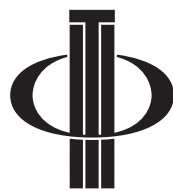


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CITIC PACIFIC

CITIC Pacific Limited

中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

MAJOR TRANSACTION

ACQUISITION OF MAGNETITE MINING RIGHTS IN WESTERN AUSTRALIA

Under the transaction agreed, the Company will have, potentially, mining rights over 6 billion tonnes of magnetite ore over the Mining Area in the western Pilbara region of Western Australia located near the mouth of the Fortescue River. The mining rights will be held through companies the Company may acquire which hold sub-leases (ie sub mining rights) from the Seller, an independent third party, which in turn holds the mining rights direct from the Western Australian Government.

On 31 March 2006, a wholly owned subsidiary of the Company agreed to acquire from the Seller the entire interest in Sino-Iron (which has the right to extract 1 billion tonnes of magnetite ore in the Mining Area) for US\$215 million (approximately HK\$1,677 million). On the same day, another wholly-owned subsidiary of the Company agreed to, conditional upon additional 1 billion tonnes of magnetite ore resources being proven by the Company after it completes an agreed drilling program in the same area, acquire from the Seller the entire interest in Balmoral (which will have the right to extract 1 billion tonnes of magnetite ore in the Mining Area) for US\$200 million (approximately HK\$1,560 million), adjusted for Inflation.

In addition, subject to completion of both the Sino-Iron Acquisition and the Balmoral Acquisition, the Company will enter into the China Project Option Agreement whereby it will be granted the Options to acquire up to an additional 4 billion tonnes of magnetite ore (each 1 billion tonnes for a consideration of US\$200 million, adjusted for Inflation) exercisable for, depending on the first option being exercised within 4 years after completion of the Sino-Iron Acquisition and the Balmoral Acquisition, up to 10 years from completion of the Sino-Iron Acquisition. The Company will undertake a further drilling obligation to locate the additional 4 billion tonnes of magnetite ore on top of the 2 billion tonnes to be available to Sino-Iron and Balmoral (or such lesser amount as is located under the further drilling obligation).

Sino-Iron and Balmoral will arrange the financing of the construction of the infrastructure for the Project. The estimated capital expenditure payable for Sino-Iron (ie the first 1 billion tonnes of magnetite ore) is US\$1,370 million (approximately HK\$10,686 million), and the estimated capital expenditure payable for Balmoral (ie the second 1 billion tonnes of magnetite ore) will be US\$1,100 million (approximately HK\$8,580 million).

The Acquisition of Mining Rights enables the Group to explore for magnetite ore to ensure a constant and sufficient supply of raw materials for the furtherance of its special steel manufacturing business and also to invest in a magnetite ore mining business.

The Company intends to cooperate with partners of PRC background with expertise in mining and requiring constant supply of iron ore or related product to participate in the Project.

The applicable percentage ratios pursuant to Rule 14.04(9) of the Listing Rules for the Acquisition of Mining Rights exceed 25% but are under 100% and therefore the Acquisition of Mining Rights constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules.

Shareholders of the Company holding in aggregate over 50% of the issued shares of the Company have indicated that they approve the Acquisition of Mining Rights and the Company will procure the signing of a written shareholders' approval, failing which a shareholders' meeting will be convened for approving the Acquisition of Mining Rights. A circular complying with both Chapter 14 and Rule 18.09 of the Listing Rules and containing, among other things, further details of the Acquisition of Mining Rights will be despatched to the shareholders of the Company as soon as practicable.

INTRODUCTION TO THE ACQUISITION OF MINING RIGHTS AND BACKGROUND IN RELATION TO MAGNETITE ORE MINING

Under the transaction agreed, the Company will have, potentially, mining rights over 6 billion tonnes of magnetite ore over the Mining Area in the western Pilbara region of Western Australia located near the mouth of the Fortescue River.

Magnetite ore is a ferromagnetic mineral form of iron ore, which can be further processed into concentrate, pellets or hot briquetted iron. These are the essential raw materials for the production of iron at the beginning stage of steel (including special steel) manufacturing process. It is estimated that the conversion ratio of magnetite ore to concentrate/pellet is 3.4 to 1 for this Project. There is no established open market value for magnetite ore.

The mining rights which the Company may acquire will be acquired by buying companies from the Seller, which companies hold sub-leases (ie sub mining rights) from the Seller, which in turn holds the mining rights direct from the Western Australian Government.

The sub-leases will continue in force until, for each company the Group acquires from the Seller, the processing of its 1 billion tonnes of magnetite ore which has been taken from the Mining Area has been completed. After each sub-lease expires, the relevant company(s) that the Company has acquired will no longer have the mining rights in the Mining Area.

The magnetite ore will be processed into concentrate and pellets, hot briquetted iron or/and any other product produced from iron ore or magnetite. A royalty is payable to the Seller based on the quantity of magnetite ore extracted and products produced.

In addition, Sino-Iron and Balmoral will arrange the financing of the construction of some of the infrastructure for the Project. The estimated capital expenditure payable for Sino-Iron (ie the first 1 billion tonnes of magnetite ore) is US\$1,370 million (approximately HK\$10,686 million), and the estimated capital expenditure payable for Balmoral (ie the second 1 billion tonnes of magnetite ore) is US\$1,100 million (approximately HK\$8,580 million).

In order for Sino-Iron, Balmoral, or any other company the Group acquires from the Seller to export concentrate produced under the terms of the existing sub-lease, the approval of the Western Australian Government will have to be obtained for the amendment of the agreement between the Seller, the Western Australian Government and other relevant parties. Having made enquiries with the relevant entities (including entities within the Western Australian Government) on this matter, the Directors are confident of obtaining this approval.

The table below summarises the key details of the Project:

Assets to be acquired	Agreement	Consideration	Conditions precedents to the acquisitions	Other terms
Right to extract 1 billion tonnes of magnetite ore in the Mining Area through the acquisition of Sino-Iron	Sino-Iron Acquisition Agreement	US\$215 million	<ul style="list-style-type: none"> Consent from Treasurer of Australia 	<ul style="list-style-type: none"> Estimated capital expenditure of US\$1,370 million Royalty
Right to extract 1 billion tonnes of magnetite ore in the Mining Area through the acquisition of Balmoral	Balmoral Acquisition Agreement	US\$200 million plus Inflation between the date of the Balmoral Acquisition Agreement and the completion of the Balmoral Acquisition	<ul style="list-style-type: none"> Consent from Treasurer of Australia Completion of the Sino-Iron Acquisition Another 1 billion tonnes of magnetite ore in the Mining Area (other than the 1 billion tonnes to be available to Sino-Iron) being proven 	<ul style="list-style-type: none"> Estimated cost of first drilling obligation of A\$5 million Estimated capital expenditure of US\$1,100 million Royalty
Options to acquire the right to extract up to 4 billion tonnes of magnetite ore in the Mining Area (depending on how much is proven by the Company under the further drilling obligation) through the acquisition of up to 4 further companies, each with the right to extract 1 billion tonnes of magnetite ore in the Mining Area	China Project Option Agreement	US\$100 for grant of all Options US\$200 million plus Inflation between 1 March 2006 and the date of completion of such acquisition for the exercise of each Option	<ul style="list-style-type: none"> Consent from Treasurer of Australia Another 4 billion tonnes of magnetite ore (or lesser amount) in the Mining Area (other than the 2 billion tonnes to be available to Sino-Iron and Balmoral) being proven 	<ul style="list-style-type: none"> Estimated cost of further drilling obligation of A\$15 million Royalty

THE SINO-IRON ACQUISITION AGREEMENT

Date
31 March 2006

Parties

- (1) Mineralogy, as seller
- (2) Sino-Iron Purchaser, as purchaser
- (3) The Company, as guarantor of the Sino-Iron Purchaser's obligations under the Sino-Iron Acquisition Agreement
- (4) Sino-Iron

In consideration of the Company and the Sino-Iron Purchaser entering into the Sino-Iron Acquisition Agreement, a separate deed of guarantee was entered into by Mr. Clive Frederick Palmer to guarantee Mineralogy's obligations to make payments in respect of its obligations and liabilities arising out of certain tax claims or Mineralogy's warranty under the Sino-Iron Acquisition Agreement that Sino-Iron has no liabilities.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller, its ultimate beneficial owner and Mr. Clive Frederick Palmer are third parties independent of the Company and its connected persons.

Assets involved

- sale shares – 10,000 issued shares in Sino-Iron held by the Seller, representing the entire existing issued shares in Sino-Iron.
- subscription shares – a number of shares in Sino-Iron for which the Sino-Iron Purchaser shall subscribe on completion (being the number of shares in an amount required to provide sufficient funds to Sino-Iron to repay all of its debts on completion).

Mineralogy has granted to Sino-Iron the right to extract from the Mining Area 1 billion tonnes of magnetite ore.

Consideration for Sino-Iron Shares

The Sino-Iron Purchaser agreed to pay a fixed sum of US\$215 million (approximately HK\$1,677 million) in aggregate to the Seller and Sino-Iron for acquisition of the sale shares and subscription for the subscription shares on the basis that Sino-Iron will be debt free as at completion.

A deposit of US\$20 million (approximately HK\$156 million) will be paid by the Sino-Iron Purchaser to an escrow agent within five business days after execution of the Sino-Iron Acquisition Agreement and the balance of US\$195 million (approximately HK\$1,521 million) to the Seller and Sino-Iron on completion. If completion of the Sino-Iron Acquisition Agreement takes place, any interest on the deposit will be paid to the Seller as additional purchase price. If completion of the Sino-Iron Acquisition fails to take place and the Sino-Iron Acquisition Agreement is terminated, the deposit of US\$20 million (together with accrued interest on it) will be returned to the Sino-Iron Purchaser upon termination unless the Sino-Iron Purchaser fails to complete the Sino-Iron Acquisition in breach of the agreement terms.

Conditions and Completion

Completion is conditional upon the Treasurer of Australia consenting, under the Foreign Acquisitions and Takeovers Act 1975, to the acquisition by the Sino-Iron Purchaser of the Sino-Iron Shares.

Completion of the Sino-Iron Acquisition shall take place on the date which is 5 business days after the above condition is satisfied, or such other date as the Seller and the Sino-Iron Purchaser may agree, but in any event no later than 30 June 2006.

Royalty

Sino-Iron agreed to pay to Mineralogy a royalty in respect of magnetite ore taken by Sino-Iron, quarterly during the term of the mining right granted by Mineralogy to Sino-Iron and other parties over the Mining Area.

Such royalty comprises two components:–

1st component (based on the quantity of magnetite ore taken) – A\$0.30 (approximately HK\$1.68) per tonne of magnetite ore taken by Sino-Iron (adjusted based on Inflation during the previous quarter).

2nd component (based on the quantity of products produced) – An additional royalty is payable quarterly to the Seller by Sino-Iron by reference to the market price of pellets and Mount Newman fines (as reference for the price of concentrate) and is calculated as follows:

- (i) production volume multiplied by 50% and multiplied by the prevailing published annual FOB price (expressed in US dollars per dry metric ton unit) for pellets established by the largest supplier or seller of pellets in Brazil for export and multiplied by 68.1 and multiplied by an applicable rate in the range of 6% to 10% depending on the then prevailing market price for pellets; plus
- (ii) production volume multiplied by 50% and multiplied by the prevailing published annual FOB price (expressed in US dollars per dry metric ton unit) for Mount Newman fines for export and multiplied by 68.1 and further by 1.05 and multiplied by an applicable rate in the range of 6% to 10% depending on the then prevailing market price for concentrates.

Notes:

- (1) The applicable rate for pellets and concentrates is 6% to 10% depending on the prevailing market price for each of those product types.
- (2) If there is a FOB price for Brazil pellets or Mount Newman fines applying for different destinations, the applicable price for use in the formula above will be the published price for shipments to China (if any), or to Asia.

Sino-Iron is required to produce not less than 6 million tonnes of product no later than seven years from 21 March 2006. If Sino-Iron fails to produce such quantity of products, it must, no later than one month following the end of the seventh year of 21 March 2006, pay to Mineralogy an amount equivalent to the royalty payable on the 6 million tonnes of products. The amount is estimated to be approximately US\$42 million (approximately HK\$327.6 million) if based on the 2005 market price. Such amount is in addition to the royalty that Sino-Iron shall pay to Mineralogy based on the actual product volume of the same year. The royalty will continue to be payable after the seventh year depending on the quantity of magnetite ore mined and the product volume. There will be no ceiling on such royalty.

The second component of royalty will cease to be payable if Mineralogy exercises the option granted to it to acquire shares in Sino-Iron in the event that Sino-Iron is listed on any stock exchange before 500,000 tonnes of products have been produced.

Capital Expenditure

Sino-Iron will be responsible for the construction and start up of the Project. It has agreed with Mineralogy that it will arrange all the financing to pay for such construction and start up of the Project to be carried out by Sino-Iron (including but not limited to, mining facilities, equipment, production plants, ports, power station, desalination plants, roads, pipelines and all necessary associated infrastructure).

The estimated capital expenditure payable for Sino-Iron is US\$1,370 million (excluding the cost of the first drilling obligation described below).

Information relating to Sino-Iron

Under a site lease and right to mine granted by Mineralogy, Sino-Iron has the right to extract from the Mining Area 1 billion tonnes of magnetite ore.

The negative net asset value of Sino-Iron was A\$38 million (approximately HK\$213 million) as at 30 June 2005. The amount of debt of Sino-Iron was A\$38 million (approximately HK\$213 million) as at 30 June 2005. The net loss (both before and after taxation and extraordinary items) of Sino-Iron for the two financial years immediately preceding the Sino-Iron Acquisition, as extracted from its unaudited management accounts are set out below:

Year ended 30 June	Loss before Taxation	Loss after Taxation
	million	million
	A\$	A\$
2004	38	38
2005	Nil	Nil

THE BALMORAL ACQUISITION AGREEMENT

Date

31 March 2006

Parties

- (1) Mineralogy, as seller
- (2) Balmoral Purchaser, as purchaser
- (3) The Company, as guarantor of Balmoral Purchaser's obligations under the Balmoral Acquisition Agreement
- (4) Mr. Clive Frederick Palmer, as guarantor of certain obligations of Mineralogy under the Balmoral Acquisition Agreement
- (5) Balmoral

Assets involved

- *sale shares* – 50,000,000 issued shares in Balmoral held by the Seller, representing the entire existing issued shares in Balmoral.
- *subscription shares* – A number of shares in Balmoral for which the Balmoral Purchaser shall subscribe on completion (being the number of shares in an amount required to provide sufficient funds to Balmoral to repay all of its debts on completion).

Mineralogy has granted to Balmoral the right to extract from the Mining Area 1 billion tonnes of magnetite ore.

At any time within 15 months after the date of the Balmoral Acquisition Agreement, Mr. Clive Frederick Palmer may nominate another company, in any case to the satisfaction of the Company, to replace Balmoral as the company to be sold under the Balmoral Acquisition Agreement. Neither the Company nor the Balmoral Purchaser will not be required to pay additional consideration for such substitution. Such substituted company will have identical rights as those which Balmoral is entitled or would be entitled pursuant to the Balmoral Acquisition Agreement, including but without limitation, the right to extract from the Mining Area 1 billion tonnes of magnetite ore.

Consideration for Balmoral Shares

The Company agreed that the Balmoral Purchaser shall pay US\$200 million (approximately HK\$1,560 million) (plus Inflation between the date of the Balmoral Acquisition Agreement and completion of the Balmoral Acquisition) in aggregate to the Seller and Balmoral for acquisition of the sale shares and subscription for the subscription shares on the basis that Balmoral will be debt free as at completion.

A deposit of US\$20 million (approximately HK\$156 million) will be paid by the Balmoral Purchaser to an escrow agent within five business days after additional 1 billion tonnes of magnetite ore (on top of the 1 billion tonnes to be made available to Sino-Iron) are proven under the first drilling obligation described below. The balance will be paid to the Seller and Balmoral on completion. If completion of the Balmoral Acquisition Agreement takes place, any interest on the deposit will be paid to the Seller as additional purchase price. If completion of the Balmoral Acquisition fails to take place and the Balmoral Acquisition Agreement is terminated, the deposit of US\$20 million (together with accrued interest) will be returned to the Balmoral Purchaser upon termination unless the Balmoral Purchaser fails to complete the Balmoral Acquisition in breach of the agreement terms.

First drilling obligation

The Company will carry out a drilling program to drill at least 100 holes over 18 months from the date of the Balmoral Acquisition Agreement within the Mining Area. Once an additional 1 billion tonnes of magnetite ore (on top of the 1 billion tonnes made available to Sino-Iron) are identified by the Company after commencement of the drilling program, the Company will be under an obligation to acquire Balmoral subject to the consent from the Treasurer of Australia and pursuant to the Balmoral Acquisition Agreement as detailed below. The estimated cost for the drilling program under the first drilling obligation is approximately A\$5 million (approximately HK\$28 million).

Conditions and Completion

Completion is conditional upon (i) the Treasurer of Australia consenting, under the Foreign Acquisitions and Takeovers Act 1975, to the acquisition by the Balmoral Purchaser of the Balmoral Shares; (ii) the Sino-Iron Acquisition occurring; and (iii) another 1 billion tonnes of magnetite ore resources (other than the 1 billion tonnes to be available to Sino-Iron) being proven under the drilling program described below. Accordingly the Balmoral Acquisition is conditional upon the Sino-Iron Acquisition, but not vice versa.

Completion of the Balmoral Acquisition shall take place on the date which is 5 business days after the last of the above conditions are satisfied or any other date agreed by the Seller and the Balmoral Purchaser, but in any event no later than 31 July 2008.

Royalty

Royalty shall be payable by Balmoral to the Seller on the same basis as mentioned under the Sino-Iron Acquisition Agreement.

Similarly, Balmoral is required to have produced not less than 6 million tonnes of product no later than nine years from 21 March 2006. If Balmoral fails to produce such quantity of products, it must, no later than one month following the end of the ninth year of 21 March 2006, pay to Mineralogy an amount equivalent to the royalty payable on the 6 million tonnes of products. The amount is estimated to be approximately US\$42 million (approximately HK\$327.6 million) if based on the 2005 market price. Such amount is in addition to the royalty that Balmoral shall pay to Mineralogy based on the actual product volume of the same year. The royalty will continue to be payable after the ninth year depending on the quantity of magnetite ore mined and the product volume. There will be no ceiling on such royalty.

Capital Expenditure

Balmoral will be responsible for the construction and start up of the Project. It has agreed with Mineralogy that it will arrange all the financing to pay for such construction and start up (including but not limited to, mining facilities, equipment, production plants, ports, power station, desalination plants, roads, pipelines and all necessary associated infrastructure).

The estimated capital expenditure payable for Balmoral is US\$1,100 million (excluding the further drilling obligation described below.)

Some of the infrastructure for which Sino-Iron and Balmoral are required to fund construction is outside the project area of Sino-Iron and Balmoral. According to the preliminary plan which is subject to final feasibility study, infrastructure outside the project area of Sino-Iron and Balmoral may include conveyor belt to the port, port facilities (including jetties, loading and unloading facilities and related infrastructure) and water and power lines and desalination plant (the estimated cost expenditure for which is approximately US\$735 million (approximately HK\$5,733 million), being part of the US\$2,470 million (US\$1,370 million for Sino-Iron and US\$1,100 million for Balmoral) payable by Sino-Iron and Balmoral for the estimated capital expenditure). Title to those facilities will remain with Mineralogy as it is the owner of the land. However, Sino-Iron and Balmoral will have the right to use the facilities, on paying the operation and maintenance cost and on terms which are fair and equal as compared to other users of those facilities, during the Project life. If there are other projects commenced in the area by participants seeking to use the port or other facilities, those new participants will be obliged to pay an amount to Sino-Iron and Balmoral, to effectively share the capital costs associated with construction of the facilities. The intended capacity of the port to be constructed by Sino-Iron is sufficient to cater for the needs of Balmoral and Sino-Iron in relation to export of the products.

Information relating to Balmoral

Mineralogy has advised the Company that currently there is no financial information on Balmoral as it is not required under the Australian legislation to prepare any accounts. Mineralogy has agreed to make available to the Company the financial records of Balmoral within 3 business days after the date of the Balmoral Acquisition Agreement. Mineralogy has warranted that as at completion of the Balmoral Acquisition Agreement, Balmoral will be debt free with one main asset, namely the right to extract 1 billion tonnes of magnetite ore from the Mining Area.

OPTIONS

Upon completion of the Balmoral Acquisition, the Company will enter into the China Project Option Agreement, pursuant to which, in consideration of US\$100 (approximately HK\$780) to be paid to Mineralogy, the Company will be granted the Options to acquire up to an additional 4 billion tonnes of magnetite ore to be exercised within the following period:–

- in the case of the first option, within four years from the completion of the Sino-Iron Acquisition and the Balmoral Acquisition; and
- in the case of further options, during the period commencing on the completion of the Balmoral Acquisition and concluding on the date which is 120 months from the date of the completion of the Sino-Iron Acquisition.

Each of the options will be exercised in the form of acquisition from Mineralogy or Mr. Clive Frederick Palmer of a company which shall have been granted the sub-lease from Mineralogy having the same rights as Sino-Iron and Balmoral (i.e. having the right to extract 1 billion tonnes of magnetite ore in the Mining Area) for a consideration of US\$200 million, adjusted for Inflation between 1 March 2006 and the date of completion of each acquisition.

Further drilling obligation

Pursuant to the China Project Option Agreement, the Company will carry out a further drilling obligation to drill at least 300 holes for up to five years from the date of the Sino-Iron Acquisition Agreement in the Mining Area to endeavour to locate up to additional 4 billion tonnes of magnetite ore (on top of the 1 billion tonnes of magnetite ore to be made available to Sino-Iron and the 1 billion tonnes of magnetite ore to be made available to Balmoral, aggregating a total of 6 billion tonnes of magnetite ore) and will notify the Seller of at least (on top of the 2 billion tonnes to be available to Sino-Iron and Balmoral) 4 billion tonnes of magnetite ore (or such lesser amount as was located under the further drilling obligation).

The estimated cost for the drilling program under the further drilling obligation is approximately A\$15 million (approximately HK\$84 million) and will be deducted from the consideration to be paid by the Company in the exercise of any of the Options.

BASIS OF DETERMINATION OF CONSIDERATION AND SOURCE OF FUNDING

The basis for the determination of the consideration for Sino-Iron and Balmoral are that they will both be debt free on completion, with one main asset i.e. each with the right to extract 1 billion tonnes of magnetite ore from the Mining Area.

Golder Associates, an independent technical adviser, has been appointed by the Company to provide an independent technical assessment of the mineral assets in the Mining Area. According to a report issued by Golder Associates dated 24 March 2006, Golder Associates has advised that up to December, 2005, the total measured, indicated and inferred resources at the Mining Area were approximately 2,185 million tonnes of magnetite ore. The report from Golder Associates does not opine on the value of the mining rights under the Acquisition of Mining Rights.

The consideration has been determined based on arm's length negotiation, with reference to the report by Golder Associates and taking into consideration the capital expenditure required for the project, the historical market price for final products, an option for additional resources being granted.

The consideration for acquiring Sino-Iron Shares and Balmoral Shares will be funded by internal resources of the Group. As for the capital expenditure, a major portion will be financed by debt on a project basis with the balance from the internal resources of the Group.

REASONS AND BENEFITS FOR THE ACQUISITION OF MINING RIGHTS

The Group is engaged in a diversified range of businesses, including manufacturing of special steel, property development and investment, basic infrastructure (such as power generation, aviation, tunnels and communications) and distribution of motor vehicles and consumer products.

Both Sino-Iron and Balmoral are principally engaged in the business of mining, extraction and processing of magnetite ore in the Mining Area.

Mineralogy, an independent third party, is principally engaged in the business of mining magnetite ore in Western Australia.

The Acquisition of Mining Rights enables the Group to explore for magnetite ore to ensure a constant and sufficient supply of raw materials for the furtherance of its special steel manufacturing business and also to invest in a magnetite ore mining business.

The Directors consider that the terms of the Acquisition of Mining Rights are normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company intends to cooperate with partners of PRC background with expertise in mining and requiring constant supply of iron ore or related product to participate in the Project.

LISTING RULE REQUIREMENTS

As the applicable percentage ratios computed pursuant to rule 14.04(9) of the Listing Rules in respect of Acquisition of Mining Rights exceed 25% but are under 100%, the Acquisition of Mining Rights constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules and the requirements of Chapter 18 of the Listing Rules.

No shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the acquisition of the mining right. The following persons, who are a closely allied group of shareholders of the Company and together beneficially interested in 1,189,654,385 shares representing approximately 54.24% of the issued share capital of the Company, have indicated that they approve the Acquisition of Mining Rights and the Company will procure the signing of a written shareholders' approval, failing which a shareholders' meeting will be convened for approving the Acquisition of Mining Rights:

Name of beneficial shareholder	No. of ordinary shares beneficially interested	Percentage of total issued share capital of the Company as of the date hereof
CITIC Hong Kong (Holdings) Limited (through its wholly-owned subsidiaries)	632,253,285	28.83%
10 Directors having an interest in the shares of the Company (through their controlled corporations and/or personal interest)	557,401,100	25.41%
Total	1,189,654,385	54.24%

A circular complying with both Chapter 14 and Rule 18.09 of the Listing Rules and containing, among other things, further details of the Acquisition of Mining Rights will be despatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context otherwise requires:

“Acquisition of Mining Rights”	collectively, the Sino-Iron Acquisition, the Balmoral Acquisition, the granting of the Options under the China Project Option Agreement and the committed capital expenditure of the Company or any of its subsidiaries in respect of the Project
“A\$”	Australian dollars, the lawful currency of the Commonwealth of Australia
“Balmoral”	Balmoral Iron Pty Ltd., a company incorporated in Australia
“Balmoral Acquisition”	the acquisition by the Balmoral Purchaser of the Balmoral Shares pursuant to the Balmoral Acquisition Agreement
“Balmoral Acquisition Agreement”	the takeover agreement dated 31 March 2006 entered into between Mineralogy, the Balmoral Purchaser, the Company, Mr. Clive Frederick Palmer and Balmoral in respect of the Balmoral Acquisition
“Balmoral Purchaser”	ACN 118 927 914 Pty Limited, a company incorporated in Australia and wholly owned by the Company
“Balmoral Shares”	the shares in Balmoral to be acquired by the Balmoral Purchaser under the Balmoral Acquisition Agreement
“Board”	the board of Directors
“China Project Option Agreement”	the agreement to be entered into between the Company, Mr. Clive Frederick Palmer and Mineralogy in respect of the Options upon completion of the Balmoral Acquisition
“CITIC Pacific” or the “Company”	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“FOB”	Free on Board, means the seller delivers when the goods pass the ship’s rail at the named port of shipment
“Golder Associates”	Golder Associates Pty Ltd, an independent technical adviser with professional qualification and relevant experience in relation to exploration activities
“Group”	the Company and its subsidiaries
“Inflation”	the change in the Australian consumer price index (expressed as a percentage)
“Mining Area”	a specified area marked in red on the map attached to Sino-Iron Acquisition Agreement and the Balmoral Acquisition Agreement which is located under Mining Leases 08/123, 08/124 and 08/125 granted under the Mining Act of Western Australia
“Mineralogy” or “Seller”	Mineralogy Pty Ltd., a company incorporated in Australia, being the registered holder and beneficial owner of the existing issued shares in each of Sino-Iron and Balmoral
“Options”	the options to be granted by Mineralogy to the Company to acquire up to an additional 4 billion tonnes of magnetite ore under the China Project Option Agreement
“PRC”	People’s Republic of China, excluding Macau, Taiwan and Hong Kong
“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, Balmoral and other companies to be acquired by the Company to carry on the Project upon exercise of the Options
“Sino-Iron”	Sino Iron Pty Ltd., a company incorporated in Australia
“Sino-Iron Acquisition”	the acquisition of the Sino-Iron Shares pursuant to the Sino-Iron Acquisition Agreement
“Sino-Iron Acquisition Agreement”	the takeover agreement dated 31 March 2006 entered into between the Sino-Iron Purchaser, Mineralogy, the Company and Sino-Iron in respect of the Sino-Iron Acquisition
“Sino-Iron Purchaser”	ACN 118 791 772 Pty Limited, a company incorporated in Australia and wholly owned by the Company
“Sino-Iron Shares”	the shares in Sino-Iron to be acquired by the Sino-Iron Purchaser under the Sino-Iron Acquisition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Treasurer of Australia”	the Treasurer of the Commonwealth of Australia
“US\$”	United States dollars, the lawful currency of the United States

(For the purpose of illustration only, the exchange rates of US\$1 to HK\$7.8 and A\$1 to HK\$5.6 are adopted.)

By Order of the Board
CITIC PACIFIC LIMITED
Alice Tso Mun Wai
Company Secretary

Hong Kong, 31 March 2006

As at the date of this announcement, the executive directors of the Company are Messrs Larry Yung Chi Kin (Chairman), Henry Fan Hung Ling, Peter Lee Chung Hing, Norman Yuen Kee Tong, Vernon Francis Moore, Yao Jinrong, Li Shilin, Carl Yung Ming Jie, Liu Jifu and Leslie Chang Li Hsien; the non-executive directors of the Company are Messrs Willie Chang, André Desmarais and Peter Kruyt (alternate director to Mr. André Desmarais); and the independent non-executive directors of the Company are Messrs Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.

“Please also refer to the published version of this announcement in the Standard and Hong Kong Economic Times.”