

# Directors' Report

The directors have pleasure in presenting to shareholders their report for the year ended 31 December 2010.

## 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 47.

## Dividends

The directors declared an interim dividend of HK\$0.15 per share for the year ended 31 December 2010 which was paid on 22 September 2010. The directors are recommending, to shareholders at the forthcoming annual general meeting, the payment of a final dividend of HK\$0.30 per share in respect of the year ended 31 December 2010 payable on 20 May 2011 to shareholders on the Register of Members at the close of business on 12 May 2011. This represents a total distribution for the year of HK\$1,642 million.

## Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 27 to the financial statements.

## Donations

Donations made by CITIC Pacific and its subsidiary companies during the year amounted to HK\$23 million.

## Fixed Assets

Movements of fixed assets are set out in the Financial Statements on pages 145 to 149.

## 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 Limited 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 42 to the financial statements.

## 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') to investors pursuant to purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at 31 December 2010.

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 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 at 31 December 2010.

On 8 June 2010, 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 3.27% short term commercial paper due 2011 ('Commercial Paper') to investors. All of the Commercial Paper remained outstanding at 31 December 2010.

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

### Borrowings

Particulars of borrowings of CITIC Pacific and its subsidiary companies are set out in Note 28 to the financial statements.

### Directors

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.

Pursuant to Article 104(A) of the Articles of Association of CITIC Pacific, Messrs Carl Yung Ming Jie, Li Shilin, Wang Ande, Kwok Man Leung and André Desmarais shall retire by rotation in the forthcoming annual general meeting to be held on 12 May 2011 ('the 2011 AGM'). Messrs Carl Yung Ming Jie, Kwok Man Leung and André Desmarais, being eligible, offer themselves for re-election at the 2011 AGM. Messrs Li Shilin and Wang Ande have notified CITIC Pacific that as they are retiring, they will not seek for re-election at the 2011 AGM. In addition, Mr Willie Chang has tendered his resignation as a non-executive director of CITIC Pacific, Messrs Hansen Loh Chung Hon and Norman Ho Hau Chong have tendered their resignation as independent non-executive directors of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. Accordingly, Mr Willie Chang will cease to be a member of both the audit committee and the remuneration committee of CITIC Pacific, Mr Hansen Loh Chung Hon will cease to be a member of the audit committee of CITIC Pacific and Mr Norman Ho Hau Chong will cease to be the chairman of the remuneration committee of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM.

As a result of the departure of directors referred to as above, all of whom have provided long service to CITIC Pacific and whose dedication are sincerely appreciated, the board has appointed Mr Gregory L. Curl as an independent non-executive director and a member of the remuneration committee of CITIC Pacific, and Mr Francis Siu Wai Keung as an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of CITIC Pacific, all to be effective from the conclusion of the 2011 AGM. In addition, Mr Yin Ke, a non-executive director of CITIC Pacific, has been appointed as a member of the audit committee of CITIC Pacific with effect from the conclusion of the 2011 AGM.

Except for the above changes, the directors of CITIC Pacific whose names and biographical details appear on pages 85 to 87 were the directors in office during the whole of the financial year ended 31 December 2010.

### 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 12 May 2011.

## 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.

## 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 38 to the financial statements of CITIC Pacific. Some of these transactions also constitute 'Continuing Connected Transactions' and 'Connected Transactions' under the Listing Rules as summarized 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/eng/inv/announce/announce\\_index.php](http://www.citicpacific.com/eng/inv/announce/announce_index.php).

1. On 21 April 2010, in order to streamline the shareholding structure such that the interests in the Ligang power plants will be held by CITIC Pacific and State Development & Investment Corporation ('SDIC') directly, Sunspark Power Investment Company Limited ('Sunspark') (a wholly-owned subsidiary of CITIC Pacific) entered into the following agreements:

- i) an agreement with SDIC, pursuant to which SDIC agreed to transfer its 35% shareholding interest in Sunburst Energy Development Co., Ltd. ('Sunburst'), which holds shareholding interests in Jiangsu Ligang Electric Power Company Limited ('Jiangsu Ligang') and Jiangyin Ligang Electric Power Generation Company Limited ('Jiangyin Ligang'), to Sunspark at a consideration of RMB256,309,900;
- ii) an agreement with SDIC, pursuant to which Sunspark agreed to transfer its 4.70% shareholding interest in Jiangsu Ligang, which operates phases 1 and 2 of Ligang power plants, to SDIC at a consideration of RMB121,147,100; and
- iii) an agreement with SDIC, pursuant to which Sunspark agreed to transfer its 9.17% shareholding interest in Jiangyin Ligang, which operates phases 3 and 4 of Ligang power plants, to SDIC at a consideration of RMB125,697,400.

The attributable shareholding interests of CITIC Pacific and SDIC in Jiangsu Ligang and Jiangyin Ligang will not be changed. SDIC is a connected person of CITIC Pacific by virtue of its being a substantial shareholder of Sunburst. The transaction was not yet completed as at 31 December 2010.

2. On 10 May 2010, CITIC Pacific as the lender and 無錫太湖苑置業有限公司 (Wuxi Taihu Yuan Property Co., Ltd.) ('Taihu Yuan') (a 70% owned subsidiary of CITIC Pacific) as the borrower entered into a loan extension agreement, pursuant to which the repayment deadline under the loan agreement made between the parties on 11 May 2007 be extended from 10 May 2010 to 10 May 2011 for the remaining balance of the outstanding principal amount of US\$22,000,000 owed by Taihu Yuan to CITIC Pacific (the 'Financial Assistance'). The annual interest rate for the extended period is 12-month LIBOR plus 1.5%.

Taihu Yuan is engaged in the development of residential and commercial properties in Wuxi, the PRC and the extension of the Financial Assistance to Taihu Yuan would facilitate the business development of Taihu Yuan.

As Taihu Yuan is an associate of 無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.) (a 30% shareholder of Taihu Yuan), a connected person of CITIC Pacific by virtue of its holding of 10% or more in certain subsidiaries of CITIC Pacific, Taihu Yuan is a connected person of CITIC Pacific under the Listing Rules.

3. On 25 May 2010, Swire Aviation Limited, Swire Finance Limited, Swire Pacific Limited, CITIC Pacific and Cathay Pacific Airways Limited ('Cathay Pacific') (collectively the 'Sellers') and Jardine, Matheson & Co., Limited, The Wharf (Holdings) Limited, Mosgen Limited, Hutchison Port Holdings Limited and China National Aviation Corporation (Group) Limited (collectively the 'Purchasers') entered into a sale and purchase agreement for the sale by the Sellers of 40% interests, comprising CITIC Pacific's entire 10.002% interests in Hong Kong Air Cargo Terminals Limited and HACTL Investment Holdings Limited, to the Purchasers for a cash consideration of HK\$2,560 million, comprising HK\$640,128,000 in respect of the sale interest of CITIC Pacific. The sale was completed during the year.

Cathay Pacific is a substantial shareholder of certain subsidiaries of CITIC Pacific, and therefore a connected person of CITIC Pacific under the Listing Rules.

4. Subsequent to the clubhouse contract (the 'Clubhouse Contract') made on 21 October 2009 between 中信泰富萬寧(聯合)開發有限公司 (CITIC Pacific Wanning United Development Company Limited) (a 80% owned subsidiary of CITIC Pacific) as the employer and 中信國華國際工程承包有限責任公司 (CITIC International Contracting Co., Ltd.) ('CIC') as the contractor in relation to the construction of a clubhouse of Shenzhen Peninsula (the 'Clubhouse'), the group entered into a supplemental agreement to the Clubhouse Contract (the 'Supplemental Agreement') with CIC on 23 June 2010 to increase the scope of works to include the execution of the interior fitting-out works for the Clubhouse for an additional sum of RMB23,400,000. The total contract sum of the Clubhouse Contract as supplemented by the Supplemental Agreement is RMB55,571,677.64.

The development of Shenzhen Peninsula is one of the property development projects run by the group.

CIC is a connected person of CITIC Pacific by virtue of its being an associate of CITIC Group, the controlling shareholder of CITIC Pacific.

5. On 2 September 2010, CITIC Telecom International Holdings Limited ('CITIC Telecom', formerly 'CITIC 1616 Holdings Limited'), being a subsidiary of CITIC Pacific, CITIC Telecom International CPC Limited ('CPCNet', formerly 'CPCNet Hong Kong Limited'), being a wholly-owned subsidiary of CITIC Telecom, CITIC Group, 北京中經迅通網絡技術有限公司 (CE-SCM Network Technology Co., Ltd.) ('CE-SCM'), 國務院國有資產監督管理委員會信息中心 (Information Centre of State-owned Assets Supervision & Administration Commission of the State Council) and 中企網絡通信技術有限公司 (China Enterprise Communications Ltd.) ('CEC') entered into a framework agreement, pursuant to which CITIC Telecom will (through CPCNet) acquire at completion (the 'Acquisition'):

i) 8.23% equity interest in CEC from CITIC Group and a right to require CITIC Group to sell to CPCNet the remaining 45.09% equity interest, which is exercisable by CPCNet after completion of the Acquisition and when CPCNet is permitted to hold more equity interest in CEC under the then prevailing laws, regulations and policies in the PRC relating to foreign investments in the telecommunications sector in the PRC, at a total consideration of RMB80,818,000 (approximately HK\$92,702,455);

ii) 40.77% equity interest in CEC from CE-SCM, at a consideration of RMB82,395,048 (approximately HK\$94,511,411) (subject to audit adjustment); and

iii) the entire issued share capital of China Enterprise Netcom Corporation Limited ('CEC-HK'), which currently is a subsidiary of CEC, at a consideration of HK\$400,000.

CPCNet, CEC and CEC-HK will also, before completion, enter into certain arrangements, including but not limited to the transactions contemplated under the Exclusive Service Agreement (as defined below).

The aggregate amount payable by CITIC Telecom is approximately HK\$258,383,266 comprising (a) the aforesaid consideration for the Acquisition in the total sum of approximately RMB163,561,768 (approximately HK\$187,613,866), subject to audit adjustments; and (b) the assumption of debts in the amount of US\$9,073,000 (approximately HK\$70,769,400) owed by CEC-HK to a subsidiary of CITIC Group. CEC is one of the leading virtual private network ('VPN') services providers in the PRC and is a unique independent VPN services provider which was granted a nationwide internet protocol virtual private network ('IP-VPN') license from the Ministry of Industry and Information Technology of the PRC, which allows CEC to provide domestic IP-VPN services throughout China. CITIC Group is the controlling shareholder of CITIC Pacific, and therefore is a connected person of CITIC Pacific. The Acquisition was not yet completed as at 31 December 2010.

6. On 26 January 2011, in order to maximise control over the shipment of coal to the Ligang power station, 江陰利電煤炭運銷有限公司 (Jiangyin Lidian Coal Transportation & Marketing Co., Ltd.) ('Jiangyin Lidian'), a wholly owned subsidiary of Jiangyin Ligang, over which CITIC Pacific's attributable interest will remain to be approximately 71% upon completion of the restructure as described in item (1) above, entered into an equity transfer agreement with 中信信託有限責任公司 (CITIC Trust Co., Ltd.) ('CITIC Trust'), pursuant to which Jiangyin Lidian agreed to purchase from CITIC Trust 100% equity interest in 上海中信輪船有限公司 (Shanghai CITIC Shipping Corporation Limited) ('CITIC Shipping') at a consideration of RMB120,270,827.95. Furthermore, Jiangyin Lidian has agreed to procure CITIC Shipping to make a one-off payment to repay all balances (including interests where applicable) due by CITIC Shipping to CITIC Trust, CITIC Hong Kong (Holdings) Limited ('CITIC (HK)') and its subsidiaries within 7 business days after the Business Administration Registration has been updated. Jiangyin Lidian is jointly and severally liable to repay such balances. The aggregate amount due by CITIC Shipping to such parties as at 31 December 2010 is approximately of HK\$289,689,850.

On the same day, Jiangyin Lidian as lender, CITIC Shipping as borrower and China Construction Bank Corporation as agent entered into a loan agreement, pursuant to which Jiangyin Lidian agreed to provide CITIC Shipping a loan of up to RMB58,000,000 for a term of 1 year (the 'Term') commencing from 1 February 2011 (or the remittance record date) to 31 January 2012 (or a date being 1 year after the remittance record date) for the purpose of paying back CITIC Shipping's bank loan, which will become due upon the transfer of the equity of CITIC Shipping. The loan is a one-off facility and is unsecured and bear interest at a rate calculated at the prime rate of PRC and floating every 3 months. Interest of the loan shall be payable every 3 months while the principal amount of the loan shall be repaid on the expiry of the Term.

CITIC Shipping is a shipping company, providing transportation services by carriers in the PRC. CITIC Trust held 90% and 10% of the equity interest in CITIC Shipping on behalf of CITIC (HK) and 中信投資管理(上海)有限公司 (CITIC Investment Management (Shanghai) Company Limited) ('CITIC Investment') respectively in its capacity as a trustee. CITIC Investment is a wholly owned subsidiary of CITIC (HK). CITIC (HK) is a wholly-owned subsidiary of CITIC Group, a controlling shareholder of CITIC Pacific. In addition, CITIC Trust is also a wholly-owned subsidiary of CITIC Group, and thus all of CITIC (HK), CITIC Investment, being an associate of CITIC (HK), and CITIC Trust are connected persons of CITIC Pacific. The transaction was not yet completed.

## 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/eng/inv/announce/announce\\_index.php](http://www.citicpacific.com/eng/inv/announce/announce_index.php).

1. On 19 March 2008, Jiangsu Ligang and Jiangyin Ligang (collectively the 'Power Companies'), principally engaged in the construction and operation of the power station(s) in Ligang, the PRC, entered into an agreement (the 'Coal Transportation Agreement') with CITIC Shipping, pursuant to which CITIC Shipping agreed to provide the Power Companies with coal transportation services for the 3 years ended 31 December 2010. The service fee payable under the Coal Transportation Agreement was negotiated on an arm's length basis and shall be equal to the prevailing market rate of transportation fee per ton as confirmed by the parties from time to time. The annual caps for the service fees (nett of demurrage fee) to be incurred for the transaction was estimated to be RMB500 million for each of the 3 years ended 31 December 2010.

CITIC Shipping is a subsidiary of CITIC (HK), a substantial shareholder of CITIC Pacific, and thus a connected person of CITIC Pacific.

The actual amount paid by the Power Companies to CITIC Shipping for the year ended 31 December 2010 under the Coal Transportation Agreement was approximately RMB126.72 million.

2. CITIC Pacific as tenant has leased its Hong Kong headquarters at 29th to 33rd Floors, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong pursuant to a lease agreement dated 30 April 2008 (the 'Lease Agreement') entered into with Goldon Investment Limited ('Goldon'). The term of the Lease Agreement is three years from 1 May 2008 to 30 April 2011 (both days inclusive).

The rental for the premises is HK\$5,072,203.80 per month (exclusive of rates, service charge and government rent) and a service charge of HK\$359,383.20 was also payable each month. Accordingly, the aggregate rentals and service charge to be paid by CITIC Pacific to Goldon for each of the two years ended 31 December 2010 and the four months ending 30 April 2011 are expected not to exceed HK\$66 million, HK\$66 million and HK\$22 million respectively.

Goldon is owned as to 40% by CITIC Pacific and 25% by CITIC Group. Goldon is a connected person of CITIC Pacific when it became an associate of CITIC Group after CITIC Group became the controlling shareholder of CITIC Pacific in December 2008.

The actual amount paid by CITIC Pacific to Goldon for the year ended 31 December 2010 under the Lease Agreement was approximately HK\$65.20 million.

3. 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 CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited) ('CITIC Bank International') on normal commercial terms. As at 31 December 2007, 31 December 2008 and 31 December 2009, the aggregate bank balances maintained by the group with CITIC Bank and CITIC Bank International totalled approximately HK\$391 million, HK\$1,754 million and HK\$58 million respectively. On 6 May 2010, CITIC Pacific entered into a master agreement with CITIC Bank and CITIC Bank International for the purpose to set out the aggregate maximum bank balance maintained by the group with CITIC Bank and CITIC Bank International on any given day for the period from 31 May 2010 to 31 December 2010 and the two years ending 31 December 2011 and 31 December 2012 of not exceeding HK\$1,400 million.

CITIC Bank and CITIC Bank International are subsidiaries of CITIC Group, a controlling shareholder of CITIC Pacific, and are therefore connected persons of CITIC Pacific.

As at 31 December 2010 the aggregate bank balances maintained by the group with CITIC Bank and CITIC Bank International totalled approximately HK\$297 million.

4. On 24 November 2010, CEC, CEC-HK and CPCNet entered into an exclusive service agreement (the 'Exclusive Service Agreement'), pursuant to which CEC shall provide technical and support services to the customers of CEC-HK and CPCNet in the PRC for a term of 3 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 CPCNet 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 CPCNet 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 CPCNet on the other shall be entitled to share the surplus equally. Assuming that the Exclusive Service Agreement will be for a term from 1 November 2010 to 31 October 2013, the annual caps for the transactions under the Exclusive Service Agreement for the two months ended 31 December 2010, the two years ending 31 December 2012 and the ten months ending 31 October 2013 are estimated to be US\$3,000,000 (approximately HK\$23,400,000), US\$40,000,000 (approximately HK\$312,000,000), US\$55,000,000 (approximately HK\$429,000,000) and US\$60,000,000 (approximately HK\$468,000,000) respectively. In accordance with the Listing Rules, CEC is an associate of CITIC Group (being a controlling shareholder of CITIC Pacific), and therefore is a connected person of CITIC Pacific.

No services were provided by CEC to the customers of CEC-HK and CPCNet under the Exclusive Service Agreement for the year ended 31 December 2010 and accordingly there were no continuing connected transactions under the Exclusive Service Agreement for the year ended 31 December 2010.

The independent non-executive directors of CITIC Pacific have reviewed the aforesaid continuing connected transactions for the year ended 31 December 2010 (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 has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the group in pages 94 to 95 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 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 ('Sino Iron Holdings') 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.

On 11 May 2010, Sino Iron entered into a supplemental contract to the general construction contract dated 24 January 2007 (as amended on 20 August 2007) with MCC Mining (Western Australia) Pty Ltd ('MCC Mining', a wholly owned subsidiary of MCC), the lead construction contractor for the iron ore mining project, pursuant to which Sino Iron agreed to pay an additional US\$835 million to MCC Mining.

Upon completion of the Disposal, MCC will be a substantial shareholder of Sino Iron Holdings and will become a connected person of CITIC Pacific. The general construction contract, the supplemental contract thereto and the transactions contemplated thereunder will constitute a continuing connected transaction for CITIC Pacific.

As at 31 December 2010, the Disposal had not yet been completed. Accordingly, the general construction contract, the supplemental contract thereto and the transactions contemplated thereunder did not constitute a continuing connected transaction for CITIC Pacific during the year.



## Share Option Plan Adopted by CITIC Pacific

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000. The major terms of the Plan are as follows:

1. The purpose of the Plan 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 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 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, 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 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 Stock Exchange of Hong Kong Limited ('Stock Exchange') on the date of grant; (ii) the average closing price of CITIC Pacific's shares as stated in the 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.
8. The life of the Plan is ten years.

The Plan ended on 30 May 2010.

Since the adoption of the Plan and up to 30 May 2010, CITIC Pacific has granted six lots of share options:

Date of grant	Number of share options	Exercise price HK\$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10
16 October 2007	18,500,000	47.32
19 November 2009	13,890,000	22.00
14 January 2010	880,000	20.59

All options granted and accepted under the Plan 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 14 January 2010 was HK\$19.98.

The share options at the exercise price of HK\$18.20 per share and HK\$19.90 per share 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 exercised or cancelled, but options for 2,990,000 shares have lapsed during the year ended 31 December 2010. A summary of the movements of the share options during the year ended 31 December 2010 is as follows:

#### A. CITIC Pacific directors

Name of director	Date of grant	Exercise price HK\$	Number of share options		Balance as at 31.12.10	Percentage to issued share capital
			Balance as at 01.01.10	Exercised/ lapsed/cancelled during the year ended 31.12.10		
Chang Zhenming	16.10.07	47.32	500,000	–	500,000	0.030
	19.11.09	22.00	600,000	–	600,000	
					1,100,000	
Zhang Jijing	19.11.09	22.00	500,000	–	500,000	0.014
Carl Yung Ming Jie	20.06.06	22.10	600,000	–	600,000	0.052
	16.10.07	47.32	800,000	–	800,000	
	19.11.09	22.00	500,000	–	500,000	
					1,900,000	
Vernon Francis Moore	20.06.06	22.10	700,000	–	700,000	0.049
	16.10.07	47.32	600,000	–	600,000	
	19.11.09	22.00	500,000	–	500,000	
					1,800,000	
Li Shilin	16.10.07	47.32	500,000	–	500,000	0.014
Liu Jifu	20.06.06	22.10	700,000	–	700,000	0.052
	16.10.07	47.32	700,000	–	700,000	
	19.11.09	22.00	500,000	–	500,000	
					1,900,000	
Milton Law Ming To	20.06.06	22.10	800,000	–	800,000	0.058
	16.10.07	47.32	800,000	–	800,000	
	19.11.09	22.00	500,000	–	500,000	
					2,100,000	
Wang Ande	20.06.06	22.10	350,000	–	350,000	0.045
	16.10.07	47.32	800,000	–	800,000	
	19.11.09	22.00	500,000	–	500,000	
					1,650,000	
Kwok Man Leung	16.10.07	47.32	600,000	–	600,000	0.030
	19.11.09	22.00	500,000	–	500,000	
					1,100,000	
Peter Lee Chung Hing	20.06.06	22.10	1,200,000	–	N/A	N/A
	16.10.07	47.32	1,200,000	–	(Note 1)	(Note 1)
	19.11.09	22.00	500,000	–		

Note:

1. Mr Peter Lee Chung Hing resigned with effect from 1 April 2010 as he retired from CITIC Pacific Group.

**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 01.01.10	Granted during the year ended 31.12.10	Exercised/lapsed/ cancelled during the year ended 31.12.10	Balance as at 31.12.10
20.06.06	22.10	1,196,000	–	–	1,196,000
16.10.07	47.32	4,350,000	–	–	4,350,000
19.11.09	22.00	7,600,000	–	–	7,600,000
14.01.10	20.59	–	880,000	–	880,000

**C. Others**

Date of grant	Exercise price HK\$	Number of share options				
		Balance as at 01.01.10	Granted during the year ended 31.12.10	Exercised/ cancelled during the year ended 31.12.10	Lapsed during the year ended 31.12.10	Balance as at 31.12.10
20.06.06	22.10	2,000,000 (Note 2)	–	–	750,000	1,250,000
16.10.07	47.32	3,600,000 (Note 2)	–	–	1,150,000	2,450,000
19.11.09	22.00	2,190,000 (Note 2)	–	–	1,090,000	1,100,000

Note:

2. These are in respect of options granted to a former director or employees under continuous contracts, who have subsequently retired or resigned.

The fair value of an option on one CITIC Pacific share granted in the year ended 31 December 2010 measured as at the date of grant of 14 January 2010 was HK\$4.96 based on the following data and assumptions using Binomial Lattice Model:

- The share price at the grant date is HK\$20.10
- The exercise price is HK\$20.59
- The option's contractual life is 5 years
- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 2.74 years
- Expected volatility of CITIC Pacific's share price at 50% per annum (based on historical movements of share prices and the trend of the volatility rate in recent years)
- Expected annual dividend yield of 4% (based on historical dividend payments)
- Rate of eligible grantees leaving service assumed at 7% per annum
- Early exercise assumption for option holders to exercise their options when the share price is at least 150% of the exercise price
- Risk-free interest rate of 0.87% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date)

The result of the valuation can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to the model and assumptions adopted.

All the options forfeited before expiry of the Plan will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Plan.

The total expense recognised in CITIC Pacific's profit and loss account for the year ended 31 December 2010 in respect of the grant of the aforesaid 880,000 options is HK\$4,364,800.

## Share Option Plans Adopted by Subsidiaries of CITIC Pacific

### **CITIC Telecom International Holdings Limited ('CITIC Telecom', formerly CITIC 1616 Holdings Limited)**

CITIC Telecom adopted a share option plan ('CITIC Telecom Share Option Plan') on 17 May 2007. The major terms of the CITIC Telecom Share Option Plan are as follows:

1. The purpose of the CITIC Telecom Share Option Plan is to attract and retain the best quality personnel for the development of CITIC Telecom's businesses; to provide additional incentives to CITIC Telecom Employees (as defined herebelow); and to promote the long term financial success of CITIC Telecom by aligning the interests of grantees to shareholders of CITIC Telecom.
2. The grantees of the CITIC Telecom Share Option Plan are any person employed by CITIC Telecom or any of its subsidiaries ('CITIC Telecom Employees') and any person who is an officer or director (whether executive or non-executive) of CITIC Telecom or any of its subsidiaries ('CITIC Telecom Directors') as the board of CITIC Telecom may in its absolute discretion select.
3. The maximum number of shares of CITIC Telecom ('CITIC Telecom Shares') over which options may be granted under the CITIC Telecom Share Option Plan must not exceed 10% of (i) the CITIC Telecom Shares in issue from time to time; or (ii) the CITIC Telecom Shares in issue as at the date of adopting the CITIC Telecom Share Option Plan, whichever is the lower. As at 3 March 2011, the maximum number of shares available for issue under the CITIC Telecom Share Option Plan is 139,305,000, representing approximately 5.84% of the issued share capital of CITIC Telecom.
4. The total number of CITIC Telecom Shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the CITIC Telecom Shares in issue. Where any further grant of options to a grantee would result in the CITIC Telecom 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 CITIC Telecom Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC Telecom in its general meeting.
5. The exercise period of any option granted under the CITIC Telecom Share Option Plan 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 subscription price determined by the board of CITIC Telecom will not be less than the higher of (i) the closing price of CITIC Telecom Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of CITIC Telecom Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of CITIC Telecom Shares.

8. The CITIC Telecom Share Option Plan shall be valid and effective till 16 May 2017.

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

Date of grant	Number of share options	Exercise period	Exercise price HK\$
23.05.07	18,720,000	23.05.07 – 22.05.12	3.26
17.09.09	17,912,500	17.09.10 – 16.09.15	2.10
17.09.09	17,912,500	17.09.11 – 16.09.16	2.10

All options granted were accepted except for options for 115,000 CITIC Telecom Shares granted on 17 September 2009. Options for 1,644,500 CITIC Telecom Shares were exercised, options for 1,672,500 CITIC Telecom Shares have lapsed and no options were cancelled during the year ended 31 December 2010. The grantees were CITIC Telecom Directors or CITIC Telecom Employees. On 17 September 2009, options for 300,000 CITIC Telecom Shares have been granted to Mr Kwok Man Leung, an executive director of CITIC Pacific and such options were not exercised, cancelled or lapsed up till 31 December 2010. Mr Kwok has resigned as director of CITIC Telecom with effect from 18 November 2010. Save as aforesaid, none were granted to the directors, chief executive or substantial shareholders of CITIC Pacific.

### **Dah Chong Hong Holdings Limited ('DCH Holdings')**

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

DCH Holdings adopted the Pre-IPO Share Option Scheme ('Pre-IPO Scheme') on 28 September 2007. The major terms of the Pre-IPO Scheme are as follows:

- a. The purpose of the Pre-IPO Scheme is to recognise the contributions of certain directors and employees of the DCH Holdings group to the growth of the DCH Holdings group and to incentivise such persons going forward.
- b. The participants of the Pre-IPO 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 Pre-IPO Scheme shall not exceed 18,000,000 shares, being 1% of the total number of issued shares immediately following the commencement of dealings in DCH Holdings' shares on the Stock Exchange.
- d. The grantee shall not, within 6 months from the listing of DCH Holdings, exercise any of the share options granted under the Pre-IPO Scheme.
- e. The exercise period of any share option granted under the Pre-IPO Scheme must not be more than 5 years commencing on the date of grant.
- f. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a nonrefundable payment of HK\$1 from the grantee.
- g. The subscription price shall be HK\$5.88 per share which is equal to the initial public offer price of DCH Holdings' shares upon listing.

h. No share options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in DCH Holdings' shares on the Stock Exchange.

Since the adoption of the Pre-IPO Scheme, DCH Holdings has granted one lot of share options before its listing:

Date of grant	Number of share options	Exercise period	Exercise price HK\$
03.10.07	18,000,000	17.04.08 – 02.10.12	5.88

All share options granted and accepted were 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.

The grantees were directors or employees of the 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 Pre-IPO Scheme during the year ended 31 December 2010 is as follows:

Balance as at 01.01.10	Granted during the year ended 31.12.10	Number of share options			Balance as at 31.12.10
		Lapsed during the year ended 31.12.10	Cancelled during the year ended 31.12.10	Exercised during the year ended 31.12.10	
16,900,000	–	100,000	–	9,375,000*	7,425,000

\* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK\$8.73.

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

DCH Holdings adopted the Post-IPO Share Option Scheme ('Post-IPO Scheme') on 28 September 2007. The major terms of the Post-IPO Scheme are as follows:

- The purpose of the Post-IPO 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.
- The participants of the Post-IPO Scheme are any employee of the DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.
- The maximum number of shares over which share options may be granted under the Post-IPO 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 Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 3 March 2011, the maximum number of shares available for issue under the Post-IPO Scheme is 138,600,000, representing approximately 7.62% of the issued share capital of DCH Holdings. Share options lapsed in accordance with the terms of the Post-IPO 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 Post-IPO 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 nonrefundable 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 Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of DCH Holdings' shares as stated in the 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 Post-IPO Scheme shall be valid and effective till 27 September 2017, after which no further share options will be granted.

Since the adoption of the Post-IPO Scheme, DCH Holdings has granted one lot of share options:

Date of grant	Number of share options	Exercise period	Exercise price HK\$
07.07.10	23,400,000	07.07.10 – 06.07.15	4.766

The closing price of DCH Holdings' shares immediately before the grant on 7 July 2010 was HK\$4.69 per DCH Holdings' share. All share options granted were accepted.

All share options granted and accepted were 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 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 Post-IPO Scheme during the year ended 31 December 2010 is as follows:

Balance as at 01.01.10	Number of share options			Balance as at 31.12.10
	Granted during the year ended 31.12.10	Lapsed/cancelled during the year ended 31.12.10	Exercised during the year ended 31.12.10	
–	23,400,000	–	7,300,000*	16,100,000

\* The weighted average closing price of the shares of DCH Holdings immediately before the dates on which the share options were exercised was HK\$8.72.

The fair value of the share options granted under the Post-IPO Scheme during the year ended 31 December 2010 measured as at the date of grant of 7 July 2010 was HK\$1.33 per share based on the following assumptions using the Binomial Lattice Model:

Share price at the grant date	HK\$4.610
Exercise price	HK\$4.766
Expected volatility of DCH Holdings' share price per annum	45%
Expected average share option life	3.8 years
Expected dividend yield per annum	3%
Risk-free interest rate per annum (based on Hong Kong Exchange Fund Notes)	1.15%

The expected volatility and dividend yield is based on historical volatility and historical dividend yields. Changes in the above assumptions could materially affect the share options' fair value estimate.

The total expense recognised in the DCH Holdings' income statement for the year ended 31 December 2010 in respect of the grant of the aforesaid 23,400,000 share options for DCH Holdings' shares is HK\$31,122,000.

All the share options forfeited before expiry will be treated as lapsed share options which will not be added back to the number of shares available to be issued under the Post-IPO Scheme.

### 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 2011:

Director	Previous monthly salary	Monthly salary (with effect from 01.01.11)
Carl Yung Ming Jie	HK\$140,000	HK\$147,000
Vernon Francis Moore	HK\$175,000	HK\$183,800
Li Shilin	HK\$46,580	HK\$48,890
Liu Jifu	HK\$53,850	HK\$56,550
Milton Law Ming To	HK\$140,000	HK\$147,000
Wang Ande	RMB130,000	RMB136,500
Kwok Man Leung	HK\$140,000	HK\$147,000

Note: for information in relation to the 2010 full year emoluments of the directors, please refer to Note 12 to the financial statements.

The following proposals in relation to directors' fees for appointment and acting as members of certain board committees with effect from the financial year ending 31 December 2011 have been endorsed by the board and the remuneration committee in January 2011 and will be put forward for shareholders' approval at the 2011 AGM:

1. removing the director's fee and fees for serving on any board committees for executive directors serving on the board of CITIC Pacific; and
2. raising the director's fee for the remaining non-executive directors from HK\$200,000 to HK\$350,000.



## 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 2010 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	
	Personal interests unless otherwise stated	Percentage to issued share capital
<b>CITIC Pacific Limited</b>		
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
<b>CITIC Telecom International Holdings Limited</b>		
Vernon Francis Moore	200,000 (Note 1)	0.008
<b>Dah Chong Hong Holdings Limited</b>		
Li Shilin	12,000	0.001
Hansen Loh Chung Hon	62,000 (Note 4)	0.003
<b>CITIC Guoan Information Industry Co., Ltd.</b>		
Li Shilin	92,466	0.006

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. 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 Telecom*

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

### *CITIC Resources Holdings Limited*

Name of director	Date of grant	Exercise price HK\$	Exercise period	Number of share options			Balance as at 31.12.10	Percentage to issued share capital
				Balance as at 01.01.10	Granted during the year ended 31.12.10	Exercised/ lapsed/ cancelled during the year ended 31.12.10		
Zhang Jijing	02.06.05	1.077	02.06.06 – 01.06.13	10,000,000	–	–	10,000,000	0.165

Save as disclosed above, as at 31 December 2010, 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 2010, 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
Honpville Corporation	310,988,221	8.523
Larry Yung Chi Kin	301,844,000	8.273
Earnplex Corporation	238,363,000	6.533

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.

## Shareholding Statistics

Based on the share register records of CITIC Pacific, set out below is a shareholding statistic chart of the shareholders of CITIC Pacific as at 31 December 2010:

Number of shares held	Number of shareholders	Percentage
1 to 1,000	4,281	50.42
1,001 to 10,000	3,358	39.55
10,001 to 100,000	780	9.20
100,001 to 1,000,000	64	0.75
1,000,001 above	7	0.08
<b>Total</b>	<b>8,490</b>	<b>100</b>

As at 31 December 2010, the total number of issued shares of CITIC Pacific was 3,648,688,160 and based on the share register records of CITIC Pacific, HKSCC Nominees Limited held 1,573,895,577 shares representing 43.14 % 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 2010. 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 2010.

## Service Contracts

As at 31 December 2010, 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 jointly controlled entities.

### Proforma combined balance sheet of affiliated companies

<i>in HK\$ million</i>	CITIC Pacific Limited and its subsidiary companies' attributable interest as at 31 Dec 2010
Fixed assets	14,564
Jointly controlled entities	226
Other financial assets	28
Deferred tax assets	5
Intangible assets	1,669
Other non current assets	1,719
Net current assets	2,998
Total assets less current liabilities	21,209
Long term borrowings	(6,525)
Deferred tax liabilities	(409)
Derivative financial instruments	(10)
Loan from shareholders	(6,018)
	8,247

## Auditors

The accounts for the year have been audited by PricewaterhouseCoopers 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, the directors confirm that CITIC Pacific has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2010.

By Order of the Board,  
**Chang Zhenming** *Chairman*  
 Hong Kong, 3 March 2011