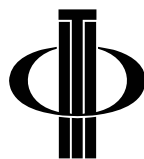


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CITIC PACIFIC

CITIC Pacific Limited

中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

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

The Supplemental Contract

Sino Iron, a wholly owned subsidiary of CITIC Pacific, has entered into the Supplemental Contract on 11 May 2010 with MCC Mining, the lead construction contractor for the Sino Iron Project. Pursuant to the Supplemental Contract, Sino Iron will pay an additional US\$835 million (approximately HK\$6,513 million) to MCC Mining. Accordingly, the existing Contract Sum under the General Construction Contract will be increased from US\$1,750 million (approximately HK\$13,650 million) to a revised Contract Sum of US\$2,585 million (approximately HK\$20,163 million).

The cost increase for the General Construction Contract is due primarily to changes in the cost structure of the industry. The existing Contract Sum of US\$1,750 million (approximately HK\$13,650 million) was agreed in August 2007, which based on the assumptions at that time, was considered realistic. However, since then the market for iron ore has changed significantly as a result of huge growth in demand, in particular from the PRC. The price of iron ore has risen significantly and costs related to mining projects, including labour, equipment and construction materials, have increased substantially.

Listing Rules Implications

As CITIC Pacific entered into the Sale and Purchase Agreement in 2007 to sell 20% interest of its investment in the iron ore mine in Australia to MCC, upon Completion, the General Construction Contract as supplemented by the Supplemental Contract will constitute a continuing connected transaction of CITIC Pacific pursuant to Rule 14A.14 of the Listing Rules. Although the Sale and Purchase Agreement has not yet been completed and there is no requirement for compliance with continuing connected transaction requirements until Completion, CITIC Pacific is complying in advance with such requirements in anticipation of the Completion.

As set out in the circular of CITIC Pacific dated 24 September 2007, the General Construction Contract, together with the estimated annual caps at that time, received written approval of Shareholders beneficially interested in approximately 55.79% of the issued share capital of CITIC Pacific as at 17 August 2007. The Stock Exchange granted a waiver to CITIC Pacific from strict compliance with the requirement to hold a shareholders' meeting to approve the General Construction Contract and such annual caps. Taking into account the estimate of the Works required and the timing in which the Works are to be completed, the annual caps for the Contract Sum for the two years ending 31 December 2010 and 2011 are proposed to be adjusted with a further cap for the year ending 31 December 2012. Upon Completion, under Rules 14A.17 and 14A.35 of the Listing Rules, (i) the Annual Caps; and (ii) the General Construction Contract as supplemented by the Supplemental Contract, will be subject to the reporting, announcement and independent shareholders' approval requirements.

An application has been made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a Shareholders' meeting to approve the above on the basis that a written independent shareholders' approval will be given in accordance with Rule 14A.43 of the Listing Rules and such waiver has been granted by the Stock Exchange pursuant to Rule 14A.53 of the Listing Rules. CITIC Group, being the ultimate beneficial owner of a closely allied group of 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 indicated that it will sign a written Shareholders' approval in accordance with Rule 14A.43 of the Listing Rules prior to despatch of the circular to Shareholders.

In addition, as the relevant percentage ratio pursuant to Rule 14.07 of the Listing Rules in respect of the increase in the Contract Sum in the amount of US\$835 million (approximately HK\$6,513 million) under the Supplemental Contract does not exceed 25%, the Supplemental Contract constitutes a discloseable transaction for CITIC Pacific and is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

A circular containing further details of the above, a letter from the Independent Board Committee and a letter from the independent financial adviser in relation to the above, will be despatched to the Shareholders as soon as practicable.

THE SUPPLEMENTAL CONTRACT

Reference is made to CITIC Pacific's announcement dated 20 August 2007 and its circular dated 24 September 2007. Sino Iron entered into the General Construction Contract with MCC Mining (which assumed the obligations of MCC under the General Construction Contract pursuant to a subsequent novation) for, amongst other things, the design, construction, installation and testing of the infrastructure at the Mining Area in Western Australia. On 11 May, 2010, Sino Iron and MCC Mining entered into the Supplemental Contract to, among other things, revise the Contract Sum.

The Supplemental Contract is conditional upon:

- (a) Sino Iron obtaining the relevant consents to the Supplemental Contract by its financiers;

- (b) the obtaining of all relevant approvals by the parties for the entering into of the Supplemental Contract including the relevant approvals required by the controlling shareholders of the parties in compliance with the Listing Rules.

In the event that the above conditions are not fulfilled on or before 30 June 2010 (or such other date as the parties may agree), the parties will further negotiate in respect of the terms under the Supplemental Contract.

The Revised Contract Sum

Pursuant to the Supplemental Contract, Sino Iron will pay an additional US\$835 million (approximately HK\$6,513 million) to MCC Mining. The existing Contract Sum under the General Construction Contract will be increased from US\$1,750 million (approximately HK\$13,650 million) to a revised Contract Sum of US\$2,585 million (approximately HK\$20,163 million).

The cost increase on the existing General Construction Contract is due primarily to changes in the cost structure of the industry. The existing Contract Sum of US\$1,750 million (approximately HK\$13,650 million) was agreed in August 2007, which based on the assumptions at that time, was considered realistic. However, since then the market for iron ore has changed significantly as a result of huge growth in demand, in particular from the PRC. The price of iron ore has risen significantly and costs related to mining projects, including labour, equipment and construction materials, have increased substantially. Given the increase in costs, CITIC Pacific and MCC Mining have after negotiations on an arms' length basis entered into the Supplemental Contract to increase the Contract Sum to US\$2,585 million (approximately HK\$20,163 million).

The Contract Sum is payable in accordance with the progress of the Works and settled on a monthly basis. To cater for the funding requirements for the construction project, there may be circumstances where MCC may request advance payments to be made in respect of the Works and such advance payment may be made at the full discretion of Sino Iron in accordance with the General Construction Contract as supplemented by the Supplemental Contract. Such advance payment may be set off against the Contract Sum by Sino Iron.

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

The maximum liability of MCC Mining under the General Construction Contract as supplemented by the Supplemental Contract has been increased to the aggregate of (i) 12.5% of the original Contract Sum of US\$1,750 million (approximately HK\$13,650 million) and (ii) 25% of the increased Contract Sum of US\$835 million (approximately HK\$6,513 million).

Other amendments to the Scope of Work

Each of MCC Mining and Sino Iron requires to conduct bulk earthworks for their facilities in the port area. To manage such constructions in a more cost effective way and to avoid the complications of having different contractors for the bulk earthworks as well as for ease of management and monitoring of the work progress, Sino Iron entered into a Bulk Earthworks Agreement with MCC Mining on 20 May 2009. According to the Bulk Earthworks Agreement, the work scope as originally agreed under the General Construction Contract was amended and Sino Iron would directly engage the NRW VDM Joint Venture, an independent third party, to be the contractor to undertake certain bulk earthworks work for both MCC Mining and Sino Iron.

Sino Iron shall make payments to the contractor in relation to its services upon receipt of payment claims from the NRW VDM Joint Venture, and MCC Mining shall reimburse Sino Iron thereafter for the amounts paid to the NRW VDM Joint Venture by Sino Iron for the bulk earthworks work within MCC Mining's scope of Work under the General Construction Contract upon receipt and confirmation of acceptance of the payment claims by MCC Mining. This may be carried out either by way of set-off of amounts due to be paid by Sino Iron to MCC Mining under the General Construction Contract, or to the extent there are no available amounts for set-off, Sino Iron may claim from MCC Mining such amounts due under the Bulk Earthworks Agreement directly. Such payments shall be for an amount up to AUD80 million (approximately HK\$560 million) upon which Sino Iron's obligation to procure the NRW VDM Joint Venture to perform the bulk earthworks work for MCC Mining shall cease unless agreed otherwise by the parties.

The Annual Caps

Payments for the Works are expected to end in 2012. Therefore, in estimating the revised Annual Caps, allowance has been made to cater for more payments being made under the General Construction Contract in any one year than originally estimated based on the estimated progress of the Works. As such, CITIC Pacific proposes to revise the annual caps for the Contract Sum for the two years ending 31 December 2010 and 2011 and set a further cap for the year ending 31 December 2012 as follows:

Financial year ending 31 December	Previous Annual Cap		Proposed Annual Cap	
	<i>Percentage of Contract Sum</i>	US\$ (Million)	<i>Percentage of Contract Sum</i>	US\$ (Million)
2010	25%	437.5	58%	1,500
2011	20%	350	39%	1,000
2012	-	-	8%	200

The Annual Caps above are determined based on:

- (a) the estimate of the Works required and the timing in which the Works are to be completed;
- (b) the amount paid for completed Works up-to-date and the progress of the Works completed by MCC Mining;

- (c) the revised construction schedule and in anticipation that a substantial part of the remaining Works shall be performed in 2010 and 2011;
- (d) the possibility of delays or advancements in actual construction progress other than as scheduled;
- (e) the amount of support to be provided by Sino Iron to MCC Mining the charges of which may be deducted when calculating whether the relevant annual cap has been exceeded; and
- (f) variations to Works which may become necessary and/or desirable bearing in mind the nature of the construction contracts of this type.

The actual Contract Sum (including advance payments) paid for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 were US\$309 million (approximately HK\$2,410 million), US\$134 million (approximately HK\$1,045 million) and US\$472 million (approximately HK\$3,682 million) respectively.

The Directors (other than the independent non-executive Directors who will provide their recommendations in the circular after receiving the recommendation of the independent financial advisor) consider that the Annual Caps above are fair and reasonable.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL CONTRACT

Although the original sum was a fixed sum and could not be increased unless otherwise agreed by both parties, taking into account timing and costs of the project and MCC's previous experiences in large projects around the world, continuing to work with MCC Mining in the Sino Iron Project despite the increase in Contract Sum, as opposed to replacing it by another contractor, is the most cost effective approach. Replacement by another contractor would just result in extensive delays to the project. In addition, the increase in the Contract Sum will become relatively insignificant if it is spread across the total costs of the Sino Iron Project which has a life of 25 years. Once the mine is in full production, it is expected that it will become one of the main profit contributors to CITIC Pacific in the long run.

Therefore, it is important to ensure that the project is finished on time without delay. Taking into account the above factors, the Directors (other than the independent non-executive Directors who will provide their recommendations in the circular after receiving the recommendation of the independent financial advisor) believe that the terms of the General Construction Contract as supplemented by the Supplemental Contract and the transactions contemplated thereunder, including but not limited to the increase in the Contract Sum of US\$835 million (approximately HK\$6,513 million) are on normal commercial terms and are fair and reasonable and are in the interests of CITIC Pacific and the Shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

As CITIC Pacific has entered into the Sale and Purchase Agreement to sell 20% interest of its investment in the iron ore mine in Australia to MCC, upon Completion, MCC will, through MCCL, become a substantial shareholder of Sino Iron Holdings and hence will become a connected person of CITIC Pacific. Upon Completion, the General Construction Contract as supplemented by the Supplemental Contract will constitute a continuing connected transaction of CITIC Pacific pursuant to Rule 14A.14 of the Listing Rules. Although the Sale and Purchase Agreement has not yet been completed and there is no requirement for

compliance with continuing connected transaction requirements until completion, CITIC Pacific is complying in advance with such requirements in anticipation of the Completion.

MCC has confirmed to CITIC Pacific that neither it nor its associates have any interest in any shares of CITIC Pacific giving the right to attend and vote at general meetings of CITIC Pacific. As such, none of the Shareholders is required to abstain from voting on the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps.

As set out in the circular of CITIC Pacific dated 24 September 2007, the General Construction Contract together with the estimated annual caps at that time, received written approval of Shareholders beneficially interested in approximately 55.79% of the issued share capital of CITIC Pacific as at 17 August 2007. The Stock Exchange granted a waiver to CITIC Pacific from strict compliance with the requirement to hold a shareholders' meeting to approve the General Construction Contract and such annual caps. The annual caps for the Contract Sum for the two years 31 December 2010 and 2011 are proposed to be adjusted with a further cap for the year ending 31 December 2012. Upon Completion, under Rule 14A.17 and 14A.35 of the Listing Rules, (i) the Annual Caps; and (ii) the General Construction Contract as supplemented by the Supplemental Contract, will be subject to the reporting, announcement and independent shareholders' approval requirements.

An application has been made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a Shareholders' meeting to approve the above on the basis that a written independent shareholders' approval will be given in accordance with Rule 14A.43 of the Listing Rules and such waiver has been granted by the Stock Exchange pursuant to Rule 14A.53 of the Listing Rules. CITIC Group, 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 indicated that it is prepared to approve the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps. CITIC Group will sign a written Shareholders' approval in accordance with Rule 14A.43 of the Listing Rules prior to despatch of the circular to Shareholders.

In addition, as the relevant percentage ratio pursuant to Rule 14.07 of the Listing Rules in respect of the increase in the Contract Sum in the amount of US\$835 million (approximately HK\$6,513 million) under the Supplemental Contract does not exceed 25%, the Supplemental Contract constitutes a discloseable transaction for CITIC Pacific and is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the General Construction Contract as supplemented by the Supplemental Contract, the Annual Caps and the transactions contemplated thereunder.

An independent financial adviser will be appointed by CITIC Pacific to advise the Independent Board Committee of CITIC Pacific and the independent Shareholders in relation to the above.

A circular containing, among other things, further details of the above, the recommendations of the Independent Board Committee of CITIC Pacific and the advice from the independent financial adviser will be despatched to the Shareholders as soon as practicable.

GENERAL

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include energy and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited.

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

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

MCC Mining is a wholly-owned subsidiary of MCC. MCC Group is a group of international construction companies which have undertaken similar construction works for large scale iron ore projects in various countries including China, Brazil, Iran and Venezuela.

DEFINITIONS

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

"Annual Caps"	the revised annual caps on the Contract Sum payable for the two financial years ending 31 December 2010 and 2011 respectively and the new annual cap on the Contract Sum for the year ending 31 December 2012
"Balmoral Holdings"	Balmoral Iron Holdings Pty Ltd, a company incorporated in Australia and a wholly owned subsidiary of Sino Iron Holdings
"Board"	the board of Directors
"Bulk Earthworks Agreement"	the Bulk Earthworks (Cape) Agreement dated 20 May 2009 entered into between Sino Iron as the employer and MCC Mining as the contractor for the Sino Iron project
"CITIC Pacific"	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange

"Completion"	completion of the Disposal pursuant to the Sale and Purchase Agreement
"Contract Sum"	the contract sum for the Works pursuant to the General Construction Contract and where the context requires, as supplemented by the Supplemental Contract
"Directors"	the directors of CITIC Pacific
"Disposal"	the disposal of the 20% interest in the Sino Iron Project to MCC pursuant to the Sale and Purchase Agreement
"General Construction Contract"	the general construction contract dated 24 January 2007 (as amended on 20 August 2007) entered into between Sino Iron and MCC and subsequently novated to MCC Mining, in respect of the engagement of MCC Mining by Sino Iron for, amongst other things, the design, construction, installation and testing of certain infrastructure at the Mining Area and as subsequently supplemented by the Supplemental Contract
"Independent Board Committee"	an independent committee of the Board advising the independent Shareholders in respect of the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps, comprising Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong, all being independent non-executive Directors
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MCC"	China Metallurgical Group Corp. (中國冶金科工集團公司) an international construction company which has undertaken similar construction works for large scale iron ore projects in various countries including China, Brazil, Iran and Venezuela
"MCC Group"	MCC and together with its subsidiaries
"MCCL"	Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and on the Shanghai Stock Exchange
"MCC Mining"	MCC Mining (Western Australia) Pty Ltd, a company established in Australia and is a wholly-owned subsidiary of MCC which on 31 October

	2007 novated the obligations of MCC to MCC Mining under the General Construction Contract
"Mining Area"	Mining Leases 08/123, 08/124 and 08/125 granted under the Mining Act of Western Australia
"NRW VDM Joint Venture"	a joint venture formed by NRW Pty Ltd (ABN 69 828 799 317) and VDM Contracting Pty Ltd, trading as Rocktec Contracting (ABN 25 109 841 116), both independent third parties of CITIC Pacific
"Sale and Purchase Agreement"	the sale and purchase agreement dated 20 August 2007 entered into between Catak Enterprises Corp., a wholly owned subsidiary of CITIC Pacific and MCC in respect of the Disposal as supplemented by a transfer confirmation letter dated 5 March 2009 between Catak Enterprises Corp., MCC and MCCL pursuant to which the 20% interest under the Disposal will be acquired by MCCL and the Side Letter
"Share(s)"	share(s) of HK\$0.40 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares in CITIC Pacific
"Side Letter"	the side letter dated 20 August 2007 entered into between CITIC Pacific and MCC and, which amongst others, provided for the sale to MCC of a 20% interest in Balmoral Holdings on substantially the same terms as the sale of the 20% interest in Sino Iron Holdings
"Sino Iron "	Sino Iron Pty Ltd, a company incorporated in Australia and 100% owned by Sino Iron Holdings
"Sino Iron Group Companies"	Sino Iron Holdings and any of its subsidiaries
"Sino Iron Holdings"	Sino Iron Holdings Pty Ltd, a company incorporated in Australia and 100% owned by CITIC Pacific
"Sino Iron Project"	the mining and extraction of magnetite ore from the Mining Area and the processing of that magnetite ore into products through mine and processing facilities or infrastructure to be constructed or installed by Sino Iron Group Companies
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

“Supplemental Contact”	a supplemental contract to the General Construction Contract dated 11 May 2010 between Sino Iron and MCC Mining reflecting certain changes in respect of the engagement of MCC Mining by Sino Iron, in particular, the increase in the Contract Sum
"US\$"	United States dollars, the lawful currency of the United States
"Works"	the works which MCC Mining is responsible for carrying out at the Mining Area under the General Construction Contract as supplemented by the Supplemental 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 purposes only, the amounts in US\$ are translated to HK\$ at the rate of US\$1.00 = HK\$7.80 and AUD to HK\$ at the rate of AUD1.00 = HK\$7.00. No representation is made that any amount in US\$ or AUD has been or could be converted at the above rates or at any other rates or at all.

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

Hong Kong, 11 May 2010

As at the date hereof, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, 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.