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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)

CONNECTED TRANSACTION

Sino Iron, a wholly-owned subsidiary of CITIC Pacific, has entered into the Pinion and Electrical Parts Contract for the procurement of Pinion and Electrical Parts, from CITIC Heavy Industries, for the construction of production lines 3 to 6 of the Sino Iron Project.

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 procurement from CITIC Heavy Industries under the Pinion and Electrical Parts Contract is therefore a connected transaction of CITIC Pacific pursuant to Rule 14A.23 of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the procurement under the Pinion and Electrical Parts Contract, both by itself and together with the Previous Contracts, are more than 0.1% but less than 5%, the Pinion and Electrical Parts Contract and the transactions contemplated thereunder are subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

INTRODUCTION

The Board announces that on 22 July 2014, Sino Iron, a wholly-owned subsidiary of CITIC Pacific, has entered into the Pinion and Electrical Parts Contract for the procurement of Pinion and Electrical Parts, from CITIC Heavy Industries, for the construction of production lines 3 to 6 of the Sino Iron Project.

THE PINION AND ELECTRICAL PARTS CONTRACT

Date: 22 July 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

Subject matter of procurement:

Pinion and Electrical Parts used in the construction of production lines 3 to 6 of the Sino Iron Project and, based on experiences from production lines 1 and 2, optimisation of production process in these production lines.

Total contract sum and payment terms:

The total contract sum for the Pinion and Electrical Parts under the Pinion and Electrical Parts Contract is US\$3,310,100 (equivalent to approximately HK\$25,818,780), which is payable by Sino Iron as to:-

- (a) US\$993,030 (equivalent to approximately HK\$7,745,634), representing 30% of the total contract sum, as advance payment payable after execution of the Pinion and Electrical Parts 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; and
- (b) the balance in instalments against milestone delivery stages of the Pinion and Electrical Parts which will be delivered in batches. All batches of the Pinion and Electrical Parts are expected to be delivered in 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 supplier, product delivery schedule as well as the services available from CITIC Heavy Industries from equipment ordering to delivery.

Guarantee provided by CITIC Heavy Industries

Pursuant to the Pinion and Electrical Parts 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 Pinion and Electrical Parts Contract, which will be released when the last batch of the Pinion and Electrical Parts is ready for delivery;

- (b) quality guarantee: CITIC Heavy Industries will provide a bank guarantee in the amount of 5% of the total contract sum before payment of last instalment of first batch of the Pinion and Electrical Parts, such bank guarantee will be released upon expiry of the defect liability period in respect of the Pinion and Electrical Parts (which is the earlier of 24 months from delivery or 12 months from commissioning of the Pinion and Electrical Parts); and
- (c) performance guarantee: CITIC Heavy Industries will provide a corporate guarantee in the amount of 10% of the total contract sum before last payment of the Pinion and Electrical Parts Contract, such corporate guarantee will be released against the stated performance targets of the Pinion and Electrical Parts upon commencement of trial production.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

With production line 1 of the Sino Iron Project in operation and re-commencement in mid-June of trial production of line 2 progressing, CITIC Pacific has also commenced civil construction and installation of production lines 3 to 6. Sino Iron and CITIC Heavy Industries have entered into the Pinion and Electrical Parts Contract for the construction of production lines 3 to 6 and, based on experiences gained from production lines 1 and 2, optimisation of the production process in production lines 3 to 6.

CITIC Heavy Industries has been involved in the modification works for production 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 announcements of CITIC Pacific dated 19 December 2013 and 16 May 2014 for details of these previous transactions.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Pinion and Electrical Parts 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 Pinion and Electrical Parts 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 Pinion and Electrical Parts 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 Pinion and Electrical Parts Contract constitutes a connected transaction of CITIC Pacific pursuant to Rule 14A.23 of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the procurement under the Pinion and Electrical Parts Contract, both by itself and together with the Previous Contracts, are more than 0.1% but less than 5%, the Pinion and Electrical Parts Contract and the transactions contemplated thereunder are subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2)(a) 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 of CITIC Pacific 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 approximately 41.24% 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:

“Board” board of Directors

“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
“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
“Pinion and Electrical Parts”	pinion assembly spares and electrical equipment alteration parts used for the construction of production lines 3 to 6 of the Sino Iron Project and optimisation of production process in these production lines
“Pinion and Electrical Parts Contract”	agreement dated 22 July 2014 between Sino Iron and CITIC Heavy Industries in relation to the procurement of the Pinion and Electrical Parts from CITIC Heavy Industries
“Previous Contracts”	such contracts for the supply of mill liners, spare parts and other consumables, equipment, steel structure, autogenous mill and ball mill thunderbolt support and services by CITIC Heavy Industries to the Group disclosed in the announcements of CITIC Pacific dated 19 December 2013 and 16 May 2014 respectively as were entered into during the 12-month period up to the date of the Pinion and Electrical Parts Contract
“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, 22 July 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.