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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC Pacific Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CITIC PACIFIC

**CITIC Pacific Limited**  
**中信泰富有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00267)**

**Discloseable Transaction relating to the Sino Iron Project  
and Continuing Connected Transactions**

**Independent Financial Adviser to the Independent Board Committee and the  
Independent Shareholders**



**KBC Bank N.V. Hong Kong Branch**

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A letter from the Board is set out on pages 6 to 13 of this circular. A letter of advice from the Independent Financial Adviser (as defined herein) to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 16 to 23 of this circular. A letter of the Independent Board Committee is set out on pages 14 to 15 of this circular.

20 February 2012

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## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Annual Caps”	the revised annual cap on the Contract Sum payable for the financial year ending 31 December 2012 and the new annual cap on the Contract Sum for the year ending 31 December 2013, which are required to be fixed pursuant to Rule 14A.35(2) of the Listing Rules, and if these revised annual caps are exceeded, CITIC Pacific will have to comply with the applicable reporting, announcement and independent shareholders’ approval requirements;
“associate”	has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement;
“Contract Sum”	the contract sum for the Works pursuant to the General Construction Contract and where the context requires, as supplemented by the Supplemental Contracts;
“Directors”	the directors of CITIC Pacific;
“Disposal”	the disposal of the 20% interest in the Sino Iron Project to MCC pursuant to the Sale and Purchase Agreement;
“First Supplemental Contract”	the first supplemental contract to the General Construction Contract dated 20 August 2007 between Sino Iron and MCC Mining reflecting certain changes in respect of the engagement of MCC Mining by Sino Iron, in particular, the increase in the Contract Sum to US\$1,750 million (approximately HK\$13,650 million);

## DEFINITIONS

“General Construction Contract”	the general construction contract dated 24 January 2007 (as amended or supplemented by the Supplemental Contracts where the context requires) entered into between Sino Iron and MCC and subsequently novated to MCC Mining, in respect of the engagement of MCC Mining by Sino Iron for, amongst other things, the design, construction, installation and testing of certain infrastructure at the Mining Area;
“Group”	CITIC Pacific and its subsidiaries or, where the context so requires, any of them;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board advising the Independent Shareholders in respect of the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed, comprising Alexander Reid Hamilton, Gregory Lynn Curl and Francis Siu Wai Keung, all being independent non-executive Directors;

## DEFINITIONS

“Independent Financial Adviser”	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under the SFO, and is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed;
“Independent Shareholders”	Shareholders who do not have a material interest in the transaction contemplated under the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed;
“Latest Practicable Date”	15 February 2012;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MCC”	China Metallurgical Group Corp. (中國冶金科工集團公司) an international construction company which has undertaken similar construction works for large scale iron ore projects in various countries including China, Brazil, Iran and Venezuela, the controlling shareholder of MCCL;
“MCCL”	Metallurgical Corporation of China Ltd. 中國冶金科工股份有限公司, a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and on the Shanghai Stock Exchange;

## DEFINITIONS

“MCCL Group”	MCCL and together with its subsidiaries;
“MCC Mining”	MCC Mining (Western Australia) Pty Ltd., a company established in Australia and is a wholly-owned subsidiary of MCCL;
“Mining Area”	Mining Leases 08/123, 08/124 and 08/125 granted under the Mining Act of Western Australia;
“PRC”	The People’s Republic of China;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 20 August 2007 entered into between Catak Enterprises Corp., a wholly owned subsidiary of CITIC Pacific, and MCC, in respect of the Disposal as supplemented by a transfer confirmation letter dated 5 March 2009 between Catak Enterprises Corp., MCC and MCCL pursuant to which the 20% interest under the Disposal will be acquired by MCCL;
“Second Supplemental Contract”	a second supplemental contract to the General Construction Contract dated 11 May 2010 between Sino Iron and MCC Mining reflecting certain changes in respect of the engagement of MCC Mining by Sino Iron, in particular, the increase in the Contract Sum to US\$2,585 million (approximately HK\$20,163 million);
“Shareholders”	holder(s) of Shares;
“Share(s)”	share(s) of HK\$0.40 each in the share capital of CITIC Pacific;
“Sino Iron”	Sino Iron Pty Ltd, a company incorporated in Australia and 100% owned by Sino Iron Holdings;
“Sino Iron Group Companies”	Sino Iron Holdings and any of its subsidiaries;
“Sino Iron Holdings”	Sino Iron Holdings Pty Ltd, a company incorporated in Australia and 100% owned by CITIC Pacific;
“Sino Iron Project”	the mining and extraction of magnetite ore from the Mining Area and the processing of that magnetite ore into products through mine and processing facilities or infrastructure to be constructed or installed by Sino Iron Group Companies;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

## DEFINITIONS

“substantial shareholder”	has the meaning given to it by the Listing Rules;
“subsidiary(ies)”	has the meaning given to it by the Listing Rules;
“Supplemental Contracts”	the First Supplemental Contract, the Second Supplemental Contract and the Third Supplemental Contract;
“Third Supplemental Contract”	the third supplemental contract to the General Construction Contract dated 30 December 2011 between Sino Iron and MCC Mining reflecting certain changes in respect of the engagement of MCC Mining by Sino Iron, in particular, the increase in the Contract Sum to US\$3,407.1 million (approximately HK\$26,575.4 million);
“US\$”	United States dollars, the lawful currency of the United States;
“Works”	the works which MCC Mining is responsible for carrying out at the Mining Area under the General Construction Contract as supplemented by the Supplemental Contracts, including the procurement of mining equipment, design, construction and installation of primary crushing plant, concentrator, pellet plant, material handling system, camp and other auxiliary infrastructure facilities;
“%”	per cent.

*For illustration purposes only, the amounts in US\$ are translated to HK\$ at the rate of US\$1.0=HK\$7.8. No representation is made that any amount in US\$ has been or could be converted at the above rates or at any other rates or at all.*



CITIC PACIFIC

**CITIC Pacific Limited**  
**中信泰富有限公司**

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

*Directors:*

Chang Zhenming (*Chairman*)  
Zhang Jijing (*Managing Director*)  
Carl Yung Ming Jie (*Deputy Managing Director*)  
Vernon Francis Moore (*Group Finance Director*)  
Liu Jifu (*Executive Director*)  
Milton Law Ming To (*Executive Director*)  
Kwok Man Leung (*Executive Director*)  
Alexander Reid Hamilton\*\*  
André Desmarais\*  
Ju Weimin\*  
Yin Ke\*  
Gregory Lynn Curl\*\*  
Francis Siu Wai Keung\*\*  
Peter Kruyt#

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

# *Alternate Director to André Desmarais*

*Registered Office:*

32nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

20 February, 2012

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION RELATING TO THE SINO IRON  
PROJECT AND CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to CITIC Pacific's announcement dated 20 August 2007 and its circular dated 24 September 2007. Sino Iron entered into the General Construction Contract with MCC Mining (the engineering, procurement and construction contractor for the concentration processing area of the Sino Iron Project, which assumed the obligation

## LETTER FROM THE BOARD

of MCC under the General Construction Contract pursuant to the subsequent novation) for, amongst other things, the design, construction, installation and testing of the infrastructure at the Mining Area in Western Australia. As announced by CITIC Pacific on 30 December 2011, Sino Iron entered into the Third Supplemental Contract on the same day with MCC Mining.

The purpose of this circular is to provide Shareholders with, amongst other things, further information on the Third Supplemental Contract and the Annual Caps, and the advice of the Independent Financial Adviser and the Independent Board Committee.

### THE THIRD SUPPLEMENTAL CONTRACT

Reference is made to announcement of CITIC Pacific dated 15 July 2011 in relation to the claims put forward by MCC for additional contract sum and CITIC Pacific's announcements dated 20 August 2007, 11 May 2010 and 19 January 2011. On 30 December 2011, Sino Iron, a subsidiary of CITIC Pacific, agreed with MCC Mining to increase the Contract Sum in the amount of US\$822.1 million (approximately HK\$6,412.4 million) for the completion of the first two production lines and the common facilities for the whole six production lines. MCC Mining will use its best endeavours to complete the first production line by 31 May 2012 with a commitment that the first and second production lines commence production by 31 August 2012 and 31 December 2012 respectively. MCC Mining's liabilities and obligations under the General Construction Contract remain unchanged for the remaining four production lines.

MCC Mining has indicated that it would not be able to complete the construction works (being its obligations under the General Construction Contract) within the agreed schedule and within the contracted costs. However, taking into account the difficulties associated with replacing MCC Mining with another contractor at this critical stage of the project, including further extensive delays and the importance of commencing production of the first and second production lines as soon as possible for immediate cash return, CITIC Pacific is of the view that the Third Supplemental Contract is the best available option.

Sino Iron will take charge of all procurement related work, and MCC Mining has agreed to work with Sino Iron under a joint task force to direct all work related to the commissioning and safety aspects of the Project, even though all these continue to be the contractual responsibility of MCC Mining under the General Construction Contract.

The Third Supplemental Contract is conditional upon:

- (a) Sino Iron obtaining the relevant consents to the Third Supplemental Contract by its financiers; and
- (b) the obtaining of all relevant approvals by the parties for the entering into of the Third Supplemental Contract including the relevant approvals required by the controlling shareholders of the parties in compliance with the Listing Rules.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, Sino Iron has obtained in-principle consent from its financiers for condition (a) and is awaiting written confirmation for such consent. The Group has obtained the relevant approvals for condition (b) as at the Latest Practicable Date.

### **The Revised Contract Sum**

Pursuant to the Third Supplemental Contract, Sino Iron will pay an additional US\$822.1 million (approximately HK\$6,412.4 million) to MCC Mining for the completion of the first two production lines and the common facilities for the whole six production lines. The existing Contract Sum under the General Construction Contract (as amended pursuant to the Second Supplemental Contract) will be increased from US\$2,585 million (approximately HK\$20,163 million) to a revised Contract Sum of US\$3,407.1 million (approximately HK\$26,575.4 million). The further cost increase is due primarily to the failure by MCC Mining to take into consideration the full impact of the increase in the construction costs related to mining projects, including labour shortages, higher costs of equipment and construction materials as well as foreign exchange volatility. MCC Mining has also informed CITIC Pacific that the complexity and amount of work involved with commissioning the production lines had far exceeded their original expectations.

The Contract Sum is settled on a monthly basis in such amount to be determined by Sino Iron by reference to a bill of quantity to be produced by MCC Mining and approved by Sino Iron, as well as by reference to the progress of the Works. The payment of the Contract Sum will be funded by internal resources. To cater for the funding requirements for the construction project, there may be circumstances where MCC Mining may request advance payments to be made in respect of the Works and such advance payment may be made at the full discretion of Sino Iron in accordance with the General Construction Contract. Such advance payment may be set off against the Contract Sum by Sino Iron.

Prior to the Third Supplemental Contract becoming unconditional, Sino Iron has the right (but not the obligation) to, based on completion status of the Works, prepay no more than 30% of the additional Contract Sum under the Third Supplemental Contract so as to facilitate completion of the Works. Once the Third Supplemental Contract becomes unconditional, MCC Mining shall issue a guarantee for such corresponding amount for such period until 31 December 2012. Once the Third Supplemental Contract becomes unconditional, the aforesaid prepayments made by Sino Iron shall be set-off against its monthly settlement obligations of the Contract Sum described above. In the event the Third Supplemental Contract does not become unconditional, MCC Mining shall refund all prepayment made by Sino Iron within 7 days of written notice from Sino Iron.

In addition, there may be circumstances in which Sino Iron is required to provide support from time to time required by MCC Mining to enable MCC Mining to carry out its obligations under the General Construction Contract. Such support services will be charged by Sino Iron after confirming with MCC Mining the charges, and invoices will be issued to MCC Mining. Such charges may also be set off against the Contract Sum payable under the General Construction Contract.

## LETTER FROM THE BOARD

In respect of Works to be carried out by MCC Mining in respect of the first two production lines, where delay on the part of MCC Mining from the committed dates resulted in losses suffered by Sino Iron, Sino Iron shall have the right to be compensated on a daily basis at the rate of 0.15% of the Contract Sum. The maximum liability of MCC Mining under the General Construction Contract as supplemented by the Supplemental Contracts has been increased to the aggregate of (i) 12.5% of the original Contract Sum of US\$1,750 million (approximately HK\$13,650 million) (ii) 25% of the Contract Sum increase of US\$835 million (approximately HK\$6,513 million) under the Second Supplemental Contract and (iii) 12.5% of the Contract Sum increase of US\$822.1 million (approximately HK\$6,412.4 million) under the Third Supplemental Contract.

MCC Mining shall also procure additional bank performance guarantee(s) such that 10% of the Contract Sum as increased by the Third Supplemental Contract will be covered, that is, a total amount of US\$340.71 million (approximately HK\$2,657.5 million), with an extended effective date until 31 December 2013 and which shall be extended as required pursuant to the General Construction Contract. Such performance guarantee(s) shall be issued within 28 days from the effective date of the Third Supplemental Contract.

CITIC Pacific will be reviewing the project implementation plans to ascertain if the variation and/or cancellation of various components of the scope of work under the General Construction Contract, when coupled with more direct self management and/or other third party contractors, could reasonably be expected to achieve cost savings or an acceleration of completion deadlines for the relevant phases of the project. To this end, Shareholder consent has been sought for the flexibility, if considered desirable, to remove the construction of the pellet plant and/or phase 2 of the tailings dam from the General Construction Contract. Any costs from these two items under the Contract Sum not so expended may be deployed to other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed. The Contract Sum (so increased to US\$3,407.1 million (approximately HK\$26,575.4 million)) will not be further increased without further compliance with the requirements (if any) under the Listing Rules.

### The Annual Caps

Payments for the Works are expected to end in 2013. CITIC Pacific proposes to revise the annual cap for the Contract Sum for the year ending 31 December 2012 and set a further cap for the year ending 31 December 2013 as follows:

<b>Financial year ending 31 December</b>	<b>Previous Annual Cap</b>		<b>Proposed Annual Cap</b>	
	<i>Percentage of Contract Sum</i>	<i>US\$ (Million)</i>	<i>Percentage of Contract Sum</i>	<i>US\$ (Million)</i>
2012	8%	200	29%	1,000
2013	–	–	6%	200

## LETTER FROM THE BOARD

The Annual Caps above are determined based on:

- (a) the estimate of the Works required and the timing in which the Works are to be completed;
- (b) the amount paid for completed Works up-to-date and the progress of the Works completed by MCC Mining;
- (c) the possibility of delays or advancements in actual construction progress other than as scheduled;
- (d) the amount of support to be provided by Sino Iron to MCC Mining the charges of which may be deducted when calculating whether the relevant annual cap has been exceeded; and
- (e) variations to Works which may become necessary and/or desirable bearing in mind the nature of the construction contracts of this type.

The actual Contract Sum (including advance payments) paid for the financial years ended 31 December 2009, 31 December 2010 and for the period from 1 January 2011 to 30 December 2011 were US\$472 million (approximately HK\$3,681.6 million), US\$1,098 million (approximately HK\$8,564.4 million) and US\$709 million (approximately HK\$5,530.2 million) respectively.

The Directors (including the independent non-executive Directors whose views are set out on pages 14 to 15 of this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the Annual Caps are fair and reasonable.

### **REASONS FOR AND BENEFITS OF THE THIRD SUPPLEMENTAL CONTRACT**

Although CITIC Pacific is very disappointed with the performance of MCC Mining, continuing to work with MCC Mining in the Sino Iron Project despite the further increase in Contract Sum and the delay in the schedule, as opposed to replacing MCC Mining with another contractor, is, CITIC Pacific believes, the most cost effective approach currently available to it. It is crucial that the first and second production lines commence production as soon as possible and replacement by another contractor would just result in extensive delays to the project.

For the remaining lines, CITIC Pacific Mining Management Pty Ltd will assess its options including making arrangements to take up the remaining construction works, arranging for other third party contractors (taking into account their proposed work schedules and charges) whilst at the same time continue to negotiate with MCC Mining taking into account its performance in completing the remaining outstanding works for the first two production lines.

## LETTER FROM THE BOARD

Taking into account the above factors, the Directors (including the independent non-executive Directors whose views have been set out on pages 14 to 15 of this circular after taking into consideration the advice of the Independent Financial Adviser) believe that the terms of the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, including but not limited to the increase in the Contract Sum of US\$822.1 million (approximately HK\$6,412.4 million), the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed are fair and reasonable and are in the interests of CITIC Pacific and the Shareholders as a whole.

CITIC Group Corporation (previously named CITIC Group) has indicated that it understands and fully supports the decision of CITIC Pacific and will continue to provide full support to CITIC Pacific.

### COMPLIANCE WITH THE LISTING RULES

Each of the original Contract Sum of US\$1,750 million (approximately HK\$13,650 million) under the General Construction Contract as supplemented by the First Supplemental Contract and the additional sum of US\$835 million (approximately HK\$6,513 million) under the Second Supplemental Contract was approved by written approval of Shareholders beneficially interested in approximately 55.79% (in the case of the General Construction Contract as supplemented by the First Supplemental Contract) and approximately 57.52% (in the case of the Second Supplemental Contract) of the issued share capital of CITIC Pacific on 17 August 2007 and 28 May 2010 respectively. As the relevant percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the further increase in the Contract Sum in the amount of US\$822.1 million (approximately HK\$6,412.4 million) under the Third Supplemental Contract exceeds 5% but does not exceed 25%, the increase in the Contract Sum pursuant to the Third Supplemental Contract constitutes a discloseable transaction for CITIC Pacific and would be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

In addition, as CITIC Pacific has entered into the Sale and Purchase Agreement with MCC, upon Completion, MCC will, through MCCL, become a substantial shareholder of Sino Iron Holdings and hence will become a connected person of CITIC Pacific. Upon Completion, the General Construction Contract will constitute a continuing connected transaction of CITIC Pacific pursuant to Rule 14A.14 of the Listing Rules. Although the Sale and Purchase Agreement has not yet been completed and there is no requirement for compliance with continuing connected transaction requirements until Completion, CITIC Pacific is voluntarily complying in advance with such requirements.

## LETTER FROM THE BOARD

MCC has confirmed to CITIC Pacific that neither it nor its associates have any interest in any Shares giving the right to attend and vote at general meetings of CITIC Pacific. As such, none of the Shareholders is required to abstain from voting on the General Construction Contract as further supplemented by the Third Supplemental Contracts, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed.

As set out in the circular of CITIC Pacific dated 14 June 2010, the General Construction Contract as supplemented by the Second Supplemental Contract together with the estimated annual caps at that time received written approval of Shareholders beneficially interested in approximately 57.52% of the issued share capital of CITIC Pacific as at 7 June 2010. The Stock Exchange granted a waiver to CITIC Pacific from strict compliance with the requirement to hold a Shareholders' meeting to approve the General Construction Contract as supplemented by the Second Supplemental Contract and such annual caps. The annual cap for the Contract Sum for the year ending 31 December 2012 is proposed to be adjusted, with a further cap for the year ending 31 December 2013. Upon Completion, under Rule 14A.17 and 14A.35 of the Listing Rules, (i) the Annual Caps; and (ii) the General Construction Contract, will be subject to the reporting, announcement and independent shareholders' approval requirements.

An application has been made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a Shareholders' meeting to approve the above on the basis of a written Independent Shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules, and such waiver has been granted by the Stock Exchange pursuant to Rule 14A.53 of the Listing Rules. CITIC Group Corporation (previously named CITIC Group), the ultimate beneficial owner of a closely allied group of Shareholders (namely Honpville Corporation (holding 310,988,221 Shares), Winton Corp. (holding 30,718,000 Shares), Westminster Investment Inc. (holding 101,960,000 Shares), Jetway Corp. (holding 122,336,918 Shares), Cordia Corporation (holding 32,258,064 Shares), Raymondford Company Limited (holding 2,823,000 Shares), Affluence Limited (holding 43,266,000 Shares), Southpoint Enterprises Inc. (holding 10,000,000 Shares), Hainsworth Limited (holding 93,136,000 Shares), Full Chance Investments Limited (holding 450,416,694 Shares), Newease Investments Limited (holding 450,416,694 Shares), and Skyprofit Holdings Limited (holding 450,416,694 Shares)) which, in aggregate, are interested in 2,098,736,285 Shares representing approximately 57.51% of the issued share capital of CITIC Pacific as at the Latest Practicable Date, has signed a written Shareholder's approval in accordance with Rule 14A.43 of the Listing Rules to approve the General Construction Contract as further supplemented by the Third Supplemental Contract, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed as described above.

## LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed. The letter from the Independent Board Committee is set out on pages 14 to 15 of this circular.

CITIC Pacific has retained KBC Bank N.V. Hong Kong Branch as the Independent Financial Adviser to advise the Independent Board Committee of CITIC Pacific and the Independent Shareholders in relation to the above and its opinion is set out on pages 16 to 23 of this circular.

### GENERAL

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include energy and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC Telecom International Holdings Limited.

The principal business of Sino Iron is the mining, extraction and processing of magnetite ore in the Mining Area.

The principal business of Sino Iron Holdings is investment holding and its only assets are the Sino Iron Project.

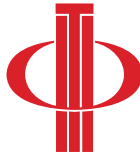
MCC Mining is a wholly-owned subsidiary of MCCL. MCCL Group is a large conglomerate operating in various specialized fields, across different industries and in many countries, with engineering and construction, equipment manufacturing, resources development, and property development as principal businesses.

None of the Directors has any material interest in the transaction and was not required to abstain from voting on the relevant board resolutions approving the General Construction Contract as further supplemented by the Third Supplemental Contract, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed as described above.

Yours faithfully,  
By order of the Board  
**CITIC Pacific Limited**  
**Chang Zhenming**  
*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed as contemplated in this circular.*



CITIC PACIFIC

### CITIC Pacific Limited 中信泰富有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00267)**

20 February 2012

*To the Independent Shareholders,*

Dear Sir or Madam,

#### **DISCLOSEABLE TRANSACTION RELATING TO THE SINO IRON PROJECT AND CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by CITIC Pacific to the Shareholders dated 20 February 2012 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise you on the terms of the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed as contemplated in the Circular (the “Transactions”) as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve them. KBC Bank N.V. Hong Kong Branch has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 16 to 23 of the Circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

### RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Transactions.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider the terms of the Transactions to be fair and reasonable so far as the interests of the Independent Shareholders are concerned and to be in the interests of CITIC Pacific and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support, and if a physical shareholders' meeting were to be held, to vote in favour of the relevant resolution(s) to approve the Transactions.

Yours faithfully,  
For and on behalf of  
Independent Board Committee of  
**CITIC Pacific Limited**  
**Alexander Reid Hamilton**  
**Gregory Lynn Curl**  
**Francis Siu Wai Keung**  
*Independent Non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from KBC Bank N.V. Hong Kong Branch in respect of the General Construction Contract as further supplemented by the Third Supplemental Contract and the transactions contemplated thereunder, the Annual Caps and the flexibility to vary the work components and deployment of such amount of the Contract Sum not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines if needed, prepared for the purpose of inclusion in this circular.*



39th Floor  
Central Plaza  
18 Harbour Road  
Hong Kong

20 February 2012

The Independent Board Committee and the Independent Shareholders  
CITIC Pacific Limited  
32nd Floor, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

Dear Sirs,

### **DISCLOSEABLE TRANSACTION RELATING TO THE SINO IRON PROJECT AND CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Third Supplemental Contract and the Annual Caps, details of which are set out in the section headed "Letter from the Board" (the "Board Letter") of the circular dated 20 February 2012 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 30 December 2011, Sino Iron, a wholly-owned subsidiary of CITIC Pacific, entered into the Third Supplemental Contract with MCC Mining, pursuant to which Sino Iron will pay an additional US\$822.1 million to MCC Mining regarding the Works. As the relevant percentage ratios in respect of the increase of US\$822.1 million in the Contract Sum are greater than 5% but are less than 25%, the increase in the Contract Sum pursuant to the Third Supplemental Contract constitutes a discloseable transaction of CITIC Pacific and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, MCC will, through MCCL, become a substantial shareholder of Sino Iron Holdings (hence a connected person of CITIC Pacific) following completion of

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the Sale and Purchase Agreement. Although the Sale and Purchase Agreement had not been completed as at the Latest Practicable Date, CITIC Pacific is voluntarily complying in advance with the continuing connected transaction requirements of the Listing Rules in respect of the transactions contemplated under the General Construction Contract (as supplemented by the Supplemental Contracts).

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Messrs. Alexander Reid Hamilton, Gregory Lynn Curl and Francis Siu Wai Keung, has been established to advise the Independent Shareholders in respect of the Third Supplemental Contract and the transactions contemplated thereunder and the Annual Caps. We, KBC Bank N. V. Hong Kong Branch, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into of the Third Supplemental Contract and the transactions contemplated thereunder, is conducted in the ordinary and usual course of business of CITIC Pacific and on normal commercial terms and the terms of the Third Supplemental Contract (including the Annual Caps) and the flexibility, if needed, to vary the work components and deployment of the amount of the Contract Sum (as supplemented by the Supplemental Contracts) not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines are fair and reasonable in so far as the interest of CITIC Pacific and the Shareholders as a whole are concerned.

In formulating our recommendation, we have relied on the information and facts supplied to us by CITIC Pacific. We have reviewed, among other things; (i) the Circular; (ii) the Third Supplemental Contract; and (iii) the annual report of CITIC Pacific for the year ended 31 December 2010 and its interim report for the six months ended 30 June 2011 (the "Financial Reports"). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and the management of the CITIC Pacific that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. In addition, we have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by CITIC Pacific, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Third Supplemental Contract (including the Annual Caps) to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by CITIC Pacific; nor have we conducted any independent in-depth investigation into the business and affairs of CITIC Pacific and its respective associates.

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Third Supplemental Contract (including the Annual Caps) and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

#### 1. Background of the Sino Iron Project

CITIC Pacific, together with its subsidiaries (collectively the “Group”), is a conglomerate focused in three main business areas, namely special steel manufacturing, iron ore mining and property development. The Group also invests and operates in other businesses such as energy and civil infrastructure and holds controlling interests in Dah Chong Hong Holdings Limited and CITIC Telecom International Holdings Limited, the shares of both of which are listed on the Stock Exchange. The Sino Iron Project located at Cape Preston in the Pilbara region of Western Australia, the principal asset of the Group’s iron ore mining business, owns the mining rights to extract two billion tonnes of magnetite resources with an option to acquire additional four billion tonnes. As disclosed in the Financial Reports, the Sino Iron Project will have six production lines with a total designed annual production capacity of 24 million tonnes (the actual production volume will depend on the characteristics of the rocks being mined but no more than 27.6 million tonnes per annum may be exported contractually) and the Sino Iron Project is expected to help satisfy the demand from the PRC’s steelmaking industry by providing a reliable sources of high quality iron concentrate that can be used by the special steel mills of the Group and other steel mills in the PRC. In order to carry out the design, procurement of mining equipment, construction and installation of various mining/production infrastructures in the Mining Area, the Group and the MCC Group entered into the General Construction Contract in January 2007, the Contract Sum of which amounted to US\$1,106 million. The Contract Sum had been subsequently adjusted to US\$1,750 million by the First Supplemental Contract in August 2007 and further increased by an additional sum of US\$835 million to the existing Contract Sum of US\$2,585 million by the Second Supplemental Contract in May 2010.

As stated in the Board Letter, the Group entered into the Third Supplemental Contract to increase the Contract Sum by US\$822.1 million to approximately US\$3,407.1 million for the completion of the first two production lines and the common facilities for the whole six production lines. In addition, MCC Mining will use its best endeavours to complete the first production line by 31 May 2012 with a commitment that the first and second production lines are able to commence production by 31 August and 31 December 2012, respectively. Given the strategic importance of having the first and second production lines under the Sino Iron Project to commence production being crucial to CITIC Pacific as emphasized by CITIC Pacific over time, together with the principal purpose of the Third Supplemental Contract, which is to increase the Contract Sum in order to accommodate the additional costs involved to complete the relevant Works for operations of the Sino Iron Project, we are of the view that the entering into of the Third Supplemental Contract is conducted in the ordinary and usual course of the business of the Group and concur with the management of CITIC Pacific that flexibility (if needed) is required to vary the work components and deployment of the amount of the Contract Sum (as supplemented by the Supplemental Contracts) not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines.

**2. Reasons for the Third Supplemental Contract**

*(i) Reasons for the increase in the Contract Sum*

As disclosed in the Board Letter, the increase in the Contract Sum is primarily due to the increase in the construction costs related to the mining projects, including labour shortages (and hence higher labour costs), higher costs of equipment and construction materials, foreign exchange volatility as well as the complexity and amount of work involved with commissioning the production lines. Since the Sino Iron Project was conceived in 2006, the price of iron ore has risen over 260% mainly driven by the PRC and other developing markets. Given such continuous increase in the iron ore price, resources such as construction materials, machinery and labour force have been under keen competition by both the existing players and new comers in the mining industry in Australia. According to Australian Bureau of Statistics, capital expenditures in the Australian mining industry (which refer to the spending on equipment, plant and asset directly related to mining) increased by 34% to approximately 47 billion Australian Dollar ("AUD") for the financial year ended June 2011 from the preceding financial year. It is expected for the financial year ending June 2012 there would be an even greater increase of approximately 74% from the financial year ended June 2011. In addition, the number of advanced mineral/mining projects in Australia also increased from 25 to 40 in 2011. Based on the 2011 annual reports of BHP Billiton Limited ("BHP") and Gindalbie Metals Ltd. ("GBG"), two mining companies with their mining operations both located in Western Australia and the relevant publications, the construction costs of BHP's alumina refinery project (located in Bunbury, Western Australia) and GBG's iron ore mining project (located in Geraldton with a potential annual production capacity of 30 million tonnes which is similar to that of the Sino Iron Project) that, due to, among other things, underestimation of project complexity (and hence the materials needed for construction) and the inflationary pressures in Australia, the budgeted construction costs of their underlying alumina refinery and iron ore mining projects have ballooned 52.6% and 60.6% from their respective initial costs to approximately US\$3.5 billion and AUD2.6 billion, respectively.

As stated in the Financial Reports, it is the Group's top priority to bring the Sino Iron Project into operations as soon as possible so that it can generate immediate cash return. Given the scale and complexity of the Sino Iron Project (it is the largest magnetite iron ore project under development in the world and the first large scale production facility in the world employing advanced technology to process magnetite iron ore) and MCC Mining has been constructing the relevant infrastructure since 2007, it would be difficult for CITIC Pacific to identify another capable contractor in Australia with the pricing, quality and particularly, the depth of the working knowledge about the Mining Area and the Works underlying the Sino Iron Project, to replace MCC Mining and being able to complete the construction as initially scheduled by CITIC Pacific. In addition, even if MCC Mining were to be replaced, there would be further substantial delay in the completion of the Sino Iron Project due to the additional time required to tender and agree with the new contractor on the terms and price of the service to be provided

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and for such new contractor to gain an in-depth understanding of the overall design and the Works involved in the Sino Iron Project, as well as the re-coordination with other working parties involved in the Sino Iron Project by such new contractor. Considering that the Sino Iron Project is now at this critical stage and the difficulties associated with replacing MCC Mining by any other contractors as well as MCC Mining's commitment to have the first and second production lines commence production by the second-half of 2012, we concur with the view of the management of CITIC Pacific that entering into of the Third Supplemental Contract, rather than replacing MCC Mining with another contractor is in the interest of CITIC Pacific.

*(ii) Other arrangements relating to the Third Supplemental Contract*

As mentioned above, pursuant to the Third Supplemental Contract, MCC Mining will use its best endeavours to complete the first production line by 31 May 2012 with a commitment that the first and second production lines commence production by 31 August and 31 December 2012, respectively, with its liabilities and obligations under the General Construction Contract remain unchanged for the remaining four production lines. In the event that any delay on the part of MCC Mining from the committed dates resulted in losses suffered by Sino Iron, Sino Iron shall have the right to claim compensation from MCC Mining on a daily basis calculated at the rate of 0.15% of the Contract Sum. The maximum liability of MCC Mining under the General Construction Contract (as supplemented by the Supplemental Contracts) has been increased to approximately US\$530.3 million. Moreover, MCC Mining shall procure additional bank performance guarantee(s) to cover the 10% of the Contract Sum as increased by the Third Supplemental Contract within 28 days from the effective date of the Third Supplemental Contract. Furthermore, Sino Iron will take charge of all procurement related work and establish a joint task force with MCC Mining to direct all work related to the commissioning and safety aspects of the Sino Iron Project even though all these continue to be the contractual responsibility of MCC Mining under the General Construction Contract. With the increased involvement in directing work related to commissioning of the Sino Iron Project, CITIC Pacific will have a more direct means to manage the progress of the Works. CITIC Pacific will also review the project implementation plans to ascertain if the variation and/or cancellation of various components of the scope of work under the General Construction Contract, when coupled with more direct self management and/or other third party contractors, could reasonably be expected to achieve cost savings or an acceleration of completion deadlines for the relevant phases of the Sino Iron Project.

Given the above, we are of the view that the terms of the Third Supplemental Contract are fair and reasonable and the entering into of the Third Supplemental Contract is in the interest of CITIC Pacific and the Shareholders as a whole.

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### 2. The Annual Caps

As disclosed in the Board Letter, payments for the Works are expected to end in 2013. CITIC Pacific has therefore revised the annual cap for the Contract Sum for the year ending 31 December 2012 from the existing US\$200 million to US\$1 billion and set up a cap of US\$200 million for the year ending 31 December 2013.

Set out below is the summary of the annual caps and the revised caps in respect of the Contract Sum from 2009 to 2013:

	2009*	2010*	2011**	2012	2013
	(US\$' million)	(US\$' million)	(US\$' million)	(US\$' million)	(US\$' million)
Existing annual caps	700	1,500	1,000	200	N/A
Revised Annual Caps	N/A	N/A	N/A	1,000	200
Actual Contract Sum paid***	472	1,098	709	N/A	N/A
Utilisation rate	67%	73%	71%	N/A	N/A

\* for the year ended 31 December 2009 and 2010, respectively

\*\* for the period from 1 January to 30 December 2011

\*\*\* including advanced payments

The management of CITIC Pacific has advised that the Annual Caps for the year ending 31 December 2012 and 2013 had been determined based on (i) the estimate of the Works required and the timing in which the Works are to be completed; (ii) the amount paid for completed Works up-to-date and the progress of the Works completed by MCC Mining; (iii) the possibility of delays or advancement in actual construction progress other than as scheduled; (iv) the amount of support to be provided by Sino Iron to MCC Mining, the charges of which may be deducted in calculating the relevant annual cap has been exceeded; and (v) variations to Works which may become necessary and/or desirable given the nature of the construction contracts of this type. In addition, we have discussed with the management of CITIC Pacific and understood that in order to minimise the potential further delay of the development progress of the Sino Iron Project and increase in the Contract Sum, among other things, the Group will be (i) taking charge of all procurement related work and establishing a joint task force with MCC Mining to direct all work related to the commissioning (one of the key development stages prior to the actual production) and safety aspects of the Sino Iron Project and (ii) reviewing the project implementation plans with more direct self management and/or other third party contractors to ascertain whether any variation and/or cancellation of various components of the scope of work under the General Construction Contract could be reasonably expected to achieve cost saving or acceleration of the completion of the relevant phase of the Sino Iron Project. On the other hand, MCC Mining has also committed that the first and second production lines of the Sino Iron Project will commence production by 31 August and 31 December 2012, respectively.

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Having considered the above, together with (i) the increase in the annual cap for the year ending 31 December 2012 by US\$800 million and the setting of a new cap of US\$200 million for the year ending 31 December 2013 is primarily for the purpose of catering the increase of US\$822.1 million in the Contract Sum under the Third Supplemental Contract; (ii) the utilisation rate of the annual caps in respect of the Contract Sum for the past three years were approximately 70%; (iii) the additional buffer required for the amount of support to be provided by Sino Iron to MCC Mining and the possibility of delays or advancement in actual construction progress other than as scheduled as well as the variation to Works which may become necessary and/or desirable given the scale of the Sino Iron Project; (iv) the more direct means to manage the progress of the Works by CITIC Pacific; and (v) CITIC Pacific's review on the project implementation plans, we consider that the bases for determining the Annual Caps are fair and reasonable.

### 3. Listing Rules implications

The Company shall, following the Completion, comply with the requirements under Rules 14A.37 and 14A.38 of the Listing Rules, pursuant to which the transactions under the General Construction Contract shall be subject to the annual review by the independent non-executive Directors and the auditors of CITIC Pacific over the term of the General Construction Contract. Each year, the independent non-executive Directors shall review the continuing connected transactions under the General Construction Contract and confirm in the annual report and accounts of CITIC Pacific that the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the General Construction Contract on terms that are fair and reasonable and in the interests of CITIC Pacific and the Shareholders as a whole.

In addition, each year, the auditors of CITIC Pacific must provide a letter to the Board, confirming that the continuing connected transactions under the General Construction Contract:

- (i) have received the approval of the Board;
- (ii) are in accordance with the pricing policies of the Group;
- (iii) have been entered into in accordance with the General Construction Contract (as supplemented by the Supplemental Contracts); and
- (iv) have not exceeded the relevant Annual Caps.

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Given the above stipulated requirements for the continuing connected transactions pursuant to the Listing Rules, we are of the view that there are appropriate measures in place to monitor the transactions under the General Construction Contract and safeguard the interests of the Shareholders.

### CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred from above, we are of the view that (i) the transactions contemplated under the General Construction Contract (as further supplemented by the Third Supplemental Contract) are conducted in the ordinary and usual course of business of CITIC Pacific and on normal commercial terms; (ii) the terms of the Third Supplemental Contract and the transactions contemplated thereunder (including the Annual Caps) together with the flexibility, if needed, to vary the work components and deployment of the amount of the Contract Sum (as supplemented by the Supplemental Contracts) not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the Third Supplemental Contract is in the interest of CITIC Pacific and the Shareholders as a whole.

The Stock Exchange has granted a waiver to CITIC Pacific from strict compliance with the requirement to hold a shareholders' meeting and the permission for the independent shareholders' approval in respect of the Third Supplemental Contract to be given in the form of the written shareholders' approval signed by CITIC Group Corporation. As such, the entering into of the Third Supplemental Contract by CITIC Pacific is not required to be approved at a general meeting of CITIC Pacific. However, had the entering into of the Third Supplemental Contract been required to put forward for consideration and approval at a general meeting of CITIC Pacific, we would have advised the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Third Supplemental Contract and the transactions contemplated there under (including the Annual Caps) together with the flexibility if needed, to vary the work components and deployment of such amount of the Contract Sum (as supplemented by the Supplemental Contracts) not so expended to fund other aspects of the General Construction Contract to accelerate completion of the first two production lines and the common facilities for the whole six production lines.

Yours faithfully,  
For and on behalf of  
**KBC Bank N.V. Hong Kong Branch**

**Kenneth Chan**  
*Head of Corporate Finance, Greater China*

**Gaston Lam**  
*Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (I) Directors' Interests

*Interests and/or short positions of the Directors and chief executives*

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of CITIC Pacific had any interest or short position in the shares, underlying shares or debentures of CITIC Pacific or its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to CITIC Pacific and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which he was taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies set out in the Listing Rules:

#### (i) Shares in CITIC Pacific:

Name of director	Number of shares	
	Personal interests unless otherwise stated	Percentage to the issued share capital (%)
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000 (Note 1)	0.115
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
André Desmarais	8,145,000 (Note 2)	0.223
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001

*Note:*

- Trust interest
- Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares

(ii) Share options in CITIC Pacific (*Note*):

Name of director	Date of grant	Exercise price per share (HK\$)	Exercisable Period	Number of share options outstanding as at the Latest Practicable Date	Percentage to the issued share capital (%)
Chang Zhenming	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	500,000	0.030
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	600,000	
				1,100,000	
Zhang Jijing	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	0.014
Carl Yung Ming Jie	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	800,000	0.036
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,300,000	
Vernon Francis Moore	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	600,000	0.030
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,100,000	
Liu Jifu	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	700,000	0.033
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,200,000	
Milton Law Ming To	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	800,000	0.036
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,300,000	
Kwok Man Leung	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	600,000	0.030
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,100,000	

*Note:* The consideration paid by the grantee on each grant of the share option was HK\$1.

(iii) Shares in the associated corporations:

Name of director	Number of shares in CITIC Telecom International Holdings Limited	Percentage to the issued share capital (%)
	Personal interests unless otherwise stated	
Vernon Francis Moore	200,000 <i>(Note)</i>	0.008
Kwok Man Leung	150,000	0.006

*Note:* Trust interest

(iv) Share options in the associated corporations:

Share options in CITIC Resources Holdings Limited *(Note)*

Name of director	Date of grant	Exercise price per share <i>(HK\$)</i>	Exercisable Period	Number of share options outstanding as at the Latest Practicable Date	Percentage to the issued share capital (%)

*Note:* No consideration was payable by the grantee on each grant of the share option.

**(II) Shareholders' Interests***Substantial shareholders of CITIC Pacific*

As at the Latest Practicable Date, save as disclosed herein, so far as was known to any Director or chief executive of CITIC Pacific, no person (other than a Director or chief executive of CITIC Pacific or their respective associates) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to CITIC Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of CITIC Pacific:

Name	Number of shares of CITIC Pacific	Percentage to the issued share capital (%)
CITIC Group Corporation (previously named CITIC Group)	2,098,736,285	57.508
CITIC Limited	2,098,736,285	57.508
CITIC Investment (HK) Limited	1,351,250,082	37.026
CITIC Hong Kong (Holdings) Limited ("CITIC HK")	747,486,203	20.482
Heedon Corporation	598,261,203	16.393
Full Chance Investments Limited	450,416,694	12.342
Newease Investments Limited	450,416,694	12.342
Skyprofit Holdings Limited	450,416,694	12.342
Honpville Corporation	310,988,221	8.522
Larry Yung Chi Kin	281,928,000	7.725
Earnplex Corporation	218,747,000	5.994

CITIC Group Corporation is a substantial shareholder (within the meaning of the Listing Rules) of CITIC Pacific holding its indirect interest through the following wholly-owned subsidiary companies:

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

CITIC HK is a substantial shareholder (within the meaning of the Listing Rules) of CITIC Pacific holding its indirect interest through the following wholly-owned subsidiary companies:

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

*Note:* These shares include those held by Raymondford Company Limited as Affluence Limited is an indirect holding company of Raymondford Company Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of CITIC Pacific were not aware of any other persons (not being a Director or chief executive of CITIC Pacific) who had an interest or short position in the Shares or underlying shares of CITIC Pacific which would fall to be disclosed to CITIC Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

### 3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Mr. Zhang Jijing was a non-executive director of CITIC Resources Holdings Limited, a company listed on the main board of the 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.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors or the expert described in paragraph 7 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2010, being the date to which the latest published audited accounts of CITIC Pacific were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

#### 6. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that as at the Latest Practicable Date, with reference to all announcements and circulars issued by CITIC Pacific, there has not been any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

#### 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
KBC Bank N.V. Hong Kong Branch	A licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### 8. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS OF CITIC PACIFIC

As at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to CITIC Pacific under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Chang Zhenming	CITIC Group Corporation CITIC Limited CITIC HK	Chairman Chairman Chairman
Zhang Jijing	CITIC HK Heedon Corporation Honpville Corporation	Director Director Director
Vernon Francis Moore	Heedon Corporation Honpville Corporation	Director Director
Liu Jifu	CITIC HK	Director
Ju Weimin	CITIC HK CITIC Investment (HK) Limited	Director Director

#### 9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the registered office of CITIC Pacific in Hong Kong from the date of this circular up to and including 9 March 2012:

- (a) the letter from KBC Bank N.V. Hong Kong Branch, the text of which is set out on pages 16 to 23 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (c) the General Construction Contract as supplemented by the Supplemental Contracts; and
- (d) a copy of this circular.