacific Mining again sponsored Pilbara Samba band initiatives such as workshops and performances at Cossack Family Day in July, the FeNaCING Festival in August, and the REAF Festival in September, which supports multicultural community arts that enrich local communities and enhance social cohesion in Karratha.

CITIC Pacific Mining also donated items previously used onsite such as linens, cyclone packs and camp mats to the Pilbara Aboriginal Church and Department of Child Protection and Families. In addition, employees gave 150 pairs of new and second hand shoes and 185 Christmas presents to children in Roebourne, where many of the traditional land owners and their families live and work.

In mainland China

During the year, CITIC Pacific's subsidiaries in mainland China participated in a variety of charitable events in local communities, such as blood donations and fundraising for the disadvantaged. They also made financial and non-financial donations to help underprivileged people.

In collaboration with local community organisations, Jiangyin Xingcheng Special Steel assisted cultural and educational development projects at Jiangyin, such as establishing a model community and providing financial sponsorships to poverty-stricken villages in areas nearby. More than 200 employees of Jiangyin Xingcheng Special Steel also showed their care to the community by participating in a blood donation drive organised by the Red Cross Society of Jiangyin.

In 2013, a team of volunteers from the CITIC Pacific Shenzhou Peninsula Project initiated a series of environmentally friendly activities, including tree planting and beach cleaning. Other subsidiaries under our property operation participated in charity events such as blood drives, fundraising and gift donations to the underprivileged.

Forward Looking Statements

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

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

Contents of Financial Statements and Notes

Consolidated Profit and Loss Account

For the year ended 31 December 2013

In HK$ million	Note	2013	2012
Revenue	3	**88,041**	93,272
Cost of sales		**(77,185)**	(83,529)
Gross profit		**10,856**	9,743
Other income and net gains	4	**2,545**	3,673
Distribution and selling expenses		**(3,243)**	(3,202)
Other operating expenses		**(4,523)**	(4,315)
Change in fair value of investment properties		**1,709**	1,506
Profit from consolidated activities	5 & 6	**7,344**	7,405
Share of results of			
Joint ventures	5	**3,016**	2,145
Associated companies	5	**390**	690
Profit before net finance charges and taxation		**10,750**	10,240
Finance charges		**(3,297)**	(1,862)
Finance income		**549**	720
Net finance charges	7	**(2,748)**	(1,142)
Profit before taxation		**8,002**	9,098
Taxation	8	**(978)**	(1,347)
Profit for the year from continuing operations		**7,024**	7,751
Profit for the year from discontinued operations	35a	**2,102**	497
Profit for the year		**9,126**	8,248
Attributable to:			
Ordinary shareholders of the Company	9	**7,588**	6,954
Holders of perpetual capital securities		**881**	463
Non-controlling interests		**657**	831
		9,126	8,248
Profit attributable to ordinary shareholders of the Company arising from:			
Continuing operations		**5,505**	6,655
Discontinued operations		**2,083**	299
		7,588	6,954
Earnings per share for profit attributable to ordinary shareholders of the Company during the year (HK$)	11		
Basic earnings per share from:			
Continuing operations		**1.51**	1.83
Discontinued operations		**0.57**	0.08
		2.08	1.91
Diluted earnings per share from:			
Continuing operations		**1.51**	1.83
Discontinued operations		**0.57**	0.08
		2.08	1.91
Dividends to ordinary shareholders of the Company	10	**(1,277)**	(1,642)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

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

Consolidated Balance Sheet

As at 31 December 2013

In HK$ million	Note	2013	2012
Non-current assets			
Property, plant and equipment	15	**109,480**	100,445
Investment properties	15	**14,932**	16,359
Properties under development	15	**10,779**	8,712
Leasehold land – operating leases	15	**2,633**	2,524
Joint ventures	17	**22,647**	20,443
Associated companies	18	**7,668**	7,499
Other financial assets	19	**294**	351
Intangible assets	20	**18,802**	17,253
Deferred tax assets	33	**2,868**	2,342
Derivative financial instruments	32	**36**	121
Non-current deposits and prepayments	21	**3,748**	1,908
		193,887	177,957
Current assets			
Properties under development		**881**	1,144
Properties held for sale		**3,729**	3,830
Other assets held for sale	22	**3,848**	379
Inventories	23	**14,660**	11,803
Derivative financial instruments	32	**50**	255
Debtors, accounts receivable, deposits and prepayments	24	**15,654**	15,464
Cash and bank deposits		**35,070**	32,821
		73,892	65,696
Assets of disposal group classified as held for sale	35b(i)	**–**	3,733
		73,892	69,429
Current liabilities			
Bank loans, other loans and overdrafts			
secured	29	**1,426**	1,456
unsecured	29	**25,713**	20,677
Creditors, accounts payable, deposits and accruals	25	**28,717**	24,402
Derivative financial instruments	32	**151**	201
Provisions	34	**130**	1,870
Provision for taxation		**1,139**	1,065
Liabilities of a company to be disposed classified as held for sale		**43**	–
		57,319	49,671
Liabilities of disposal group classified as held for sale	35b(ii)	**–**	1,260
		57,319	50,931
Net current assets		**16,573**	18,498
Total assets less current liabilities		**210,460**	196,455
Non-current liabilities			
Long term borrowings	29	**93,591**	94,496
Deferred tax liabilities	33	**3,918**	3,343
Derivative financial instruments	32	**2,546**	4,777
Provisions and deferred income	34	**2,092**	1,973
		102,147	104,589
Net assets	5	**108,313**	91,866

Consolidated Balance Sheet

As at 31 December 2013

In HK$ million	Note	**2013**	2012
Equity			
Share capital	26	**1,460**	1,460
Perpetual capital securities	27	**13,838**	5,953
Reserves	28	**85,553**	76,170
Proposed dividend		**912**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**101,763**	84,678
Non-controlling interests in equity		**6,550**	7,188
Total equity		**108,313**	91,866

Chang Zhenming
Chairman

Zhang Jijing
President

Vernon F. Moore
Chief Financial Officer

Balance Sheet

As at 31 December 2013

In HK$ million	Note	2013	2012
Non-current assets			
Property, plant and equipment	15	**20**	17
Subsidiary companies	16	**111,153**	98,940
Joint ventures	17	**4,808**	5,127
Associated companies	18	**1,801**	1,879
		117,782	105,963
Current assets			
Derivative financial instruments	32	**88**	27
Amounts due from subsidiary companies	16	**5,069**	6,127
Debtors, accounts receivable, deposits and prepayments	24	**195**	257
Cash and bank deposits		**16,381**	13,989
		21,733	20,400
Current liabilities			
Bank loans, other loans and overdrafts			
– unsecured	29	**10,744**	10,407
Amounts due to subsidiary companies	16	**6,174**	6,528
Creditors, accounts payable, deposits and accruals	25	**906**	745
Derivative financial instruments	32	**139**	99
Provision for taxation		**80**	1
		18,043	17,780
Net current assets		**3,690**	2,620
Total assets less current liabilities		**121,472**	108,583
Non-current liabilities			
Long term borrowings	29	**57,579**	52,451
Derivative financial instruments	32	**1,316**	2,674
		58,895	55,125
Net assets		**62,577**	53,458
Equity			
Share capital	26	**1,460**	1,460
Perpetual capital securities	27	**13,838**	5,953
Reserves	28	**46,367**	44,950
Proposed dividend		**912**	1,095
Total ordinary shareholders' funds and perpetual capital securities		**62,577**	53,458

Chang Zhenming
Chairman

Zhang Jijing
President

Vernon F. Moore
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 31 December 2013

In HK$ million	Note	2013	2012
Cash flows from operating activities			
Profit before taxation from continuing operations	5	**8,002**	9,098
Profit before taxation from discontinued operations	5	**2,104**	538
Share of results of joint ventures and associated companies		**(3,406)**	(3,026)
Net finance charges		**2,748**	1,144
Net exchange gain		**(172)**	(51)
Income from other financial assets		**(5)**	(4)
Depreciation and amortisation		**3,653**	3,098
Impairment losses		**435**	173
Provision for gas contract		**86**	415
Share-based payment		**21**	31
(Profit)/loss on disposal of property, plant and equipment		**(3)**	2
Net gain on properties reclassified as asset held for sale		**-**	(78)
Change in fair value of investment properties		**(1,709)**	(1,506)
Net gain from disposal/deemed disposal of joint ventures and associated companies		**(367)**	(2,454)
Net gain on disposal of subsidiary companies		**(2,977)**	(165)
Operating profit before working capital changes		**8,410**	7,215
Decrease in properties held for sale		**1,193**	1,610
(Increase)/decrease in inventories		**(2,417)**	2,407
(Increase)/decrease in debtors, accounts receivable, deposits and prepayments		**(655)**	283
Increase/(decrease) in creditors, accounts payable, deposits and accruals		**3,396**	(2,068)
Effect of foreign exchange rate changes		**(4)**	(13)
Cash generated from operating activities		**9,923**	9,434
Income taxes paid		**(1,328)**	(1,915)
Cash generated from operating activities after income taxes paid		**8,595**	7,519
Interest received		**494**	586
Interest paid		**(5,472)**	(4,724)
Realised exchange loss		**(21)**	(8)
Other finance charges		**(201)**	(289)
Net cash from consolidated activities before increase of properties under development		**3,395**	3,084
Increase in properties under development		**(3,517)**	(1,718)
Net cash (used in)/generated from consolidated activities		**(122)**	1,366

Consolidated Cash Flow Statement

For the year ended 31 December 2013

In HK$ million	Note	2013	2012
Cash flows from investing activities			
Purchase of:			
Subsidiary companies (net of cash and cash equivalents acquired)	38	**(928)**	(1,405)
Properties under development for own use		**(256)**	(237)
Property, plant and equipment		**(6,851)**	(14,378)
Leasehold land – operating leases		**(5)**	(308)
Intangible assets		**(2,680)**	(2,056)
Other financial assets		**–**	(13)
Proceeds of:			
Disposal of property, plant and equipment and investment properties		**311**	863
Disposal of interests in joint ventures		**–**	4,294
Disposal of subsidiary companies (net of cash and cash equivalents disposed)	38	**3,164**	220
Sale of other financial assets		**–**	5
Deposits received from sale of business interests		**430**	–
Refund of deposit received		**(741)**	(842)
Settlement of consideration payable for acquisition of a subsidiary company		**–**	(48)
Increase in bank deposits maturing after more than 3 months		**(1,964)**	(365)
Decrease in pledged deposits with banks		**4**	1,099
Net payments for non-current deposits and prepayments		**(1,937)**	(2,534)
Investment in joint ventures and associated companies		**(773)**	(63)
Deposit paid for acquisition of a subsidiary company		**–**	(76)
Loans repayment received from joint ventures and associated companies		**1,010**	2
Dividend received from joint ventures and associated companies		**2,177**	1,964
Income received from other financial assets		**4**	4
Net cash used in investing activities		**(9,035)**	(13,874)
Cash flows from financing activities			
New borrowings		**40,875**	65,775
Repayment of loans		**(37,030)**	(47,498)
Decrease in non-controlling interests		**(436)**	(653)
Dividends paid to shareholders of the Company		**(1,460)**	(1,642)
Proceeds of issue of perpetual capital securities, net of transaction costs		**7,725**	–
Distribution made to holders of perpetual capital securities		**(796)**	(461)
Net cash from financing activities		**8,878**	15,521
Net (decrease)/increase in cash and cash equivalents		**(279)**	3,013
Cash and cash equivalents at 1 January		**30,610**	27,964
Effect of foreign exchange rate changes		**568**	(16)
Cash and cash equivalents at 31 December		**30,899**	30,961
Cash and cash equivalents included in assets of disposal group classified as held for sale at 31 December		**–**	(351)
Cash and cash equivalents of continuing operations at 31 December		**30,899**	30,610
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		**35,070#**	32,821
Bank deposits with maturities over 3 months*		**(3,708)**	(1,744)
Bank overdrafts and pledged deposits		**(463)**	(467)
		30,899	30,610

Included in cash and bank deposits, there is a bank deposit of RMB625 million (equivalent to HK$795 million) received in escrow account from CITIC Bank for disposal of the property located in Shanghai.

* CITIC Pacific Limited had bank deposit RMB228 million (equivalent to HK$290 million) (31 December 2012: Nil) with maturity exceeding 3 months as at 31 December 2013.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

In HK$ million	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	1,460	5,953	42,706	34,559	84,678	7,188	91,866
Profit for the year	–	881	–	7,588	8,469	657	9,126
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Share of other comprehensive income of a joint venture	–	–	18	–	18	–	18
Surplus on revaluation of properties transferred from self-use properties to investment properties	–	–	123	–	123	8	131
Reserves released upon disposal of subsidiary companies	–	–	1,002	(1,002)	–	–	–
	–	–	1,143	(1,002)	141	8	149
Items that have been reclassified or may be reclassified subsequently to profit or loss:							
Share of other comprehensive income of joint ventures and associated companies	–	–	21	–	21	4	25
Fair value changes of other financial assets	–	–	(48)	–	(48)	–	(48)
Exchange translation differences	–	–	1,956	–	1,956	91	2,047
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	–	–	1,618	–	1,618	–	1,618
Reserves released on disposal of subsidiary companies	–	–	(240)	–	(240)	–	(240)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(210)	–	(210)	–	(210)
	–	–	3,097	–	3,097	95	3,192
Other comprehensive income for the year, net of tax	–	–	4,240	(1,002)	3,238	103	3,341
Total comprehensive income for the year	–	881	4,240	6,586	11,707	760	12,467
Transactions with owners							
Acquisition of subsidiary companies	–	–	–	–	–	12	12
Disposal of interest in subsidiary companies	–	–	–	–	–	(974)	(974)
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,460)	(1,460)	–	(1,460)
Dividends paid to non-controlling interests	–	–	–	–	–	(340)	(340)
Acquisition of interests from non-controlling interests	–	–	(103)	–	(103)	(116)	(219)
Distribution to holders of perpetual capital securities	–	(796)	–	–	(796)	–	(796)
Share-based payment of a subsidiary company	–	–	12	–	12	9	21
Transfer from profits to general and other reserves	–	–	147	(147)	–	–	–
Release upon lapse of share options	–	–	(2)	2	–	–	–
Capital injected by non-controlling interest	–	–	–	–	–	11	11
Issue of perpetual capital securities	–	7,800	–	–	7,800	–	7,800
Transaction costs related to issue of perpetual capital securities	–	–	–	(75)	(75)	–	(75)
	–	7,004	54	(1,680)	5,378	(1,398)	3,980
Balance at 31 December 2013	1,460	13,838	47,000	39,465	101,763	6,550	108,313

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

In HK$ million	Share capital	Perpetual capital securities	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities						
Balance at 1 January 2012	1,460	5,951	44,068	29,479	80,958	7,055	88,013
Profit for the year	–	463	–	6,954	7,417	831	8,248
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Surplus on revaluation of properties transfer from self-use properties to investment properties	–	–	61	–	61	–	61
Reserves released upon disposal of a joint venture	–	–	179	(179)	–	–	–
	–	–	240	(179)	61	–	61
Items that have been reclassified or may be reclassified subsequently to profit or loss:							
Share of other comprehensive income of joint ventures and associated companies	–	–	41	(82)	(41)	2	(39)
Fair value changes of other financial assets	–	–	(5)	–	(5)	–	(5)
Transfer to profit and loss account on impairment of other financial assets	–	–	15	–	15	–	15
Exchange translation differences	–	–	(45)	–	(45)	2	(43)
Cash flow hedging reserves movement from interest rate swaps and foreign exchange contracts	–	–	(1,139)	–	(1,139)	–	(1,139)
Reserves released on disposal of a subsidiary company	–	–	(1)	–	(1)	–	(1)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(431)	–	(431)	–	(431)
	–	–	(1,565)	(82)	(1,647)	4	(1,643)
Other comprehensive income for the year, net of tax	–	–	(1,325)	(261)	(1,586)	4	(1,582)
Total comprehensive income for the year	–	463	(1,325)	6,693	5,831	835	6,666
Transactions with owners							
Acquisition of subsidiary companies	–	–	–	–	–	20	20
Dilution of interest in subsidiary companies	–	–	4	–	4	(4)	–
Dividends paid to ordinary shareholders of the Company	–	–	–	(1,642)	(1,642)	–	(1,642)
Dividends paid to non-controlling interests	–	–	–	–	–	(548)	(548)
Acquisition of interests from non-controlling interests	–	–	(30)	–	(30)	(225)	(255)
Distribution to holders of perpetual capital securities	–	(461)	–	–	(461)	–	(461)
Share-based payment of a subsidiary company	–	–	18	–	18	13	31
Transfer from profits to general and other reserves	–	–	159	(159)	–	–	–
Release upon lapse of share options	–	–	(188)	188	–	–	–
Capital injected by non-controlling interest	–	–	–	–	–	44	44
Distribution to non-controlling interest	–	–	–	–	–	(2)	(2)
	–	(461)	(37)	(1,613)	(2,111)	(702)	(2,813)
Balance at 31 December 2012	1,460	5,953	42,706	34,559	84,678	7,188	91,866

1 Significant accounting policies

(a) Basis of preparation

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

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

The more important changes are summarised below:

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

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

HKFRS 10, Consolidated financial statements

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

1 Significant accounting policies (continued)

(a) Basis of preparation (continued)

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated accounts. The Group only has joint ventures.

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

HKFRS 13, Fair value measurement

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

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

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

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

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

1 Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all its subsidiary companies made up to the balance sheet date. The results of subsidiary companies acquired or disposed of during the year are included as from the effective dates of acquisition or up to the effective dates of disposal respectively.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiary companies have been changed where necessary in the consolidated accounts to ensure consistency with the policies adopted by the Group.

(c) Goodwill

Goodwill arising on the acquisition of subsidiary companies, joint ventures and associated companies represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the net assets of the acquiree in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Positive goodwill will be stated in the consolidated balance sheet as a separate asset or included within joint ventures and associated companies at cost less accumulated impairment losses and is subject to impairment testing at least annually. Impairment losses on goodwill are not reversed. Negative goodwill is recognised in the profit and loss account immediately on acquisition.

(d) Subsidiary companies and non-controlling interests

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parities) are considered.

The acquisition method of accounting is used to account for the acquisition of subsidiary companies. The consideration transferred for the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. There is a choice, on the basis of each acquisition to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

1 Significant accounting policies (continued)

(d) Subsidiary companies and non-controlling interests (continued)

Non-controlling interest is the equity in a subsidiary company which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiary companies that do not result in a loss of control) as transactions with equity owners of the Group, instead of transactions with parties not within the Group. For purchases of additional interests in subsidiary companies from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals of partial interests to non-controlling interests are also recorded in equity.

When control is lost, any remaining interest in the subsidiary company is re-measured to fair value and the difference between the fair value and the carrying value is recognised in the profit and loss account.

Investments in subsidiary companies are carried in the Company's balance sheet at cost less any impairment. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

(e) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The consolidated profit and loss account includes the Group's share of the results of the joint ventures for the year, unless the joint venture is classified as held for sale (or included in a disposal group held for sale), and adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of the net assets of the joint ventures and goodwill on acquisition.

When the Group's share of losses equals or exceeds its interest in the joint venture, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Share of results of joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in joint ventures are stated at cost less any impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

1 Significant accounting policies (continued)

(f) Associated companies

Associated companies are companies, other than subsidiary companies and joint ventures, in which the Group generally holds not more than 50 per cent of the equity share capital for the long term and over whose management it can exercise significant influence.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, unless the associated company is classified as held for sale (or included in a disposal group held for sale), and adjusted by impairment losses, if any. The consolidated balance sheet includes the Group's share of net assets of the associated companies, after attributing fair values to the net assets at the date of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associated company, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Share of results of associated companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less any impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment include leasehold land classified as finance leases. Please refer to note 1(m) for the accounting policy on leasehold land classified as finance leases.

Assets in the course of construction for production, rental or administrative purposes are carried at cost, less any impairment losses. Cost includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Construction in progress in respect of the iron ore project includes expenditure such as bank charges, interest costs, equipment hire costs, consultants' costs and depreciation costs. Such costs are capitalised until commencement of mine production and then amortised in accordance with note 1(o).

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rate specified below.

1 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Property, plant and equipment are depreciated at rates sufficient to write off their cost, less impairment losses, if any, to their estimated residual values, over their estimated useful lives on a straight line basis at the following annual rates:

Freehold land is not amortised.

Buildings	10-50 years or the remaining lease period of the land where applicable
Plant and machinery	5-17 years
Other property, plant and equipment, comprising vessels, hotels, traffic equipment, cargo lighters, computer installations, motor vehicles, furniture, fixture and equipment	4-25 years

Assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

(h) Investment properties

Investment properties are interests in land and/or buildings which are held to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated profit and loss account.

1 Significant accounting policies (continued)

(i) Properties under development

Properties under development consist of land for development and buildings under construction and development.

Properties under development for own use – investments in leasehold land are amortised over the lease term, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of leasehold land is capitalised as the cost of buildings during the construction period. The investments in buildings under construction and development are stated at cost less any accumulated impairment losses.

Properties under development for sale are carried at the lower of cost and the estimated net realisable value. Given the Group's diverse portfolio of property development projects, there is presently not a uniform operating cycle and hence properties under development for sale with the development expected to be completed within one year from the balance sheet date are classified under current assets. Such development properties are transferred to investment property when and only when there is a change in use as evidenced by the commencement of an operating lease to another party.

Properties under development for investment purposes are stated in the balance sheet at fair values which are reviewed annually. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the profit or loss account.

(j) Capitalisation of development costs

Property development expenditure, including borrowing costs and professional fees, is capitalised as cost of development.

Borrowing costs incurred on assets under development that take a substantial period of time to get ready for their intended use or sale are capitalised into the carrying value of the assets under development.

The capitalisation rate applied to funds borrowed for the development of assets is based on the attributable cost of funds to the Group.

All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(k) Properties held for sale

Properties held for sale consisting of leasehold land and buildings are classified under current assets and stated at the lower of cost and net realisable value. Leasehold land is stated at cost less accumulated amortisation and any impairment losses. Building costs are stated at cost less any impairment losses.

1 Significant accounting policies (continued)

(l) Other assets held for sale and discontinued operations

Assets are classified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary company acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(m) Leasehold land

Leasehold land under operating lease and finance lease arrangements is stated at cost less accumulated amortisation and impairment losses. Leasehold land is amortised on a straight-line basis over the lease term.

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. They comprise goodwill, expenditure on mining rights, car dealerships and a vehicular tunnel concession. The accounting policies for goodwill and exploration, evaluation and development expenditure of mining rights are outlined in accounting policies 1(c) and 1(o).

Amortisation of the vehicular tunnel concession is based on the actual traffic volume in the year compared to the projected traffic volume for the remainder of the concession period.

(o) Mining exploration, evaluation and development expenditure of Iron ore project

Mining exploration, evaluation and development expenditures incurred are capitalised and carried forward in respect of each identifiable area of interest where the rights to mine are current and:

- it is expected that the expenditure will be recouped by future development and commercial exploitation or sale; or,

- at the balance sheet date, exploration and evaluation activities have reached a stage, which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

Development costs represent costs accumulated for an area of interest where the decision has been made to develop the mine. Development costs include such costs as plant hire, contractor site labour costs and resource assessment costs. Exploration and evaluation assets are transferred to development costs when this decision has been made. Development costs are tested for impairment in accordance with note 1(y).

1 Significant accounting policies (continued)

(o) Mining exploration, evaluation and development expenditure of Iron ore project (continued)

Amortisation of costs carried forward is not charged until production commences. When production commences, capitalised expenditures on exploration, evaluation and development are amortised over the life of the area of interest to which they relate. Amortisation is recognised in the consolidated profit and loss account on a unit of production method over the estimated useful lives of intangible assets from the date that they are available for use. Unamortised expenditure relating to that area of interest is written off in the period that abandonment is decided.

Provision for restoration costs is made at the time when the activities which give rise to the need for restoration occur, and would form part of the costs of property, plant and equipment. The need for a provision is assessed annually such that full provision is made by the end of the exploration life of each area.

The ultimate recoupment of costs carried forward for exploration, evaluation and development phases is dependent on the successful development and commercial exploitation of sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration phase and accordingly, production has not commenced.

Subsequent to the commencement of mining production, expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated profit and loss account when incurred.

Mining exploration, evaluation and development expenditure is written down to its recoverable amount if it is lower than its carrying amount.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit and loss account.

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1 Significant accounting policies (continued)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not made for future operating losses.

(t) Share capital

Share capital issued by the Company is recorded at the proceeds received, net of direct issue costs.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Geographically, management considers separate segments as mainland China, Hong Kong, Australia and others. The performance of the operating segments is assessed on the profit attributable to the shareholders of the Company. Net exchange gain is attributable to the corporate segment, as the cash position of the Group is managed centrally by the corporate treasury function.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1 Significant accounting policies (continued)

(v) Revenue recognition

(i) Sales of goods

Revenue arising from the sales of goods is generally recognised on the delivery of goods to customers. Revenue is after deduction of any trade discounts.

Revenue arising from the sale of motor vehicles is recognised when the registration document is issued or on delivery of the vehicle, whichever is earlier. This is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Commission income is recognised when the goods concerned are sold to customers.

Revenue arising from the rendering of repairing services is recognised when the relevant work is completed.

(iii) Sales of properties under development and properties held for sale

Revenue from sales of properties under development is only recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group considers that the significant risks and rewards of ownership are transferred when the buildings contracted for sale are completed and the relevant permits essential for the delivery of the properties have been issued by the authorities.

Revenue from completed properties held for sale is recognised at the date when the sales agreement is signed.

(iv) Toll income

Toll income is recognised as revenue when the service is provided.

(v) Rental income

Rental income is recognised as revenue on a straight-line basis over the period of the relevant lease.

(vi) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Dividends proposed or declared after their balance sheet date by companies in which the Group has an investment are not recognised as revenue at the balance sheet date but on the date when the right to receive the dividend is established.

1 Significant accounting policies (continued)

(w) Financial instruments

The Group classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale financial assets and, (iv) derivative financial instruments. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets on initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of all categories financial assets are recognised on their trade-date – the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except financial assets carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been legally transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this sub-category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, unless maturity is greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in debtors, accounts receivable, deposits and prepayments in the balance sheet.

Loans and receivables and held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

1 Significant accounting policies (continued)

(w) Financial instruments (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are carried at fair value, or cost less impairment loss if their fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in investment revaluation reserve. On the disposal of the investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognised in investment revaluation reserve will be transferred to the profit and loss account.

(iv) Derivative financial instruments

Derivatives are stated at fair value. The gain or loss on change in fair values is recognised in the profit and loss account unless the derivative qualifies for hedge accounting.

Cash flow hedges

Where a derivative qualifies for hedge accounting and is designated as a cash flow hedge, whether on the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective part of any unrealised gain or loss on the instrument is recognised directly in hedging reserve and the ineffective part in the profit and loss account. The cumulative gain or loss associated with the effective part of the cash flow hedge recorded in hedging reserve will be recognised in the profit and loss account in the same period or periods during which the transaction it hedges is recognised in the profit and loss account. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit and loss. The ineffective portion is recognised immediately in profit and loss.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 32. Movements on the hedging reserve in shareholders' equity are shown in Note 28. When the remaining maturity of the hedged item is more than 12 months, the full fair value of a hedging derivative is classified as a non-current asset or liability.

1 Significant accounting policies (continued)

(x) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable and receivable under operating leases are accounted for on a straight line basis over the respective periods of the leases.

(y) Impairment of assets

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation or amortisation are reviewed for impairment to determine whether there is any indication the carrying value of these assets may not be recoverable. If such assets are considered to be impaired, the impairment to be recognised in the profit and loss account is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (called cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(z) Inventories

Inventories comprise mainly iron ore, scrap metal, steel, motor vehicles, spare parts, electrical appliances, food and other trading items. They are valued at the lower of cost and net realisable value. Cost represents the actual cost of purchase or production and is calculated on the first-in first-out, specific identification or weighted average basis as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(aa) Foreign currencies

The consolidated and the Company's accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions in foreign currencies are translated into the functional currency at the rates ruling at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as a qualifying cash flow hedge or net investment hedge.

Assets and liabilities of subsidiary companies, joint ventures and associated companies, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into Hong Kong dollars at the rates of exchange at the balance sheet date. Results in foreign currencies are translated at the average rates of exchange ruling during the year. All resulting exchange differences are recognised as a separate component of equity – exchange fluctuation reserve.

Exchange differences arising from the translation of the net investment in foreign entities, and of financial instruments which are designated as hedges of such investment, are taken directly to the exchange fluctuation reserve. On the disposal of these investments, such exchange differences are recognised in the consolidated profit and loss account as part of the profit or loss on disposal.

1 Significant accounting policies (continued)

(aa) Foreign currencies (continued)

When a gain or loss on a non-monetary item is recognised directly in equity, any translation difference on that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the profit and loss account any translation difference on that gain or loss is recognised in the profit and loss account.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date. Such differences are taken directly to the exchange fluctuation reserve.

(bb) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities and withholding tax.

The balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; or in respect of those temporary differences which arise either from goodwill not deductible for tax purposes, or relating to investments in subsidiary companies to the extent that the Group controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Provision for withholding tax that will arise on the remittance of retained earnings is only made where there is a current intention to remit such earnings.

Deferred tax assets are recognised to the extent that their future utilisation is probable. Deferred tax arising from revaluation of investment properties is recognised on the rebuttable presumption that the recovery of the carrying amount of the properties would be through sale and calculated at the applicable tax rates.

Current tax assets and liabilities are offset, and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1 Significant accounting policies (continued)

(cc) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The Group operates a share option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period with a corresponding increase in capital reserve.

Fair values of share option awards, measured at the date of grant of the award, are calculated using a binomial lattice model methodology that is based on the underlying assumptions of the Black-Scholes model.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair value excludes the impact of any non-market services and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and recognises the impact of the revision, if any, in the consolidated profit and loss account.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Investment properties

The fair values of investment properties are determined annually by independent qualified valuers on an open market value at the balance sheet date on an existing use basis calculated on the net income allowing for reversionary potential.

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(y). For the purposes of impairment testing, goodwill acquired has been allocated to individual cash-generating units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

(iii) Impairment of assets

The Group has made substantial investments in tangible and intangible assets. The Group considers impairment assessment as an area requiring extensive application of judgement and estimation. Assets that have an indefinite useful life are tested for impairment annually. Other assets are reviewed for impairment when there is an indication that the carrying value of these assets may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the profit and loss account.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (called cash-generating units).

Iron Ore Project

The Group's Iron Ore Project comprising of Sino Iron Project in Australia and its associated marketing operation in Singapore and the shipping operation is considered as a separate cash generating unit. Whenever events or circumstances indicate an impairment may have occurred, the Group tests whether assets attributable to the Group's Iron Ore Projects have suffered any impairment. The recoverable amount of the Iron Ore Project is determined based on fair value less costs to sell which is based on cashflow projections that incorporate best estimates of selling prices, ore grades, exchange rates, production rates, future capital expenditure and production costs over the life of the mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Assumptions about selling prices, operating costs, exchange rates and discount rates are particularly important; the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

2 Critical accounting estimates and judgements (continued)

(iii) Impairment of assets (continued)

Property, plant and equipment

The Group reviews property, plant and equipment, other than those of the Iron Ore Project, for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate. For the purpose of assessing impairment of the Group's significant investments in special steel production facilities, assets are grouped at the lowest levels for which these are separately identifiable cash inflows (called cash–generating units).

Properties under development

The Group writes down properties under development to their recoverable amount based on the assessment of recoverability which takes into account cost to completion based on past experience and cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate. Write downs are recorded where events or changes in circumstances indicate that the balances may not be fully recovered. The identification of write downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted to profit and loss account in the period in which such estimate is changed.

Joint ventures and associated companies

The Group regularly reviews investments in joint ventures and associated companies for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the intent and ability to hold to maturity or until forecasted recovery, the financial health, cash flow projections and future prospects of the companies.

Debtors, accounts receivable, deposits and prepayments

Debtors, accounts receivable, deposits and prepayments are assessed and impairment is provided based on regular review of the ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the impairment loss would affect the profit in future years.

(iv) Depreciation

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful life of the respective assets using the straight-line method. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

2 Critical accounting estimates and judgements (continued)

(v) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in Note 1(z). Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's profit and net asset value.

(vi) Fair value of derivative financial instruments

The fair values of outstanding derivative financial instruments are based on independent valuations by Reval Inc., a derivative risk management and hedge accounting solutions firm, and are cross checked against fair values obtained from major financial institutions. Judgement is required in determining such valuations. Changes in the underlying assumptions could materially impact profit and loss or equity.

(vii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation that future taxable profit will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(viii) Metallurgical Corporation of China ("MCC") were appointed as the EPC (engineering, procurement and construction) contractor for the processing area and related facilities at the Group's Sino Iron project in Western Australia. The fixed price contract amount was US$3.4 billion.

On 30 January 2013, MCC announced that it had incurred costs over the value of the contract and had provided additional funding of US$858 million to MCC Mining (Western Australia) Pty Ltd ("MCC WA"), its wholly owned subsidiary responsible for delivering MCC's obligations under the contract.

As at the date of this report MCC has not claimed any additional costs from the Company or its subsidiary companies, other than minor contract variations in the normal course of operations, and the Group believes it has satisfied all of its obligations under the contract.

Under the contract, the Group has a right to claim liquidated damages from MCC WA for certain delays in the completion of their project scope at a daily amount of 0.15% of the value of the main contract (approximately US$5 million per day, with a cap of approximately US$530 million in total). As at balance sheet date the cumulative days delay that has been incurred has resulted in the contractual cap to the liquidated damages being reached.

2 Critical accounting estimates and judgements (continued)

(viii) (continued)

No amounts have been recognised as either receivable from or payable to MCC or its subsidiaries in the financial statements, pending the completion of the contract and settlement of any potential outstanding claims by either party. As set out in the announcement of the Company dated 24 December 2013 (the "Announcement"), Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron project, and an independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings, Sino Iron and MCC WA expect to enter into further negotiations on the project settlement accounts to determine the amount of liabilities to be borne between the parties. If these negotiations result in additional contracted amounts being agreed, this may impact on the carrying value of the project.

(ix) Sino Iron and Korean Steel, subsidiary companies of the Company, are party to Mining Right and Site Lease Agreements with Mineralogy Pty Ltd ("Mineralogy"). Those agreements provide their right to construct the Sino Iron project and take two billion tonnes of magnetite ore.

The Company is also a party to an Option Agreement with Mineralogy, pursuant to which the Company has options to acquire up to four further companies, each holding the right to mine one billion tonnes of magnetite ore in the vicinity of the Sino Iron Project. The Company exercised the first option under the Option Agreement on 13 April 2012. After the Company exercises an option, Mineralogy has an obligation under the Option Agreement to nominate a company having the right to extract the one billion tonnes under a Mining Right and Site Lease Agreement that is acceptable to the Company. Mineralogy nominated three companies, and subsequently withdraw two of those nominations.

The Company was of the view that none of the nominated companies satisfied the requirements of the Option Agreement. Mineralogy then alleged that the Option Agreement had been repudiated by the Company, that it accepted that repudiation and that the Option Agreement was at an end.

The Company (and its affected subsidiaries) have commenced proceedings in the Supreme Court of Western Australia seeking declarations that, among other things, the Option Agreement has not been repudiated, purported termination by Mineralogy was invalid and the Option Agreement remains in full force and effect. Following a recent change in its position in the Royalty Component B proceeding (discussed below), Mineralogy now also claims that the Option Agreement has terminated as a consequence of the alleged termination of the Mining Right and Site Lease Agreements.

The Mining Right and Site Lease Agreements provide that Sino Iron and Korean Steel must pay 'Royalty Component B' to Mineralogy, which is to be calculated by reference to certain iron ore price benchmarks. Those benchmarks no longer exist, and the Company's position is that this means that Royalty Component B is no longer able to be calculated using the formula in those Agreements. Mineralogy initially denied that this was the case, and pursued proceedings in the Supreme Court of Western Australia seeking declarations concerning the calculation of Royalty Component B (among other things). However, Mineralogy recently accepted that Royalty Component B cannot be calculated and amended its pleadings to allege that the Mining Right and Site Lease Agreements have terminated due to the legal doctrine of frustration. Mineralogy seeks declarations that the Mining Right and Site Lease Agreements are no longer in force and that Sino Iron and Korean Steel no longer hold any rights to mine, process or export under the Mining Right and Site Lease Agreements, and orders restraining Sino Iron and Korean Steel from exercising such rights.

2 Critical accounting estimates and judgements (continued)

(ix) (continued)

The Company does not accept that the Mining Right and Site Lease Agreements have been terminated. Instead, the Company (and its affected subsidiaries) say that the provisions concerning Royalty Component B can be severed from the remainder of the Mining Right and Site Lease Agreements (which otherwise remain in force according to their terms). If Royalty Component B cannot be severed, then, in addition to other arguments, the Company contends that the parties to the Mining Right and Site Lease Agreements must negotiate a Royalty Component B formula in good faith, or alternatively, Sino Iron and Korean Steel must pay a fair and reasonable royalty to Mineralogy, such royalty to be determined by the court having regard to the circumstances.

The Company's subsidiaries have developed port infrastructure at Cape Preston to be used to export product from the Sino Iron Project. Mineralogy has commenced legal proceedings in the Federal Court of Australia seeking declarations that the port infrastructure has vested in it and that it is entitled to possession, control and ownership of that infrastructure. Mineralogy also seeks orders restraining the Company and its affected subsidiaries from obstructing it from exercising its alleged entitlements or occupying the port to the exclusion of Mineralogy. The Company and its affected subsidiaries deny that Mineralogy is entitled to such declarations.

The Federal Court of Australia recently dismissed an application by subsidiaries of the Company to set aside Mineralogy's designation as port operator for security purpose at the Port of Cape Preston. The Federal Court decision does not impact upon the Company's ability to export its products from Cape Preston. The Company has obtained all necessary approvals to export its products. Mineralogy's designation as port operator is for limited security purposes only, and it remains unable to perform that role unless it obtains further approvals. The Company intends to appeal the decision of the Federal Court.

These matters are ongoing. As many of the issues in dispute between the parties overlap, the timing and order in which the individual matters will be heard is still to be determined.

The Company intends to contest all claims vigorously. There have been no entries made to the financial statements in relation to these matters.

3 Turnover and Revenue

The principal activities of CITIC Pacific Limited are holding its subsidiary companies, joint ventures and associated companies (collectively the "Investee Companies"), and raising finance. Revenue generating activities of the Group are conducted through the subsidiary companies. The principal activities of the Investee Companies are set out in Note 43 to the financial statements.

Revenue of the Group comprises the total invoiced value of goods supplied net of government taxes where applicable, fees from services rendered to customers, gross proceeds from sale of properties, gross property rental and godown and cold storage income, chartered hire income and toll income analysed as follows:

	Group	
In HK$ million	**2013**	2012
Sale of goods	**80,360**	85,541
Services rendered to customers	**3,278**	3,084
Properties sales	**1,948**	2,824
Rental income	**1,039**	868
Toll income	**834**	812
Others	**582**	143
Continuing operations	**88,041**	93,272
Discontinued operations		
Telecommunications (note 35)	**523**	3,610
	88,564	96,882

The Group's customer base is diversified and there is no single customer with which transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed in the following notes to the financial statements.

4 Other income and net gains

	Group	
In HK$ million	**2013**	2012
Other income		
Commission income, subsidy income, rebates and others	**1,079**	999
Dividend income from other financial assets		
– Listed shares	**5**	4
	1,084	1,003
Net exchange gain (note i)	**172**	51
Net gain from disposal/deemed disposal of joint ventures and associated companies	**367**	2,454
Net gain from disposal/deemed disposal of subsidiary companies	**922**	165
	1,289	2,619
	2,545	3,673

Notes:

(i) The net exchange gain of HK$172 million (2012: HK$51 million) above mainly represents the net exchange gain on revaluation of monetary items in foreign currencies.

5 Segment information

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

	Year ended 31 December 2013													
			Property											
In HK$ million	Special Steel	Iron Ore	Mainland China	Hong Kong	Energy	Tunnels	Dah Chong Hong	CITIC Telecom	Other investments	Corporate	Change in fair value of investment properties	Continuing operations total	Discontinued operations: CITIC Telecom	Group total
Revenue Note (a)	41,332	389	2,807	302	34	834	42,261	-	82	-	-	88,041	523	88,564
Profit/(loss) from consolidated activities	2,724	(879)	1,366	248	60	563	1,608	-	(2)	(53)	1,709	7,344	2,071	9,415
Share of results of joint ventures	127	-	27	-	1,840	275	13	415	301	-	18	3,016	-	3,016
Share of results of associated companies	65	-	-	111	-	-	11	-	12	-	191	390	33	423
Finance income	56	2	176	-	19	4	19	-	-	273	-	549	-	549
Finance charges Note (b)	(901)	(1,323)	(163)	-	(2)	-	(232)	-	-	(676)	-	(3,297)	-	(3,297)
Group total	2,071	(2,200)	1,406	359	1,917	842	1,419	415	311	(456)	1,918	8,002	2,104	10,106
Segment allocations Note (c)	(8)	(1)	10	162	-	-	(163)	-	-	-	-	-	-	-
Segment profit/(loss)	2,063	(2,201)	1,416	521	1,917	842	1,256	415	311	(456)	1,918	8,002	2,104	10,106
Taxation	(193)	582	(412)	(38)	(95)	(93)	(338)	-	7	(139)	(259)	(978)	(2)	(980)
Non-controlling interests	(108)	-	41	-	-	(138)	(426)	-	-	-	(7)	(638)	(19)	(657)
	1,762	(1,619)	1,045	483	1,822	611	492	415	318	(595)	1,652	6,386	2,083	8,469
Profit attributable to holders of perpetual capital securities	-	-	-	-	-	-	-	-	-	(881)	-	(881)	-	(881)
Profit/(loss) attributable to ordinary shareholders of the Company	1,762	(1,619)	1,045	483	1,822	611	492	415	318	(1,476)	1,652	5,505	2,083	7,588
The following table set out information about the Group's depreciation, amortization and impairment loss by reportable segment:														
Depreciation	2,425	206	215	36	1	4	510	-	-	6	-	3,403	25	3,428
Amortization of leasehold land – operating lease	34	-	12	-	-	-	11	-	-	-	-	57	-	57
Amortization of intangible assets	-	1	-	-	-	120	47	-	-	-	-	168	-	168
Impairment losses	37	381	-	-	-	-	4	-	13	-	-	435	-	435

Notes:

(a) Companies making up each reportable segment are set out in note 43.

(b) Finance charges included inter company interest charged by Corporate.

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

5 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 2012													
			Property											
In HK$ million	Special Steel	Iron Ore	Mainland China	Hong Kong	Energy	Tunnels	Dah Chong Hong	Other investments	Corporate	Change in fair value of investment properties	Continuing operations total	Discontinued operations: CITIC Telecom	Group total
Revenue Note (a)	40,358	213	3,523	243	18	812	48,014	91	–	–	93,272	3,610	96,882
Profit/(loss) from consolidated activities	735	(700)	1,077	370	(34)	528	1,821	2,425	(323)	1,506	7,405	349	7,754
Share of results of joint ventures	270	–	271	–	1,294	247	12	51	–	–	2,145	1	2,146
Share of results of associated companies	59	–	–	264	–	–	(1)	18	–	350	690	190	880
Finance income	220	–	184	–	29	3	33	–	251	–	720	1	721
Finance charges Note (b)	(901)	(331)	(69)	–	–	–	(270)	–	(291)	–	(1,862)	(3)	(1,865)
Group total	383	(1,031)	1,463	634	1,289	778	1,595	2,494	(363)	1,856	9,098	538	9,636
Segment allocations Note (c)	(7)	(1)	13	126	–	–	(131)	–	–	–	–	–	–
Segment profit/(loss)	376	(1,032)	1,476	760	1,289	778	1,464	2,494	(363)	1,856	9,098	538	9,636
Taxation	(52)	251	(603)	(26)	(153)	(87)	(522)	205	(73)	(287)	(1,347)	(41)	(1,388)
Non-controlling interests	(113)	–	38	–	–	(130)	(406)	–	–	(22)	(633)	(198)	(831)
	211	(781)	911	734	1,136	561	536	2,699	(436)	1,547	7,118	299	7,417
Profit attributable to holders of perpetual capital securities	–	–	–	–	–	–	–	–	(463)	–	(463)	–	(463)
Profit/(loss) attributable to ordinary shareholders of the Company	211	(781)	911	734	1,136	561	536	2,699	(899)	1,547	6,655	299	6,954
The following table set out information about the Group's depreciation, amortization and impairment loss by reportable segment:													
Depreciation	1,880	141	207	31	1	5	462	1	4	–	2,732	138	2,870
Amortization of leasehold land – operating lease	30	–	12	–	–	–	10	–	–	–	52	–	52
Amortization of intangible assets	–	4	1	–	–	117	40	–	–	–	162	14	176
Impairment losses	6	64	–	–	–	–	51	45	–	–	166	7	173

Notes:

(a) Companies making up each reportable segment are set out in note 43.

(b) Finance charges included inter company interest charged by Corporate.

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

5 Segment information (continued)

(b) Assets and liabilities

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

Year ended 31 December 2013

In HK$ million	Special Steel	Iron Ore	Property: Mainland China	Property: Hong Kong	Energy	Tunnels	Dah Chong Hong	CITIC Telecom	Other investments	Corporate	Continuing operation total	Discontinued operations– CITIC Telecom	Segment assets/ (liabilities) total
Segment assets#	57,709	88,134	40,328	10,116	2,304	923	20,977	–	280	16,693	237,464	–	237,464
Investments in joint ventures	308	–	5,798	–	7,480	1,260	426	3,893	3,482	–	22,647	–	22,647
Investments in associated companies	412	–	–	7,002	–	–	224	–	30	–	7,668	–	7,668
Total assets	58,429	88,134	46,126	17,118	9,784	2,183	21,627	3,893	3,792	16,693	267,779	–	267,779
Segment liabilities#													
– others	(13,465)	(5,249)	(11,422)	(702)	(484)	(123)	(4,830)	–	(26)	(2,435)	(38,736)	–	(38,736)
– external borrowings	(13,346)	(30,379)	(776)	–	–	–	(7,424)	–	–	(68,805)	(120,730)	–	(120,730)
Total net assets	31,618	52,506	33,928	16,416	9,300	2,060	9,373	3,893	3,766	(54,547)	108,313	–	108,313
Additions of non-current assets[1] (other than financial instruments and deferred tax assets)	2,773	9,142	3,418	143	1	–	1,178	–	–	9	16,664	–	16,664

Year ended 31 December 2012

In HK$ million	Special Steel	Iron Ore	Property: Mainland China	Property: Hong Kong	Energy	Tunnels	Dah Chong Hong	Other investments	Corporate	Continuing operation total	Discontinued operations– CITIC Telecom total	Segment assets/ (liabilities) total
Segment assets#	52,421	81,577	34,459	8,671	2,960	942	19,816	411	14,454	215,711	3,733	219,444
Investments in joint ventures	2,866	–	6,164	–	6,756	1,266	254	3,137	–	20,443	–	20,443
Investments in associated companies	335	–	–	6,902	–	–	236	26	–	7,499	–	7,499
Total assets	55,622	81,577	40,623	15,573	9,716	2,208	20,306	3,574	14,454	243,653	3,733	247,386
Segment liabilities#												
– others	(12,096)	(8,551)	(7,516)	(325)	(398)	(144)	(4,993)	(66)	(3,542)	(37,631)	(1,260)	(38,891)
– external borrowings	(13,962)	(31,842)	(950)	–	(25)	–	(6,409)	–	(63,441)	(116,629)	–	(116,629)
Total net assets	29,564	41,184	32,157	15,248	9,293	2,064	8,904	3,508	(52,529)	89,393	2,473	91,866
Additions of non-current assets[1] (other than financial instruments and deferred tax assets)	4,256	15,278	3,213	–	219	1	1,077	–	–	24,044	362	24,406

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.

5 Segment information (continued)

(c) Geographic information

An analysis of the Group's revenue and non-current assets by geographical area are as follows:

	Revenue		Non-current assets	
In HK$ million	**2013**	2012	**2013**	2012
Hong Kong	**11,163**	10,123	**22,173**	20,287
Mainland China	**67,055**	75,255	**85,516**	79,194
Australia	**41**	44	**85,734**	77,915
Other countries	**9,782**	7,850	**464**	561
	88,041	93,272	**193,887**	177,957

6 Profit from consolidated activities

	Group	
In HK$ million	**2013**	2012
The profit from consolidated activities is arrived at after crediting:		
Rental income from:		
(i) Investment properties		
– gross income	**975**	878
– less: direct outgoings	**(90)**	(79)
	885	799
(ii) Other operating leases	**579**	384

6 Profit from consolidated activities (continued)

In HK$ million	Group 2013	2012
and after charging:		
Continuing operations		
Cost of inventories/properties sold	**72,327**	71,846
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	**4,560**	4,091
Depreciation of property, plant and equipment (note 5(a))	**3,403**	2,732
Amortisation of leasehold land – operating lease (note 5(a))	**57**	52
Amortisation of intangible assets (note 5(a))	**168**	162
Contributions to staff retirement schemes	**414**	338
Other operating expenses	**4,523**	4,315
Auditor's remuneration	**56**	65
Impairment losses provision on (note 5(a))		
Joint venture	**–**	30
Other financial assets	**13**	15
Property, plant and equipment	**378**	98
Trade and other receivables	**44**	23
Operating lease rentals		
Land and buildings	**535**	500
Discontinued operations		
The following expenses which are included in cost of sales, distribution and selling expenses and other operating expenses:		
Staff costs	**–**	338
Depreciation of property, plant and equipment (note 5(a))	**25**	138
Amortisation of intangible assets (note 5(a))	**–**	14
Auditor's remuneration	**–**	4
Contributions to staff retirement schemes	**–**	15
Impairment losses provision on (note 5(a))		
Trade and other receivables	**–**	7

The Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

In HK$ million	Group 2013	2012
Within 1 year	**1,219**	979
After 1 year but within 5 years	**1,041**	1,057
After 5 years	**74**	158
	2,334	2,194

Included in the total above is mainly rental income from investment properties and charter hire for vessels, where the latter is based on the hire rate at inception date. Actual charter hire income is based on the market's shipping indices.

7 Net finance charges

In HK$ million	Group 2013	2012
Finance charges		
Interest expense		
Bank loans and overdrafts wholly repayable within five years	**2,175**	2,305
Bank loans not wholly repayable within five years	**1,820**	1,930
Other loans wholly repayable within five years	**714**	111
Other loans not wholly repayable within five years	**1,038**	882
	5,747	5,228
Amount capitalised	**(2,471)**	(3,513)
	3,276	1,715
Other finance charges	**164**	135
Other financial instruments		
Fair value loss	**6**	38
Ineffectiveness on cash flow hedges	**(149)**	(26)
	3,297	1,862
Finance income		
Interest income	**(549)**	(720)
	2,748	1,142

The capitalisation rates applied to funds borrowed are between 3.0% and 5.4% per annum (2012: 2.5% and 5.3% per annum).

8 Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 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:

(a)

	Group	
In HK$ million	**2013**	2012
Continuing operations		
Current taxation		
Hong Kong profits tax	**372**	220
Tax outside Hong Kong	**1,013**	1,251
Deferred taxation (Note 33)		
Changes in fair value of investment properties	**265**	284
Origination and reversal of other temporary differences	**(659)**	(408)
Effect of tax rate changes	**(13)**	–
	978	1,347
Discontinued operations		
Current taxation		
Hong Kong profits tax	**4**	55
Tax outside Hong Kong	**–**	1
Deferred taxation (Note 33)		
Origination and reversal of other temporary differences	**(2)**	(15)
	2	41

(b) Aggregate current and deferred tax relating to items (debited)/credited to other comprehensive income:

	Group	
In HK$ million	**2013**	2012
Hedging reserve:		
Deferred tax relating to mining assets and others	**(132)**	455
Other reserve:		
Deferred tax relating to revaluation of investment properties and valuation of other properties	**(11)**	–
	(143)	455

8 Taxation (continued)

Taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
In HK$ million	**2013**	2012
Profit before taxation	**8,002**	9,098
Less: share of results of		
– joint ventures	**(3,016)**	(2,145)
– associated companies	**(390)**	(690)
	4,596	6,263
Calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**759**	1,033
Effect of different taxation rates in other jurisdictions	**(14)**	138
Effect of non-taxable income and non-deductible expenses	**(291)**	(416)
Utilisation of tax losses previously unrecognised net of tax losses not recognised	**103**	245
(Over)/Under provision in prior years	**(18)**	30
Effect of tax rate changes	**(13)**	-
Withholding tax on interest income and undistributed profits of certain PRC operations	**222**	223
Others	**230**	94
Taxation	**978**	1,347

9 Profit attributable to shareholders of the Company

The Group's profit attributable to shareholders of the Company is recorded in the financial statements of the Company to the extent of a profit of HK$1,459 million (2012: HK$4,692 million).

10 Dividends

In HK$ million	**2013**	2012
2012 Final dividend paid: HK$0.30 (2011: HK$0.30) per share	**1,095**	1,095
Interim		
2013 Interim dividend paid: HK$0.10 (2012: HK$0.15) per share	**365**	547
Final		
2013 Final dividend proposed: HK$0.25 (2012: HK$0.30) per share	**912**	1,095
	1,277	1,642
Dividend per share (HK$)	**0.35**	0.45

11 Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company of HK$7,588 million (2012: HK$6,954 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 (2012: weighted average number of 3,649,444,160 shares). The diluted earnings per share for 2013 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 2013.

12 Directors' emoluments

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

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

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

13 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2012: three) is director whose emoluments are disclosed in note 12.

The aggregate emoluments in respect of the other four individuals (2012: two) are as follows:

In HK$ million	**2013**	2012
Salaries and other emoluments	**16.20**	5.63
Discretionary bonuses	**28.83**	14.97
Retirement scheme contribution	**1.13**	0.54
Share based payment	**2.98**	2.26
	49.14	23.40

The numbers of the four (2012: two) individuals with emoluments within the following bands were:

	2013	2012
HK$8,000,001 – HK$9,000,000	**–**	1
HK$10,000,001 – HK$11,000,000	**2**	–
HK$11,000,001 – HK$12,000,000	**1**	–
HK$14,000,001 – HK$15,000,000	**–**	1
HK$17,000,001 – HK$18,000,000	**1**	–

14 Retirement benefits

Hong Kong employees are offered the option to enrol in one of the MPF Master Trust Schemes under the CITIC Group MPF Scheme – the Fidelity Retirement Master Trust, the Hang Seng Mandatory Provident Fund and the Allianz Global Investors (previously RCM) Mandatory Provident Fund. All these master trust schemes are defined contribution schemes and are administered in accordance with the terms and provisions of the respective trust deeds and are subject to the Mandatory Provident Fund Schemes Ordinance.

Employees of the Group's subsidiaries in mainland China and other locations are required to participate in defined contribution retirement schemes administered and operated by the respective local authorities and contributions are made according to the local mandatory requirements.

15 Fixed assets and properties under development

(a) Group

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

15 Fixed assets and properties under development (continued)

(a) Group (continued)

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

15 Fixed assets and properties under development (continued)

(a) Group (continued)

Notes:

(i) During the year, interest capitalised in properties under development and construction in progress amounted to HK$360 million (2012: HK$375 million) and HK$2,111 million (2012: HK$3,101 million) respectively.

(ii) As at 31 December 2013, certain of the Group's property, plant and equipment and properties under development with an aggregate carrying value of HK$57,164 million (2012: HK$54,384 million) were pledged to secure loan and banking facilities granted to certain subsidiary companies.

(iii) As at 31 December 2013, construction in progress is comprised of the development of an iron ore mine in Western Australia amounted to HK$53,057 million (2012: HK$48,760 million), expansion of the Group's special steel mills amounted to HK$3,188 million (2012: HK$3,497 million) and others of HK$253 million (2012: HK$333 million).

(iv) Other property, plant and equipment mainly comprise vessels, hotels, traffic equipment, cargo lighters, computer installations, motor vehicles and furniture, fixtures and equipment.

(v) As at 31 December 2013 and 2012, certain of the Group's properties under development were in the process of applying for certificates of land use rights in the PRC.

(vi) Commitments of the Group in respect of additions to fixed assets and properties under development:

In HK$ million	**2013**	2012
Authorised but not contracted for		
property, plant and equipment, properties under development and leasehold land classified as operating leases	**1,056**	1,635
Contracted but not provided for		
property, plant and equipment, properties under development and leasehold land classified as operating leases	**4,850**	5,898

(vii) Additions to fixed assets and properties under development by operating segment:

In HK$ million	**2013**	2012
Special steel	**2,119**	3,711
Iron ore	**5,060**	10,902
Property	**3,558**	1,741
Tunnels	**–**	1
Dah Chong Hong	**1,069**	1,051
CITIC Telecom	**–**	173
Other investments	**11**	12
	11,817	17,591

15 Fixed assets and properties under development (continued)

(a) Group (continued)

Notes: (continued)

(viii) Additions to fixed assets and properties under development by geographical area:

In HK$ million	**2013**	2012
Mainland China	**6,355**	6,226
Hong Kong	**278**	355
Overseas	**5,184**	11,010
	11,817	17,591

(b) Company

	Motor vehicles, equipment, furniture and fixtures	
In HK$ million	**2013**	2012
Cost		
At 1 January	**118**	110
Additions	**9**	11
Disposals	**(6)**	(3)
At 31 December	**121**	118
Accumulated depreciation		
At 1 January	**101**	100
Charge for the year	**6**	4
Written back on disposals	**(6)**	(3)
At 31 December	**101**	101
Net book value, at cost		
At 31 December	**20**	17

15 Fixed assets and properties under development (continued)

(c) The tenure of the properties of the Group is as follows:

In HK$ million	Leasehold land – finance leases and self-use properties 2013	2012	Investment properties 2013	2012	Properties under development (note) 2013	2012	Leasehold land – operating leases 2013	2012	Total 2013	2012
Leasehold properties held										
In Hong Kong										
– Leases of over 50 years	**76**	37	**500**	581	**–**	–	**–**	–	**576**	618
– Leases of between 10 to 50 years	**1,797**	1,832	**4,187**	6,355	**720**	502	**–**	–	**6,704**	8,689
– Leases of less than 10 years	**76**	12	**–**	–	**–**	–	**–**	–	**76**	12
In mainland China										
– Leases of over 50 years	**131**	127	**2,191**	2,029	**7,686**	2,928	**25**	527	**10,033**	5,611
– Leases of between 10 to 50 years	**15,474**	12,844	**7,799**	7,036	**2,528**	5,444	**2,957**	2,261	**28,758**	27,585
– Leases of less than 10 years	**276**	185	**–**	–	**–**	–	**–**	–	**276**	185
Properties held overseas										
– Freehold	**1,030**	233	**255**	358	**–**	–	**–**	–	**1,285**	591
– Leases of between 10 to 50 years	**3,521**	4,424	**–**	–	**–**	–	**10**	10	**3,531**	4,434
	22,381	19,694	**14,932**	16,359	**10,934**	8,874	**2,992**	2,798	**51,239**	47,725

Note: The total amount includes properties under development for sale classified as non-current assets of HK$9,353 million (2012: HK$6,725 million) and the remaining balance represents properties under development for own use.

(d) (i) Property valuation

Investment properties were revalued at 31 December 2013 by the following independent, professionally qualified valuers. The management had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

Properties located in	Valuers
– Hong Kong and Mainland China	Knight Frank Petty Limited
– Japan	Network Real Estate Appraisal Co Ltd

(ii) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

15 Fixed assets and properties under development (continued)

(d) (ii) Fair value hierarchy (continued)

In HK$ million	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into Level 1	Level 2	Level 3
Group				
Recurring fair value measurement				
Investment properties				
Hong Kong				
At 1 January 2013	6,939	–	–	6,939
Change in fair value of investment properties	1,268	–	–	1,268
Transfer to other assets held for sale	(3,631)	–	–	(3,631)
Transfer from self-use properties (Note (i))	111	–	–	111
At 31 December 2013	4,687	–	–	4,687
Japan				
At 1 January 2013	355	–	–	355
Exchange adjustments	(60)	–	–	(60)
Disposal	(47)	–	–	(47)
Change in fair value of investment properties	7	–	–	7
At 31 December 2013	255	–	–	255
Mainland China				
At 1 January 2013	9,065	–	–	9,065
Exchange adjustments	301	–	–	301
Change in fair value of investment properties	434	–	–	434
Transfer from self-use properties (Note (i))	190	–	–	190
At 31 December 2013	9,990	–	–	9,990

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes :

(i) Being transfer from land and building held for own use to investment property, the difference between the fair value and carrying amount at the date of transfer of HK$111 million for certain investment properties in Hong Kong and HK$190 million for an investment property in Mainland China was included in "surplus on revaluation of properties transferred from self-use properties to investment properties" in other comprehensive income.

15 Fixed assets and properties under development (continued)

(d) (iii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Hong Kong and certain investment properties located in Mainland China is determined by using income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

The fair value of certain investment properties located in Mainland China is determined by using depreciated replacement cost approach. Depreciated replacement cost values a property by taking into account of its current cost of replacement or reproduction, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

The fair value of certain investment properties located in Japan is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality.

The fair value of certain investment properties located in Japan is determined by using direct comparison approach with reference to the market price of comparable properties and adjusted for building quality and timing of the reference transactions.

The unobservable inputs are summarized as follows:

Categories	Valuation Techniques	Unobservable Input	Note	Range
Investment properties:				
Hong Kong	Income Capitalisation Approach	Capitalisation rate	(1)	2.35% – 7.30%
		Average unit market rent per month	(2)	HK$6.6 – HK$225.0/sq.ft
Japan	Discounted Cash Flow Approach	Capitalisation rate	(1)	6.3% – 6.6%
		Discount rate	(1)	6.0% – 6.2%
	Direct Comparison Approach	Property-specific adjusting rate	(2)	0.9 – 1.2
Mainland China	Income Capitalisation Approach	Capitalisation rate	(1)	3.75% – 10.00%
		Average unit market rent per month	(2)	RMB9.3 – RMB857.5/sq.m
	Depreciated Replacement Cost Approach	Construction cost	(2)	RMB204 – RMB502/sq.m
		Average unit price of land	(2)	RMB284 – RMB387/sq.m

15 Fixed assets and properties under development (continued)

(d) (iii) Valuation techniques and inputs used in Level 3 fair value measurements (continued)

Note: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(1) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(2) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

(e) Fixed assets and properties held for sale under current assets of the Group let under operating leases to generate rental income are as follows:

In HK$ million	Investment properties	Leasehold land – finance leases and self-use properties	Other fixed assets	Fixed assets total	Properties held for sale
Cost or valuation	**14,932**	**11**	**397**	**15,340**	**–**
Accumulated depreciation/ impairment losses	**–**	**(4)**	**(193)**	**(197)**	**–**
Net book value at 31 December 2013	**14,932**	**7**	**204**	**15,143**	**–**
Depreciation charges/ amortisation charges for the year	**–**	**–**	**60**	**60**	**–**
Cost or valuation	16,359	638	361	17,358	1,652
Accumulated depreciation/ impairment losses	–	(197)	(179)	(376)	–
Net book value at 31 December 2012	16,359	441	182	16,982	1,652
Depreciation charges/ amortisation charges for the year	–	20	49	69	–

16 Subsidiary companies

In HK$ million	Company 2013	2012
Non-current		
Unlisted shares, at cost less impairment losses	**1,086**	1,996
Amounts due from subsidiary companies (Note)	**110,067**	96,944
	111,153	98,940
Current		
Amounts due from subsidiary companies (Note)[1]	**5,069**	6,127
Amounts due to subsidiary companies (Note)[1]	**(6,174)**	(6,528)
	(1,105)	(401)

Particulars of the principal subsidiary companies are shown in Note 43.

Note: Amounts due from/to subsidiary companies are unsecured and interest bearing at market rates except for amounts due from subsidiary companies of approximately HK$40,635 million (2012: HK$42,423 million) and amounts due to subsidiary companies of approximately HK$6,147 million (2012: HK$6,495 million), which are non-interest bearing. The non-current amounts due from subsidiary companies are not repayable within 12 months from the balance sheet date, and the current amounts due from/to subsidiary companies have no fixed repayment terms. The amounts were not in default or impaired except for a provision for impairment loss of HK$Nil million which was made in 2013 (2012: HK$274 million).

[1] These amounts approximate their fair value.

The following table lists out the information relating to Daye Special Steel Company Limited and Dah Chong Hong Holdings Limited, the subsidiary companies of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

In HK$ million	Daye Special Steel Company Limited 2013	Daye Special Steel Company Limited 2012	Dah Chong Hong Holdings Limited 2013	Dah Chong Hong Holdings Limited 2012
NCI percentage	**41.87%**	41.87%	**44.39%**	44.32%
Current assets	**2,454**	1,975	**15,162**	14,272
Non-current assets	**3,272**	3,321	**6,465**	6,034
Current liabilities	**(1,536)**	(1,528)	**(10,195)**	(8,218)
Non-current liabilities	**(197)**	(145)	**(2,059)**	(3,184)
	3,993	3,623	**9,373**	8,904
Equity attributable to				
-Ordinary shareholders	**3,993**	3,623	**8,994**	8,511
-NCI	**–**	–	**379**	393
	3,993	3,623	**9,373**	8,904
Carrying amount of NCI	**1,672**	1,517	**4,372**	4,167
Revenue	**9,460**	10,017	**42,261**	48,014
Profit for the year	**256**	269	**934#**	1,010#
Total comprehensive income	**256**	269	**1,000**	1,002
Profit attributable to NCI	**107**	113	**433**	428
Dividend paid to NCI	**–**	(93)	**(173)**	(235)
Cash flows from/ (used in) operating activities	**89**	126	**(512)**	1,253
Cash flows used in investing activities	**(101)**	(297)	**(848)**	(354)
Cash flows from/ (used in) financing activities	**23**	(159)	**303**	(321)

Including profit on change in fair value of investment properties.

17 Joint ventures

In HK$ million	Group 2013	2012
Share of net assets	**17,929**	15,359
Goodwill and intangible assets		
At 1 January	**1,931**	2,011
Addition	**1,350**	–
Exchange adjustment	**59**	–
Amortisation	**(68)**	(51)
Transfer to assets of disposal group classified as held for sale	**–**	(29)
At 31 December	**3,272**	1,931
	21,201	17,290
Loans due from joint ventures (Note (b))	**1,446**	3,153
	22,647	20,443

In HK$ million	Company 2013	2012
Unlisted shares, at cost	**4,244**	4,244
Less: Impairment loss on investment	**(30)**	(30)
Loans due from joint ventures (Note (b))	**594**	913
	4,808	5,127

Note:

(a) Joint ventures include the Western Harbour Tunnel Company Limited ("WHTCL") whose year end is 31 July which is not coterminous with the Group's year end. The results of certain joint ventures (including WHTCL) have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2013 and 2012.

(b) Loans due from joint ventures are interest bearing at market rates except for loans due from joint ventures of approximately HK$568 million (2012: HK$930 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired, and the carrying amounts approximate their fair value.

(c) Summaried financial information of material joint ventures are disclosed below:

17 Joint ventures (continued)

Note: (continued)

In HK$ million	Jiangsu Lingang Electric Power Company Ltd		Jiangyin Ligang Electric Power Generator Company Ltd		上海瑞明置業有限公司		上海瑞博置業有限公司		中船置業有限公司		山東新巨龍能源有限公司		CITIC Telecom International Holdings Limited#	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gross amounts of the joint venture's														
Current assets	2,312	3,027	1,730	2,132	2,013	5,806	8,090	8,488	6,327	5,900	1,351	1,355	2,727	–
Non-current assets	1,443	1,247	12,438	11,184	3,524	134	10	7	4	3	7,074	7,061	13,715	–
Current liabilities	(1,134)	(1,867)	(6,512)	(5,534)	(2,020)	(1,979)	(4,809)	(4,686)	(1,795)	(1,534)	(3,306)	(3,917)	(2,174)	–
Non-current liabilities	(25)	(11)	(4,259)	(5,502)	–	–	–	(682)	(1,228)	(1,196)	(1,528)	(1,030)	(8,080)	–
Equity attributable to														
– ordinary shareholders	2,596	2,396	3,244	2,280	3,517	3,961	3,291	3,127	3,308	3,173	3,591	3,469	6,163	–
– NCI	–	–	153	–	–	–	–	–	–	–	–	–	25	–
Included in the above assets and liabilities:														
Cash and cash equivalents	76	449	226	637	833	1,771	3,489	4,444	1,405	1,485	24	73	856	–
Current financial liabilities (excluding trade and other payables and provisions)	(291)	(555)	(1,118)	(678)	–	–	–	–	–	–	(2,284)	(3,135)	(100)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(25)	(11)	(4,259)	(5,502)	–	–	–	(682)	(1,228)	(1,196)	(764)	(419)	(7,617)	–
Revenue	3,634	3,796	10,901	9,014	217	1,220	1	–	–	–	7,008	7,069	6,019	–
Post-tax profit/(loss) from continuing operations	693	559	1,379	502	(45)	562	64	28	35	2	1,660	1,734	1,070	–
Post-tax profit or loss from discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	4	–
Total comprehensive income	693	559	1,379	502	(45)	562	64	28	35	2	1,660	1,734	1,074	–
Included in the above profit:														
Depreciation and amortisation	(76)	(59)	(669)	(643)	(128)	(1)	–	–	–	–	(813)	(416)	(417)	–
Interest income	3	7	4	16	33	126	107	74	49	4	1	1	9	–
Interest expense	(3)	(15)	(291)	(411)	–	–	–	–	–	–	(170)	(276)	(444)	–
Income tax (expense)/credit	(237)	(187)	(462)	(137)	15	(210)	(21)	(9)	(12)	–	(559)	(655)	(131)	–
Reconciled to the Group's interest in the joint ventures														
Gross amounts of net assets of the joint ventures attributable to ordinary shareholder	2,596	2,396	3,244	2,280	3,517	3,961	3,291	3,127	3,308	3,173	3,591	3,469	6,163	–
Group's effective interest	65.05%	65.05%	71.35%	71.35%	50%	50%	50%	50%	50%	50%	30%	30%	41.42%#	N/A
Group's share of net assets of the joint ventures	1,689	1,559	2,315	1,627	1,759	1,981	1,646	1,564	1,654	1,587	1,077	1,041	2,553	–
Goodwill and intangible assets	82	79	–	–	–	–	–	–	–	–	1,543	1,558	1,350	–
Loans from joint ventures	–	–	278	581	–	–	–	328	597	579	–	–	–	–
Others	(7)	17	65	113	16	–	37	38	89	88	2	1	(10)	–
Carrying amount in the consolidated financial statements	1,764	1,655	2,658	2,321	1,775	1,981	1,683	1,930	2,340	2,254	2,622	2,600	3,893	–
Dividend received from the joint ventures	367	163	353	440	258	1,105	–	–	–	–	480	674	105	–

CITIC Telecom is listed on the Main Board of the Stock Exchange of Hong Kong Limited. The fair value of the investment as at 31 December 2013 in HK$3,427 million.

17 Joint ventures (continued)

Note: (continued)

Aggregate information of joint ventures that are not individually material:

In HK$ million	2013	2012
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**5,912**	7,702
Aggregate amounts of the Group's share of those joint ventures:		
Post-tax profit from continuing operations	**613**	607
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**37**	(42)
Total comprehensive income	**650**	563

In HK$ million	2013	2012
Share of joint ventures' capital commitments (Note (i))		
– authorised but not contracted for	**367**	455
– contracted but not provided for	**4,021**	1,182

Note:

(i) The Group has fully contributed its attributable portion of capital and loans to the respective joint ventures.

(ii) There are no material contingent liabilities for 2013 and 2012 to be shared by the Group.

(d) Particulars of the principal joint ventures are shown in Note 43.

18 Associated companies

In HK$ million	Group 2013	2012
Share of net assets	**5,610**	5,282
Goodwill		
At 1 January	**–**	65
Transfer to assets of disposal group classified as held for sale	**–**	(65)
At 31 December	**–**	–
Loans due from associated companies (Note (b))	**2,060**	2,224
Loans due to associated companies (Note (b))	**(2)**	(7)
	7,668	7,499
Investment at cost:		
Unlisted shares	**2,658**	2,637

In HK$ million	Company 2013	2012
Investment at cost:		
Unlisted shares	**53**	53
Loans due from associated companies (Note (b))	**1,750**	1,833
Loans due to associated companies (Note (b))	**(2)**	(7)
	1,801	1,879

Dividend income from associated companies during the year is as follows:

In HK$ million	Group 2013	2012
Unlisted associated companies	**87**	198

Note:

(a) Associated companies include the Hong Kong Resort Company Limited ("HKR") whose year end is 31 March which is not coterminous with the Group's year end. The results of certain associated companies including HKR have been equity accounted for based on their unaudited financial statements for the years ended 31 December 2013 and 2012.

(b) Loans due from associated companies and loans due to associated companies are interest bearing at market rates except for loans due to associated companies of approximately HK$Nil (2012: HK$7 million), which are non-interest bearing. These loans are not repayable within 12 months from the balance sheet date and were not in default or impaired. The carrying amounts of the loans approximate their fair value.

(c) Particulars of the principal associated companies are shown in Note 43.

18 Associated companies (continued)

Summarised financial information of the material associated companies are disclosed below:

In HK$ million	Hong Kong Resort Company Limited 2013	2012	Goldon Investment Limted 2013	2012
Gross amounts of the associated company				
Current assets	**2,622**	2,708	**79**	79
Non-current assets	**3,442**	3,169	**9,300**	9,072
Current liabilities	**(868)**	(657)	**(108)**	(103)
Non-current liabilities	**(1,872)**	(2,027)	**(3,742)**	(3,914)
Equity	**3,324**	3,193	**5,529**	5,134
Revenue	**1,156**	1,557	**310**	301
Post-tax profit from continuing operations	**131**	564	**395**	1,106
Post-tax profit or loss from discontinued operations	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**131**	564	**395**	1,106
Dividend received from the associated companies	**–**	–	**–**	–
Reconciled to the Group's interest in the associated companies				
Gross amounts of net assets of the associated companies	**3,324**	3,193	**5,529**	5,134
Group's effective interest	**50%**	50%	**40%**	40%
Group's share of net assets of the associated companies	**1,662**	1,597	**2,212**	2,054
Goodwill	**–**	–	**–**	–
Loans due from associated companies	**468**	549	**–**	–
Others	**1,005**	1,027	**–**	–
Carrying amount in the consolidated financial statements	**3,135**	3,173	**2,212**	2,054

18 Associated companies (continued)

Aggregate information of associated companies that are not individually material:

In HK$ million	**2013**	2012
Aggregate carrying amount of individually immaterial associated companies in the consolidated financial statements	**2,321**	2,272
Aggregate amounts of the Group's share of those associated companies		
Post-tax profit/(loss) from continuing operations	**166**	(34)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	1
Total comprehensive income	**166**	(33)

In HK$ million	**2013**	2012
Aggregate Capital Commitment and Contingent Liabilities of all associated companies:		
Capital Commitments		
authorised but not contracted for	**78**	113
contracted but not provided for	**162**	396
Contingent liabilities	**123**	116

19 Other financial assets

	Group	
In HK$ million	**2013**	2012
Available for sale financial assets		
Listed investments, at fair value		
Shares listed in Hong Kong	**200**	257
	200	257
Others		
Unlisted investments		
Shares, at cost	**13**	13
Investment fund, at fair value	**81**	81
	294	351

Other financial assets are denominated in the following currencies:

	Group	
In HK$ million	**2013**	2012
Hong Kong dollars	**212**	269
Other currencies	**82**	82
	294	351

Notes to the Financial Statements

20 Intangible assets

In HK$ million	Goodwill	Other intangible assets			
		Mining assets	Vehicular tunnel	Others	Total
Cost					
At 1 January 2013	**973**	**15,238**	**2,000**	**781**	**18,992**
Exchange adjustment	**7**	**(7)**	**–**	**18**	**18**
Additions	**–**	**2,935**	**–**	**–**	**2,935**
Reversal of provision (Note 34)	**–**	**(1,293)**	**–**	**–**	**(1,293)**
Acquisition of subsidiary companies	**10**	**–**	**–**	**83**	**93**
Disposal of subsidiary companies	**(31)**	**–**	**–**	**–**	**(31)**
At 31 December 2013	**959**	**16,873**	**2,000**	**882**	**20,714**
Accumulated amortisation and impairment losses					
At 1 January 2013	**57**	**25**	**1,549**	**108**	**1,739**
Exchange adjustments	**–**	**–**	**–**	**5**	**5**
Charge for the year	**–**	**1**	**120**	**47**	**168**
At 31 December 2013	**57**	**26**	**1,669**	**160**	**1,912**
Net book value					
At 31 December 2013	**902**	**16,847**	**331**	**722**	**18,802**
Cost					
At 1 January 2012	1,410	13,506	2,000	888	17,804
Exchange adjustment	3	1	–	6	10
Additions	–	1,731	–	–	1,731
Acquisition of subsidiary companies	36	–	–	32	68
Disposal	–	–	–	(9)	(9)
Transfer to assets of disposal group classified as held for sale	(476)	–	–	(136)	(612)
At 31 December 2012	973	15,238	2,000	781	18,992
Accumulated amortisation and impairment losses					
At 1 January 2012	54	21	1,432	95	1,602
Exchange adjustments	–	–	–	1	1
Charge for the year	–	4	117	55	176
Impairment loss	3	–	–	3	6
Written back on disposal	–	–	–	(9)	(9)
Transfer to assets of disposal group classified as held for sale	–	–	–	(37)	(37)
At 31 December 2012	57	25	1,549	108	1,739
Net book value					
At 31 December 2012	916	15,213[1]	451	673	17,253

[1] In 2012, included mining rights provision of HK$1,192 million.

20 Intangible assets (continued)

The amortisation charge for the year is included in "other operating expenses" in the consolidated profit and loss account.

As at 31 December 2013, the vehicular tunnel right is amortised over the remaining franchise period, whilst the mining assets are currently under construction and will be amortised on a unit of production basis on completion of construction and when the mine is in production. The Group estimates that it will take a total of 3 billion tonnes of iron ore, of which mining rights for 2 billion tonnes have been paid and an option for 1 billion tonnes exercised but not yet completed, over a period of approximately 32 years.

Analysed by:

	31 December 2013				31 December 2012			
	Goodwill	Other intangible assets (a)			Goodwill	Other intangible assets (a)		
In HK$ million		Mining assets	Vehicular tunnel	Others		Mining assets	Vehicular tunnel	Others
Special steel	264	–	–	2	265	–	–	2
Iron ore	23	16,847	–	–	23	15,213	–	–
Property								
Mainland China	252	–	–	1	277	–	–	1
Tunnels	7	–	331	–	7	–	451	–
CITIC Telecom	–	–	–	–	–	–	–	–
Dah Chong Hong	356	–	–	719[b]	344	–	–	670[b]
	902	16,847	331	722	916	15,213	451	673

Notes:

(a) The vehicular tunnel right represents a franchise to operate the Eastern Harbour Crossing for the period ending 7 August 2016. At the end of the franchise period, the assets of the franchise will be vested in the franchisor, the Hong Kong government, for no compensation other than for certain plant, machinery and equipment as specified under the terms of the franchise.

(b) Others mainly include car dealership of Dah Chong Hong group amounting to HK$608 million (2012: HK$625 million).

21 Non-current deposits and prepayments

	Group	
In HK$ million	**2013**	2012
Non-current deposits represent deposit and prepayments for:		
Land acquisition	**254**	–
Iron ore project and production plants of special steel	**3,494**	1,908
	3,748	1,908

22 Other assets held for sale

As at 31 December 2013, interests in a joint venture certain properties located in PRC and Hong Kong and a subsidiary company which owned a property in Hong Kong were classified as other assets held for sale. The disposed transaction of a subsidiary company which owned a property in Hong Kong was completed in January 2014.

As at 31 December 2012, interests in a joint venture and certain properties located in PRC were classified as other assets held for sale.

23 Inventories

In HK$ million	Group 2013	Group 2012
Raw materials	**3,574**	2,953
Work-in-progress	**1,699**	1,368
Finished goods	**8,513**	6,866
Others	**874**	616
	14,660	11,803

An amount of HK$232 million (2012: HK$287 million) for write-down and HK$185 million (2012: HK$24 million) for reversal of write-down of inventories to net realisable value have been included in cost of sales in the profit and loss account.

24 Debtors, accounts receivable, deposits and prepayments

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Trade debtors and bills receivable aged:				
Within 1 year	**7,059**	6,579	**–**	–
Over 1 year	**69**	20	**–**	–
	7,128	6,599	**–**	–
Accounts receivable, deposits and prepayments	**8,526**	8,865	**195**	257
	15,654	15,464	**195**	257

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 that is specific to the respective business environment and market practice.

(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 joint ventures of HK$Nil (2012: HK$311 million), dividend receivable from joint ventures of HK$1,899 million (2012: HK$2,120 million), and amounts due from associated companies of HK$47 million (2012: HK$122 million) which are unsecured, interest free and recoverable on demand.

24 Debtors, accounts receivable, deposits and prepayments (continued)

As of 31 December 2013, trade debtors of HK$469 million (2012: HK$380 million) were past due but not impaired. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these trade debtors is as follows:

In HK$ million	**2013**	2012
Less than 3 months	**324**	197
3 to 6 months	**67**	66
Over 6 months	**78**	117
	469	380

Movements in the provision for impairment of trade debtors are as follows:

In HK$ million	**2013**	2012
At 1 January	**99**	128
Exchange adjustments	**–**	(1)
Acquisition of subsidiary companies	**1**	7
Provision for impairment loss during the year	**15**	16
Receivables written off during the year	**(7)**	(1)
Provision written back during the year	**(7)**	(8)
Transfer to assets of disposal group classified as held for sale	**–**	(42)
At 31 December	**101**	99

The recognition and reversal of provision for impairment losses has been included in other operating expenses in the consolidated profit and loss account. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

As of 31 December 2013, trade debtors of HK$117 million (2012: HK$91 million) were individually determined to be impaired. These receivables mainly relate to customers which are in an unexpected difficult economic situation. It was assessed that a portion of such receivables is expected to be recovered. Consequently, specific provision for impairment loss of HK$6 million (2012: HK$16 million) was recognised against the receivables. The Group does not hold any collateral over these balances.

Accounts receivable, deposits and prepayments do not contain impaired assets.

25 Creditors, accounts payable, deposits and accruals

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Trade creditors and bills payable aged:				
Within 1 year	**10,905**	10,666	**–**	–
Over 1 year	**302**	308	**–**	–
	11,207	10,974	**–**	–
Accounts payable, deposits and accruals	**17,510**	13,428	**906**	745
	28,717	24,402	**906**	745

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

26 Share capital

	Number of shares of HK$0.40 each	in HK$ million
Authorised:		
At 31 December 2012 and 2013	6,000,000,000	2,400
Issued and fully paid:		
At 31 December 2012 and 2013	3,649,444,160	1,460

Share Option Plan

During the period between the adoption of the CITIC Pacific Share Incentive Plan 2000 ("the Plan 2000") on 31 May 2000 and its expiry on 30 May 2010, the Company has granted six lots of share options:

Grant date	Number of options granted	Percentage of the issued share capital	Exercise price HK$	Closing price before grant date HK$	Outstanding balance At 31 December 2013	Outstanding balance At 31 December 2012
28 May 2002	11,550,000	0.32%	18.20	18.10	**–**	–
1 November 2004	12,780,000	0.35%	19.90	19.90	**–**	–
20 June 2006	15,930,000	0.44%	22.10	22.50	**–**	–
16 October 2007	18,500,000	0.51%	47.32	47.65	**–**	–
19 November 2009	13,890,000	0.38%	22.00	21.40	**11,980,000**	12,130,000
14 January 2010	880,000	0.02%	20.59	19.98	**600,000**	880,000

All options granted and accepted under the Plan 2000 can be exercised in whole or in part within 5 years from the date of grant.

The share options at the exercise price of HK$18.20 per share, HK$19.90 per share, HK$22.10 per share and HK$47.32 per share expired at the close of business on 27 May 2007, 31 October 2009, 19 June 2011 and 15 October 2012 respectively.

26 Share capital (continued)

Other than the Plan 2000, certain of the Company's subsidiary companies have issued equity-settled share-based payments to certain of their employees. The aggregate amount of the share-based payments recognised by these companies is not material to the Group.

As the Plan 2000 expired on 30 May 2010, the Company adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of the Group who shall make payment of HK$1 to the Company on acceptance. The exercise price determined by the board will be at least the higher of (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange on the date of offer the grant; and (iii) the average of the closing prices of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of offer of the grant. The maximum number of the Company's shares which may be issued upon exercise of all share options to be granted under the Plan 2011 must not exceed 10% of the Company's shares in issue as at the date of adopting the Plan 2011 (i.e. as at 31 December 2013, the maximum number of shares available for issue under the Plan 2011 is 364,944,416 shares).

No share options were granted under the Plan 2011 during the year ended 31 December 2013 and 2012.

(a) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**21.90**	**13,010,000**	33.75	25,330,000
Lapsed	**21.08**	**(430,000)**	46.25	(12,320,000)
At 31 December	**21.93**	**12,580,000**	21.90	13,010,000
Weighted average remaining contractual life		**0.89 years**		1.89 years

There were no share options granted or exercised in 2013 and 2012.

27 Perpetual capital securities

In April 2011 and May 2013, the Company issued perpetual subordinated capital securities (the "perpetual capital securities") with a nominal amount of US$750 million (approximately HK$5,850 million) and US$1,000 million (approximately HK$7,800 million) respectively for cash. These securities are perpetual and the distribution payments can be deferred at the discretion of the Company. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2013 and 2012 included the accrued distribution payments.

28 Reserves

(a) Group

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

28 Reserves (continued)

(a) Group (continued)

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment revaluation reserve	Exchange fluctuation reserve	Hedging reserve	General and other reserves	Retained profits	Total
At 1 January 2012	36,533	29	1,019	(1,618)	142	8,870	(2,513)	1,606	29,479	73,547
Share of reserves of associated companies and joint ventures	–	–	–	–	–	37	4	–	(82)	(41)
Exchange translation differences	–	–	–	–	–	(45)	–	–	–	(45)
Reserves released on disposal/dilution of interest in joint ventures	–	–	(79)	279	(7)	(423)	–	(22)	(179)	(431)
Reserves released on disposal of a subsidiary company	–	–	(1)	–	–	–	–	–	–	(1)
Cash flow hedges:										
Fair value loss in the year	–	–	–	–	–	–	(610)	–	–	(610)
Transfer to construction in progress	–	–	–	–	–	–	(1,646)	–	–	(1,646)
Transfer to net finance charges	–	–	–	–	–	–	662	–	–	662
Tax effect	–	–	–	–	–	–	455	–	–	455
	–	–	–	–	–	–	(1,139)	–	–	(1,139)
Fair value changes of other financial assets	–	–	–	–	(5)	–	–	–	–	(5)
Transfer to profit and loss account on impairment of other financial assets	–	–	–	–	15	–	–	–	–	15
Surplus on revaluation of properties transfer from self-use properties to investment properties	–	–	–	–	–	–	–	61	–	61
Dilution of interest in a subsidiary company	–	–	–	–	–	–	–	4	–	4
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	(30)	–	(30)
Released upon lapse of share options	–	–	(188)	–	–	–	–	–	188	–
Share-based payments of a subsidiary company	–	–	18	–	–	–	–	–	–	18
Transfer from profits to general and other reserves	–	–	–	–	–	–	–	159	(159)	–
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	–	6,954	6,954
Dividends (Note 10)	–	–	–	–	–	–	–	–	(1,642)	(1,642)
At 31 December 2012	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265
Representing:										
At 31 December 2012 after proposed final dividend										76,170
2012 final dividend proposed										1,095
										77,265
Retained by:										
Company and subsidiary companies	36,533	29	765	(611)	140	8,042	(3,653)	2,031	25,703	68,979
Joint ventures	–	–	18	–	5	358	5	3	5,741	6,130
Associated companies	–	–	(5)	–	–	19	–	–	2,115	2,129
Non-current assets held for sale and discontinued operations	–	–	(9)	(728)	–	20	–	(256)	1,000	27
	36,533	29	769	(1,339)	145	8,439	(3,648)	1,778	34,559	77,265

28 Reserves (continued)

(b) Company

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2013	36,533	29	699	(2,566)	11,350	46,045
Cash flow hedges:						
Fair value gain in the year	–	–	–	823	–	823
Transfer to net finance charges	–	–	–	487	–	487
	–	–	–	1,310	–	1,310
Profit attributable to shareholders of the Company (Note 9)	–	–	–	–	1,459	1,459
Release upon lapse of share options	–	–	(2)	–	2	–
Dividends (Note 10)	–	–	–	–	(1,460)	(1,460)
Transaction costs related to issue of perpetual capital securities	–	–	–	–	(75)	(75)
At 31 December 2013	36,533	29	697	(1,256)	11,276	47,279
Representing:						
At 31 December 2013 after proposed final dividend						46,367
2013 final dividend proposed						912
						47,279

28 Reserves (continued)

(b) Company (continued)

In HK$ million	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Retained profits	Total
At 1 January 2012	36,533	29	880	(2,489)	8,119	43,072
Cash flow hedges:						
Fair value loss in the year	–	–	–	(618)	–	(618)
Transfer to net finance charges	–	–	–	541	–	541
	–	–	–	(77)	–	(77)
Profit attributable to shareholders of the Company (Note 9)	–	–	–	–	4,692	4,692
Release upon lapse of share options	–	–	(181)	–	181	–
Dividends (Note 10)	–	–	–	–	(1,642)	(1,642)
At 31 December 2012	36,533	29	699	(2,566)	11,350	46,045
Representing:						
At 31 December 2012 after proposed final dividend						44,950
2012 final dividend proposed						1,095
						46,045

Notes to the Financial Statements

28 Reserves (continued)

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees.

(iii) Goodwill

The Goodwill reserve is as a result of goodwill arising on acquisitions prior to year 2001 which under the then prevailing Accounting Standards was reflected in reserves rather than as a separate asset.

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

(vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

(vii) General and other reserves

General and other reserves comprise reserves of the mainland China subsidiaries appropriated according to the articles of association of the relevant subsidiaries and the mainland China rules and regulations used for specific purposes before distribution of dividend, and reserves arising from assets revaluation and transactions with non-controlling interests.

(viii) Distributable reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$10,020 million (2012: HK$7,992 million).

29 Borrowings

(a)

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Short term borrowings				
Bank loans				
unsecured	**13,261**	9,604	**3,900**	3,900
secured	**400**	441	**–**	–
	13,661	10,045	**3,900**	3,900
Other loans				
unsecured	**267**	987	**–**	–
secured	**149**	137	**–**	–
	416	1,124	**–**	–
Current portion of long term borrowings	**13,062**	10,964	**6,844**	6,507
Total short term borrowing	**27,139**	22,133	**10,744**	10,407
Long term borrowings				
Bank loans				
unsecured	**65,207**	68,127	**37,449**	36,411
secured	**12,464**	13,340	**–**	–
	77,671	81,467	**37,449**	36,411
Other loans				
unsecured	**28,982**	23,993	**26,974**	22,547
Less: current portion of long term borrowings	**(13,062)**	(10,964)	**(6,844)**	(6,507)
Total long term borrowings	**93,591**	94,496	**57,579**	52,451
Total borrowings	**120,730**	116,629	**68,323**	62,858
Analysed into:				
unsecured	**107,717**	102,711	**68,323**	62,858
secured	**13,013**	13,918	**–**	–
	120,730	116,629	**68,323**	62,858

29 Borrowings (continued)

(a) (continued)

Note:

(i) On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, 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 as at 31 December 2013.

(ii) On 16 August 2010, the Company issued and sold a total of USD150 million principal amount of 6.9% notes due 2022 ("USD Notes 1"), to an investor pursuant to the purchase agreement dated 11 August 2010. All of the USD Notes 1 remained outstanding as at 31 December 2013.

(iii) On 15 April 2011, the Company issued and sold a total of US$500 million principal amount of 6.625% notes due 2021 ("USD Notes 2") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 8 April 2011. All of the USD Notes 2 remained outstanding as at 31 December 2013.

(iv) On 3 August 2011, the Company issued and sold a total of RMB1 billion principal amount of 2.7% notes due 2016 ("RMB Notes 1") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 27 July 2011. All of the RMB Notes 1 remained outstanding as at 31 December 2013.

(v) On 27 February 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB800 million principal amount of 6% short term commercial paper due 2013 ("RMB Commercial Paper 1") to investors. All of the RMB Commercial Paper 1 were fully repaid at maturity and none remained outstanding as at 31 December 2013.

(vi) On 21 March and 26 April 2012, the Company issued and sold a total of US$750 million and US$350 million principal amounts of 6.875% notes due 2018 ("USD Notes 3") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreements dated 12 March 2012 and 17 April 2012 respectively. All of the USD Notes 3 remained outstanding as at 31 December 2013.

(vii) On 20 June 2012, Hubei Xin Yegang Steel Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB500 million principal amount of 5.23% medium term notes due 2017 ("RMB Notes 2") to investors. All of the RMB Notes 2 remained outstanding as at 31 December 2013.

29 Borrowings (continued)

(a) (continued)

Note: (continued)

(viii) On 17 October and 11 December 2012, the Company issued and sold a total of US$750 million and US$250 million principal amount of 6.8% notes due 2023 ("USD Notes 4") to investors under the USD4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 8 October and 4 December 2012 respectively. All of the USD Notes 4 remained outstanding as at 31 December 2013.

(ix) On 27 November 2012, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB200 million principal amount of 6.06% medium term notes due 2017 ("RMB Notes 3") to investors. All of the RMB Notes 3 remained outstanding as at 31 December 2013.

(x) On 10 April 2013, the Company issued and sold a total of US$500 million principal amount of 6.375% notes due 2020 ("USD Notes 5") to investors under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreement dated 27 March 2013. All of the USD Notes 5 remained outstanding as at 31 December 2013.

(xi) On 5 June 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB500 million principal amount of 4.93% medium term notes due 2016 ("RMB Notes 4") to investors. All of the RMB Notes 4 remained outstanding as at 31 December 2013.

(xii) On 31 July 2013, the Company issued and sold HK$500 million principal amount of 5.9% notes due 2018 ("HKD Notes") to an investor under the US$4.5 billion medium term note programme established on 6 April 2011 and supplemented on 25 September 2012 pursuant to the subscription agreements dated 29 July 2013. All of the HKD Notes remained outstanding as at 31 December 2013.

(xiii) On 10 September 2013, Jiangyin Xingcheng Special Steel Works Co., Ltd., a wholly owned subsidiary of the Company, issued and sold a total of RMB200 million principal amount of 5.99% short term commercial paper due 2014 ("RMB Commercial Paper 2") to investors. All of the RMB Commercial Paper 2 remained outstanding as at 31 December 2013.

(xiv) Bank loans and other loans, other than the JPY Notes, are fully repayable on or before 2032 and bear interest mainly at the prevailing market rates.

(xv) As at 31 December 2013, certain of the Group's inventories, deposits, accounts receivable, and self-use properties with an aggregate carrying value of HK$0.8 billion (2012: HK$0.9 billion) were pledged to secure loans and banking facilities granted to certain subsidiary companies of the Group. In addition, assets of HK$70.4 billion (2012: HK$63.3 billion) of the iron ore project were pledged under project finance arrangement. This amount included cash and bank balances of HK$0.5 billion (2012: HK$1.1 billion). 12 completed ships with carrying value of HK$5.2 billion (2012: HK$5.4 billion) to transport iron ore were also pledged as security for the ships financing. The aggregate values of assets pledged for various facilities amounted to approximately HK$76.4 billion (2012: HK$69.6 billion).

(xvi) Bank loans of the Group and the Company not wholly repayable within five years amounted to HK$37.9 billion (2012: HK$39.4 billion) and HK$6.5 billion (2012: HK$6.5 billion) respectively. Other loans of the Group and the Company not wholly repayable within five years amounted to HK$16.8 billion (2012: HK$21.5 billion) and HK$16.8 billion (2012: HK$21.5 billion) respectively.

29 Borrowings (continued)

(b) The maturity of the Group's and the Company's long term borrowings is as follows:

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Bank loans are repayable				
in the first year	**13,062**	10,964	**6,844**	6,507
in the second year	**22,030**	17,565	**17,112**	10,322
in the third to fifth years inclusive	**15,184**	23,386	**7,108**	13,118
after the fifth year	**27,395**	29,552	**6,385**	6,464
	77,671	81,467	**37,449**	36,411
Other loans are repayable				
in the second year	**483**	–	**–**	–
in the third to fifth years inclusive	**11,820**	2,677	**10,295**	1,231
after the fifth year	**16,679**	21,316	**16,679**	21,316
	28,982	23,993	**26,974**	22,547
	106,653	105,460	**64,423**	58,958

(c) The exposure of the Group's and the Company's total borrowings to interest-rate changes is as follows:

In HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Total borrowings	**120,730**	116,629	**68,323**	62,858
Borrowing at fixed rates for more than one year (from balance sheet date)	**(28,587)**	(23,708)	**(27,052)**	(22,761)
Interest rate swaps converting floating to fixed	**(24,871)**	(26,729)	**(15,678)**	(18,029)
Borrowings subject to interest-rate changes	**67,272**	66,192	**25,593**	22,068

The effective interest rate per annum on the Group's and the Company's borrowings after considering the impact of interest rate swaps (converting floating to fixed rates of interest) is as follows:

	Group 2013	Group 2012	Company 2013	Company 2012
Total borrowings	**4.5%**	4.3%	**4.7%**	4.1%

29 Borrowings (continued)

(d) The fair value of borrowings is HK$118,252 million (2012: HK$115,100 million). The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. These fair values, as compared to the carrying values, would have reflected an unrealised gain of HK$2,478 million (2012: HK$1,529 million). This unrealised gain has not been recorded in the financial statements as the borrowings were not held for trading purposes, and accordingly have been accounted for at amortised cost.

(e) The carrying amounts of the total borrowings are denominated in the following currencies:

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Hong Kong dollar	**20,577**	20,019	**17,247**	17,112
US dollar	**83,223**	78,351	**49,805**	44,515
Renminbi	**15,677**	17,196	**1,271**	1,231
Other currencies	**1,253**	1,063	**–**	–
	120,730	116,629	**68,323**	62,858

The Group has the following undrawn borrowing facilities:

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Floating rate				
expiring within one year	**10,196**	10,043	**3,279**	2,121
expiring beyond one year	**10,632**	14,233	**9,110**	12,600
	20,828	24,276	**12,389**	14,721

30 Financial risk management and fair values estimation

Financial risk factors

The Group is exposed to a variety of financial risks and manages them through a combination of financial instruments.

An Asset and Liability Management Committee ("ALCO") was set up by the board in October 2008 to oversee and monitor the exposures of the Group and it meets on a monthly basis.

Financial risk management is centralised at head office but execution and monitoring of specific risks and raising finance may be delegated to business units.

(a) Exposure to interest rate fluctuations

The Group aims to maintain a suitable mixture of fixed rate and floating rate borrowings in order to stabilise interest costs over time despite rate movements. The Group uses interest rate swaps and other instruments to modify the interest rate characteristics of its borrowings. As at 31 December 2013, HK$53.5 billion (2012: HK$50.4 billion) of the Group's total borrowings were effectively paying fixed rates and the remaining were effectively paying a floating rate of interest. In addition, HK$1.2 billion forward starting swaps were outstanding that had not become effective as of 31 December 2013 (2012: HK$3.2 billion).

At 31 December 2013, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:–

	Group			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(276)	–	276	–
Cash and bank deposits	157	–	(157)	–
Derivatives	61	618	(69)	(630)

	Company			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/ (decrease)
Bank borrowings	(129)	–	129	–
Cash and bank deposits	80	–	(80)	–
Derivatives	53	343	(55)	(348)

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(a) Exposure to interest rate fluctuations (continued)

At 31 December 2012, if interest rates had been 0.5% higher/lower, with all other variables held constant, the hypothetical impact is summarised as follows:–

	Group			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(287)	–	287	–
Cash and bank deposits	163	–	(163)	–
Derivatives	45	850	(44)	(877)

	Company			
	0.5% higher		0.5% lower	
In HK$ million	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)	Hypothetical impact on profit/(loss) before tax	Hypothetical impact on equity increase/(decrease)
Bank borrowings	(112)	–	112	–
Cash and bank deposits	70	–	(70)	–
Derivatives	40	497	(42)	(504)

The Group holds AUD/USD plain vanilla forward contracts with an aggregate notional amount of AUD239 million outstanding at 31 December 2013 (2012: AUD112 million). These derivatives qualify and are accounted for as hedges against movements in the AUD/USD spot exchange rate. Therefore changes in the fair value of the derivatives as a result of movements in the AUD/USD spot exchange rate are recognised in the hedging reserve whilst the residual changes in fair value of these derivatives largely reflecting movements in the differential between Australian and US interest rates are recorded in the profit and loss.

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(b) Exposure to foreign currency fluctuations

CITIC Pacific is based in Hong Kong and has determined that its functional currency is the Hong Kong Dollar. CITIC Pacific conducts its business mainly in Hong Kong, mainland China and Australia. Therefore it is subject to the risk of changes in the foreign exchange rates of the US Dollar, Renminbi and Australian Dollar and to a lesser extent, Japanese Yen and Euro. To minimise currency exposure, non-HK Dollar assets are usually financed by borrowings in the same currency as the asset or cash flow from it. Achieving this objective is not always possible due to limitations in financial markets and regulatory constraints, particularly on investment into mainland China as the Renminbi is currently not a freely convertible currency. In addition, regulations in mainland China require 'registered capital', which usually accounts for at least one third of the total investment amount for projects in mainland China to be paid in foreign currency.

The future revenue from the Group's Australian iron ore project is denominated in USD and this is its functional currency for accounting purposes. A substantial portion of its development and operating expenditure are denominated in Australian Dollars. As of 31 December 2013 the plain vanilla forward contracts had a notional amount of AUD239 million (2012: AUD112 million).

CITIC Pacific has funded the iron ore project and the acquisition of bulk cargo vessels by USD loans to match the future cash flow of these assets. The Company's investments in the iron ore project and bulk cargo vessels (whose functional currency is in USD) have been designated as an accounting hedge against other USD loans at the corporate level. Cross currency swaps were employed to minimise currency exposure for JPY Notes and Dah Chong Hong's AUD loan.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) and equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date, and that all other variables, in particular interest rates, remain constant.

	Group					
In HK$ million	Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2013						
USD	1%	14	(460)	1%	(14)	460
RMB	2%	79	–	2%	(79)	–
AUD	15%	–	246	15%	–	(246)
YEN	10%	(41)	–	10%	41	–
Pound Sterling	10%	(8)	–	10%	8	–
EURO	10%	(15)	–	10%	15	–

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(b) Exposure to foreign currency fluctuations (continued)

In HK$ million	Company Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2013						
USD	**1%**	**36**	**(460)**	**1%**	**(36)**	**460**
RMB	**2%**	**102**	**–**	**2%**	**(102)**	**–**

In HK$ million	Group Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2012						
USD	1%	(242)	(152)	1%	242	152
RMB	2%	123	–	2%	(123)	–
AUD	15%	(115)	136	15%	115	(136)
YEN	10%	(10)	–	10%	10	–
Pound Sterling	10%	1	–	10%	(1)	–
EURO	10%	(3)	–	10%	3	–

In HK$ million	Company Hypothetical increase in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)	Hypothetical decrease in foreign exchange rates	Effect on profit/(loss) before tax	Effect on equity increase/(decrease)
2012						
USD	1%	(244)	(152)	1%	244	152
RMB	2%	64	–	2%	(64)	–

(c) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. At 31 December 2013, if there had been a 5% change in the market value of available-for-sale securities with all other variables held constant, the Group's equity would have increased/(decreased) by HK$10 million (2012: HK$13 million).

The Group is subject to commodity price risks such as iron ore and coal, and price risks associated with input costs and costs of goods sold. The Group has not entered into derivatives to manage such exposures.

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(d) Credit exposure

The Group's credit risk is primarily related to deposits placed with banks and the continued ability of the banks to deliver on foreign exchange and derivatives. Operating businesses have trade and accounts receivables.

The Group's cash and deposits with banks are placed with major financial institutions. Counterparty limits are closely monitored for all financial institutions with whom the Group is doing business. Unless specially approved by ALCO, the Group only deals with international financial institutions with an investment grade credit rating except for leading PRC financial institutions that do not have an international credit rating. The amount of counterparties' lending exposure to the Group is an important consideration as a means to control credit risk.

Trade receivables are presented net of allowances for bad and doubtful debts. Credit risk in respect of trade and accounts receivables is dispersed since the customers are large in number and spread across different industries and geographical areas. Accordingly, the Group has no significant concentration of such credit risk. Each core operating business has a policy of credit control in place under which credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 15 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

(e) Liquidity risk

Liquidity risk is managed by maintaining substantial undrawn committed credit facilities, money market lines and cash deposits so as to avoid over reliance on any one source of funds. Refinancing is allocated such that there is a reasonable amount coming due in any one period. In addition, the Company has established co-operative agreements with major PRC banks.

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.

The Group seeks to secure financing from a diversified set of counterparties on the most competitive terms in the market. At the end of 2013 CITIC Pacific had multiple borrowing relationships with financial institutions in Hong Kong, PRC and other markets. The Group diversifies its funding mix through bank borrowings and accessing the capital markets and seeks to maintain a mix of short- and long-term borrowings to stagger maturities and minimise financing risk. In 2014 and 2015, the funding requirements of the Group are expected to continually be met through cash flows generated from operating activities, drawdown of undrawn borrowing facilities, roll-over of existing facilities as well as arrangement of new facilities. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due.

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(e) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the balance sheet date.

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2013				
Bank and other borrowings	**(31,328)**	**(25,827)**	**(34,656)**	**(57,262)**
Derivative financial instruments	**(862)**	**(792)**	**(1,043)**	**(78)**
Trade creditors, accounts and other payable	**(28,711)**	**–**	**(6)**	**–**
At 31 December 2012				
Bank and other borrowings	(26,162)	(20,791)	(33,095)	(64,485)
Derivative financial instruments	(855)	(859)	(1,985)	(1,574)
Trade creditors, accounts and other payable	(24,174)	(49)	(179)	–

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2013				
Bank and other borrowings	**(13,188)**	**(19,151)**	**(21,228)**	**(28,306)**
Derivative financial instruments	**(504)**	**(455)**	**(519)**	**(3)**
Trade creditors and accounts payable	**(906)**	**–**	**–**	**–**
Amounts due to subsidiary companies	**(6,174)**	**–**	**–**	**–**
Financial guarantee (Note)	**(34,869)**	**(486)**	**–**	**–**
At 31 December 2012				
Bank and other borrowings	(12,586)	(12,136)	(17,936)	(33,902)
Derivative financial instruments	(508)	(513)	(1,110)	(810)
Trade creditors and accounts payable	(745)	–	–	–
Amounts due to subsidiary companies	(6,528)	–	–	–
Financial guarantee (Note)	(23,693)	(8,386)	(593)	–

Note:

These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised (including trust receipt loans and letters of credit from trade facilities), however based on the operating results, the Company does not expect them to be crystalised.

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(e) Liquidity risk (continued)

The table below analyses the Group's and the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on interest or exchange rates (where applicable) prevailing at the balance sheet date.

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2013				
Forward foreign exchange contracts – cash flow hedges:				
outflow	(1,735)	–	–	–
inflow	1,654	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	(504)	(655)	–	–
inflow	500	736	–	–

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2013				
Forward foreign exchange contracts – cash flow hedges:				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	–	–	–	–
inflow	–	–	–	–

30 Financial risk management and fair values estimation (continued)

Financial risk factors (continued)

(e) Liquidity risk (continued)

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2012				
Forward foreign exchange contracts – cash flow hedges:				
outflow	(720)	–	–	–
inflow	919	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	(315)	(10)	(274)	(637)
inflow	300	2	249	1,029

In HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2012				
Forward foreign exchange contracts – cash flow hedges:				
outflow	–	–	–	–
inflow	–	–	–	–
Forward foreign exchange contracts – not qualified for hedge accounting:				
outflow	–	–	–	–
inflow	–	–	–	–

The foreign exchange contracts that are not qualified for hedge accounting as at 31 December 2013 consist of cross currency swap contracts and forward exchange contracts for hedging JPY Notes as well as trade flows in foreign currencies. The changes in the fair market value of these contracts are reflected in the profit and loss account.

30 Financial risk management and fair values estimation (continued)

Fair value estimation

The fair value of financial derivative instrument is generated from software provided by Reval Inc. ("Reval"), a derivative risk management and hedge accounting solutions firm, which uses a discounted cashflow model with independently sourced market data to determine the fair value. The fair value generated by Reval is cross checked against price quotations obtained from major financial institutions. The fair value of the forward foreign exchange contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period. The fair value of the interest rate swap is calculated as the net present value of the estimated future cash flows discounted at the market quoted rate, taking into account the current credit worthiness of the swap counter parties and of the Group when appropriate.

The fair value of listed securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earnings ratios for similar listed companies adjusted for the specific circumstances of the issuer.

The fair values of financial liabilities are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments, except for the global bonds which are based on quoted market prices at the balance sheet date without any deduction for transaction cost. The Group uses the appropriate market yield curve or benchmark rate as at 31 December 2013 plus an appropriate constant credit spread to calculate the fair value of its interest bearing debt. The fair value of borrowings is disclosed in note 29(d).

The fair value of loans receivable is estimated as the present value of future cash flows, discounted at the current market interest rates for similar financial instruments.

The carrying values less impairment provisions of trade and other receivables and trade and other payables are a reasonable approximation of their fair values.

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value of each financial instrument recognised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

30 Financial risk management and fair values estimation (continued)

Fair value estimation (continued)

(i) Financial instruments carried at fair value (continued)

2013

In HK$ million	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	200	–	–	200	–	–	–	–
Unlisted	–	–	81	81	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	80	–	80	–	–	–	–
Forward exchange contracts	–	6	–	6	–	88	–	88
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	2,600	–	2,600	–	1,367	–	1,367
Forward exchange contracts	–	97	–	97	–	88	–	88

2012

In HK$ million	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale financial assets								
Listed	257	–	–	257	–	–	–	–
Unlisted	–	–	81	81	–	–	–	–
Derivative financial instruments								
Interest rate swaps	–	187	–	187	–	–	–	–
Forward exchange contracts	–	189	–	189	–	27	–	27
Liabilities								
Derivative financial instruments								
Interest rate swaps	–	4,969	–	4,969	–	2,746	–	2,746
Forward exchange contracts	–	9	–	9	–	27	–	27

There were no significant transfers between instruments in Level 1 and Level 2 during the year.

30 Financial risk management and fair values estimation (continued)

Fair value estimation (continued)

(i) Financial instruments carried at fair value (continued)

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

In HK$ million	Group Unlisted available-for-sale equity securities
At 1 January 2013	**81**
Net unrealized gains recognised in other comprehensive income during the year	**1**
Net loss recognized in profit and loss account during the year	**(1)**
At 31 December 2013	**81**
At 1 January 2012	80
Net unrealized gains recognised in other comprehensive income during the year	3
Net loss recognized in profit and loss account during the year	(2)
At 31 December 2012	81

(ii) Fair values of financial instruments carried at cost or amortised cost

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012 except as follows:

	2013		Fair value measurements as 31 December 2013 categorised into			2012	
In HK$ million	**Carrying amount**	**Fair value**	Level 1	Level 2	Level 3	Carrying amount	Fair value
The Group:							
Bank loans and other loans	**91,494**	**88,982**	–	88,982	–	91,647	88,900
Global bonds (USD Notes)	**24,039**	**23,808**	–	23,808	–	20,150	21,111
Domestic bond (RMB Notes)	**1,526**	**1,607**	–	1,607	–	864	981
Commercial paper	**254**	**254**	–	254	–	987	987
Private placement (USD Notes, JPY Notes, HKD Notes & RMB Notes)	**3,417**	**3,601**	–	3,601	–	2,981	3,121
The Company:							
Bank loans	**41,349**	**39,116**	–	39,116	–	40,311	37,854
Global bond (USD Notes)	**24,039**	**23,808**	–	23,808	–	20,150	21,111
Private placement (USD Notes, HKD Notes & RMB Notes)	**2,935**	**3,121**	–	3,121	–	2,397	2,532

30 Financial risk management and fair values estimation (continued)

Fair value estimation (continued)

(iii) Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognized financial instruments that are subject to the above agreements.

In HK$ million	Gross and net amounts of financial instruments in the consolidated balance sheet	Related financial instruments that are not offset	Net amount
Group			
31 December 2013			
Financial assets			
Derivative financial instruments			
– Interest rate instruments	80	–	80
– Forward foreign exchange instruments	6	–	6
	86	–	86
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(2,600)	–	(2,600)
– Forward foreign exchange instruments	(97)	–	(97)
	(2,697)	–	(2,697)

30 Financial risk management and fair values estimation (continued)

Fair value estimation (continued)

(iii) Master netting or similar agreements (continued)

In HK$ million	Gross and net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
Company			
At 31 December 2013			
Financial assets			
Derivative financial instruments			
– Forward foreign exchange instruments	88	–	88
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(1,367)	–	(1,367)
– Forward foreign exchange instruments	(88)	–	(88)
	(1,455)	–	(1,455)

30 Financial risk management and fair values estimation (continued)

Fair value estimation (continued)

(iii) Master netting or similar agreements (continued)

In HK$ million	Gross and net amounts of financial instruments in the consolidated balance sheet	Related financial instruments that are not offset	Net amount
Group			
At 31 December 2012			
Financial assets			
Derivative financial instruments			
– Interest rate instruments	187	–	187
– Forward foreign exchange instruments	189	(184)	5
	376	(184)	192
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(4,969)	184	(4,785)
– Forward foreign exchange instruments	(9)	–	(9)
	(4,978)	184	(4,794)

In HK$ million	Gross and net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
Company			
At 31 December 2012			
Financial assets			
Derivative financial instruments			
– Forward foreign exchange instruments	27	(27)	–
Financial liabilities			
Derivative financial instruments			
– Interest rate instruments	(2,746)	27	(2,719)
– Forward foreign exchange instruments	(27)	–	(27)
	(2,773)	27	(2,746)

31 Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong shareholders' equity position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's leverage ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is total ordinary shareholders' funds and perpetual capital securities, as shown in the consolidated balance sheet, plus net debt.

The leverage ratios at 31 December 2013 and 2012 were as follows:

In HK$ million	**2013**	2012
Total borrowings	**120,730**	116,629
Less: Cash and bank deposits	**35,070**	32,821
Net debt	**85,660**	83,808
Total ordinary shareholders' funds and perpetual capital securities	**101,763**	84,678
Total capital	**187,423**	168,486
Leverage ratio	**46%**	50%

CITIC Pacific has developed a set of standard loan covenants to facilitate the management of its loan portfolio and debt compliance and cover most of CITIC Pacific's loan portfolio. The financial covenants that are effective at 31 December 2013 are generally limited to three categories, namely, a minimum net worth undertaking where the Group has to maintain a net worth of greater or equal to HK$25 billion, a maximum ratio of total borrowings to net worth where the consolidated borrowings of the Group cannot exceed 1.5 times consolidated net worth and a limit of pledged assets to 30% or below as a ratio of the Group's consolidated total assets. CITIC Pacific monitors these covenants on a regular basis and was in compliance with them as at 31 December 2013.

32 Derivative financial instruments

In HK$ million	2013 Group Assets	2013 Group Liabilities	2012 Group Assets	2012 Group Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	2,421	–	4,690
Forward foreign exchange instruments	–	88	184	–
	–	2,509	184	4,690
Not qualified for hedge accounting				
Interest-rate instruments	80	179	187	279
Forward foreign exchange instruments	6	9	5	9
	86	188	192	288
	86	2,697	376	4,978
Less: current portion				
Interest-rate instruments	44	54	66	192
Forward foreign exchange instruments	6	97	189	9
	50	151	255	201
	36	2,546	121	4,777

In HK$ million	2013 Company Assets	2013 Company Liabilities	2012 Company Assets	2012 Company Liabilities
Qualified for hedge accounting – cash flow hedges				
Interest-rate instruments	–	1,191	–	2,469
Forward foreign exchange instruments	88	88	27	27
	88	1,279	27	2,496
Not qualified for hedge accounting				
Interest-rate instruments	–	176	–	277
	88	1,455	27	2,773
Less: current portion				
Interest-rate instruments	–	51	–	72
Forward foreign exchange instruments	88	88	27	27
	88	139	27	99
	–	1,316	–	2,674

32 Derivative financial instruments (continued)

(i) Forward foreign exchange instruments

The notional amount of the outstanding forward foreign exchange instruments as at 31 December 2013 was HK$2,225 million (2012: HK$1,018 million).

The effective portions of gains and losses on forward foreign exchange contracts associated with highly probable forecast underlying transactions denominated in foreign currency expected to occur at various dates within the next 11 months are recognised in the hedging reserve in equity as at 31 December 2013 and will be recognised in the profit and loss account in the period or periods during which the underlying hedged transactions affect the profit and loss account.

(ii) Interest rate instruments

The notional amount of outstanding interest rate swap contracts as at 31 December 2013 was HK$26,143 million (2012: HK$29,929 million). In addition, the Group had cross currency interest rate swap contracts with an aggregate notional amount of HK$642 million (2012: HK$644 million). As at 31 December 2013, the fixed interest rates under interest rate swaps varied from 0.56% to 5.10% per annum (2012: 0.56% to 5.10% per annum). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting as at 31 December 2013 were recognised in the hedging reserve in equity and will be released to the profit and loss account to match relevant interest payments which are mainly calculated using Hong Kong Interbank offered rate (HIBOR) or London Interbank offered rate (LIBOR).

33 Deferred taxation

(a) Group

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation is realised or settled. The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Deferred tax arising from									
	Depreciation allowances in excess of related depreciation		Losses		Revaluation of investment properties and valuation of other properties		Mining assets and others		Total	
In HK$ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
At 1 January	**(291)**	(409)	**3,415**	3,063	**(2,365)**	(2,086)	**(1,760)**	(2,294)	**(1,001)**	(1,726)
Exchange adjustment	**6**	4	**(11)**	2	**(69)**	5	**4**	(3)	**(70)**	8
(Debited)/credited to reserve	**–**	–	**–**	–	**(11)**	–	**(132)**	455	**(143)**	455
Effect of tax rate change	**–**	–	**–**	–	**–**	–	**13**	–	**13**	–
(Charged)/credited to consolidated profit and loss account										
– continuing operations	**(3)**	53	**953**	385	**(265)**	(284)	**(291)**	(30)	**394**	124
– discontinued operations	**–**	(2)	**–**	14	**–**	–	**2**	3	**2**	15
Transfer to disposal group classified as held for sales	**–**	63	**–**	(49)	**–**	–	**–**	12	**–**	26
Others	**(2)**	–	**(19)**	–	**–**	–	**(224)**	97	**(245)**	97
At 31 December	**(290)**	(291)	**4,338**	3,415	**(2,710)**	(2,365)	**(2,388)**	(1,760)	**(1,050)**	(1,001)

	Group	
In HK$ million	**2013**	2012
Net deferred tax assets recognised on the consolidated balance sheet	**2,868**	2,342
Net deferred tax liabilities recognised on the consolidated balance sheet	**(3,918)**	(3,343)
	(1,050)	(1,001)

33 Deferred taxation (continued)

(b) Deferred tax assets unrecognised

The Group and the Company have not recognised deferred tax assets in respect of the following items:

	Group	
In HK$ million	**2013**	2012
Deductible temporary differences	**5**	15
Tax losses	**5,374**	5,514
Taxable temporary differences	**(781)**	(880)
	4,598	4,649

	Company	
In HK$ million	**2013**	2012
Deductible temporary differences	**3**	11
Tax losses	**906**	825
	909	836

Note: Tax losses in certain tax jurisdictions of HK$1,837 million (2012: HK$905 million) will expire within the next five years. The remaining amounts do not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2013, temporary differences relating to the undistributed profits of subsidiary companies amounted to HK$3,618 million (2012: HK$3,248 million). Deferred tax liabilities of HK$182 million (2012: HK$163 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiary companies and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

34 Provisions and deferred income

In HK$ million	Site restoration	Mining rights	Gas contract	Deferred Income	Total
Balance at 1 January 2013	**1,357**	**–**	**515**	**101**	**1,973**
Provisions/(reversed) made during the year	**(310)**	**–**	**423**	**6**	**119**
Balance at 31 December 2013	**1,047**	**–**	**938**	**107**	**2,092**
Balance at 1 January 2012	461	1,524	489	175	2,649
Transfer to current liabilities	–	(1,524)	(253)	–	(1,777)
Provisions made/additions during the year	896	–	279	21	1,196
Disposal	–	–	–	(7)	(7)
Transfer to liabilities of disposal group classified as held for sale	–	–	–	(88)	(88)
Balance at 31 December 2012	1,357	–	515	101	1,973

Site restoration

A net reversal of provision of HK$310 million (2012: provision of HK$896 million) was made during the year ended 31 December 2013 in respect of a subsidiary's obligation to rectify environmental damage with a corresponding increase in property, plant and equipment. Amortisation of this asset will occur from the production date, using the units of production method.

Mining rights

The Mining Right Minimum Royalty provision in the current liabilities of the accounts as at 31 December 2012 has been fully reversed in 2013 with a corresponding decrease in intangible mining assets in relation to the provision made. Details are disclosed as contingent liabilities in note 39 (vi).

34 Provisions and deferred income (continued)

Gas contract

In accordance with the Group's contracted gas purchases, the Group is obligated to pay and/or take delivery of set levels of gas commencing on October 2011. Such gas contracts have liquidated damages clauses requiring damages be paid should the set levels of gas purchased not be adhered to. Due to the potential mismatch of the gas delivery under contracts and the production schedule, utilisation of such gas levels is projected to be at a lower rate at certain points in time and therefore a provision for the estimated damages payable has been accrued based on a combination of liquidated damages and losses from the on-sale of surplus gas. The Group has mitigated any potential liquidated damages in the short term through amendments in agreements with the gas supplier and is currently in discussions to mitigate the potential longer term liquidated damages payable.

35 Discontinued operations

The Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, the ultimate holding company, on 18 December 2012 to dispose 18.55% interest in CITIC Telecom was completed on 21 February 2013. Since then, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom has no longer been consolidated with that of the Group but is accounted for by equity method.

(a) Analysis of the Profit of discontinued operations is as follows:

In HK$ million	**2013**	2012
Revenue	**523**	3,610
Expenses	**(507)**	(3,263)
Share of results of joint venture and associated company	**33**	191
Profit before tax of discontinued operations	**49**	538
Taxation	**(2)**	(41)
Profit for the year from discontinued operations before disposal gain	**47**	497
Net gain on disposal	**2,055**	–
Profit for the year from discontinued operations	**2,102**	497
Profit for the year from discontinued operations attributable to:		
– Ordinary shareholders of the Company	**2,083**	299
– Non-controlling interests	**19**	198
	2,102	497

35 Discontinued operations (continued)

(b) (i) Assets of disposal group classified as held for sale

In HK$ million	**2013**	2012
Property, plant and equipment	–	744
Intangible assets	–	573
Other non-current assets	–	694
Other current assets	–	1,722
Total	–	3,733

(ii) Liabilities of disposal group classified as held for sale

In HK$ million	**2013**	2012
Trade and other payables	–	801
Other current liabilities	–	305
Other non-current liabilities	–	154
Total	–	1,260

(c) Cash flows from discontinued operations

In HK$ million	**2013**	2012
Operating cash flows	**53**	284
Investing cash flows	–	(60)
Financing cash flows	**(53)**	(128)
Total cash flows	–	96
Proceeds on disposal	**773**	–
	773	96

36 Capital commitments

	Group	
In HK$ million	**2013**	2012
Authorised but not contracted for (Note a)	**1,089**	1,902
Contracted but not provided for (Note b)	**5,014**	5,972

	Company	
In HK$ million	**2013**	2012
Contracted but not provided for	–	–

36 Capital commitments (continued)

(Note a)

In HK$ million	Group 2013	2012
Authorised but not contracted for Analysis by operating segment		
Continuing operations		
Special Steel	**627**	1,262
Dah Chong Hong	**462**	594
Property – Mainland China	**–**	11
	1,089	1,867
Discontinued operations		
CITIC Telecom	**–**	35
	1,089	1,902

(Note b)

In HK$ million	Group 2013	2012
Contracted but not yet paid nor accrued		
Analysis by operating segment		
Continuing operations		
Special steel	**919**	1,303
Iron ore	**1,363**	1,455
Property		
Mainland China	**2,442**	2,773
Hong Kong	**107**	234
Dah Chong Hong	**158**	155
Other investments	**25**	31
	5,014	5,951
Discontinued operations		
CITIC Telecom	**–**	21
	5,014	5,972

37 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	Group		Company	
In HK$ million	**2013**	2012	**2013**	2012
Properties commitments				
Continuing operations				
Within 1 year	**495**	483	**19**	51
After 1 year but within 5 years	**1,014**	1,030	**1**	20
After 5 years	**1,473**	1,223	**–**	–
	2,982	2,736	**20**	71
Discontinued operations				
Within 1 year	**–**	31	**–**	–
After 1 year but within 5 years	**–**	33	**–**	–
	–	64	**–**	–
Other commitments				
Continuing operations				
Within 1 year	**58**	45	**–**	–
After 1 year but within 5 years	**199**	181	**–**	–
After 5 years	**246**	335	**–**	–
	503	561	**–**	–
Discontinued operations				
Within 1 year	**–**	38	**–**	–
After 1 year but within 5 years	**–**	5	**–**	–
	–	43	**–**	–
	3,485	3,404	**20**	71

38 Business combinations, acquisitions and disposals

(a) Purchase of subsidiary companies

During the year ended 31 December 2013, the subsidiary companies of the Group completed several business acquisitions. The major acquisitions are as follow:

(i) In February 2013, a subsidiary acquired 100% equity interest in Leo's Fine Food Company Limited ("Leo"). Leo is engaged in processing and trading of food products in Hong Kong.

(ii) In March 2013, a subsidiary company of the Group acquired 25% equity interest in Silver Wings Enterprises Inc ("Silver Wings") from its joint venture partner, Nippon Steel & Sumitomo Metal Corporation ("NSSMC"). Silver Wings was a joint venture of the Group prior to the acquisition to build and develop a production line with steel melting, casting and rolling facilities to produce high-end special steel. After the acquisition, Silver Wings became a wholly-owned subsidiary company of the Group.

(iii) The Group has completed several other acquisitions of subsidiaries and non-controlling interest during the year. Since they are relatively immaterial to both the Group's financial position and results, both individually and in aggregate, details of these acquisition are not disclosed.

The acquired companies contributed an aggregate revenue of HK$1,719 million and aggregate net profit of HK$114 million to the Group for the period from the date of acquisition to 31 December 2013. The acquisitions do not have any significant impact to the Group's revenue and profit for the year if they had occurred on 1 January 2013.

During the year ended 31 December 2012, the subsidiary companies of the Group completed several business acquisitions. The major acquisition is as follow:

(i) On 20 November 2012, a subsidiary gained control over 上海信泰置業有限公司 through capital injection of RMB1,240 million. Upon completion of the capital injection, the Group held 99.2% equity interest in 上海信泰置業有限公司, and the capital injected has been used to repay a then existing loan from the sole equity holder of 上海信泰置業有限公司 before the capital injection. 上海信泰置業有限公司 is principally engaged in property development and investment and provision of property management services, and it owns two pieces of land located at Shanghai World Expo Site which is expected to become a new central business district with substantial development potential.

The aggregate revenue and net profit of the acquired companies for the period from their respective dates of acquisitions to 31 December 2012 are insignificant to the Group. The acquisitions do not have any significant impact to the Group's revenue and profit for the year if they had occurred on 1 January 2012.

38 Business combinations, acquisitions and disposals (continued)

(a) Purchase of subsidiary companies (continued)

The acquisitions completed during the year ended 31 December 2013 and 2012 had the following effect on the Group's assets and liabilities on their respective dates of acquisitions:

In HK$ million	**2013**	2012
Net assets acquired		
Property, plant and equipment	**3,284**	50
Leasehold land – operating lease	**37**	–
Properties under development	**–**	1,536
Intangible assets	**83**	32
Inventories	**470**	85
Debtors, accounts receivable, deposits and prepayments	**673**	191
Cash and bank deposits	**43**	144
Creditors, accounts payable, deposits and accruals	**(122)**	(380)
Bank and other loans	**(979)**	–
Taxation	**(6)**	(6)
Deferred tax liabilities	**(224)**	(3)
Less: Carrying amount of previously held interests in joint venture	**(1,924)**	(116)
Less: Deemed disposal gain of previously held interests in joint venture	**(249)**	–
Fair value of net assets acquired	**1,086**	1,533
Goodwill (Note)	**10**	36
Negative goodwill	**(113)**	–
Non-controlling interests arising from acquisitions of subsidiary companies	**(12)**	(20)
Consideration paid, satisfied in cash	**971**	1,549
Less: cash acquired	**(43)**	(144)
Net cash outflow	**928**	1,405

Note: Goodwill arising from the acquisitions represents the control premium paid, the benefits of expected synergies to be achieved from integrating the subsidiary companies into the Group's existing businesses, future market development and the acquired workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

38 Business combinations, acquisitions and disposals (continued)

(b) Disposal of subsidiary companies

In HK$ million	**2013**	2012
Net assets disposed		
Property, plant and equipment	**164**	–
Leasehold land – operating lease	**99**	–
Investment properties	**–**	56
Deferred tax assets	**1**	–
Property under development	**59**	–
Property held for sale	**1,708**	–
Intangible assets	**31**	–
Inventories	**6**	–
Debtors, accounts receivable, deposits and prepayments	**134**	–
Cash and bank deposits	**46**	–
Assets of disposal group classified as held for sale	**3,783**	–
Creditors, accounts payable, deposits and accruals	**(186)**	(1)
Liabilities of disposal group classified as held for sale	**(1,280)**	–
Non-controlling interests	**(974)**	–
	3,591	55
Gain on disposal included in:		
Continuing operations	**922**	165
Discontinued operations	**2,055**	–
Exchange reserve released	**(240)**	–
Transfer to joint ventures	**(3,108)**	–
Consideration	**3,220**	220
Satisfied by:		
Cash	**3,210**	220
Consideration receivable	**10**	–
	3,220	220
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies		
Cash consideration	**3,210**	220
Cash and bank deposits disposed of	**(46)**	–
	3,164	220

Subsidiary companies disposed during 2013 mainly represent a company holding a property in Shanghai and CITIC Telecom as discussed below.

The Sale and Purchase Agreement made between a wholly-owned subsidiary company of the Company and CITIC Group Corporation, the ultimate holding company, on 18 December 2012 to dispose 18.55% interest in CITIC Telecom was completed on 21 February 2013. Since then, CITIC Telecom has ceased to be a subsidiary of the Company. As a result, the financial results of CITIC Telecom has no longer been consolidated with that of the Group but is accounted for by equity method.

Subsidiary companies disposed during 2012 mainly represent a company holding a property in Hong Kong.

39 Contingent liabilities

In HK$ million	Company 2013	2012
The Company provided guarantees in respect of bank facilities as follows:		
Subsidiary companies	**32,878**	33,941
Associated company	**45**	45
Other performance guarantees		
Subsidiary companies (note (i))	**2,544**	3,616
	35,467	37,602

Note:

(i) The Company has provided guarantees to its subsidiary companies to support their performance or obligations under construction or procurement contracts.

(ii) The Company has provided a guarantee to support derivatives transactions to a wholly owned subsidiary of the Company.

(iii) In the normal course of the Group's business, there are a number of claims now outstanding by or against the Group. While the outcome of such claims cannot be readily predicted, management believes that they will be resolved without material adverse financial effect on the consolidated financial position or liquidity of the Group.

(iv) The Group is subject to ever stricter environmental laws and regulations concerning its operations and products. These laws may require the Group to take remedial action and rehabilitation works to reduce the effects on the environment of previous actions by the Group. The ultimate requirement for remedial action and rehabilitation works and its cost are inherently difficult to predict but the estimated cost of undisputed environmental obligations has been provided for in these accounts. Whilst the amount of future costs could be significant and material to the Group's results in the period they are recognised, it is not possible to estimate the amounts involved, although management does not expect these costs to have a material adverse financial effect on the consolidated financial position or liquidity of the Group.

(v) Following CITIC Pacific's announcement of a foreign exchange related loss, on 22 October 2008, the Hong Kong Securities and Futures Commission ("SFC") announced that it had commenced a formal investigation into the affairs of CITIC Pacific. On 3 April 2009, the Commercial Crime Bureau of the Hong Kong Police Force began an investigation of suspected offences relating to the same matter.

On 18 November 2009, the Acting Secretary for the Financial Services and the Treasury said that the SFC's investigation has been completed while the Police's investigation is still ongoing.

In the absence of the findings of these investigations being made available to CITIC Pacific and due to the inherent difficulties involved in attempting to predict the outcome of such investigations and in assessing the possible findings, the directors do not have sufficient information to reasonably estimate the fair value of contingent liabilities (if any) relating to such investigations, the timing of the ultimate resolution of those matters or what the eventual outcome may be. However, based on information currently available, the directors are not aware of any matters arising from the above investigations that might have a material adverse financial impact on the consolidated financial position or liquidity of the Group.

(vi) The Mining Right and Site Lease Agreements entered into by two subsidiary companies of the Group with Mineralogy Pty Ltd ("Mineralogy") in connection with the Sino Iron Project in Western Australia contain a clause that, unless certain exceptions apply, each subsidiary is to pay an amount if either of them produces less than six million tonnes of iron ore by March 2013. Under such clause, if the conditions for payment are met and the exceptions are not applicable, the amount payable is calculated by reference to the royalty payable on the amount of magnetite ore required to produce six million tonnes of iron ore concentrate. Due to changes in the iron ore market it is no longer possible to calculate one component of the royalty (ie, Royalty Component B). On 17 November 2013, Mineralogy wrote to CITIC Pacific advising it agreed with CITIC Pacific's position that it was not possible to calculate Royalty Component B. Mineralogy has subsequently confirmed in its 2013 Financial Report that it agrees that it is also not possible to calculate the minimum royalty amount.

Neither of the subsidiary companies produced six million tonnes of iron concentrate by March 2013. In early 2013, Mineralogy commenced court proceedings seeking an order that the minimum royalty was payable by the Group. However, Mineralogy has subsequently amended its case so that it now seeks a declaration that the Mining Right and Site Lease Agreements have been terminated due to the legal doctrine of frustration. Mineralogy's new statement of claim in these proceedings no longer seeks orders from the court that any Group Company must pay the minimum royalty. As noted above, Mineralogy's own Special Purpose Financial Report for the year ended 30 June 2013 refers to the derecognition of 'the minimum royalty receivable and associated deferred revenue'.

Since the date of the last audited accounts, the Group has reviewed its liability for the minimum royalty having regard to the current circumstances. Following this review, the Group has decided that it is no longer necessary to include a provision for the minimum royalty in the accounts.

There are other issues in dispute with Mineralogy and their details are disclosed in Note 2 (ix).

40 Material related party transactions

Where one party has the ability to control the other party or exercise significant influence in making financial and operating decisions of another party, they are considered to be related. Parties are also considered to be related if one party is subject to control and another party is subject to control, joint control or significant influence both by the same third party.

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation)

CITIC Pacific Limited is controlled by CITIC Group Corporation which owns 57.5% of the Company's shares. CITIC Group Corporation is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as 'state-owned enterprises'). Therefore, transactions with state-owned enterprises are regarded as related party transactions.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. The Group has certain transactions with other state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities, acquisition of property interests, depositing and borrowing money and entering into derivative financial instruments. In the ordinary course of the Group's businesses, transactions occur with state-owned enterprises.

The more significant transactions with state-owned enterprises are as follows:

(i) As at 31 December 2013, there were derivative liabilities of HK$2,108 million (2012: HK$4,027 million) in relation to outstanding financial instrument transactions with state-owned banks. They are included in the balances disclosed in Note 32.

(ii) Balances (other than derivatives) with state-owned banks

In HK$ million	**2013**	2012
Bank balances and deposits	**18,485**	20,263
Bank loans	**70,383**	63,550

(iii) Transactions with China Metallurgical Group

On 24 January 2007, Sino Iron Pty Ltd., a wholly owned subsidiary of the Company, ("Sino Iron") entered into a general construction contract ("the Contract") with China Metallurgical Group Corp., a state-owned enterprise ("MCC"). Pursuant to the Contract, MCC is responsible for the procurement of mining equipment, design, construction and installation of the primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities ("the Works to be conducted by MCC") at an amount not exceeding US$1,106 million (approximately HK$8,630 million). The price for the Works to be conducted by MCC is capped and no increase to the contract sum can be made unless otherwise agreed by both parties. On 20 August 2007, Sino Iron entered into supplemental agreements with MCC in relation to, amongst other things, the adjustment to the scope of the works to be conducted by MCC to extend to the second 1 billion tonnes of iron ore to be extracted and the revision of the contract sum to US$1,750 million (approximately HK$13,650 million). On 11 May 2010, Sino Iron and MCC entered into a supplemental contract to increase the contract sum by US$835 million to US$2,585 million due to the changes in the cost structure of the industry.

40 Material related party transactions (continued)

(a) Transactions with state-owned enterprises (other than companies within the CITIC Group Corporation) (continued)

(iii) Transactions with China Metallurgical Group (continued)

Sino Iron and MCC also agreed that the remaining works (other than works to be conducted by MCC) shall be contracted out to third parties directly by Sino Iron and such works shall be managed by MCC. Sino Iron agreed to pay 1% of the relevant contract price (excluding any fee for training, interest, transportation, insurance and tax expenses) to MCC as management fees for the MCC managed works.

On 30 December 2011, Sino Iron and MCC entered into a supplemental contract to increase the contract sum by US$822 million to US$3,407 million due to the failure by MCC to take into consideration the full impact of the increase in the construction costs related to mining projects, including labour shortages, higher costs of equipment and construction materials as well as foreign exchange volatility.

In HK$ million	**2013**	2012
Balances with MCC		
Deposit received from MCC for the acquisition of 20% interest in Sino Iron	**(546)**	(1,288)
Transaction with MCC		
Incurred costs on the Contract	**1,407**	6,487

On 24 December 2013, Sino Iron and MCC WA entered into a supplemental contract pursuant to which Sino Iron will take over the management of the construction and commissioning of the remaining four production lines of the Sino Iron project, and an independent audit will opine on various matters including the contract price for the hand over pursuant to the supplemental contract and related fees and expenses, the value of the supporting services provided by Sino Iron to MCC WA in carrying out its responsibilities under the contract, the extent of the works completed by MCC WA in respect of the first two production lines, and the liability of MCC WA in respect of the extensive delays on completion of the works under the contract. By reference to such findings, Sino Iron and MCC WA expect to enter into further negotiations on the project settlement accounts to determine the amount of liabilities to be borne between the parties.

On 20 August 2007, a wholly owned subsidiary of the Company, and MCC entered into an agreement for MCC to purchase 20% of Sino Iron for a consideration equivalent to 20% of all the funds provided to Sino Iron by CITIC Pacific for the development of the iron ore project up to the date of completion, plus interest. As at 31 December 2011, the Group held a deposit of HK$2,130 million from MCC for the acquisition of 20% interest in Sino Iron. As at 31 December 2013, such deposit balance was reduced from HK$1,288 million to HK$546 million with the remainder being applied by MCC to the Sino Iron Project. The remaining deposit was fully refunded at the instruction of MCC subsequent to the year end and applied by MCC to the Sino Iron project. The Sale and Purchase Agreement is no longer effective.

The Group holds 2.13% of MCC shares acquired at MCC's initial public offering.

40 Material related party transactions (continued)

(b) Transactions with other related parties

The Group also had the following significant transactions and balances with other related parties:

In HK$ million		**2013**	2012
Transactions with joint ventures			
(i)	Recurring transactions		
	Interest income	**15**	151
	Dividend income	**209**	2,487
	Sales	**9**	446
	Service income	**31**	14
		264	3,098
	Purchases	**1,574**	3,406
	Service charges	**–**	59
		1,574	3,465
Transactions with associated companies			
(i)	Recurring transactions		
	Dividend income	**–**	198
	Sales	**7**	85
	Service income	**–**	14
		7	297
	Purchases	**223**	190
	Rental charge	**–**	16
	Service charge	**–**	9
		223	215

(c) Transactions with CITIC Group Corporation

In HK$ million		**2013**	2012
Balances with fellow subsidiary companies within CITIC Group Corporation			
(i)	Bank balances	**1,142**	1,058
(ii)	Bank loans	**693**	740
(iii)	Trade and other payables	**1,407**	76
(iv)	Trade, other receivable and prepayment	**42**	2
Transactions with fellow subsidiary and associated companies within CITIC Group Corporation			
(i)	Sales	**7**	2
(ii)	Purchases	**223**	–
(iii)	Service fee paid	**–**	102

40 Material related party transactions (continued)

(c) Transactions with CITIC Group Corporation (continued)

On 29 October 2013, a subsidiary company of the Group entered into the Framework Agreement with China CITIC Bank Corporation Limited ("CITIC Bank"), pursuant to which, the subsidiary company agreed to sell and CITIC Bank agreed to purchase the property for a consideration of RMB2,500 million. A deposit of RMB625 million (equivalent to approximately HK$795 million) was received in escrow account maintained with CITIC Bank for receiving funds in respect of the disposal. Such amount was not included in the above bank balances with CITIC Group Corporation.

41 Ultimate holding company

The Directors regard CITIC Group Corporation, a wholly state-owned company established under the laws of the PRC, as being the ultimate holding company of the Company.

42 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 20 February 2014.

43 Principal subsidiary companies, joint ventures (*) and associated companies (*)

The following are the principal subsidiary companies, joint ventures and associated companies which in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of all companies would in the opinion of the directors result in particulars of excessive length.

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
SPECIAL STEEL							
Subsidiary companies:							
CITIC Pacific Special Steel International Trading Company Limited	British Virgin Islands	100	–	100	1	N/A	Trading
Daye Special Steel Co., Ltd.	People's Republic of China (Sino-foreign joint stock limited company)	58.13	–	58.13	449,408,480	RMB1	Steel making
Hubei Xin Yegang Steel Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Steel making
Jiangsu CP Xingcheng Special Steel Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Steel making
Jiangyin CP Xingcheng By-products Recycling Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Processing and recycling of metal slag and sale of its related recycled products
Jiangyin CP Xingcheng Industry Gas Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Production and sale of oxygen, liquefied oxygen, nitrogen and argon
Jiangyin Xingcheng Metalwork Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Developing and production of alloy and metal hardware

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
SPECIAL STEEL (continued)							
Subsidiary companies: (continued)							
Jiangyin Xingcheng Special Steel Works Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Steel making
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Loading and unloading business
Tongling Xin Yaxing Coking & Chemical Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products
中信泰富特鋼經貿有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Wholesale, retail and import/export of steel products, relevant materials and technology
江陰泰富興澄特種材料有限公司	People's Republic of China (Sino-foreign equity joint venture)	100	–	100	N/A	N/A	Production and sale of hot iron and the related products
江陰澄東爐料有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	General sales of scrap steel, alloys and coke
江陰興澄合金材料有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Steel making
湖北中特新化能科技有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Production and sale of coal gas, coke and chemical related products

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
SPECIAL STEEL (continued)							
Subsidiary companies: (continued)							
湖北新冶鋼特種鋼管有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Production of seamless steel tube
銅陵新亞星港務有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Port construction, operation and related service
銅陵新亞星能源有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Power generation using coke gas and sale of power
湖北新冶鋼汽車零部件有限公司	People's Republic of China (Sino-foreign equity joint venture)	80	–	80	N/A	N/A	Production and sale of auto parts like shaft
中信泰富工程技術(上海)有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Engineering service for metallurgy and mining
Joint venture:@							
Wuxi Xingcheng Walsin Steel Products Co., Ltd. (formerly known as Wuxi Xingcheng Steel Products Co.,Ltd.)	People's Republic of China (Sino-foreign equity joint venture)	50	–	50	N/A	N/A	Production and sale of stainless steel wire and bar
Associated company:							
湖北中航冶鋼特種鋼銷售有限公司	People's Republic of China (Sino-foreign equity joint venture)	40	–	40	N/A	N/A	Sale of steel

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
IRON ORE							
Subsidiary companies:							
CITIC Pacific Mining Management Pty Ltd	Australia	100	–	100	1	N/A	Management services and mine planning works services
Korean Steel Pty Ltd	Australia	100	–	100	10,000	N/A	Mining extraction and processing of magnetite
Loreto Maritime Pte. Ltd.	Singapore	100	–	100	132	N/A	Build and own transshipment vessels and related facilities and equipment for iron ore product
MetaGas Pty Ltd	Australia	100	–	100	5,000,010	N/A	Gas procurement and trading
Pacific Resources Trading Pte. Ltd.	Singapore	100	–	100	10,080,001	N/A	General trading and related business
Pastoral Management Pty Ltd	Australia	100	–	100	5,000,010	N/A	Operation of a pastoral station and roadhouse
Sino Iron Pty Ltd	Australia	100	–	100	11,526	N/A	Construction of major plant and machinery to facilitate the magnetite iron ore project. Holder of 1 billion tonne magnetite iron ore mining right

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
IRON ORE (continued)							
Subsidiary companies: (continued)							
Sino Iron Holdings Pty Ltd	Australia	100	–	100	2,605,473,744	N/A	Parent company of Sino Iron Pty Ltd, Balmoral Iron Holding Pty Ltd and Cape Preston Resource Holdings Pty Ltd. No active trading
Bolein Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Burgeon Investments Ltd.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Cobikin Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Cosmos Light Holdings Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Silver Bliss Enterprises Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Tridot Enterprises Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Winrich Investments Holdings Ltd.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Bright Treasure Assets Holdings Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Long Glory Assets Limited	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Master Champ Assets Ltd.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Palesto Holdings Inc.	British Virgin Islands	100	–	100	1	US$1	Vessel owning
Parmigan Corp.	British Virgin Islands	100	–	100	1	US$1	Vessel owning

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
IRON ORE (continued)							
Subsidiary companies: (continued)							
Cheng Xin Chartering Pte. Ltd.	Singapore	100	–	100	500,000	N/A	Chartering of vessels
Transshipment Leasing Pte. Ltd.	Singapore	100	–	100	35,000	N/A	Leasing of transshipment assets
Cheng Xin Shipmanagement Pte. Ltd.	Singapore	100	–	100	8,400,000	N/A	Management of vessels
Cape Preston Resource Holdings Pty Ltd	Australia	100	–	100	2	N/A	Not active
Pilbara Land Management Pty Ltd	Australia	100	–	100	2	N/A	Not active
泰富資源(中國)貿易有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Procurement of equipment and spare parts for the iron ore mining industry
PROPERTY							
People's Republic of China							
Subsidiary companies:							
CITIC Pacific (Yangzhou) Properties Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
Shanghai Super Property Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property investment and management
上海中信泰富廣場有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property investment and management
上海老西門新苑置業有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	100	–	100	N/A	N/A	Property development

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
People's Republic of China (continued)							
Subsidiary companies: (continued)							
上海珠街閣房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	84.52	15.48	N/A	N/A	Property development
中信泰富(上海)物業管理有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property management
無錫太湖景發展有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	–	70	N/A	N/A	Sports related services
無錫太湖苑置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	70	–	70	N/A	N/A	Property investment and development
中信泰富萬寧發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
中信泰富萬寧(聯合)開發有限公司	People's Republic of China (Limited liability company)	80	–	80	N/A	N/A	Property development
海南中泰物業服務有限公司	People's Republic of China (Limited liability company)	100	–	100	N/A	N/A	Property management
萬寧仁和發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	–	99.9	N/A	N/A	Property development
萬寧仁信發展有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
People's Republic of China (continued)							
Subsidiary companies: (continued)							
萬寧金信發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	–	99.9	N/A	N/A	Property development
中信泰富萬寧瑞安發展有限公司	People's Republic of China (Sino-foreign co-operative joint venture)	99.9[1]	–	99.9	N/A	N/A	Property development
寧波信富置業有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
上海嘉頤房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
上海嘉逸房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
上海嘉諧房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
紀亮(上海)房地產開發有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
尊創(上海)賓館有限公司	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Property development
揚州信泰房地產開發有限公司	People's Republic of China (Limited liability company)	100	–	100	N/A	N/A	Property investment and development

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Subsidiary %	Particulars of issued shares+ No. of shares	Par value	Principal activities
PROPERTY (continued)							
People's Republic of China (continued)							
Subsidiary companies: (continued)							
中信泰富(上海)商業資產管理有限公司	People's Republic of China (Limited liability company)	100	–	100	N/A	N/A	Entrusted asset management
上海信泰置業有限公司	People's Republic of China (Limited liability company)	99.2	–	99.2	N/A	N/A	Property investment and development and provision of property management services
Joint ventures@:							
上海瑞明置業有限公司	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
上海瑞博置業有限公司θ	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
中船置業有限公司θ	People's Republic of China (Sino-foreign equity joint venture)	50	50	–	–	–	Property development
Hong Kong							
Subsidiary companies:							
Borgia Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Famous Land Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Glenridge Company Limited	Hong Kong	100	–	100	2	HK$10	Property investment

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
PROPERTY (continued)							
Hong Kong (continued)							
Subsidiary companies: (continued)							
Hang Luen Chong Investment Company, Limited	Hong Kong	100	–	100	80,000	HK$100	Property investment
Hang Luen Chong Property Management Company, Limited	Hong Kong	100	–	100	2	HK$1	Property management
Hang Wah Chong Investment Company Limited	Hong Kong	100	–	100	50,000	HK$100	Property investment
Lindenford Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Neostar Investment Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Pacific Grace Limited	Hong Kong	100	–	100	2	HK$1	Property investment
Tendo Limited	Hong Kong	100	–	100	2	HK$10	Property investment
Associated companies:							
CITIC Tower Property Management Company Limited	Hong Kong	40	–	40	–	–	Property management
Goldon Investment Limited	Hong Kong	40	–	40	–	–	Property investment
Hong Kong Resort Company Limited θ	Hong Kong	50	–	50	–	–	Property development
Konorus Investment Limited θ	Hong Kong	15	–	15	–	–	Property investment and development
Shinta Limited	Hong Kong	20	–	20	–	–	Property investment

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
ENERGY							
Subsidiary company:							
Sunburst Energy Development Co., Ltd.	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Investment holding
Joint ventures@:							
Huaibei Go-On Power Company Ltd.	People's Republic of China (Sino-foreign equity joint venture)	12.5	–	12.5	–	–	Building, possession and operation of power plant and sale of electricity
Inner Mongolia Electric Power (Holdings) Company Limited	People's Republic of China (Sino-foreign equity joint venture)	35	–	35	–	–	Coal-fired power station operation and management
Jiangsu Ligang Electric Power Company Limited	People's Republic of China (Sino-foreign equity joint venture)	65.05	–	65.05	–	–	Electric power plant construction and operation
Jiangyin Ligang Electric Power Generation Company Limited θ	People's Republic of China (Foreign investment stock company)	71.35	–	71.35	1,420,000,000	RMB1	Electric power plant construction and operation
Widewin Investments Limited θ	British Virgin Islands	37.5	–	37.5	–	–	Investment holding
山東新巨龍能源有限責任公司	People's Republic of China (Sino-foreign equity joint venture)	30	–	30	N/A	N/A	Coal ores construction and sales

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
CIVIL INFRASTRUCTURE							
TUNNELS							
Subsidiary company:							
New Hong Kong Tunnel Company Limited	Hong Kong	70.8	–	70.8	75,000,000	HK$10	Tunnel operation
Joint venture@:							
Western Harbour Tunnel Company Limited θ	Hong Kong	35	–	35	–	–	Franchise to construct and operate the Western Harbour Crossing
ENVIRONMENTAL							
Joint ventures@:							
Changzhou CGE Water Co., Ltd.	People's Republic of China (Sino-foreign equity joint venture)	24.01	–	24.01	–	–	Production and supply of tap water
Ecoserve Limited	Hong Kong	50	–	50	–	–	Design, construction and operation of refuse transfer station
Veolia Water (Kunming) Investment Limited	Hong Kong	25	–	25	–	–	Investment holding
Associated companies:							
Green Valley Landfill, Limited	Hong Kong	30	–	30	–	–	Landfill construction and operation
South China Transfer Limited	Hong Kong	30	–	30	–	–	Design, construction and operation of transfer station

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Name	Place of incorporation/ principal place of operation (kind of legal entity)	Attributable to the Group %	Interest in equity shares held by Company %	Interest in equity shares held by Subsidiary %	Particulars of issued shares+ No. of shares	Particulars of issued shares+ Par value	Principal activities
Subsidiary company:							
Dah Chong Hong Holdings Limited (Listed In Hong Kong)#	Hong Kong	55.61	–	55.61	1,831,993,000	HK$0.15	Investment holding
Joint venture@:							
CITIC Telecom International Holdings Limited (Listed In Hong Kong)#	Hong Kong	41.42	–	41.42	3,323,242,358	HK$0.10	Investment holding
OTHER INVESTMENTS							
Subsidiary companies:							
CITIC Pacific China Holdings Limited	People's Republic of China (Wholly foreign-owned enterprise)	100	–	100	N/A	N/A	Investment holding
CITIC Pacific Communications Limited	Bermuda	100	–	100	100,000	HK$1	Investment holding
CITIC Pacific Finance (2005) Limited	British Virgin Islands	100	100	–	1	US$1	Financing
Joint ventures@:							
CITIC Capital Holdings Limited	Hong Kong	20.03	–	20.03	–	–	Investment holding
上海中信國健藥業股份有限公司	People's Republic of China (Sino-foreign equity joint venture)	43.42	43.42	–	–	–	Research and development of medicine products
上海國睿生命科技有限公司	People's Republic of China (Sino-foreign equity joint venture)	24.94	24.94	–	–	–	Research and development of tissue engineering products
Associated company:							
Cheer First Limited θ	Hong Kong	40	–	40	–	–	Financing

43 Principal subsidiary companies, joint ventures (*) and associated companies (*) (continued)

Note:

+ Represents ordinary shares, unless otherwise stated.

θ Affiliates which have been given financial assistance by the Company or its subsidiaries at 31 December 2013.

Subsidiary/ joint venture separately listed on the main board of the Hong Kong Stock Exchange and including their respective group companies.

@ In accordance with the respective joint venture agreements, none of the participating parties has unilateral control over the economic activity.

1 Under the terms of the co-operative joint venture, the Company is entitled to 80% of the distributable profit of the joint venture.

* Certain material joint ventures and associated companies are disclosed in Note 17 and 18.

Independent Auditor's Report

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

We have audited the consolidated financial statements of CITIC Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 154 to 271, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

20 February 2014

Major Properties Held by the Group

as at 31 December 2013

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate gross area# (sq. m.)	Existing use
Major Properties Held for Investment					
1.	CITIC Square, 1168 Nanjing Xi Lu, Jingan District, Shanghai, the PRC	2044	100	114,000	Office and Retail
2.	Royal Pavilion, 688 Hua Shan Lu, Jingan District, Shanghai, the PRC	2063	100	35,000	Serviced Apartment
3.	New Westgate Garden, Retail portion (Phase 1), Xi Zang Nan Lu/Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	2072	100	23,000	Retail
4.	Pacific Plaza, Tower A, Jiang Dong District, Ningbo, the PRC	2046	100	49,000	Office and Retail
*5.	Skyway House, 3 Sham Mong Road, Kowloon, H.K. KIL No. 9706 & the extension thereto	2041	100	29,000	Office and Retail
6.	Block C of Yee Lim Industrial Centre, 2-28 Kwai Lok Street, and 2-6 Kwai Hei Street, Kwai Chung, H.K. KCTL No. 333	2047	100	30,000	Cold Storage and Godown
7.	Wyler Centre 1, Basement workshops and Parking Spaces Nos P50 and P51 of Wyler Centre 2, 192-210 Tai Lin Pai Road, Kwai Chung, H.K. the Remaining Portion of KCTL No. 130 & the extension thereto	2047	100	37,000	Industrial
8.	Portion of CITIC Telecom Tower, No. 93 Kwai Fuk Road, Kwai Chung, H.K. KCTL No. 435	2047	100	21,000	Industrial
9.	111 Lee Nam Road, Ap Lei Chau, H.K. ALCIL No. 124	2047	100	60,000	Motor Services and Godown
10.	CITIC Tower, No. 1 Tim Mei Avenue, Central, H.K. IL No. 8822	2047	40	52,000	Office and Retail

** excluding a petrol filling station on the ground floor with an ancillary storage tank in part of the basement and a storeroom on the first floor*

 # area for lease

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate gross area# (sq. m.)	Existing use
Major Properties Held for Sale					
1	Zhujiajiao New Town, Qing Pu District, Shanghai, the PRC	2046 –2076	100	38,200	Residential, office and Retail
2.	The Centre, Jiading District, Shanghai, the PRC	2046 –2076	100	34,200	Residential and Retail
3.	Noble Manor, Yangzhou, the PRC	2045 –2076	100	26,900	Residential and Retail
4.	Taihu Jinyuan, Wuxi, the PRC	2043 –2073	70	74,400	Residential
5.	Resort Development, Shenzhou Peninsula, Wanning, Hainan, the PRC	2077	99.9	109,500	Residential

 # area for sale

Major Properties Held by the Group

as at 31 December 2013

Location/Lot no.	Stage of completion	Estimated completion date	Classification	Leasehold expiry	Group's interest %	Approximate site area (sq. m.)	Approximate gross floor area* (sq. m.)
Major Properties Under Development							
1. New Westgate Garden, Phase 2, Xi Zang Nan Lu/ Jian Guo Dong Lu, Huang Pu District, Shanghai, the PRC	Resettlement in progress	2021	Residential & Retail	2072	100	35,300	137,300
2. Lu Jia Zui, Harbour City, Shanghai, the PRC	Phase 2 Construction in progress	in phases from 2011 onwards	Office, Residential & Retail	2044 –2074	50	198,900	583,800
3. Zhujiajiao New Town, Qing Pu District, Shanghai, the PRC	Construction in progress	in phases from 2009 onwards	Residential, Hotel & Retail	2046 –2078	100	440,600	331,600
4. The Centre, Jiading District, Shanghai, the PRC	Phase 2 Construction in progress	in phases from 2011 onwards	Office, Hotel, Residential & Retail	2046 –2076	100	121,400	445,300
5. Commercial Development, in Area B of Shanghai World Expo site, Pudong, Shanghai, the PRC	Design in progress	2016	Office & Retail	2061	99.2	12,500	57,700
6. Noble Manor, Yangzhou, the PRC in progress	Phase 4 Design onwards	in phases from 2009	Residential	2045 –2076	100	141,300	152,000
7. Resort Development, Shenzhou Peninsula, Wanning, Hainan, the PRC	Construction in progress	in phases from 2011 onwards	Residential, Hotel, Retail & Recreation	2057 –2079	80–100	3,898,100	1,429,500
8. Redevelopment at 109-135 Kadoorie Avenue, Kowloon, H.K.	Construction in progress	2016	Residential	2081	100	5,400	14,200

** permitted gross floor area*

	Leasehold expiry	Group's interest %	No. of guest room
Major Hotels in Operation			
1. Sheraton Shenzhou Peninsula Resort, Shenzhou Peninsula, Wanning, Hainan, the PRC	2057	99.9	308
2. Four Points By Sheraton Shenzhou Peninsula, Shenzhou Peninsula, Wanning, Hainan, the PRC	2057	99.9	338
3. The Mandarin Oriental Pudong Hotel, Shanghai, the PRC	2044	50	563#
4. CITIC Pacific Zhujiajiao Jin Jiang Hotel, Qing Pu District, Shanghai, the PRC	2055	100	201

 # includes serviced apartment

Definition of Terms

Terms

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

Ratios

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

Corporate Information

Headquarters and Registered Office

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

Website

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

Stock Codes

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

Share Registrar

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

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

Investor Relations

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

Financial Calendar

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

Annual Report 2013

Our Annual Report is also available as a Summary Financial Report. Both documents are printed in English and Chinese and are available on our website at www.citicpacific.com under the "Investors" section.

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. Shareholders may at any time change their choice on these matters by writing to CITIC Pacific's Share Registrar.

Shareholders having difficulty in gaining access to these documents will promptly be sent printed copies free of charge upon request to CITIC Pacific's Share Registrar.

Non-shareholders are requested to write to the Company Secretary, CITIC Pacific Limited, 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, or by fax at +852 2877 2771 or by email at contact@citicpacific.com.

Designed & Produced by **HeterMedia Services Limited**

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Stock code 00267