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CITIC Pacific Limited

中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

CONNECTED TRANSACTION

Sino Iron, a wholly-owned subsidiary of CITIC Pacific, has entered into the Equipment Supply Contract for the design optimisation and fabrication of steel structure as well as autogenous mill and ball mill thunderbolt support for lines 3 to 6 of the Sino Iron Project by CITIC Heavy Industries.

CITIC Heavy Industries is a connected person of CITIC Pacific under the Listing Rules as it is a subsidiary of CITIC Group Corporation, the ultimate controlling shareholder of CITIC Pacific. The Equipment Supply Contract is therefore a connected transaction of CITIC Pacific pursuant to Rule 14A.13 of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equipment Supply Contract, both by itself and together with the 2013 Contracts, are more than 0.1% but less than 5%, the Equipment Supply Contract and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EQUIPMENT SUPPLY CONTRACT

Sino Iron, a wholly-owned subsidiary of CITIC Pacific, has entered into the Equipment Supply Contract for the design optimisation and fabrication of steel structure as well as autogenous mill and ball mill thunderbolt support for lines 3 to 6 of the Sino Iron Project by CITIC Heavy Industries.

Date: 16 May 2014

Parties

- (1) Sino Iron, a wholly-owned subsidiary of CITIC Pacific, as buyer
- (2) CITIC Heavy Industries, a subsidiary of CITIC Group Corporation, being the ultimate controlling shareholder of CITIC Pacific, as seller

Total contract sum and payment terms

The total contract sum for the services provided and Equipment supplied pursuant to the Equipment Supply Contract is US\$10,563,765.6 (equivalent to approximately HK\$82,397,371.7), which will be payable by Sino Iron as to:-

- (a) 30% of the total contract sum, as advance payment payable after execution of the Equipment Supply Contract and within 30 days after receipt of (i) commercial invoice issued by CITIC Heavy Industries, (ii) the advance payment guarantee referred to below and (iii) relevant inspection and testing plan documents in respect of the Equipment; and
- (b) the balance in instalments against milestone delivery stages of the Equipment. The last batch of the Equipment is expected to be delivered in November 2014.

The total contract sum was determined after arm's length negotiations between Sino Iron and CITIC Heavy Industries taking into account a number of factors including the prices quoted by other independent suppliers, product lead time, product delivery schedule as well as the services provided by CITIC Heavy Industries from equipment ordering to delivery.

Guarantee provided by CITIC Heavy Industries

Pursuant to the Equipment Supply Contract, CITIC Heavy Industries agreed to provide the following guarantees as security:

- (a) advance payment guarantee: CITIC Heavy Industries will provide a bank guarantee in the amount of 30% of the total contract sum within 7 days after execution of the Equipment Supply Contract, which will be released when the last batch of Equipment is ready for delivery, or by 30 October 2014, whichever is earlier; and
- (b) quality guarantee: CITIC Heavy Industries will provide a bank guarantee in the amount of 5% of the total contract sum before payment of the last instalment of the first batch of equipment, such bank guarantee will be released against submission of the final acceptance certificate for the last batch of Equipment.

REASONS FOR AND BENEFITS OF THE EQUIPMENT SUPPLY CONTRACT

With line 1 of the Sino Iron Project in operation and commissioning of line 2 progressing, and building on the experience gained, CITIC Pacific has commenced civil construction and installation of production lines 3 to 6. Sino Iron and CITIC Heavy Industries have entered into

the Equipment Supply Contract for the design optimisation and fabrication of steel structure as well as autogenous mill and ball mill thunderbolt support for lines 3 to 6.

CITIC Heavy Industries has been involved in the modification works for lines 1 and 2 supplying various spare parts and consumables, from which CITIC Heavy Industries has gained an operational understanding of the Sino Iron Project. In these previous transactions, CITIC Heavy Industries also demonstrated satisfactory quality and pricing, as well as timeliness, for the parts it provided to the Group. Please refer to the announcement of CITIC Pacific dated 19 December 2013 for details of these previous transactions.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equipment Supply Contract are fair and reasonable and in the interests of CITIC Pacific and its shareholders as a whole. No Director has material interest in the Equipment Supply Contract and the transactions contemplated therein. Accordingly, none of them is required to abstain from voting on the Board resolutions for considering and approving the Equipment Supply Contract.

LISTING RULES IMPLICATIONS

CITIC Heavy Industries, the shares of which are listed on the Shanghai Stock Exchange, is a subsidiary of CITIC Group Corporation, being the ultimate controlling shareholder of CITIC Pacific holding 2,098,736,285 Shares as of the date of this announcement, representing approximately 57.51% of the entire issued share capital of CITIC Pacific. Therefore, CITIC Heavy Industries is a connected person of CITIC Pacific under the Listing Rules, and the Equipment Supply Contract constitutes a connected transaction of CITIC Pacific pursuant to Rule 14A.13 of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equipment Supply Contract, both by itself and together with the 2013 Contracts, are more than 0.1% but less than 5%, the Equipment Supply Contract and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to CITIC Pacific's announcement dated 16 April 2014 relating to, among other things, a very substantial acquisition of 100% of the total issued shares of CITIC Limited from CITIC Group Corporation and its wholly-owned subsidiary. Should that transaction become unconditional and proceed to completion, CITIC Heavy Industries will become a subsidiary of CITIC Pacific and similar transactions after that time will not be connected transactions under the Listing Rules.

GENERAL

The Group's operational focus is on the PRC, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in the PRC. Other businesses include energy and civil infrastructure. CITIC Pacific also holds a controlling interest in Dah Chong Hong Holdings Limited and 41.27% interest in CITIC Telecom International Holdings Limited.

The principal business of Sino Iron is investment holding, owning interests in the Sino Iron Project. CITIC Heavy Industries is principally engaged in development, research, manufacturing and sale of large-scale equipment, large-scale technical turnkey project package equipment, as well as large-scale casting and forging products for the construction materials, mining, metallurgical, power generation, energy saving and green industries and provision of related services and solutions.

Located in Western Australia, the Sino Iron Project is the largest magnetite iron ore project in Australia and involves the construction of some of the largest mining and processing infrastructure and equipment in Australia and globally. The project is designed to produce 24 million tonnes of iron ore concentrate annually. Once completed, the Sino Iron Project will not only supply iron ore to CITIC Pacific's own steel plants, but also to other steel producers in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set forth opposite them:

“2013 Contracts”	such of the contracts for the supply of mill liners, spare parts and other consumables by CITIC Heavy Industries to the Group disclosed in the announcement of CITIC Pacific dated 19 December 2013 as were entered into the 12-month period up to the date of the Equipment Supply Contract;
“Board”	board of Directors of CITIC Pacific
“CITIC Heavy Industries”	CITIC Heavy Industries Co., Ltd. 中信重工機械股份有限公司, a joint stock company established in the PRC with its shares listed on the Shanghai Stock Exchange (stock code: 601608), and a subsidiary of CITIC Group Corporation, being the ultimate controlling shareholder of CITIC Pacific
“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 Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of CITIC Pacific
“Equipment”	steel structure as well as autogenous mill and ball mill thunderbolt support for lines 3 to 6 of the Sino Iron Project
“Equipment Supply Contract”	agreement dated 16 May 2014 between Sino Iron and CITIC Heavy Industries in relation to the design optimisation and

fabrication of steel structure as well as autogenous mill and ball mill thunderbolt support for lines 3 to 6 of the Sino Iron Project by CITIC Heavy Industries

“Group”	CITIC Pacific and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shares”	shares in the issued share capital of CITIC Pacific
“Sino Iron”	Sino Iron Pty Ltd, a company incorporated in Australia and a wholly owned subsidiary of CITIC Pacific
“Sino Iron Project”	the mining and extraction of magnetite ore from the mining area, namely, Mining Leases 08/123, 08/124 and 08/125 granted under the Mining Act of Western Australia, and the processing of that magnetite ore into products through mine and processing facilities or infrastructure constructed or installed by the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars, the lawful currency of the United States of America

For illustration purposes only, the amounts in US\$ stated in this announcement are translated to HK\$ at the rate of US\$1 = HK\$7.8. No representation is made that any amount in US\$ has been or could be converted at the above rate or at any other rates or at all.

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

Hong Kong, 16 May 2014

As at the date of this announcement, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Vernon Francis Moore, Liu Jifu and Zeng Chen; the non-executive directors of CITIC Pacific are Messrs Ju Weimin, Yin Ke, and Carl Yung Ming Jie; and the independent non-executive directors of CITIC Pacific are Messrs Alexander Reid Hamilton, Gregory Lynn Curl, Francis Siu Wai Keung and Dr Xu Jinwu.