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HD **Huge deal ends fear about CITIC albatross**

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CITIC Pacific has stunned the market by proposing a $US36 billion ($38.9 billion) injection of assets from its Chinese state-owned parent, a move that should dispel lingering doubts losses from CITIC's $US10 billion Sino Iron magnetite project in the Pilbara could prove its undoing.

The proposed asset acquisition, which would transform CITIC into the biggest sharemarket-listed proxy for Chinese growth, also underlines comments made by its president Zhang Jijing about his desire to complete Sino Iron's troubled construction by 2016 and even consider expanding its magnetite footprint in WA.

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Mr Zhang said his company's priority remained completing the last four magnetite production lines at the Cape Preston operation and fixing Sino Iron's ongoing operational problems.

But Mr Zhang, speaking to WestBusiness in Hong Kong this week ahead of CITIC announcing its transformational deal, said CITIC had an eye on WA expansion through the potential roll-up of other stalled Chinese-owned magnetite projects. He said CITIC's experience over the past six years in developing the project positioned it to develop other WA magnetite mines.

"We are looking for other business, but our top priority is this project," he said. "We know quite a few other Chinese companies have deposits in WA. We don't think they are able to develop them. If they are available after we get this project up, we will consider some kind of consolidation.

"MCC have a deposit, Chongqing (Iron and Steel) have a deposit, Sinosteel (Midwest) have a deposit — there are quite a few."

Mr Zhang's comments come as he prepares for CITIC's transformation from a company dominated by its Sino Iron mine and steel works in China to a sprawling industrial conglomerate with major stakes or full ownership of assets including CITIC Bank, one of China's biggest commercial lenders, heavy industries, construction and real estate vehicles.

The deal would also include CITIC Resources, which has a substantial Australian presence.

The massive asset injection removes any lingering doubts over CITIC Pacific's capacity to complete Sino Iron, where $US10 billion has already been spent and only one of six production lines is operating.

CITIC Pacific is carrying a big debt to pay for its construction costs and warned shareholders earlier this year to expect big writedowns. Work has begun on the last four production lines at Sino Iron and Mr Zhang said CITIC Pacific expected the softening WA construction market would help keep building costs down. It expected all six lines to be fully operational by 2016.

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