

SE Finance
HD **\$39bn asset injection offsets Citic's Sino disaster**

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WC 295 words

PD 28 March 2014

SN The Australian

SC AUSTLN

ED 1 - All-round Country

PG 18

LA English

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CHINESE corporate giant Citic Pacific's disastrous \$10 **billion** Sino **Iron** investment in Western Australia is being seen as a key factor behind its \$US36bn (\$39bn) **acquisition** of a suite of assets from its state-owned parent **company**.

The **Hong Kong**-based Citic Pacific said on Wednesday night that it would acquire 100 per cent of Citic Limited, the business housing Citic Group's key assets.

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The deal would top **China** Mobile's \$32bn **purchase** of seven wireless networks from its parent to be the largest such asset injection into a **Hong Kong**-listed unit by a **Chinese company**, Bloomberg reported yesterday.

It would also turn Citic Pacific into the largest listed conglomerate in **China**.

Citic Pacific admitted last month it faced pressure to write down the value of Sino **Iron** project, which was more than \$US6bn over budget when it began exporting late last year.

The **company** has been engaged in a bitter legal dispute with federal MP Clive Palmer over royalties and port access at the Pilbara project.

Citic bought the tenements that make up the Sino **Iron** project from Mr Palmer in 2006, but construction of the project was beset by major technical difficulties.

"Citic's move is trying to save Citic Pacific itself, because Citic Pacific will enter a few years of great difficulty because of its Australian **mining** project," said Francis Lun, chief executive of Geo Securities.

"The trend is to operate on market principles, tapping the market for funds as **China** goes from a planned economy to an open economy."

After peaking at \$HK23.35 a share in April 2011, shares in Citic Pacific dropped as low as \$HK7.95 last June. They have since rallied strongly.

CO citic : CITIC Group | skfdev : CITIC Pacific Limited

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