

# Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2009.

## 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 8 to 49.

## Dividends

The directors declared an interim dividend of HK\$0.15 per share for the year ended 31 December 2009 which was paid on 24 September 2009. 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 2009 payable on 24 May 2010 to shareholders on the Register of Members at the close of business on 14 May 2010. This represents a total distribution for the year of HK\$1,459 million.

## Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 5 to the summary financial statements.

## Donations

Donations made by CITIC Pacific Limited and its subsidiary companies during the year amounted to HK\$3 million.

## Fixed Assets

Movements of fixed assets are set out in the summary financial statements on pages 98 to 99.

## Issue of Debt Securities

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly-owned subsidiary of CITIC Pacific issued and sold a total of US\$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of CITIC Pacific and for general corporate purposes, to investors pursuant to the purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at the end of the year.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly-owned subsidiary of CITIC Pacific, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to a subscription agreement dated 26 October 2005. The coupon and principal of the JPY Notes was swapped into Hong Kong Dollar through cross currency swap, and net proceeds equivalent to HK\$400 million were received. The JPY Notes holders have a one time right to put the JPY Notes to the issuer at 81.29% of the principal amount together with accrued interest on 28 October 2015. All of the JPY Notes remained outstanding at the end of the year.

Save as aforesaid, neither CITIC Pacific nor its subsidiary companies have issued any debt securities.

## Directors

The directors of CITIC Pacific in office during the financial year ended 31 December 2009 were:

Mr Chang Zhenming  
Mr Zhang Jijing, appointed on 1 April 2009  
Mr Peter Lee Chung Hing  
Mr Carl Yung Ming Jie  
Mr Vernon Francis Moore  
Mr Li Shilin  
Mr Liu Jifu  
Mr Milton Law Ming To  
Mr Wang Ande  
Mr Kwok Man Leung  
Mr Willie Chang  
Mr Hamilton Ho Hau Hay  
Mr Alexander Reid Hamilton  
Mr Hansen Loh Chung Hon  
Mr Norman Ho Hau Chong  
Mr André Desmarais  
Mr Ju Weimin, appointed on 1 April 2009  
Mr Yin Ke, appointed on 18 November 2009  
Mr Peter Kruyt (alternate director to Mr André Desmarais)  
Mr Larry Yung Chi Kin, resigned on 8 April 2009  
Mr Henry Fan Hung Ling, resigned on 8 April 2009

Mr Hamilton Ho Hau Hay resigned as independent non-executive director of CITIC Pacific with effect from 1 January 2010 and Mr Peter Lee Chung Hing resigned as executive director and deputy managing director of CITIC Pacific with effect from 1 April 2010.

In accordance with Article 95 of the Articles of Association of CITIC Pacific, Mr Yin Ke will hold office until the forthcoming Annual General Meeting and is then eligible for re-election. In addition, pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Chang Zhenming, Vernon Francis Moore, Liu Jifu, Willie Chang and Norman Ho Hau Chong shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

CITIC Pacific has received from each independent non-executive director an annual confirmation of his independence and CITIC Pacific still considers such directors to be independent.

## 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 and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the Annual General Meeting of CITIC Pacific to be held on 14 May 2010.

## 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

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

## Share Option Plan Adopted by CITIC Pacific

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000.

Since the adoption of the Plan and up to the year ended 31 December 2009, CITIC Pacific has granted five lots of share options:

Date of grant	Number of share options	Exercise price HK\$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10
16 October 2007	18,500,000	47.32
19 November 2009	13,890,000	22.00

Subsequent to the year end, CITIC Pacific granted 880,000 share options on 14 January 2010 at the exercise price of HK\$20.59 per share.

All options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of grant. The closing price of CITIC Pacific's shares immediately before the grant on 19 November 2009 and 14 January 2010 was HK\$21.40 and HK\$19.98 respectively.

The share options at the exercise price of HK\$18.20 and HK\$19.90 expired at the close of business on 27 May 2007 and 31 October 2009 respectively.

None of the share options granted under the Plan were cancelled, but options for 7,750,000 shares have lapsed during the year ended 31 December 2009. A summary of the movements of the share options during the year ended 31 December 2009 is as follows:

#### A. CITIC Pacific Directors

Name of director	Date of grant	Exercise price HK\$	Number of share options				Balance as at 31.12.09	Percentage to issued share capital
			Balance as at 01.01.09	Granted during the year ended 31.12.09	Exercised during the year ended 31.12.09	Lapsed during the year ended 31.12.09		
Chang Zhenming	16.10.07	47.32	500,000	–	–	–	500,000	
	19.11.09	22.00	–	600,000	–	–	600,000	
							1,100,000	0.030
Zhang Jijing	19.11.09	22.00	–	500,000	–	–	500,000	0.014
Peter Lee Chung Hing	01.11.04	19.90	1,000,000	–	1,000,000	–	–	
					(Note 1)			
	20.06.06	22.10	1,200,000	–	–	–	1,200,000	
	16.10.07	47.32	1,200,000	–	–	–	1,200,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							2,900,000	0.079
Carl Yung Ming Jie	01.11.04	19.90	500,000	–	–	500,000	–	
	20.06.06	22.10	600,000	–	–	–	600,000	
	16.10.07	47.32	800,000	–	–	–	800,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							1,900,000	0.052
Vernon Francis Moore	01.11.04	19.90	1,000,000	–	–	1,000,000	–	
	20.06.06	22.10	700,000	–	–	–	700,000	
	16.10.07	47.32	600,000	–	–	–	600,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							1,800,000	0.049
Li Shilin	16.10.07	47.32	500,000	–	–	–	500,000	0.014
Liu Jifu	20.06.06	22.10	700,000	–	–	–	700,000	
	16.10.07	47.32	700,000	–	–	–	700,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							1,900,000	0.052
Milton Law Ming To	01.11.04	19.90	334,000	–	334,000	–	–	
					(Note 1)			
	20.06.06	22.10	800,000	–	–	–	800,000	
	16.10.07	47.32	800,000	–	–	–	800,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							2,100,000	0.058
Wang Ande	20.06.06	22.10	350,000	–	–	–	350,000	
	16.10.07	47.32	800,000	–	–	–	800,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							1,650,000	0.045
Kwok Man Leung	16.10.07	47.32	600,000	–	–	–	600,000	
	19.11.09	22.00	–	500,000	–	–	500,000	
							1,100,000	0.030
Larry Yung Chi Kin	16.10.07	47.32	2,000,000	–	–	2,000,000	N/A	N/A
							(Note 2)	(Note 2)

Note:

1. The weighted average closing price of the shares of CITIC Pacific immediately before the dates on which the options were exercised was HK\$20.55.
2. Mr Larry Yung Chi Kin resigned with effect from 8 April 2009.

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

Date of grant	Exercise price HK\$	Number of share options				Balance as at 31.12.09
		Balance as at 01.01.09	Granted during the year ended 31.12.09	Exercised during the year ended 31.12.09	Lapsed during the year ended 31.12.09	
01.11.04	19.90	1,030,000	–	830,000 (Note 3)	200,000	–
20.06.06	22.10	1,996,000	–	50,000	–	1,946,000
16.10.07	47.32	6,700,000	–	–	–	6,700,000
19.11.09	22.00	–	9,240,000	–	–	9,240,000

Note:

3. The weighted average closing price of the shares of CITIC Pacific immediately before the dates on which the options were exercised was HK\$21.03.

## C. Others

Date of grant	Exercise price HK\$	Number of share options				Balance as at 31.12.09
		Balance as at 01.01.09	Granted during the year ended 31.12.09	Exercised during the year ended 31.12.09	Lapsed during the year ended 31.12.09	
01.11.04	19.90	1,050,000 (Note 4)	–	200,000 (Note 5)	850,000	–
20.06.06	22.10	1,650,000 (Note 4)	–	–	1,600,000	50,000
16.10.07	47.32	3,650,000 (Note 4)	–	–	3,600,000	50,000
19.11.09	22.00	–	50,000 (Note 4)	–	–	50,000

Note:

4. These are in respect of options granted to former directors or employees under continuous contract, who have subsequently resigned or retired.

5. The weighted average closing price of the shares of CITIC Pacific immediately before the date on which the options were exercised was HK\$20.70.

## Share Option Plans Adopted by Subsidiaries of CITIC Pacific

### CITIC 1616 Holdings Limited

CITIC 1616 Holdings Limited ('CITIC 1616') adopted a share option plan ('CITIC 1616 Share Option Plan') on 17 May 2007.

Since the adoption of the CITIC 1616 Share Option Plan, CITIC 1616 has granted two lots of share options:

Date of grant	Number of share options	Exercise Period	Exercise price HK\$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10

The closing price of CITIC 1616 Shares immediately before the grant on 17 September 2009 was HK\$2.10 per CITIC 1616 Share. All options granted were accepted except for options for 115,000 CITIC 1616 Shares.

None of the share options granted under the CITIC 1616 Share Option Plan were exercised but options for 300,000 CITIC 1616 Shares have lapsed during the year ended 31 December 2009. The grantees were directors or employees of CITIC 1616 working under continuous contracts (as defined in the Employment Ordinance). On 17 September 2009, options for 300,000 CITIC 1616 Shares have been granted to Mr Kwok Man Leung, an executive director of CITIC Pacific, and options for 300,000 CITIC 1616 Shares have been granted to an ex-employee of CITIC Pacific. Such options were not exercised, cancelled or lapsed during the year ended 31 December 2009. Apart from the above, none were granted to the directors, chief executives or substantial shareholders of CITIC Pacific.

### Dah Chong Hong Holdings Limited

#### *Pre-IPO Share Option Scheme*

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

On 3 October 2007, options to subscribe for a total of 18,000,000 shares in DCH Holdings at the exercise price of HK\$5.88 per share were granted under the Pre-IPO Scheme.

All options are granted and accepted fully vested on the date of grant but have a lock-up period of 6 months from the listing of DCH Holdings and are then exercisable in whole or in part within 5 years from the date of grant.

None of the options granted under the Pre-IPO Scheme were exercised or cancelled but options for 500,000 shares have lapsed during the year.

#### *Post-IPO Share Option Scheme*

DCH Holdings adopted the Post-IPO Share Option Scheme ('Post-IPO Scheme') on 28 September 2007. DCH Holdings has not granted any options under the Post-IPO Scheme.

## 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 2009 as recorded in the register required to be kept under section 352 of the SFO were as follows:

### 1. Shares in CITIC Pacific and associated corporations

Name of director	Number of shares	Percentage to issued share capital
	Personal interests unless otherwise stated	
CITIC Pacific Limited		
Peter Lee Chung Hing	1,000,000	0.027
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000 (Note 1)	0.115
Li Shilin	300,000	0.008
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
Wang Ande	400,000	0.011
Hansen Loh Chung Hon	1,550,000 (Note 2)	0.042
André Desmarais	8,145,000 (Note 3)	0.223
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001
CITIC 1616 Holdings Limited		
Vernon Francis Moore	200,000 (Note 1)	0.010
Dah Chong Hong Holdings Limited		
Li Shilin	12,000	0.001
Liu Jifu	33,600 (Note 4)	0.002
Hansen Loh Chung Hon	62,000 (Note 5)	0.003
CITIC Guoan Information Industry Co., Ltd.		
Li Shilin	92,466	0.006
CITIC Resources Holdings Limited		
Zhang Jijing	28,000 (Note 4)	0.001

Note:

1. Trust interest
2. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other
3. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares
4. Family interest
5. Corporate interest in respect of 20,000 shares and joint interest in respect of 42,000 shares

### 2. Share Options in CITIC Pacific

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

### 3. Share Options in associated corporations

#### CITIC 1616

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of CITIC 1616 are stated in the preceding section 'Share Option Plans adopted by subsidiaries of CITIC Pacific'.

#### CITIC Capital Holdings Limited

Name of director	Date of grant	Number of share options				Balance as at 31.12.09	Percentage to issued share capital
		Balance as at 01.01.09	Granted during the year ended 31.12.09	Lapsed/ exercised during the year ended 31.12.09	Cancelled during the year ended 31.12.09		
Chang Zhenming	11.12.07	125,000	–	–	125,000	–	–
Peter Lee Chung Hing	02.03.05	15,000	–	–	15,000	–	
	04.04.06	10,000	–	–	10,000	–	
	11.12.07	10,000	–	–	10,000	–	–
Vernon Francis Moore	02.03.05	15,000	–	–	15,000	–	
	04.04.06	10,000	–	–	10,000	–	
	11.12.07	10,000	–	–	10,000	–	–
Ju Weimin	11.12.07	15,000	–	–	15,000	–	–
		(Note 6)					

Note:

6. Mr Ju Weimin was appointed as director of CITIC Pacific on 1 April 2009. Thus, this is in respect of the balance as of 1 April 2009.

#### CITIC Resources Holdings Limited

Name of director	Date of grant	Number of share options			Balance as at 31.12.09	Percentage to issued share capital
		Balance as at 01.01.09	Granted during the year ended 31.12.09	Lapsed/cancelled/ exercised during the year ended 31.12.09		
Zhang Jijing	02.06.05	10,000,000	–	–	10,000,000	0.165
		(Note 7)				

Note:

7. Mr Zhang Jijing was appointed as director of CITIC Pacific on 1 April 2009. Thus, this is in respect of the balance as of 1 April 2009.

Save as disclosed above, as at 31 December 2009, 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 2009, 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

Name	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC Group	2,098,736,285	57.520
CITIC HK	747,486,203	20.486
Heedon Corporation	598,261,203	16.397
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345
Larry Yung Chi Kin	358,418,000	9.823
Honpville Corporation	310,988,221	8.523
Earnplex Corporation	255,237,000	6.995

CITIC Group 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	Number of shares of CITIC Pacific	Percentage to issued share capital
CITIC HK	747,486,203	20.486
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345

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	3.353
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.523
Hainsworth Limited	93,136,000	2.553
Southpoint Enterprises Inc.	10,000,000	0.274
Raymondford Company Limited	2,823,000	0.077

CITIC Group is the holding company of CITIC HK, 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 in CITIC Pacific duplicate the interests of CITIC HK, Full Chance Investments Limited, Newease Investments Limited and Skyprofit Holdings Limited in CITIC Pacific;
- ii) 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;
- iii) 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;
- iv) the interests of Kotron Company Ltd. in CITIC Pacific duplicate the interests of Cordia Corporation in CITIC Pacific;
- v) the interests of Affluence Limited in CITIC Pacific duplicate the interests in CITIC Pacific of its direct and indirect subsidiary companies as described above;
- vi) the interests of Man Yick Corporation in CITIC Pacific duplicate the interests of Raymondford Company Limited in CITIC Pacific; and
- vii) the interests of Barnsley Investments Limited in CITIC Pacific duplicate the interests of Southpoint Enterprises Inc. in CITIC Pacific.

Mr Larry Yung Chi Kin is a substantial shareholder of CITIC Pacific and directly holds 100% interest in Earnplex Corporation. Accordingly, the interests of Mr Larry Yung Chi Kin in CITIC Pacific duplicate the interests held by Earnplex Corporation.

## Share Capital

CITIC Pacific has not redeemed any of its shares during the year ended 31 December 2009. 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 2009.

During the year ended 31 December 2009, 2,414,000 shares were issued under the Share Option Plan as described above.

## Auditors

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

By Order of the Board,  
**Chang Zhenming** *Chairman*  
Hong Kong, 10 March 2010