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CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

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

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



KBC Bank N.V. Hong Kong Branch

A letter from the Board is set out on pages 5 to 11 of this circular. A letter of advice from the Independent Financial Adviser (as defined herein) to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 14 to 20 of this circular. A letter of the Independent Board Committee is set out on pages 12 to 13 of this circular.

14 June 2010

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DEFINITIONS

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

“Annual Caps”	the revised annual 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;
“associate”	has the meaning ascribed to it by the Listing Rules;
“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;
“connected persons”	has the meaning ascribed to it by the Listing Rules;
“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;

DEFINITIONS

“Group”	CITIC Pacific and its subsidiaries or, where the context so requires, any of them;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board advising the Independent Shareholders in respect of the General Construction Contract as 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;
“Independent Financial Adviser”	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under SFO, and is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps;
“Independent Shareholders”	Shareholders who do not have a material interest in the transaction contemplated under the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps;
“Latest Practicable Date”	7 June 2010;
“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;

DEFINITIONS

“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;
“PRC”	the People’s Republic of China;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 20 August 2007 entered into between Catak Enterprises Corp., a wholly owned subsidiary of CITIC Pacific and MCC in respect of the Disposal as supplemented by a transfer confirmation letter dated 5 March 2009 between Catak Enterprises Corp., MCC and MCCL pursuant to which the 20% interest under the Disposal will be acquired by MCCL and the Side Letter;
“Share(s)”	share(s) of HK\$0.40 each in the share capital of CITIC Pacific;
“Shareholders”	shareholders of 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;

DEFINITIONS

“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;
“substantial shareholder”	has the meaning given to it by the Listing Rules;
“subsidiary(ies)”	has the meaning given to it by the Listing Rules;
“Supplemental Contract”	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;
“%”	per cent.

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.



CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

Directors:

Chang Zhenming (*Chairman*)
Zhang Jijing (*Managing Director*)
Carl Yung Ming Jie (*Deputy Managing Director*)
Vernon Francis Moore (*Group Finance Director*)
Li Shilin (*Executive Director*)
Liu Jifu (*Executive Director*)
Milton Law Ming To (*Executive Director*)
Wang Ande (*Executive Director*)
Kwok Man Leung (*Executive Director*)
Willie Chang*
Alexander Reid Hamilton**
Hansen Loh Chung Hon**
Norman Ho Hau Chong**
André Desmarais*
Ju Weimin*
Yin Ke*
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

14 June 2010

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

CITIC Pacific announced on 11 May 2010 that the Supplemental Contract had been entered into. The purpose of this circular is to provide Shareholders with, among other things, further information on the Supplemental Contract and the Annual Caps and the advice of the Independent Financial Adviser and the Independent Board Committee.

LETTER FROM THE BOARD

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 in 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. The payment of the Contract Sum will be funded by internal resources/bank borrowings. 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.

LETTER FROM THE BOARD

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. For example, there may be certain ad hoc requirements which is under MCC Mining's responsibility (i.e. transportation, accommodation of MCC Mining's contractor or employee) but may be more efficiently provided by Sino Iron. 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 (including liability for breach of contract) under the General Construction Contract as supplemented by the Supplemental Contract has been increased pursuant to the Supplemental Contract 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). Sino Iron is entitled to set off such liability owed by MCC Mining against any Contract Sum payable by Sino Iron or require MCC Mining to settle the liability by cash. Such limitations to the liability of MCC Mining are agreed after negotiations between the parties on an arms length basis.

Other amendments to the Scope of Work

Each of MCC Mining and Sino Iron is required 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 to be paid by MCC Mining to Sino Iron shall be for an amount up to AUD80 million (approximately HK\$560 million) in aggregate 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.

LETTER FROM THE BOARD

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>	<i>US\$ (Million)</i>	<i>Percentage of Contract Sum</i>	<i>US\$ (Million)</i>
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 (including the independent non-executive Directors whose views have been set out in this circular after taken into consideration the advice of the Independent Financial Adviser) consider that the Annual Caps above are fair and reasonable.

LETTER FROM THE BOARD

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 (including the independent non-executive Directors whose views have been set out in this circular after taken into consideration the advice of the Independent Financial Adviser) 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

LETTER FROM THE BOARD

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 Latest Practicable Date, has signed a written Shareholder's approval in accordance with Rule 14A.43 of the Listing Rules to approve the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps.

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 and the Annual Caps. 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.

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.

LETTER FROM THE BOARD

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.

None of the Directors has a material interest in the transaction and was not required to abstain from voting on the relevant board resolutions approving the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps.

RECOMMENDATION

Having noted and considered the reasons stated under the section headed “Reasons for and Benefits of the Supplemental Contract”, the Directors (including the independent non-executive Directors whose views have been set out in this circular after taken into consideration the advice of the Independent Financial Adviser) consider that the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of CITIC Pacific and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to support, and if a physical shareholders’ meeting were to be held, to vote in favour of, the relevant resolution(s) to approve the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from KBC Bank N.V. Hong Kong Branch to the Independent Board Committee and the Independent Shareholders and the general information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps contemplated in the Circular.



CITIC PACIFIC

CITIC Pacific Limited **中信泰富有限公司**

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

14 June 2010

To the Independent Shareholders,

Dear Sir or Madam,

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

We refer to the circular issued by CITIC Pacific to the Shareholders dated 14 June 2010 (the "Circular") of which this letter forms part. Terms defined in this circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise you on the terms of the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve them. KBC Bank N.V. Hong Kong Branch has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on page 14 to 20 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
For and on behalf of
Independent Board Committee of
CITIC Pacific Limited
Alexander Reid Hamilton
Hansen Loh Chung Hon
Norman Ho Hau Chong
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from KBC Bank N.V. Hong Kong Branch in respect of the General Construction Contract as supplemented by the Supplemental Contract and the Annual Caps prepared for the purpose of inclusion in this circular.



39/F, Central Plaza
18 Harbour Road
Hong Kong

14 June 2010

To the Independent Board Committee and the Independent Shareholders

Dear Sirs

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Contract and the Annual Caps, details of which are set out in the section headed "Letter from the Board" of the circular dated 14 June 2010 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

As disclosed in the Circular, CITIC Pacific has entered into the Sale and Purchase Agreement to dispose of its 20% equity interest in the Sino Iron Project to MCC Group. Upon Completion, the transaction contemplated under the General Construction Contract (as supplemented by the Supplemental Contract) will constitute a continuing connected transaction of CITIC Pacific under the Listing Rules. Although the Sale and Purchase Agreement has not been completed as at the Latest Practicable Date and there is no requirement for CITIC Pacific to comply with the relevant continuing connected transaction requirements until Completion, CITIC Pacific, for strict compliance with the Listing Rules and in anticipation of the forthcoming Completion, has complied in advance with the relevant requirements in respect of the General Construction Contract under the Listing Rules. Since the applicable ratios in respect of the increase in the Contract Sum by US\$835 million and the Annual Caps are greater than 2.5% but less than 25% and greater than HK\$10 million, the Supplemental Contract (including the Annual Caps) is subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Messrs. Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong, has been established to advise the Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders in respect of the Supplemental Contract (including the Annual Caps). We, KBC N. V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Contract as to (i) whether the transactions contemplated under the Supplemental Contract are conducted in the ordinary and usual course of business of CITIC Pacific and on normal commercial terms; (ii) whether the terms of the Supplemental Contract (including the Annual Caps) are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) whether the entering into of the Supplemental Contract is in the interests of CITIC Pacific and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by CITIC Pacific. We have reviewed, among other things, (i) the Circular; (ii) the Supplemental Contract; and (iii) the annual reports of CITIC Pacific covering the two years ended 31 December 2009 (the "Annual Reports"). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the directors and the management of CITIC Pacific that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. In addition, we have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by CITIC Pacific, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background

CITIC Pacific, a conglomerate, together with its subsidiaries (collectively the "Group"), invest and operate in a number of businesses, including (i) special steel manufacturing; (ii) iron ore mining; (iii) property development in the PRC; and (iv) other businesses including energy and civil infrastructure. CITIC Pacific is also the controlling shareholder of Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited, the shares of both of which are listed on the Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's iron ore mining operation stemmed from the entering into of two acquisitions agreements (namely, the "Sino Iron Acquisition Agreement" and the "Balmoral Acquisition Agreement") and an option agreement (the "Option Agreement") with Mineralogy Pty Ltd. in 2006. Each of the Sino Iron Acquisition Agreement and the Balmoral Acquisition Agreement would allow the Group to obtain 1 billion tonnes of magnetite iron ore in the Mining Area, which is located in the western region of Pilbara, Western Australia and near the mouth of the Fortescue River, whilst the Option Agreement has given the Group the option to acquire the right to extract up to additional 4 billion tonnes of magnetite ore in the Mining Area. In addition, in order to carry out the design, construction and installation of various mining/production infrastructures in the Mining Area, the Group and MCC Group entered into the General Construction Contract in 2007, the Contract Sum of which amounted to US\$1,106 million and had been subsequently adjusted to US\$1,750 million to cater for the additional Works involved in the additional 1 billion tonnes of magnetite ore available in the Mining Area following completion of the Balmoral Acquisition Agreement. As disclosed in the Annual Reports, the Sino Iron Project has an expected mining life of about 25 years at an annual production volume of approximately 28 million tonnes. If the options under the Option Agreement are exercised in full, the annual production volume of the Sino Iron Project will amount to approximately 70 million tonnes per annum.

As stated in the Circular, the Supplemental Contract is primarily for the purpose of increasing the Contract Sum by US\$835 million in order to cater for the increase in the construction costs caused by both changes, amongst others, in the cost structure of the iron ore industry in Australia and the delay in the schedule of the Works under the General Construction Contract as described below.

Given the principal business of the Group and the nature of the Supplemental Contract, we are of the view that the entering into of the Supplemental Contract is conducted in the ordinary and usual course of the business of the Group.

2. Reasons for and benefits of the increase in the Contract Sum

Particularly due to the continuous economic growth and the growing demand of iron ore of the PRC as stimulated by the PRC government's implementation of the "RMB4 Trillion Economic Stimulus Package" and the "Swap of Used Cars and Home Appliances for New Ones" in November 2008 and March 2009, respectively, the world's steel consumption is expected to increase from 1,318 million tonnes in 2007 to the forecasted amount of 1,774 million tonnes in 2015 (representing a compound annual growth rate of approximately 3.7%) according to the Australian Bureau of Agricultural and Resource Economics ("ABARE"). ABARE also projected that the world trade of iron ore would be increased at a compound annual growth rate of approximately 6% from approximately 835 million tonnes in 2007 to 1,324 million tonnes in 2015. According to Index Mundi, a global statistics provider, the market price of iron ore was increased substantially by more than 70% and more than 100% from March 2009 to April 2010 and from 2007 to April 2010, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The recent surge in the market price of iron ore has resulted in mining companies having begun to ramp up their mining/production activities, which have intensified the market competition and demand for construction materials, machinery and labour in the mining industry. As a result, there have been an upward trend for the capital expenditure incurred by mining companies and the length of the construction project completion time (due to, among others, lengthened delivery time of construction materials and the more difficult recruitment process for relevant professionals) since 2009. According to ABARE, the average capital expenditure incurred for the mining projects in Australia has been increased by approximately 54% from 2007 to 2010 (based on the total capital expenditures of AUD22,837 million and AUD23,956 million incurred by 41 and 28 completed mining projects in Australia as at 30 April 2007 and 2010, respectively). For the year ended 31 March 2010, the total capital expenditure in the mining industry of Australia was increased by AUD41.3 billion from the preceding year and represented approximately 3 times the average annual capital expenditure incurred by Australian mining companies over the past 30 years. ABARE also anticipates that the capital expenditure in the mining industry in Australia would be further increased by approximately 19% for the year ending 31 March 2011. Based on the information available to us, we noted that there had been a substantial increase in the range of approximately 36% and 147% (with an average of approximately 77% and a median of approximately 71%) in the capital expenditures for the same mining projects by mining companies in Australia from 2007 to 2009.

Since the Sino Iron Project is the first magnetite iron ore mine project in Australia, it is difficult for CITIC Pacific to identify a capable contractor in Australia with pricing, quality and expertise in magnetite iron ore mining projects comparable to or better than those of MCC Mining, which is an international construction company and one of the leading contractors in the PRC with substantial experience in undertaking similar construction works for large-scale magnetite iron ore mine projects in various countries, to replace MCC Mining. It is also the intention of the Group to continue the development progress of the Sino Iron Project with a view of leading-up to the first mill line production as soon as practicable and MCC Mining has completed certain Works in the Mining Area for two years. Therefore, replacing MCC Mining with any other contractors which do not have the same depth of working knowledge about the Mining Area as MCC Mining will only potentially delay the commercial production of the Sino Iron Project and is therefore not considered to be an alternative in the interests of CITIC Pacific and the Shareholders as a whole. More importantly, the management of CITIC Pacific has confirmed that the increase in the Contract Sum was arrived at after arm's length negotiations between the Group and MCC Group with reference to the increase in the costs relating to mining projects such as labour, equipment and construction materials in Australia and we, based on the abovementioned information, concur with the management of CITIC Pacific that such increase in the Contract Sum is in line with the market.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Annual Caps

Set out below is the summary of the existing Annual Caps and the revised Annual Caps:

<i>(US\$ Million)</i>	For the year ended/ending 31 December					
	2007	2008	2009	2010	2011	2012
Existing Annual Caps	525	700	700	437.5	350	
Actual Contract Sum paid	309	134	472			
<i>Utilisation</i>	59%	19%	67%			
Revised Annual Caps				1,500	1,000	200

In assessing the fairness and reasonableness of the Annual Caps, we, having discussed with the management of CITIC Pacific the basis and assumptions underlying the projection of the Annual Caps and reviewed the relevant documents, understand that the Annual Caps were arrived at after taking into account of (i) the estimate of the Works required and the timing in which the Works are to be completed; (ii) the amount paid for the Works completed to date and the progress of the Works completed by MCC Mining; (iii) the revised construction schedule and in anticipation that a substantial part of the remaining Works shall be performed in 2010 and 2011; (iv) the possibility of delays or advancement in actual construction progress other than as scheduled; (v) the amount of support to be provided by Sino Iron to MCC Mining, the charges of which may be deducted in calculating the relevant Annual Caps; and (vi) the variation to the Works which may become necessary and/or desirable given the nature of the construction contracts of this type. For the aggregate amount of the Annual Caps being larger than the revised Contract Sum, we noted that a buffer has been included in the estimation of the Annual Caps for each particular year in order for the Group to maintain a flexibility to cater for changes in the progress of the Works during any particular year. Given the nature of the construction contract of this type, the highest ever and increasing demand for construction services by the mining industry in Australia (and hence the competition for and the availability of labour, raw materials and equipment) as well as the change in the schedule of the Works in the past as evidenced by the historical pattern of payments of the Contract Sum by CITIC Pacific to MCC Mining, we concur with the view of the management of CITIC Pacific that the progress of the Works and the payment of the Contract Sum may be subject to uncertainty and therefore such buffers are reasonable.

Based on the above, we consider that the Annual Caps are fair and reasonable.

4. Listing Rules implications

CITIC Pacific shall, following Completion, comply with the requirements of Rules 14A.37 and 14A.38 of the Listing Rules, pursuant to which the transactions under the General Construction Contract (as supplemented by the Supplemental Contract) shall be subject to the annual review by the independent non-executive

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Directors and the auditors of CITIC Pacific over the term of the General Construction Contract (as supplemented by the Supplemental Contract). Each year, the independent non-executive Directors must review the continuing connected transactions under the General Construction Contract (as supplemented by the Supplemental Contract) and confirm in the annual report and accounts of CITIC Pacific that the transactions have been entered into:

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

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

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

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

CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred from above, in particular,

- (i) the increase in the Contract Sum is below the percentage of increase (both average and median) in the capital expenditure of the mining industry of Australia from 2007 to 2009;
- (ii) since the Sino Iron Project is the first magnetite iron ore mine project in Australia, it is difficult for CITIC Pacific to identify a capable contractor in Australia with pricing, quality and expertise in magnetite iron ore mining projects comparable to or better than those of MCC Mining. It is also the intention of the Group to continue the development progress of the Sino Iron

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Project with a view of leading-up to the first mill line production as soon as practicable and MCC Mining has completed certain Works in the Mining Area for two years. Therefore, replacing MCC Mining with any other contractors which do not have the same depth of working knowledge about the Mining Area as MCC Mining will only potentially delay the commercial production of the Sino Iron Project and is therefore not considered being an alternative in the interest of CITIC Pacific and the Shareholders as a whole. More importantly, the management of CITIC Pacific has confirmed that the increase in the Contract Sum was arrived at after arm's length negotiations between the Group and MCC Group with reference to the increase in the costs relating to mining projects such as labour, equipment and construction materials in Australia and we, based on the abovementioned information, concur with the management of CITIC Pacific that such increase in the Contract Sum is in line with the market. Therefore the entering into of the Supplemental Contract is fair and reasonable and is in the interests of CITIC Pacific and the Shareholders as a whole; and

- (iii) the Annual Caps have been arrived at after due and careful consideration by the management of CITIC Pacific and are fair and reasonable,

we are of the view that (i) the transactions contemplated under the Supplemental Agreement are conducted in the ordinary and usual course of business of CITIC Pacific and on normal commercial terms; (ii) the terms of the Supplemental Contract (including the Annual Caps) are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the Supplemental Contract is in the interests of CITIC Pacific and the Shareholders as a whole.

The Stock Exchange has granted a waiver to CITIC Pacific from strict compliance with the requirement to hold a shareholders' meeting and the permission for the independent shareholders' approval in respect of the Supplemental Contract to be given in the form of the written shareholders' approval signed by CITIC Group. As such, the entering into of the Supplemental Contract by CITIC Pacific is not required to be approved at a general meeting of CITIC Pacific. However, had the entering into of the Supplemental Contract been required to put forward for consideration and approval at a general meeting of CITIC Pacific, we would have advised the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Supplemental Contract (including the Annual Caps).

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

Kenneth Chan
Head of Corporate Finance, Greater China

Gaston Lam
Corporate Finance

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(I) Directors' Interests

(a) Interests and/or short positions of the Directors and chief executives

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

(i) Shares in CITIC Pacific:

Name of director	Number of shares	
	Personal interests unless otherwise stated	Percentage to the issued share capital (%)
Carl Yung Ming Jie	300,000	0.008
Vernon Francis Moore	4,200,000	0.115
	(Note 1)	
Li Shilin	300,000	0.008
Liu Jifu	840,000	0.023
Milton Law Ming To	167,000	0.005
Wang Ande	400,000	0.011
Hansen Loh Chung Hon	1,550,000	0.042
	(Note 2)	
André Desmarais	8,145,000	0.223
	(Note 3)	
Peter Kruyt (alternate director to Mr André Desmarais)	34,100	0.001

Notes:

1. Trust interest
2. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other
3. Corporate interest in respect of 8,000,000 shares and family interest in respect of 145,000 shares

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

Name of director	Date of grant	Exercise price per share (HKD)	Exercisable Period	Number of share options outstanding as at the Latest Practicable Date	Percentage to the issued share capital (%)
Chang Zhenming	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	500,000	0.030
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	600,000	
				1,100,000	
Zhang Jijing	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	0.014
Carl Yung Ming Jie	20 Jun 06	22.10	20 Jun 06 – 19 Jun 11	600,000	0.052
	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	800,000	
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,900,000	
Vernon Francis Moore	20 Jun 06	22.10	20 Jun 06 – 19 Jun 11	700,000	0.049
	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	600,000	
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,800,000	
Li Shilin	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	500,000	0.014
Liu Jifu	20 Jun 06	22.10	20 Jun 06 – 19 Jun 11	700,000	0.052
	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	700,000	
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,900,000	

Name of director	Date of grant	Exercise price per share (HKD)	Exercisable Period	Number of share options outstanding as at the Latest Practicable Date	Percentage to the issued share capital (%)
Milton Law Ming To	20 Jun 06	22.10	20 Jun 06 – 19 Jun 11	800,000	0.058
	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	800,000	
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				2,100,000	
Wang Ande	20 Jun 06	22.10	20 Jun 06 – 19 Jun 11	350,000	0.045
	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	800,000	
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,650,000	
Kwok Man Leung	16 Oct 07	47.32	16 Oct 07 – 15 Oct 12	600,000	0.030
	19 Nov 09	22.00	19 Nov 09 – 18 Nov 14	500,000	
				1,100,000	

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

(iii) Shares in the associated corporations:

Name of director	Number of shares in CITIC 1616 Holdings Limited	Percentage to the issued share capital (%)
	Personal interests unless otherwise stated	
Vernon Francis Moore	200,000 (Note 1)	0.010

Note:

- Trust interest

Name of director	Number of shares in Dah Chong Hong Holdings Limited	Percentage to the issued share capital (%)
	Personal interests unless otherwise stated	
Li Shilin	12,000	0.001
Liu Jifu	33,600 (Note 1)	0.002
Hansen Loh Chung Hon	62,000 (Note 2)	0.003

Notes:

1. Family interest
2. Corporate interest in respect of 20,000 shares and joint interest in respect of 42,000 shares

Name of director	Number of shares in CITIC Guoan Information Industry Co., Ltd.	Percentage to the issued share capital (%)
	Personal interests unless otherwise stated	
Li Shilin	92,466	0.006

Name of director	Number of shares in CITIC Resources Holdings Limited	Percentage to the issued share capital (%)
	Personal interests unless otherwise stated	
Zhang Jijing	28,000 (Note 1)	0.001

Note:

1. Family interest

(iv) Share options in the associated corporations:

Share options in CITIC Resources Holdings Limited (Note)

Name of director	Date of grant	Exercise price per share (HKD)	Exercisable Period	Number of Share options outstanding as at the Latest Practicable Date	Percentage to issued share capital (%)
Zhang Jijing	02 Jun 05	1.077	02 Jun 06 – 01 Jun 13	10,000,000	0.165

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

Share options in CITIC 1616 Holdings Limited (Note)

Name of director	Date of grant	Exercise price per share (HKD)	Exercisable Period	Number of Share options outstanding as at the Latest Practicable Date	Percentage to issued share capital (%)
Kwok Man Leung	17 Sept 09	2.10	17 Sept 10 – 16 Sept 15	150,000	0.013
	17 Sept 09	2.10	17 Sept 11 – 16 Sept 16	150,000	
				300,000	

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

(II) Shareholder's Interests

(b) Substantial shareholders of CITIC Pacific

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

Name	Number of shares of CITIC Pacific	Percentage to the issued share capital (%)
CITIC Group	2,098,736,285	57.520
CITIC Hong Kong (Holdings) Limited ("CITIC HK")	747,486,203	20.486
Heedon Corporation	598,261,203	16.397
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345
Honpville Corporation	310,988,221	8.523
Larry Yung Chi Kin	301,844,000	8.273
Earnplex Corporation	238,363,000	6.533

CITIC Group is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary companies of CITIC Group	Number of shares of CITIC Pacific	Percentage to the issued share capital (%)
CITIC HK	747,486,203	20.486
Full Chance Investments Limited	450,416,694	12.345
Newease Investments Limited	450,416,694	12.345
Skyprofit Holdings Limited	450,416,694	12.345

CITIC HK is a substantial shareholder of CITIC Pacific holding its indirect interest through its wholly-owned subsidiary companies as follows:

Name of subsidiary companies of CITIC HK	Number of shares of CITIC Pacific	Percentage to the issued share capital (%)
Affluence Limited	43,266,000	1.186
Winton Corp.	30,718,000	0.842
Westminster Investment Inc.	101,960,000	2.794
Jetway Corp.	122,336,918	3.353
Cordia Corporation	32,258,064	0.884
Honpville Corporation	310,988,221	8.523
Hainsworth Limited	93,136,000	2.553
Southpoint Enterprises Inc.	10,000,000	0.274
Raymondford Company Limited	2,823,000	0.077

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Mr Zhang Jijing is a non-executive director of CITIC Resources Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange. CITIC Resources Holdings Limited is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production. Further details of its nature,

scope and size of its business as well as its management can be found in the latest annual report of CITIC Resources Holdings Limited. In the event that there are transactions between CITIC Resources Holdings Limited and CITIC Pacific, Mr. Zhang will abstain from voting. Save as disclosed above, Mr Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of CITIC Pacific.

4. DIRECTORS' SERVICE CONTRACTS

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

5. INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or expert described in paragraph 7 of Appendix to this circular had any direct or indirect interest in any assets which had been, since 31 December 2009, being the date to which the latest published audited accounts of CITIC Pacific were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are of the opinion that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

7. EXPERT AND CONSENT

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

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

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

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

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

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

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Chang Zhenming	CITIC Group	Vice Chairman and President
	CITIC HK	Managing Director
Zhang Jijing	CITIC Group	Executive Director and Vice President
	Heedon Corporation	Director
	Honpville Corporation	Director
Vernon Francis Moore	Heedon Corporation	Director
	Honpville Corporation	Director
Liu Jifu	CITIC HK	Director
Ju Weimin	CITIC Group	Executive Director, Vice President and Chief Financial Officer

9. MISCELLANEOUS

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of CITIC Pacific in Hong Kong from the date of this circular up to and including 30 June, 2010:

- (a) the letter from KBC Bank N.V. Hong Kong Branch, the text of which is set out on pages 14 to 20 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular;
- (c) the General Construction Contract as supplemented by the Supplemental Contract; and
- (d) a copy of this circular.