

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, 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 the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

CONTINUING CONNECTED TRANSACTION

**RELATING TO THE CONSTRUCTION OF
INFRASTRUCTURE AT THE MINING AREA**

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

COMMERZBANK 

Commerzbank AG Hong Kong Branch

A letter from the Board is set out on pages 5 to 10 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 Shareholders (as defined herein) is set out on pages 13 to 22 of this circular. A letter of the Independent Board Committee is set out on pages 11 to 12 of this circular. Any person who is in doubt about his/her position is recommended to consult his/her professional adviser.

24 September 2007

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	11
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	13
APPENDIX – GENERAL INFORMATION	23

DEFINITIONS

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

“associate” or “connected person”	has the meaning ascribed to it under the Listing Rules
“Balmoral”	Balmoral Iron Pty Ltd., a company incorporated in Australia
“Balmoral Acquisition”	the acquisition by Balmoral Holdings of all the shares in Balmoral pursuant to the takeover agreement dated 31 March 2006 entered into between Mineralogy Pty Ltd., Balmoral Holdings, the Company, Mr. Clive Frederick Palmer and Balmoral
“Balmoral Holdings”	Balmoral Iron Holdings Pty Ltd., a company incorporated in Australia and wholly owned by the Company
“Balmoral 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 Balmoral
“Board”	the board of the Directors
“Business Day”	a day, other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Catak”	Catak Enterprises Corp., a company incorporated in the British Virgin Islands and wholly owned by the Company
“CITIC Pacific” or the “Company”	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement

DEFINITIONS

“Contract Sum”	the contract sum for the Works pursuant to the Original General Construction Contract or the Supplemented General Construction Contract (as applicable)
“Directors”	the directors of the Company
“Disposal”	the disposal by Catak of the Sale Interest, pursuant to the terms of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong established for the purpose of advising the Shareholders in relation to the Supplemented General Construction Contract and the transactions contemplated thereunder
“Independent Financial Adviser” or “Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance and an authorized financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Supplemented General Construction Contract and the transactions contemplated thereunder
“Latest Practicable Date”	17 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MCC”	China Metallurgical Group Corp., a company incorporated in the PRC

DEFINITIONS

“Mining Area”	a specified area located under Mining Leases 08/123, 08/124 and 08/125 granted under the Mining Act of Western Australia
“Original General Construction Contract”	the general construction contract dated 24 January 2007 entered into between Sino-Iron and MCC in respect of the engagement of MCC by Sino-Iron for, amongst other things, the design, construction, installation and testing of certain infrastructure at the Mining Area
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Projects”	the Sino-Iron Project and the Balmoral Project
“Sale and Purchase Agreement”	the sale and purchase agreement dated 20 August 2007 entered into between Catak and MCC in respect of the Disposal
“Sale Interest”	20% of the ordinary shares in the issued capital of Sino-Iron Holdings and an interest bearing shareholder’s loan at the date of Completion together with interest thereon
“SFO”	Securities and Futures Ordinance of Hong Kong
“Share(s)”	share(s) of HK\$0.40 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino-Iron”	Sino-Iron Pty Ltd., a company incorporated in Australia and wholly owned by the Company
“Sino-Iron Holdings”	Sino-Iron Holdings Pty Ltd, a company incorporated in Australia and the immediate holding company of Sino-Iron
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Agreements”	the supplemental agreement and a side letter both dated 20 August 2007 entered into between Sino-Iron and MCC in respect of the supplemental terms to the Original General Construction Contract and certain construction specifications for the Projects respectively
“Supplemented General Construction Contract”	the Original General Construction Contract, as supplemented by the Supplemental Agreements
“US\$”	United States dollars, the lawful currency of the United States
“Works”	the works which MCC are responsible for carrying out at the Mining Area under the Supplemented General Construction Contract, 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
“%”	percentage

For illustration purpose, conversion of US\$ to HK\$ is based on the exchange rate of US\$1 = HK\$7.8

LETTER FROM THE BOARD



CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

Directors:

Larry Yung Chi Kin (*Chairman*)
Henry Fan Hung Ling (*Managing Director*)
Peter Lee Chung Hing (*Deputy Managing Director*)
Carl Yung Ming Jie (*Deputy Managing Director*)
Leslie Chang Li Hsien (*Deputy Managing Director*)
Vernon Francis Moore (*Executive Director*)
Li Shilin (*Executive Director*)
Liu Jifu (*Executive Director*)
Chau Chi Yin (*Executive Director*)
Milton Law Ming To (*Executive Director*)
Wang Ande (*Executive Director*)
Willie Chang*
Hamilton Ho Hau Hay**
Alexander Reid Hamilton**
Hansen Loh Chung Hon**
Norman Ho Hau Chong**
André Desmarais*
Chang Zhenming*
Peter Kruyt#

Registered Office:

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

* *Non-executive Director*
** *Independent Non-executive Director*
Alternate Director to André Desmarais

24 September 2007

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION RELATING TO THE CONSTRUCTION OF INFRASTRUCTURE AT THE MINING AREA

1. INTRODUCTION

References are made to the circular of the Company dated 8 May 2006, in relation to the acquisition of certain mining rights in Western Australia, which constituted a major transaction for the Company, and the announcement of the Company dated 24 January

LETTER FROM THE BOARD

2007 in relation to the entering into of the Original General Construction Contract with MCC. The acquisition of mining rights was approved by a written shareholders' approval pursuant to Rule 14.44 of the Listing Rules.

Once an additional 1 billion tonnes of magnetite ore are identified by the Company, the Company will be under an obligation to complete the Balmoral Acquisition subject to obtaining the relevant consent from the Treasurer of Australia. Based on preliminary drilling results, subject to final confirmation, the additional 1 billion tonnes of magnetite ore would be available. Following completion of the Balmoral Acquisition, Balmoral will commence mining operations at the Mining Area, which will be carried out concurrently with, the mining operations of the Sino-Iron Project. The development of the Sino-Iron Project and the Balmoral Project will require the construction and installation of similar infrastructure and it would be more cost effective and expedient for the design, construction and installation of such infrastructure to be considered as a whole.

The Company has also been looking for appropriate partners with expertise in mining to participate in the Projects.

In view of the foregoing, the Directors announced on 20 August 2007 that Sino-Iron entered into the Supplemental Agreements with MCC in relation to, amongst other things, the adjustment to the scope of the Works as set out in the Original General Construction Contract and the revision of the Contract Sum to US\$1,750 million.

The Directors further announced on 20 August 2007 that Catak, a wholly-owned subsidiary of the Company, and MCC entered into the Sale and Purchase Agreement for the disposal of the Group's 20% interest in Sino-Iron for a consideration equivalent to 20% of all the funds provided to Sino-Iron Holdings by the Group for the development of the Sino-Iron Project up to the date of Completion (including equity share capital and shareholders' loans) together with interest (subject to adjustment based on the completion audit on Sino-Iron Holdings). The Group's shareholding in Sino-Iron will be reduced to 80% as a result of the Disposal.

Upon Completion, MCC will become a substantial shareholder of a subsidiary of the Company and will therefore become a connected person of the Company as defined under Chapter 14A of the Listing Rules. As the Contract Sum is payable in accordance with the progress of the Works and settled on a monthly basis over an estimated period of five years, the Supplemented General Construction Contract and the transactions contemplated thereunder therefore constitute a non-exempt continuing connected transaction for the Company under Rule 14A.35 of the Listing Rules and, together with the relevant annual caps, are subject to reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 48 of the Listing Rules.

The purpose of this circular is to provide you with details on the Supplemented General Construction Contract and the transactions contemplated thereunder, the recommendation of the Independent Board Committee and the advice of Independent Financial Adviser in respect of the Supplemented General Construction Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

2. SUPPLEMENTED GENERAL CONSTRUCTION CONTRACT

The Supplemental Agreements

Date: 20 August 2007

Parties: (1) Sino-Iron
(2) MCC

Subject matter:

The Supplemental Agreements set out the terms upon which the Original General Construction Contract is revised and additional terms in relation to the Works. Certain construction specifications for the Projects, including the installation of self-grinder and ball grinder production lines and pellet produce production lines, are also stipulated therein. Relevant details on the Original General Construction Contract have been disclosed by the Company in its announcement dated 24 January 2007.

Changes to the scope of the Works

Pursuant to the Supplemental Agreements, the terms of the Original General Construction Contract are revised to reflect, amongst other things, changes to the scope of the Works to be performed by MCC in order to satisfy the additional requirements of the Balmoral Project. Accordingly, the Works shall cater for the production capacity of 24,000,000 tonne iron ore concentrate per annum and 6,000,000 tonne pellet per annum, with the capability to expand production capacity to 36,000,000 tonne of products per annum. Such products would comprise of a mixture of iron ore concentrate, pellets and/or other value added products such as hot briquette iron. Ultimately, the products mix shall be determined by Sino-Iron (and, following completion of the Balmoral Acquisition, by Balmoral, respectively) depending on market demand.

Contract Sum

Pursuant to the Original General Construction Contract, the price for the Works to be conducted by MCC under the Contract was estimated to be US\$1,106 million, which amount is capped and no increase to the Contract Sum can be made unless otherwise agreed by both parties. Sino-Iron also agreed to pay 1% of the relevant price as Management Fee(s) in consideration of MCC managing relevant third party contractors. As at the date of the Original General Construction Contract, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, MCC and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. Accordingly, the Original General Construction Contract did not constitute continuing connected transaction for the Company.

LETTER FROM THE BOARD

Pursuant to the Supplemental Agreements, the Contract Sum is revised to US\$1,750 million. The revised Contract Sum has been arrived at after negotiations on an arm's length basis, taking into consideration the experience of MCC, the complexity and the increased scope of the Works, the construction requirement of both the Sino-Iron Project and the Balmoral Project and the terms of the Supplemented General Construction Contract. The revised Contract Sum shall be payable in accordance with the progress of the Works settled on a monthly basis.

The revised Contract Sum forms part of the aggregate estimated capital expenditure of the Sino-Iron Project and the Balmoral Project (being US\$1,370 million and US\$1,100 million respectively), which has been disclosed in the Company's circular dated 8 May 2006, and has been approved by shareholders of the Company as mentioned above.

3. ANNUAL CAP

The expected time required for the completion of all the Works to be conducted by MCC is approximately five years from the execution of the Supplemented General Construction Contract.

The payment of the Contract Sum depends on the progress of the Works to be completed. As it is anticipated that initial production will commence in 2009, a substantial part of the Works shall be performed in the first three years of the contract term. The estimated annual caps on the Contract Sum payable for the five financial years ending 31 December 2011 are as follows:

Financial year ending	Annual cap	
	Percentage of Contract Sum	US\$ (million)
31 December 2007	30%	525
31 December 2008	40%	700
31 December 2009	40%	700
31 December 2010	25%	437.5
31 December 2011	20%	350

In the event that any of the annual caps set forth above are exceeded, the Company will make a further announcement and will comply with the Listing Rules as and when necessary.

4. REASONS AND BENEFITS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENTS

Given the development potential of the Balmoral Project, it is essential that it shall have all the geological exploration, mining, processing, transportation, and infrastructure and auxiliary facilities as necessary for producing the products of required quantity and quality. MCC's participation in the Projects will better align the interests of MCC and the Group, and will generate economies of scale and significant operational efficiency and cost-savings.

LETTER FROM THE BOARD

The Directors are of the view that the Supplemental Agreements are on normal commercial, fair and reasonable terms, and consider that the entering into of the Supplemental Agreements as being in the best interests of the Company and its Shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

Upon Completion, MCC will become a substantial shareholder of a subsidiary of the Company and will therefore become a connected person of the Company as defined under Chapter 14A of the Listing Rules. As the Contract Sum is payable in accordance with the progress of the Works and settled on a monthly basis over an estimated period of five years, the Supplemented General Construction Contract and the transactions contemplated thereunder therefore constitute a non-exempt continuing connected transaction for the Company under Rule 14A.35 of the Listing Rules and, together with the relevant annual caps, are subject to reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 48 of the Listing Rules.

MCC has confirmed to the Company that, as at the Latest Practicable Date, neither it nor its associates have any interest in any shares of the Company giving the right to attend and vote at general meetings of the Company. As such, none of the Shareholders of the Company is required to abstain from voting on the Supplemented General Construction Contract.

The Independent Board Committee has been appointed to advise the Shareholders on the terms of the Supplemented General Construction Contract and the transactions contemplated thereunder. Commerzbank has been appointed to advise the Independent Board Committee and the Shareholders in this regard, and also to advise whether it is normal practice for the Supplemented General Construction Contract to have a duration of more than three years.

The following Shareholders gave their written approval of the Supplemented General Construction Contract under Rule 14A.43. Such Shareholders together were beneficially interested in 1,232,706,285 Shares representing approximately 55.79% of the issued share capital of the Company as at 17 August 2007, being the date their written approval was given. The Company made a submission to the Stock Exchange that such Shareholders constitute a "closely allied group of shareholders" within the meaning of Rule 14.45 and the Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a shareholders' meeting to approve the Supplemented General Construction Contract.

LETTER FROM THE BOARD

Name of beneficial shareholder	No. of ordinary Shares beneficially interested	Percentage of total issued share capital of the Company as at 17 August 2007
CITIC Hong Kong (Holdings) Limited (through its wholly-owned subsidiaries)	635,919,285	28.78%
The Chairman and the Managing Director of the Company having an interest in the shares of the Company	452,381,000	20.48%
Power Corporation of Canada (a substantial shareholder of the Company as defined under the SFO and in which a non-executive director of the Company acts as the President)	<u>144,406,000</u>	<u>6.53%</u>
TOTAL	<u><u>1,232,706,285</u></u>	<u><u>55.79%</u></u>

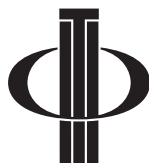
6. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this circular which contains its recommendation to the Shareholders in relation to the Supplemented General Construction Contract and the transactions contemplated therein.

Your attention is also drawn to the letter from the Independent Financial Adviser, for incorporation into the circular, which contains its advice to the Independent Board Committee and the Shareholders as regards the Supplemented General Construction Contract and the transactions contemplated therein and the principal factors and reasons considered by it in arriving thereat.

Having taken into account the advice of Commerzbank, the Independent Board Committee considers the terms of the Supplemented General Construction Contract and the transactions contemplated therein and the relevant annual cap for each of the five financial years ending 31 December 2011 are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Yours faithfully,
By Order of the Board
CITIC Pacific Limited
Larry Yung Chi Kin
Chairman



CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

24 September 2007

To the Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTION

We refer to the Letter from the Board set out in the circular dated 24 September 2007 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meaning when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Supplemented General Construction Contract and the transactions contemplated thereunder and to advise the Shareholders as to the fairness and reasonableness of the Supplemented General Construction Contract and the transactions contemplated thereunder and to recommend whether or not the Shareholders should approve the Supplemented General Construction Contract and the transactions contemplated thereunder. Commerzbank has been appointed to advise the Independent Board Committee and the Shareholders in relation to the terms of the Supplemented General Construction Contract and the transactions contemplated thereunder.

RECOMMENDATION

We wish to draw your attention to the Letter from the Board and the letter from Commerzbank to the Independent Board Committee and the Shareholders which contains its advice to us in relation to the Supplemented General Construction Contract and the transactions contemplated thereunder as set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of Commerzbank as stated in its letter of advice, we consider the terms of the Supplemented General Construction Contract and the transactions contemplated thereunder to be fair and reasonable so far as the interests of the Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Shareholders to support the entering into of the Supplemented General Construction Contract and the transactions contemplated thereunder.

Yours faithfully

**Independent Board Committee of
CITIC PACIFIC LIMITED**

Hamilton Ho Hau Hay

Alexander Reid Hamilton

Hansen Loh Chung Hon

Norman Ho Hau Chong

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

德 國 商 業 銀 行

COMMERZBANK 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

G.P.O. BOX 11378
HONG KONG

21/F, The Hong Kong Club Building
3A Chater Road, Central

telephone 28429666
telex 66 400 cbk hk hx
fax 28681414
swift COBAHK HX XXX

24 September 2007

To: *the Independent Board Committee and
the Shareholders of CITIC Pacific Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION RELATING TO THE CONSTRUCTION OF INFRASTRUCTURE AT THE MINING AREA

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the entering into of the Supplemented General Construction Contract between Sino-Iron, a wholly-owned subsidiary of the Company incorporated in Australia, with MCC. Details of the Supplemented General Construction Contract, including the Supplemental Agreements, are set out in the section headed "Letter from the Board" as contained in the circular dated 24 September 2007 (the "Circular"), of which this letter forms a part. Unless otherwise defined herein, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

On 31 March 2006, the Company entered into agreements whereby the Company has obtained the mining rights (the "Mining Rights") of potentially 6 billion tonnes of magnetite ore in the Mining Area through the (i) acquisition of the entire share capital of Sino-Iron (the "Sino-Iron Acquisition") and Balmoral (the "Balmoral Acquisition"), and (ii) the obtaining of the options to acquire the right to extract up to 4 billion additional tonnes of magnetite ore. The Mining Area is located in western region of Pilbara, Western Australia, which is near the mouth of the Fortescue River. In order to carry out the design, construction, installation and testing of the infrastructure at the Mining Area after acquisition of the Mining Rights, the Group, on 24 January 2007, entered into the Original General Construction Contract with MCC, pursuant to which, MCC will be responsible for 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 at an amount not exceeding approximately US\$1,106 million (equivalent to approximately HK\$8,630 million). As stated in the section headed "Letter from the Board" in the Circular, as soon as an additional 1 billion tonnes of magnetite ore are identified by the Company, the Company will be under an obligation to complete the Balmoral Acquisition subject to obtaining the relevant consent from the Treasurer of Australia. Based on preliminary drilling results, subject to final confirmation, the additional 1 billion tonnes of magnetite ore would be available. Following completion

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Balmoral Acquisition, Balmoral will commence the mining operations in the Mining Area concurrently with the Sino-Iron Project. In view of the concurrent mining operations of both the Sino-Iron Project and the Balmoral Project, on 20 August 2007, Sino-Iron entered into the Supplemental Agreements with MCC to revise the scope of the Works for inclusion of additional requirements for the Balmoral Project.

On 20 August 2007, Catak, a wholly-owned subsidiary of the Company, also entered into the Sale and Purchase Agreement with MCC, pursuant to which, the Group has agreed to sell and MCC has agreed to acquire the Group's 20% equity interest in Sino-Iron. As a result, MCC will become a substantial shareholder of Sino-Iron and become a connected person of the Company under the definition of Chapter 14A of the Listing Rules. The transactions contemplated under the Supplemented General Construction Contract will constitute a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to approval of the independent Shareholders. MCC has confirmed to the Company that neither it nor its associates have any interest in the Shares. Accordingly, no Shareholder is required to abstain from voting on the Supplemented General Construction Contract and the transactions contemplated therein.

The Board currently comprises 18 Directors, with Messrs. Larry Yung Chi Kin, Henry Fan Hung Ling, Peter Lee Chung Hing, Carl Yung Ming Jie, Leslie Chang Li Hsien, Vernon Francis Moore, Li Shilin, Liu Jifu, Chau Chi Yin, Milton Law Ming To and Wang Ande as the executive Directors; Messrs. Willie Chang, André Desmarais, Chang Zhenming and Peter Kruyt (an alternate Director to Mr. André Desmarais) as the non-executive Directors, and Messrs. Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong as the independent non-executive Directors. Pursuant to Rule 13.39(6) of the Listing Rules, an Independent Board Committee comprising all of the non-executive Directors has been formed for the purpose of making recommendation to the Shareholders as to (i) whether the terms of the Supplemented General Construction Contract, including, among other things, the duration and the annual caps (the "Annual Caps") in relation to the Supplemented General Construction Contract are of normal practice and on normal commercial terms and are fair and reasonable and (ii) whether the entering into of the Supplemented General Construction Contract by the Company is in the interest of the Company and the Shareholders as a whole. We, Commerzbank, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in such regard.

In formulating our advice, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinion and representations contained or referred to in the Circular are true, complete and accurate and we have relied on the same. We have also relied on the representations of the Company that having made all due enquiries and careful considerations, and to the best of its knowledge and belief, there are no other facts or representations, the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which they are wholly responsible, are true, complete and accurate as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Supplemented General Construction Contract and the terms and the transactions contemplated thereunder and to provide us with a reasonable basis for our advice. 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 representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion in relation to the transactions contemplated under the Supplemented General Construction Contract and giving our independent financial advice to the Independent Board Committee and the Shareholders, we have taken into account the following principal factors and reasons:

1. Background of the Supplemented General Construction Contract

According to the Company's circular dated 8 May 2006 (the "May Circular"), the Company, in March 2006, entered into agreements, whereby the Company has obtained the Mining Rights of potentially 6 billion tonnes of magnetite ore over the Mining Area through (i) the Sino-Iron Acquisition and the Balmoral Acquisition, and (ii) the obtaining of the option to acquire the right to extract up to 4 billion additional tonnes of magnetite ore in the Mining Area. The Mining Area is located in western Pilbara region, Western Australia, which is near the mouth of the Fortescue River. Further details of the Mining Rights, the Sino-Iron Acquisition, the Balmoral Acquisition and the said option are contained in the May Circular.

As disclosed in the announcement made by the Company on 24 January 2007 (the "Original General Construction Announcement"), following the acquisition of the Mining Rights, the Company had been in the process of identifying appropriate professional companies for contracting out the design, construction, installation and testing of the infrastructure at the Mining Area for the Sino-Iron Project. On 24 January 2007, Sino-Iron entered into the Original General Construction Contract with MCC, pursuant to which MCC shall be responsible for 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 (collectively the "Works") at an amount not exceeding approximately US\$1,106 million. In addition, Sino-Iron also agreed to pay 1% of the relevant price as management fee (the "Management Fee") in consideration of MCC's management of relevant third party contractors for the works not to be conducted by MCC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the Balmoral Acquisition, the Company is obliged to complete the Balmoral Acquisition (subject to the relevant consent from the Treasurer of Australia) when 1 billion additional tonnes of magnetite ore are identified by the Group. As stated in the section headed "Letter from the Board" in the Circular, based on the preliminary drilling result, subject to final confirmation, the additional 1 billion tonnes of magnetite ore would be available in the Mining Area. Following completion of the Balmoral Acquisition, Balmoral will commence mining operations at the Mining Area concurrently with the Sino-Iron Project. Given the fact that it is essential for the Balmoral Project to have all the geological exploration, mining, processing, transportation and infrastructure and auxiliary facilities as necessary for producing the products of required quantity and quality, the Group entered into the Supplemental Agreements to supplement the Original General Construction Contract to include the additional work relating to the Balmoral Project and revise the Contract Sum (the "Revised Contract Sum") payable to MCC.

2. Terms of the Supplemental Agreements

As disclosed in the Circular, the purpose of the Supplemental Agreements is to revise the Original General Construction Contract to include additional terms in relation to the Works and to stipulate certain construction specifications for the Projects, including the installation of self-grinder and ball grinder production lines and pellet produce production lines. Set out below is a summary of the changes in the terms contained in the Supplemented General Construction Contract as extracted from the Circular:

(i) Scope of the Works

Pursuant to the Supplemental Agreements, the terms of the Original General Construction Contract are revised to reflect, amongst other things, changes to the scope of the Works in order to satisfy the additional requirements of the Balmoral Project. Accordingly, the Work shall cater for the production capacity of 24,000,000 tonne iron ore concentrate per annum and 6,000,000 tonne pellet annum, with the capability to expand production capacity to 36,000,000 tonne of products per annum, comprising a mixture of iron ore concentrate, pellets and/or other value added products such as hot briquette iron.

(ii) Contract Sum

Pursuant to the Supplemental Agreements, the consideration for the Works was revised from an amount not exceeding approximately US\$1,106 million (equivalent to approximately HK\$8,630 million) to US\$1,750 million (equivalent to approximately HK\$13,655 million). Under both the Original General Construction Contract and the Supplemental Agreements, such Contract Sum is capped and no increase to the Contract Sum can be made unless otherwise agreed by both parties to the Original General Construction Contract and the Supplemental Agreements. In addition, Sino-Iron also agreed to pay the Management Fee(s).

3. Reasons and benefits for entering into the Supplemental Agreements

As stated in the Original General Construction Contract Announcement, MCC is an international construction company which has undertaken similar construction works for large scale iron ore projects in various countries including the PRC, Federative Republic of Brazil, Islamic Republic Iran and Bolivarian Republic of Venezuela. The Directors are of the view that MCC has the ability to (i) undertake, complete and manage the Works up to world-class standards in terms of construction and safety standards and (ii) comply with the relevant legal and technical requirements in Australia and the applicable industry standards for similar types of construction works in Australia. We are also advised by the Directors that the mining operations of the Balmoral Project will be carried out concurrently with the Sino-Iron Project at the Mining Area and the Sino-Iron Project and the Balmoral Project have the same geological conditions and the development of the two projects will require construction and installation of similar infrastructure, resulting in similar mining methods, processing, transportation, infrastructure and auxiliary facilities to be used in both projects. Given the above, together with the synergies to be achieved from carrying out the relevant construction work for both the Sino-Iron Project and the Balmoral Project as a whole, including, but not limited to, the reduction in time and management cost, we are of the view that engaging MCC to extend the relevant construction work under the Original General Construction Contract to the Works will be likely to achieve significant economies of scale and operational efficiency for the Works, which is in the interest of the Company and the Shareholders as a whole.

4. Revised Contract Sum

Pursuant to the Supplemental Agreements, the Revised Contract Sum of up to US\$1,750 million represented an increase of approximately 58% from the Contract Sum of up to approximately US\$1,160 million. The Directors have confirmed that the Revised Contract Sum is determined with reference to, among other things, the changes to the scope and the additional construction requirement as a result of the inclusion of the Balmoral Project, including, among other things, the addition of the equipment, engineering services and the related infrastructure facilities for purposes of expanding the production capacity from 12,000,000 tonnes of products per annum as specified under the Original General Construction Contract to 24,000,000 tonnes of products per annum, with the capability expandable to a production capacity of 36,000,000 tonnes of products per annum. The Directors have confirmed that the Revised Contract Sum and the Management Fee were arrived at after arm's length commercial negotiation with MCC and the difference between the Contract Sum and the Revised Contract Sum is calculated with reference to the price agreed under Original General Construction Contract for the Works in relation to the Sino-Iron Project, the increase in production scale of the projects and the expanded scope of the Works in relation to the Balmoral Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Supplemented General Construction Contract, the Revised Contract Sum is divided into six sections, namely mining section (including crushing plant), concentrator section, pellet plant section, materials handling section, camp section and infrastructure and services section. The Supplemental Agreements have specified the contract sum for each section and the related designs, materials and components to be used, the type of services and facilities to be supplied by MCC, construction standards and specifications have also been clearly formulated for each section pursuant to the specification of the Works. We have reviewed each section of the Supplemental Agreements and discussed with the Directors about the corresponding scope of work pertaining to each section. We noted that each section of work (including the materials to be used for the construction, their corresponding price quotation and other relevant quotations for services or facilities supplies etc.) in the Supplemental Agreements were arrived at after due and careful negotiations between the Directors and the management of MCC. We also evaluate the scope of work to be performed by MCC and noted that the increase in Contract Sum is fully due to the expansion of work to cover the mining equipment and related infrastructure facilities for both of the Sino-Iron Project and the Balmoral Project concurrently. We understand from the Company that the construction work and services included in the Supplemented General Construction Contract are common and normal construction works and services available to all construction and engineering companies in the mining industry. We also understand that the price breakdown and the related specifications and standards of the Works are arrived at after due negotiations with the management of MCC and after careful evaluation by the management of the Group on the experience of MCC, the complexity and the increase scope of the Works. MCC, at present, has not entered into similar construction contracts in Australia and the Supplemented General Construction Contract is the first engineering project of MCC in Australia. With a view to maintaining the long-term strategic relationship with the Company over the Mining Rights in Australia, it is stipulated in the Supplemented General Construction Contract that, in the event that MCC has undertaken any similar construction assignments with other companies in Australia with more preferential terms, the existing terms in the Supplemented General Construction Contracts will be adjusted to align with such preferential terms offered to other parties. We consider such term is beneficial to the Company and the Shareholders.

Based on the above analysis, we consider that the Revised Contract Sum is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

5. Duration of the Works

We note that it will take approximately five years for MCC to complete all the Works, which would exceed the three-year term as set out in Rule 14A.35 of the Listing Rules.

The duration for establishing the relevant infrastructure involved in mining operations such as construction of the processing plant, transportation facilities and other auxiliary facilities will largely depend on the geological complexity, environmental conditions, the scale of the mining operations and the mining methods adopted (such as open-pit and underground). The Directors have advised that for the Mining Area with 6 billion tonnes of magnetite ore, it is necessary to have infrastructure such as the crushing plant, concentrator, pellet plant and material handling system as well as the relevant transportation system, caps and other auxiliary infrastructure facilities to cater for such scale of mining operations. We have also discussed with the management of MCC and understood that the duration of their engineering projects normally depend on the type and size of the mineral ores in the mining areas, the size of construction or facilities to be installed and any specific requirements from the clients. We have been provided by MCC the engineering contracts for other similar mining projects including an iron ore construction project in the PRC with an annual production capacity of 4,500,000 tonnes of product and an copper mine project in Islamic Republic of Pakistan with an annual production capacity of 17,000,000 tonnes of product and noted that the time required to complete each of the said contracts is approximately 4 years even though their respective underlying production capacities are much less than the size of 24,000,000 tonnes of products per annum pursuant to the Supplemental Agreements. Both these two projects were entered into between MCC and other independent third parties not connected with MCC. Given the project capacity of the Supplemental Agreements is of such large scale, the management of MCC considers it necessary to have a term of five years in order to complete the construction terms stipulated in the Supplemental Agreements. In addition, the management of MCC have further confirmed that based on their experience and market knowledge in the engineering industry for mining projects, it is common and in normal business term for mining projects with designed production capacity larger than those of the two above-mentioned projects conducted by MCC to have a contract term of more than three years.

We have also reviewed the annual reports of a total of five companies listed in Hong Kong and Australia which are engaged in mining business and examined whether a term of five years for such large scale engineering project is common to the said listed companies. We noted that although such companies may have subcontracted the engineering projects to outside parties for their mining projects, their respective types, terms and scales of services are significantly different from one another. For instance, Yanzhou Coal Mining Company Limited, a company listed on the Main Board of the Stock Exchange, subcontracted the provision of utilities, supply of materials and equipment and motor vehicle transportation to its parent company with a contract term of 10 years; BHP Billiton Limited, a global

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

resources company listed in Australia, has a number of development projects for different mining operations and the estimated period of development for such projects varies from 3 to 5 years. Based on our findings, we consider that the contract terms for engineering projects are specific to individual companies and the length of such projects depends largely on a number of factors including, but not limited to, the types and scale of facilities to be installed, the types of minerals to be extracted and, the geological and climatic conditions of these projects.

Based on the above and taking the following into consideration:

- (i) the delivery schedule of the Works agreed between MCC and Sino-Iron under the Supplemental Agreements;
- (ii) time required for the commissioning after the installation of the equipment and the warranty period of the Works;
- (iii) the Supplemented General Construction Contract is an extension of the Original General Construction Contracts to include the additional requirements for the Balmoral Project;
- (iv) the completion schedule of construction projects of this nature is subject to a number of unpredictable factors such as weather and geological conditions; and
- (v) the construction period incurred by MCC for other similar mining projects

we consider that the duration of the Supplemented General Construction Contract of five years is reasonable and confirm that it is a normal business practice for contracts of this type to be of such duration.

6. Annual Caps of the Revised Contract Sum payable

The Annual Caps represent the amount payable by Sino-Iron to MCC which mainly comprises (i) the Revised Contract Sum to be payable in accordance with the progress of the Works over a period of approximately five years (the expected time required for the completion of all the Works) and will be settled on a monthly basis and (ii) the Management Fee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the “Letter from the Board”, the estimated Annual Caps for each of the five years ending 31 December 2011 are as follows:

	Financial year ending 31 December				
	2007	2008	2009	2010	2011
Expected percentage of completion of the Works	20%	30%	30%	15%	5%
Annual Caps amount (US\$ million)	525	700	700	437.5	350
Percentage of Revised Contract Sum	30%	40%	40%	25%	20%

In assessing the reasonableness of the Annual Caps, we have discussed with the Directors the bases and assumptions underlying the projection of the Annual Caps. The Company advises that the Annual Caps are set with reference to (i) the expected percentage of completion of the Works; (ii) the nature of the infrastructure to be constructed by MCC; and (iii) the potential changes in the level of the Works completed by MCC.

It is anticipated by the Company that the initial production of the Mining Area will commence in 2009 and a substantial part of the Works will be performed in the first three years. We have noted that the payment of the Revised Contract Sum is based on the percentage of the Works completed by MCC; therefore, we consider that it is reasonable for the Company to determine the above respective Annual Caps.

We noted that the aggregate amount of the Annual Caps is larger than the Revised Contract Sum. The Directors have confirmed that such buffer is necessary in order to accommodate any changes in the progress of the Works to be performed by MCC during the construction period due to unforeseen circumstances. We concur with the Directors’ view that the Annual Caps are reasonable and are in the interest of the Company and the Shareholders as a whole.

CONCLUSION

Having considered the above principal factors and reasons, and given that:

- (i) the engagement of a construction company to undertake the design, construction of production/processing plant, equipment, the related infrastructure and auxiliary facilities is a common and normal practice in the mining industry;
- (ii) MCC having the necessary expertise and efficiency to execute the Works for both the Sino-Iron Project and the Balmoral Project in a cost effective manner which is beneficial to the Group’s interests in these two projects;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Supplemented General Construction Contract, the terms and the transactions contemplated thereunder (including the Annual Caps) having been entered into on terms no less favourable to the Company than those MCC would offer to other independent third parties;
- (iv) the Annual Caps having been arrived at after due and careful consideration by the Directors; and
- (v) the duration of the Supplemented General Construction Contract of over three years being of normal practice for sizable engineering projects similar to the Sino-Iron Project or Balmoral Project,

we are of the view that the terms of the Supplemented General Construction Contract, including the Supplemental Agreements and the transactions contemplated thereunder (including the revised Contract Sum, the Annual Caps and the duration) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of

Commerzbank AG Hong Kong Branch

Kenneth Chan

Head of Corporate Finance – Asia Pacific

Andrew Yu

Corporate Finance – Asia Pacific

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive in securities

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of CITIC Pacific in the shares, underlying shares and debentures of CITIC Pacific and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by CITIC Pacific referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in Shares:

Name of Director	Number of Shares	
	Personal interests unless otherwise stated	Percentage to the issued share capital (%)
Larry Yung Chi Kin	406,381,000 (<i>Note 1</i>)	18.374
Henry Fan Hung Ling	48,000,000 (<i>Note 2</i>)	2.170
Peter Lee Chung Hing	1,500,000	0.068
Carl Yung Ming Jie	300,000	0.014
Leslie Chang Li Hsien	480,000	0.022
Vernon Francis Moore	4,200,000 (<i>Note 3</i>)	0.190
Li Shilin	300,000	0.014
Liu Jifu	840,000	0.038
Chau Chi Yin	536,000	0.024
Milton Law Ming To	253,000	0.011
Wang Ande	110,000	0.005
Hansen Loh Chung Hon	1,550,000 (<i>Note 4</i>)	0.070
André Desmarais	5,075,000 (<i>Note 5</i>)	0.229
Peter Kruyt	34,100	0.002
<i>(alternate director to Mr André Desmarais)</i>		

Notes:

1. Corporate interest
2. Corporate interest in respect of 3,000,000 shares and trust interest in respect of 45,000,000 shares
3. Trust interest
4. 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
5. Corporate interest in respect of 5,000,000 shares and family interest of 75,000 shares

(ii) Interests in share options:

Name of Director	Date of Grant	Exercise price per share HK\$	Exercisable Period	Underlying Shares pursuant to the share options	Percentage of issued shares as at the Latest Practicable Date (%)
Larry Yung Chi Kin	05.12.2005	20.5	05.12.2008 – 04.12.2010	100,000,000 <i>(Note)</i>	4.521
Peter Lee Chung Hing	01.11.2004 20.06.2006	19.9 22.1	01.11.2004 – 31.10.2009 20.06.2006 – 19.06.2011	1,000,000 1,200,000	0.099
Carl Yung Ming Jie	01.11.2004 20.06.2006	19.9 22.1	01.11.2004 – 31.10.2009 20.06.2006 – 19.06.2011	500,000 600,000	0.050
Leslie Chang Li Hsien	01.11.2004 20.06.2006	19.9 22.1	01.11.2004 – 31.10.2009 20.06.2006 – 19.06.2011	350,000 800,000	0.052
Vernon Francis Moore	01.11.2004 20.06.2006	19.9 22.1	01.11.2004 – 31.10.2009 20.06.2006 – 19.06.2011	1,000,000 700,000	0.077
Liu Jifu	20.06.2006	22.1	20.06.2006 – 19.06.2011	700,000	0.032
Chau Chi Yin	01.11.2004 20.06.2006	19.9 22.1	01.11.2004 – 31.10.2009 20.06.2006 – 19.06.2011	500,000 800,000	0.059

Name of Director	Date of Grant	Exercise price per share HK\$	Exercisable Period	Underlying Shares pursuant to the share options	Percentage of issued shares as at the Latest Practicable Date (%)
Milton Law Ming To	01.11.2004	19.9	01.11.2004 – 31.10.2009	500,000	
	20.06.2006	22.1	20.06.2006 – 19.06.2011	800,000	
				1,300,000	0.059
Wang Ande	01.11.2004	19.9	01.11.2004 – 31.10.2009	140,000	
	20.06.2006	22.1	20.06.2006 – 19.06.2011	500,000	
				640,000	0.029

Note: These share options were granted by CITIC Hong Kong (Holdings) Limited (“CITIC HK”), a substantial shareholder of the Company.

(iii) *Interests in shares of CITIC 1616 Holdings Limited:*

Name of Director	Number of Shares	
	Personal interests unless otherwise stated	Percentage to the issued share capital (%)
Vernon Francis Moore	200,000 (<i>Note</i>)	0.011
Chau Chi Yin	26,750	0.001

Note: Trust interest

(iv) *Interests in share options granted by CITIC Capital Holdings Limited:*

Name of Director	Date of Grant	Exercise price per share HK\$	Exercisable Period	Underlying Shares pursuant to the share options	Percentage of issued shares as at the Latest Practicable Date (%)
Peter Lee	02.03.2005	66.54	02.03.2007 – 01.03.2010	15,000	
Chung Hing	04.04.2006	70.97	04.04.2008 – 03.04.2011	10,000	
				25,000	0.089
Leslie Chang	02.03.2005	66.54	02.03.2007 – 01.03.2010	15,000	
Li Hsien	04.04.2006	70.97	04.04.2008 – 03.04.2011	10,000	
				25,000	0.089
Vernon Francis Moore	02.03.2005	66.54	02.03.2007 – 01.03.2010	15,000	
	04.04.2006	70.97	04.04.2008 – 03.04.2011	10,000	
				25,000	0.089

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of CITIC Pacific were interested, or were deemed to have interests or short positions in the shares, underlying shares and debentures of CITIC Pacific or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by CITIC Pacific referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to CITIC Pacific and the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (not being Directors or chief executive of CITIC Pacific) had, or were deemed to have, interests or short positions in the shares and 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:

(i) *Interest in Shares:*

Name	Number of Shares of the Company	Percentage to the issued share capital (%)
CITIC Group	635,919,285	28.752
CITIC HK	635,919,285	28.752
Heedon Corporation	496,386,285	22.443
Honpville Corporation	310,988,221	14.061
Power Corporation of Canada	132,813,000	6.005
Gelco Enterprises Ltd.	132,813,000	6.005
Nordex Inc.	132,813,000	6.005
Paul G. Desmarais	132,813,000	6.005

CITIC HK is a substantial shareholder of the Company indirectly through the following wholly owned subsidiary companies:

Name of Subsidiary Companies of CITIC HK	Number of Shares of the Company	Percentage to the issued share capital (%)
Affluence Limited	46,089,000	2.084
Winton Corp.	30,718,000	1.389
Westminster Investment Inc.	101,960,000	4.610
Jetway Corp.	20,462,000	0.925
Cordia Corporation	32,258,064	1.458
Honpville Corporation	310,988,221	14.061
Hainsworth Limited	83,444,000	3.773
Southpoint Enterprises Inc.	10,000,000	0.452
Raymondford Company Limited	2,823,000	0.128

Each of Affluence Limited, Winton Corp., Westminster Investment Inc., Jetway Corp., Cordia Corporation, Honpville Corporation, Hainsworth Limited, Southpoint Enterprises Inc. and Raymondford Company Limited holds the shares of the Company beneficially. Accordingly, Honpville Corporation is a substantial shareholder of the Company.

CITIC Group is the direct holding company of CITIC HK. 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 and 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, the interests of CITIC Group in the Company duplicate the interests of CITIC HK in the Company. The interests of CITIC HK in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Heedon Corporation in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Affluence Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above. The interests of Man Yick Corporation in the Company duplicate the interests in the Company of its direct subsidiary company as described above. The interests of Barnsley Investments Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above and the interests of Kotron Company Ltd. in the Company duplicate the interests in the Company of its direct subsidiary company as described above.

Power Corporation of Canada is a company 54.18% controlled by Gelco Enterprises Ltd. which in turn is 94.95% controlled by Nordex Inc. and the remainder by Mr. Paul G. Desmarais. Nordex Inc. in turn is 68% controlled directly by Mr. Paul G. Desmarais and indirectly as to 32% by the latter. Thus, the aforesaid interests of Power Corporation of Canada, Gelco Enterprises Ltd., Nordex Inc. and Mr. Paul G. Desmarais in the Company duplicate each other.

(ii) *Short position in the Shares:*

Name	Number of Shares of the Company	Percentage to the issued share capital (%)
CITIC Group	100,000,000	4.521
CITIC HK	100,000,000	4.521

These are in respect of options granted by CITIC HK, a substantial shareholder of the Company (within the meaning of the Listing Rules), to Mr. Larry Yung Chi Kin.

(iii) *Substantial shareholding in other members of the Group:*

As at the Latest Practicable Date, save as disclosed herein, so far as was known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company or their respective associates or a member of the Group) was, directly or indirectly, interested in ten per cent. 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:

Name of member of the Group	Name of shareholder	Percentage of issued shares as at the Latest Practicable Date (%)
Adwood Company Limited	Silverstone Assets Limited	30
New Hong Kong Tunnel Company Limited	Kumagai International Limited	13.875
Dah Chong Hong-Dragonair Airport GSE Service Limited	Hong Kong Dragon Airlines Limited	30
CITIC Interlocal Pte. Ltd.	Kauri Wood Pte. Ltd.	30
DAS Nordisk Limited	Nordisk Asia Pacific Pte. Ltd.	30
DAS Aviation Support Limited	Hong Kong Dragon Airlines Limited	30
Bright Billion Limited	Jungle Investment Limited	10
Alixon Co. Ltd.	RFC Management Limited	10
Dah Chong Hong Macau Consulting Company Limited	CBA Investments Company Limited	35
Dah Chong Hong Macau General Supply Company Limited	CBA Investments Company Limited	35

Name of member of the Group	Name of shareholder	Percentage of issued shares as at the Latest Practicable Date (%)
Dah Chong Hong Macau Total Supply Chain Management Company Limited	CBA Investments Company Limited	35
Dah Chong Hong Macau Food Supply Company Limited	CBA Investments Company Limited	35
Dah Chong Hong Macau Logistics Warehouse Company Limited	CBA Investments Company Limited	35
DCH Supply Chain Management Company Limited	Excel Epoch International Limited	20
Mainstream Holdings Limited	IBP Caribbean Inc.	34.91
Regal Heights Limited	Perdue Farms Incorporated	40
Hang Shun Fat Company, Limited	Honorway Investments Limited	11.8
	Wideland Investors Limited	11.8
	Mr. Leung Kau Kui, deceased	11.8
	Marvel Sweet Management Ltd.	15
Wah Luen Fung Company, Limited	Wideland Investors Limited	15
	HKIX Hong Kong Ltd.	25
Asia Pacific Internet Exchange Limited		25
Ko Lok Investment Company, Limited	Marvel Sweet Management Ltd.	40
Goldenburg Properties Limited	Gorich Traders Limited	30
Winway Investments Holdings Corp.	Rising Sun Investments	38
	Holdings Ltd.	
Silver Wings Enterprises Inc.	Sumitomo Metals (Kokura), Ltd.	25
Name of subsidiary being a joint venture company established in the PRC without the concept of general meetings (#)	Name of shareholder	Percentage of registered capital as at the Latest Practicable Date (%)
無錫太湖景發展有限公司 (Wuxi Taihu Jing Development Co., Ltd.)	無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.)	30
無錫太湖苑置業有限公司 (Wuxi Taihu Yuan Property Co., Ltd.)	無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.)	30
無錫太湖美生態環保有限公司 (Wuxi Taihu Mei Environmental Co., Ltd.)	無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.)	30

Name of subsidiary being a joint venture company established in the PRC without the concept of general meetings (#)	Name of shareholder	Percentage of registered capital as at the Latest Practicable Date (%)
Jiangsu CP Xingcheng Special Steel Co., Ltd.	Jiangyin Steel Mill Bright Trinity Enterprises Ltd.	10.60 11.62
Jiangyin Xingcheng Steel Products Co., Ltd.	Jiangyin Steel Mill	11.70
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	Jiangyin Steel Mill	11.70
Wuxi Xingcheng Steel Products Co., Ltd.	Jiangyin Steel Mill	11.70
Kunming Dah Chong Motor Service Co., Ltd.	雲南客車廠 (Yunnan Coach Factory)	30
Guangdong Dah Chong Foodstuffs Co., Ltd.	廣東國際貿易旅遊公司 (Guangdong International Trade Travel Service Co.)	30
Shanghai DCH Jiangnanfeng Co., Ltd.	上海市農業投資總公司 (Shanghai Agriculture Investment Holding Co., Ltd.)	12.67
	上海浦東滙侖實業總公司 (Shanghai Pudong Huilun Enterprise Holding Co., Ltd.)	10.56
Shenzhen Zhongliangdachang Foodstuffs Co., Ltd.)	中糧集團(深圳)有限公司 (COFCO (Shenzhen) Co., Ltd.)	30
中信泰富萬寧(聯合)開發有限公司 (CITIC Pacific Wanning United Development Company Limited)	萬寧市土地開發整理儲備中心 (Wanning Municipality Land Reserve Bureau)	20
江陰興澄置業有限公司 (Jiangyin Xingcheng Properties Co., Ltd.)	中聯投資有限公司 (Sino Explorer Investments Limited)	30
江門市合禮汽車銷售服務有限公司 (Jiangmen Heli Motors Sale and Service Limited)	江門市華天實業投資有限公司 (Jiangmen Huatian Investment Limited)	10
雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited)	雲南中凱集團有限公司 (Yunnan Zhongkai Holdings Limited)	20

Name of subsidiary being a joint venture company established in the PRC without the concept of general meetings (#)	Name of shareholder	Percentage of registered capital as at the Latest Practicable Date (%)
雲南寶泰隆汽車服務有限公司 (Yunnan Bao Tailong Motors Service Limited)	雲南中凱集團有限公司 (Yunnan Zhongkai Holdings Limited)	20
江門市怡誠汽車銷售服務有限公司 (Jiangmen Yicheng Motors Sale and Service Limited)	譚德華先生 (Mr. Tan Dehua)	20
湛江市合榮汽車銷售服務有限公司 (Zhanjiang Herong Motors Sale and Service Limited)	江門市華天實業投資有限公司 (Jiangmen Huatian Investment Limited)	20
昆明合澤企業管理有限公司 (Kunming Heze Corporate Management Limited)	雲南中凱集團有限公司 (Yunnan Zhongkai Holdings Limited)	20
上海網富電子商貿有限公司 (Shanghai Wangfu Electrical Trading Limited)	中國國際經濟諮詢公司 (China International Economics Consulting Company)	10
廣州合駿汽車貿易有限公司 (Guangzhou Hejun Motors Trading Limited)	李勵先生 (Mr. Li Li)	10
廣州眾協汽車貿易有限公司 (Guangzhou Zhongxie Motors Trading Limited)	廣州市駿悅投資管理有限公司 (Guangzhou Junyue Investment Management Limited)	20
昆明合達汽車銷售服務有限公司 (Kunming Heda Motors Sale and Service Limited)	廣州市駿悅投資管理有限公司 (Guangzhou Junyue Investment Management Limited)	20

Although the information relating to these joint venture companies have been set out under this section, such joint venture companies established in the PRC under the relevant laws thereof have a different capital structure from, and do not have the same concept of shareholders general meetings as, subsidiaries of the Company established in other jurisdictions.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited accounts of the Company were made up.

5. EXPERTS

- (a) The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

Name	Qualification
Commerzbank	(acting through its Hong Kong branch) a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorized financial institution under the SFO to carry out type 1 (dealing in securities), 4 (advising on securities), and 6 (advising on corporate finance) regulated activities as set out in Schedule 5 of the SFO

- (b) Commerzbank has confirmed that it has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Commerzbank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report (as the case may be) and references to its name in the form and context in which it appears.
- (d) The letter from Commerzbank is given as of 24 September 2007 for incorporation herein.

6. SERVICE CONTRACTS

There is no existing or proposed service contracts between any of the Directors and any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTEREST

In so far as the Directors are aware, none of the Directors or their respective associates has any interest in a business which competes or is likely to compete with the business of the Group.

8. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2006, being the date to which the latest published audited consolidated financial statements of the Company were made up.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

10. GENERAL

- (a) The secretary of the Company is Ms. Stella Chan Chui Sheung, ACIS, MA and the qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Leslie Chang Li Hsien, HKICPA, AICPA, NYSSCPA.
- (b) The registered office of the Company is at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (c) The share registrars of the Company is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any weekday (Saturdays and Sundays excepted) during business hours at the registered office of the Company at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong from the date of this circular up to and including 12 October 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the audited accounts of the Company for each of the two years ended 31 December 2006;
- (c) the "Letter from the Independent Board Committee" as set out in this circular;
- (d) the "Letter from the Independent Financial Adviser" as set out in this circular;
- (e) the Supplemental Agreements;
- (f) the Original General Construction Contract;
- (g) the Sale and Purchase Agreement; and
- (h) this circular.