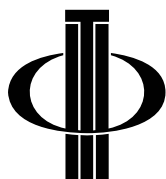


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CITIC PACIFIC

CITIC Pacific Limited **中信泰富有限公司**

(Incorporated in Hong Kong with limited liability)
(Stock Code: 267)

DISCLOSEABLE AND CONNECTED TRANSACTION

CITIC Pacific owns an aggregate of 65% equity interest in Shijiazhuang Steel, which in turn owns a steel mill located in the city centre of Shijiazhuang, PRC. For city planning and environmental reasons, the steel mill is required to be relocated outside the city centre of Shijiazhuang. CITIC Pacific believes that the task of relocating the mill would be better handled by the government and accordingly on 19 March 2010 entered into the Framework Agreement to dispose of its 65% equity interest (together with all ancillary rights, declared but unpaid dividends and other rights to undistributed profit receivable from Shijiazhuang Steel) to the Purchaser. The Purchaser and HPSA, the current owner of 20% interest in Shijiazhuang Steel, are both under the ultimate control of Hebei SASAC.

Under the Framework Agreement, CITIC Pacific also acts as agent for Zhongfu Investment, a company owned by certain management members and employees of Shijiazhuang Steel in the sale of Zhongfu Investment's 15% equity interest in Shijiazhuang Steel to the Purchaser.

Accordingly, the total Sale Interest to be sold under the Framework Agreement is 80% of the total equity interest in Shijiazhuang Steel. The total Consideration for the Sale Interest is RMB1,900 million (equivalent to HK\$2,166 million). The portion of the Consideration receivable by CITIC Pacific for its 65% equity interest is RMB1,577,245,000 (equivalent to HK\$1,798,059,300).

Under the Framework Agreement, CITIC Pacific will also sell to the Purchaser five wholly-owned subsidiaries which were incorporated for the purpose of acquiring some reclaimed land in Cangzhou, Huanghua (滄州黃驊), PRC for US\$6.75 million (equivalent to approximately HK\$52.65 million), representing the amount of registered capital already injected into these subsidiaries.

To ensure a smooth transition in relation to management of the steel mill, CITIC Pacific and the Purchaser also entered into the Management Agreement on 19 March 2010 pursuant to which the day-to-day operation and management of Shijiazhuang Steel (other than financial matters) will be entrusted to the Purchaser from the date of the Management Agreement until the completion of the transfer of the Sale Interest or the termination of the Framework Agreement, as the case may be. Pursuant to the Management Agreement and provided the Framework Agreement does not lapse, the profit and loss for the sale interest generated in Shijiazhuang Steel during the term of the Management Agreement will be attributable to the Purchaser. The Management Agreement shall become effective upon signing but will lapse if the Framework Agreement lapses.

HPSA is a substantial shareholder of Shijiazhuang Steel, a subsidiary of CITIC Pacific under the Listing Rules (but accounted for as a jointly controlled entity). As the Purchaser and HPSA are both under the ultimate control of Hebei SASAC, the Purchaser is a connected person of CITIC Pacific under the Listing Rules. The entering into of the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement therefore constitute a connected transaction for CITIC Pacific under Chapter 14A of the Listing Rules. As the relevant percentage ratio in respect of the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement exceeds 5%, the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement constitute a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CITIC Group, which is the ultimate beneficial owner of a group of closely allied Shareholders which, in aggregate, are interested in 2,098,736,285 Shares representing approximately 57.52% of the issued share capital of CITIC Pacific as at the date of this announcement has signed a written shareholder's approval in accordance with Rule 14A.43 of the Listing Rules approving the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement. 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 Framework Agreement, the Management Agreement and other transactions contemplated in this announcement 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.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement. CITIC Pacific has retained KBC Bank N.V. Hong Kong Branch as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things, details of the Framework Agreement, the Management Agreement, other transactions contemplated in this announcement, the advice of the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders as soon as practicable.

On 19 March 2010, CITIC Pacific and the Purchaser entered into the Framework Agreement and the Management Agreement, a summary of the principal terms of which are set out below.

THE FRAMEWORK AGREEMENT

Date

19 March 2010

Parties

- (1) CITIC Pacific (for and on behalf of Megaston, Suzhou Trust and Zhongfu Investment), as vendor of the Sale Interest; and
- (2) the Purchaser, as purchaser of the Sale Interest.

The Sale Interest

CITIC Pacific owns an aggregate of 65% of the equity interest of Shijiazhuang Steel of which 50% is held by its wholly-owned subsidiary Megaston; and 15% is held on trust for CITIC Pacific by Suzhou Trust.

Zhongfu Investment, a shareholder holding 15% equity interest in Shijiazhuang Steel, is a company owned by certain management members and employees of Shijiazhuang Steel with each of such management members and employees holding less than 30% equity interest in Zhongfu Investment.

As part of the Disposal, the Purchaser will also acquire the 15% equity interest in Shijiazhuang Steel held by Zhongfu Investment and accordingly the total Sale Interest is 80% equity interest of Shijiazhuang Steel.

CITIC Pacific has been authorised by Megaston, Suzhou Trust and Zhongfu Investment to enter into the Framework Agreement to dispose of the Sale Interest to the Purchaser. The ancillary rights to the Sale Interest, declared but unpaid dividends and other rights to undistributed profit attributable to the Sale Interest will also be disposed to the Purchaser.

Consideration for the Sale Interest

The Consideration for the Sale Interest is RMB1,900 million (equivalent to HK\$2,166 million). Pursuant to the Framework Agreement the parties will enter into the S&P Agreement which will become effective upon approval by the relevant PRC regulatory authorities.

50% of the Consideration is payable by the Purchaser within 10 business days after the S&P Agreement becomes effective. The remaining 50% of the Consideration is payable by the Purchaser within 10 business days after the transfer of the Sale Interest is completed.

The portion of the Consideration payable to Megaston is payable in cash in US dollars. The portions of the Consideration payable to Suzhou Trust and Zhongfu Investment respectively are payable in cash in RMB.

The portion of the Consideration receivable by CITIC Pacific for its 65% interest (including the ancillary rights, declared but unpaid dividends and other rights to undistributed profit receivable from Shijiazhuang Steel) is RMB1,577,245,000 (equivalent to HK\$1,798,059,300).

The Consideration is arrived at after arm's length negotiations between the parties on normal commercial terms taking into account the possible impact of the relocation of the steel mill and with reference to the valuation report prepared by Hebei Zhongkang Renda Assets Appraisal Co., Ltd (河北中康仁達資產評估有限責任公司) as at 31 December 2009. CITIC Pacific expects to have further negotiations with the Purchaser to see if there is any room to increase the Consideration prior to completion. A further announcement will be made by CITIC Pacific in the event that it is successful in increasing the Consideration. It is not expected that the increase in Consideration will result in the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement constituting a major transaction for CITIC Pacific.

Before the completion of the Disposal, Shijiazhuang Steel is a subsidiary of CITIC Pacific under the Listing Rules (but accounted for as a jointly controlled entity). After the Disposal, CITIC Pacific will cease to hold any interest in Shijiazhuang Steel.

Conditions Precedent

Completion of the Disposal is conditional upon:

- there being no judgement or order from courts or government authorities restricting, forbidding or cancelling the Disposal, and the Disposal not being restricted by any articles of association, resolutions, agreements or documents;
- the obtaining by CITIC Pacific of approvals from regulatory or government authorities in relation to the entry into and performance of the S&P Agreement (including but not limited to approvals required under the Listing Rules);
- the obtaining by CITIC Pacific of the necessary authorisations to enter into and perform the Framework Agreement;
- the obtaining by the Purchaser of approval from Hebei SASAC to enter into and perform the S&P Agreement;
- the obtaining by Shijiazhuang Steel of (i) approval from its board of directors in respect of the Disposal and (ii) confirmation from HPSA that it gives up its right of first refusal in respect of the Sale Interest; and
- the obtaining of approval from the Ministry of Commerce in respect of the Disposal.

Completion

Upon fulfilment of the conditions precedent described above, application would be made to renew the business licence and the date of completion of the Disposal shall be the date of issuance of the new business licence of Shijiazhuang Steel.

Sale of five wholly-owned subsidiaries in Cangzhou

Under the Framework Agreement, CITIC Pacific will also sell to the Purchaser at cost five wholly-owned subsidiaries which were incorporated for the purpose of acquiring some reclaimed land in Cangzhou, Huanghua (滄州黃驊), PRC. The consideration is cash amounting to US\$6.75 million (equivalent to HK\$52.65 million) representing capital injected by CITIC Pacific into these wholly-owned subsidiaries. Transfer agreements to transfer these wholly-owned subsidiaries will also be entered into by the parties. 50% of the consideration will be paid within 10 business days after the relevant transfer agreement has become effective with the remaining 50% to be paid on completion of the transfer of interest.

Other Terms

In addition, under the Framework Agreement, CITIC Pacific agrees to supply to Shijiazhuang Steel after completion of the Disposal, 450,000 tons of imported iron ore to be supplied by Vale (including 300,000 tons which was contracted between Shijiazhuang Steel and Vale through Chengda International Limited) to CITIC Pacific and Shijiazhuang Steel in accordance with the relevant contracts with Vale. The delivery arrangement will be further agreed between the parties.

Additional Information in relation to the Disposal

Zhongfu Investment is a company held by certain management members and employees of Shijiazhuang Steel with each of such management members and employees holding less than 30% interest in Zhongfu Investment. Previously, a wholly owned subsidiary of CITIC Pacific lent Zhongfu Investment a sum of approximately RMB338,145,000 (equivalent to approximately HK\$385,485,000) to finance Zhongfu Investment's acquisition of its 15% equity interests in Shijiazhuang Steel. In addition, Zhongfu Investment also invested an amount of RMB3 million (equivalent to approximately HK\$3.42 million) in Shijiazhuang Steel from its own financial resources. The Loan is still outstanding as at the date of this announcement and (together with interest) has a carrying value of approximately HK\$390 million in CITIC Pacific's accounts as at 31 December 2009.

The portion of the Consideration due to Zhongfu Investment in the amount of RMB322,755,000 (equivalent to approximately HK\$367,941,000) will be apportioned as follows: (i) RMB4,326,000 (equivalent to approximately HK\$4,932,000) will be paid to Zhongfu Investment as an agreed sum for its investment in Shijiazhuang Steel; and (ii) the remainder of RMB318,429,000 (equivalent to approximately HK\$363,009,000) will be paid to CITIC Pacific in full satisfaction of the Loan, including interest. Assuming the payment in respect of the Loan and interest took place on 31 December 2009, it is less than the amount of approximately HK\$390 million in CITIC Pacific's accounts as at 31 December 2009 payable to CITIC Pacific and the balance of approximately HK\$28 million will be written off.

Based on the above and assuming that the completion of the Disposal took place on 31 December 2009 an estimated unaudited accounting loss of approximately HK\$249 million would be expected to arise from the Disposal and the write-off of the Loan. An impairment provision of HK\$249 million has been made in the financial statements of CITIC Pacific for the year ended 31 December 2009.

MANAGEMENT AGREEMENT

To ensure a smooth transition in relation to management of the steel mill for the Disposal, CITIC Pacific and the Purchaser also entered into the Management Agreement on 19 March 2010 pursuant to which the day-to-day operation and management of Shijiazhuang Steel (other than financial matters) will be entrusted to the Purchaser from the date of the Management Agreement until the completion of the transfer of the Sale Interest pursuant to the S&P Agreement or the termination of the Framework Agreement, as the case may be. The profit and loss for the sale interest generated in Shijiazhuang Steel, provided the Framework Agreement does not lapse during the term of the Management Agreement, will be attributable to the Purchaser. The Management Agreement shall become effective upon signing but will lapse if the Framework Agreement lapses.

INFORMATION ON SHIJIAZHANG STEEL

Shijiazhuang Steel was re-incorporated on 22 May 1997 in Shijiazhuang, Hebei Province, PRC. At present, it is a sino-foreign equity joint venture whose shareholders are HPSA, Megaston, Suzhou Trust and Zhongfu Investment holding 20%, 50%, 15% and 15% of the equity interest respectively and is principally engaged in the production and sale of special steel and related products.

Based on the audited financial statements of Shijiazhuang Steel prepared under the general accepted accounting principles of the PRC: (i) the net profit before taxation and extraordinary items attributable to shareholders of Shijiazhuang Steel for the year ended 31 December 2009 was approximately RMB228 million (equivalent to approximately HK\$260 million) and the net loss before taxation and extraordinary items attributable to shareholders of Shijiazhuang Steel for the year ended 31 December 2008 was approximately RMB171 million (equivalent to approximately HK\$195 million); and (ii) the net profit after taxation and extraordinary items attributable to shareholders of Shijiazhuang Steel for the year ended 31 December 2009 was approximately RMB205 million (equivalent to approximately HK\$234 million) and the net loss after taxation and extraordinary items attributable to shareholders of Shijiazhuang Steel for the year ended 31 December 2008 was approximately RMB149 million (equivalent to approximately HK\$170 million). As at 31 December 2009, the audited net asset (after excluding minority interest) of Shijiazhuang Steel (in accordance with the generally accepted accounting principles of the PRC) was approximately RMB2,225 million (equivalent to approximately HK\$2,537 million).

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

Shijiazhuang Steel owns a steel mill which is located in the city centre of Shijiazhuang, PRC. For city planning and environmental reasons, the mill is required by local government to be relocated outside the city centre of Shijiazhuang. The Directors believe that the task of relocating the mill will be better handled by the Purchaser, which is a major state-owned enterprise with Hebei SASAC as its ultimate beneficiary, rather than CITIC Pacific. In addition, it is estimated that the anticipated costs of relocation and assets which will need to be written off due to relocation should be significantly higher than the estimated loss incurred by CITIC Pacific under the Disposal (which includes the loss arising from writing off the Loan).

Based on the above, the Directors (excluding its independent non-executive directors whose opinion will be given after receiving advice from the independent financial adviser) considered that the terms of the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement are fair and reasonable and are in the interest of CITIC Pacific and the Shareholders as a whole.

INFORMATION ON CITIC PACIFIC AND THE PURCHASER

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 power and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited.

The Purchaser is principally engaged in the production and sale of steel products, and is one of the largest steel producers in China.

LISTING RULES IMPLICATIONS

HPSA is a substantial shareholder of Shijiazhuang Steel, a subsidiary of CITIC Pacific under the Listing Rules (but accounted for as a jointly controlled entity). As the Purchaser and HPSA are both under the ultimate control of Hebei SASAC, the Purchaser is a connected person of CITIC Pacific under the Listing Rules. The entering into of the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement therefore constitute a connected transaction for CITIC Pacific under Chapter 14A of the Listing Rules. As the relevant percentage ratio in respect of the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement exceeds 5%, the Framework Agreement, the Management Agreement and other transactions contemplated in this announcement constitute a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. 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 57.52% of the issued share capital of CITIC Pacific as at the date of this announcement, has signed a written shareholder's approval in accordance with Rule 14A.43 of the Listing Rules approving the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement. 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 Framework Agreement, the Management Agreement and other transactions contemplated under this announcement 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.

Each of the Purchaser and Zhongfu Investment has confirmed that it has no interest in any share of CITIC Pacific giving the right to attend and vote at general meetings of CITIC Pacific and to the best knowledge of the Directors, CITIC Group is not required to abstain from voting on the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement. To the best knowledge of the Directors, no other Shareholder is required to abstain from voting on the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement either.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement. CITIC Pacific has retained KBC Bank N.V. Hong Kong Branch as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things, details of the Framework Agreement, the Management Agreement, other transactions contemplated under this announcement, the advice of the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the meaning ascribed to it by the Listing Rules;
“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;
“Consideration”	RMB1,900 million (equivalent to HK\$2,166 million);
“connected persons”	has the meaning ascribed to it by the Listing Rules;
“Directors” or “Board”	the directors of CITIC Pacific;
“Disposal”	the disposal to the Purchaser of the Sale Interest, the ancillary rights to the Sale Interest and the dividends declared and other profit distribution attributable to the Sale Interest which have not yet been paid pursuant to the Framework Agreement;
“Framework Agreement”	the framework agreement dated 19 March 2010 between CITIC Pacific and the Purchaser in relation to the Disposal;
“Hebei SASAC”	中國河北省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Government of Hebei Province, PRC);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HPSA”	河北省國有資產控股運營有限公司 (Hebei Province State-owned Assets Hold & Operation Co., Ltd.);
“Independent Board Committee”	an independent committee of the Board advising the Independent Shareholders in respect of the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement, comprising Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong, all being independent non-executive Directors;

“Independent Shareholders”	Shareholders who do not have a material interest in the transaction contemplated under the Framework Agreement, the Management Agreement and other transactions contemplated under this announcement;
“Loan”	the loan lent by a wholly owned subsidiary of CITIC Pacific to Zhongfu Investment and together with interest outstanding as at the date of this announcement has a carrying value of approximately HK\$390 million in CITIC Pacific’s accounts as at 31 December 2009;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Agreement”	a management entrustment agreement between CITIC Pacific and the Purchaser dated 19 March 2010;
“Megaston”	Megaston Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of CITIC Pacific;
“PRC”	the People’s Republic of China;
“Purchaser”	河北鋼鐵集團有限公司 (Hebei Iron & Steel Group Co. Ltd.), a state owned enterprise established in PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	the 80% of the equity interest in Shijiazhuang Steel held by Megaston, Suzhou Trust and Zhongfu Investment in aggregate, together with all the ancillary rights, declared but unpaid dividends and other rights to undistributed profit attributable to the Sale Interest;
“S&P Agreement”	the sale and purchase agreement(s) for the transfer of the Sale Interest;
“Shareholders”	shareholders of CITIC Pacific;
“Shijiazhuang Steel”	石家莊鋼鐵有限責任公司 (Shijiazhuang Iron & Steel Co., Ltd.), a sino-foreign equity joint venture established in the PRC, whose shareholders as at the date of this announcement are HPSA, Megaston, Suzhou Trust and Zhongfu Investment holding 20%, 50%, 15% and 15% of the equity interest respectively;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning given to it by the Listing Rules;

“subsidiary(ies)”	has the meaning given to it by the Listing Rules;
“Suzhou Trust”	蘇州信托有限公司, a company established in the PRC with limited liability holding the 15% equity interest in Shijiazhuang Steel on trust for CITIC Pacific;
“Vale”	Vale S.A., formerly Companhia Vale do Rio Doce (CVRD), a mining multinational corporation;
“Zhongfu Investment”	河北眾富投資有限責任公司 (Hebei Zhongfu Investment Limited), a company established in the PRC with limited liability; and
“%”	per cent.

For illustration purpose in this announcement, the conversion rate of RMB1.00 = HK\$1.14 and the conversion rate of US\$ 1.00 = HK\$ 7.8 were adopted.

By Order of the Board
CITIC Pacific Limited
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 21 March 2010

As at the date hereof, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Peter Lee Chung Hing, Carl Yung Ming Jie, Vernon Francis Moore, Li Shilin, Liu Jifu, Milton Law Ming To, Wang Ande and Kwok Man Leung; the non-executive directors of CITIC Pacific are Messrs Willie Chang, André Desmarais, Ju Weimin, Yin Ke and Peter Kruyt (alternate director to Mr André Desmarais); and the independent non-executive directors of CITIC Pacific are Messrs Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.