

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 5 to the summary 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 summary financial statements on pages 97 to 98.

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.

Directors

The directors of CITIC Pacific in office during the financial year ended 31 December 2010 were:

Mr Chang Zhenming
Mr Zhang Jijing
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 Alexander Reid Hamilton
Mr Hansen Loh Chung Hon
Mr Norman Ho Hau Chong
Mr André Desmarais
Mr Ju Weimin
Mr Yin Ke
Mr Peter Kruyt (alternate director to Mr André Desmarais)
Mr Hamilton Ho Hau Hay, resigned on 1 January 2010
Mr Peter Lee Chung Hing, resigned on 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.

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.

Share Option Plan Adopted by CITIC Pacific

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000 which 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			Percentage to issued share capital
			Balance as at 01.01.10	Exercised/ lapsed/cancelled during the year ended 31.12.10	Balance as at 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.

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.

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.

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.

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.

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
CITIC Pacific Limited		
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 Telecom International Holdings Limited		
Vernon Francis Moore	200,000 (Note 1)	0.008
Dah Chong Hong Holdings Limited		
Li Shilin	12,000	0.001
Hansen Loh Chung Hon	62,000 (Note 4)	0.003
CITIC Guoan Information Industry Co., Ltd.		
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				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	Balance as at 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.

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.

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, 3 March 2011