

CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION

The Directors announce that on 21 December 2001, CITIC Pacific entered into two sale and purchase agreements in relation to the acquisition by CITIC Pacific of Eldwin for HK\$2,020,000,000 and Ambest for HK\$682,000,000 both from CITIC HK.

Eldwin's key asset is an approximately 80% attributable interest in 上海中信泰富廣場有限公司 (CITIC Square Co.) which in turn holds 100% of 上海中信泰富廣場 (CITIC Square). Ambest's key asset is a 100% interest in 上海雄華置業有限公司 (Shanghai Super Property Co., Ltd) which in turn holds 100% of 華山公寓 (Royal Pavilion).

CITIC HK is a substantial shareholder of CITIC Pacific. The Transactions constitute connected transactions for CITIC Pacific under the Listing Rules and are subject to approval by the Independent Shareholders. CITIC HK and its associates hold approximately 28.87% of the existing issued share capital of CITIC Pacific and will abstain from voting at the EGM to approve the Transactions.

A circular containing, inter alia, details of the Transactions, the recommendation from the independent board committee of CITIC Pacific, the advice from the independent financial adviser, the independent valuation report on CITIC Square and Royal Pavilion and a notice of the EGM to approve the Transactions will be despatched to the shareholders of CITIC Pacific as soon as practicable.

DETAILS OF THE ELDWIN AGREEMENT

Date: 21 December 2001
Parties: CITIC HK as seller
CITIC Pacific as purchaser
Assets: the entire issued share capital of Eldwin; a shareholder's loan to Eldwin and a shareholder's loan to CITIC Square Co. advanced by CITIC HK. Eldwin owns a 79.998% attributable interest in CITIC Square Co., the holding company of CITIC Square.

Consideration

The aggregate consideration for the acquisition of Eldwin will be HK\$2,020,000,000, as adjusted as described below, to be settled in cash on Completion.

CITIC Pacific may choose to acquire Eldwin with all or part of an existing banking facility granted to CITIC Square Co. or may elect to require CITIC HK to fully or partially repay such banking facility and to procure the other actual or attributable shareholders of CITIC Square Co. to fund their attributable share of the repayment. As at 20 December 2001, the aggregate principal and interest outstanding under the banking facility was US\$80,380,178 (approximately HK\$626,965,387). If CITIC Pacific chooses to acquire Eldwin with such banking facility, the total consideration payable to CITIC HK will be reduced accordingly by 79.998% (being CITIC HK's attributable share of the repayment) of the amount of the banking facilities outstanding as at Completion.

As at 20 December 2001, the shareholder's loan advanced by CITIC HK to Eldwin was HK\$1,299,261,954 and the shareholder's loan advanced by CITIC HK to CITIC Square Co. was HK\$217,253,136. The shareholder's loan advanced by CITIC HK to CITIC Square Co. may increase by 79.998% of the amount of the banking facility being repaid on or before Completion if CITIC Pacific chooses not to acquire Eldwin with all or part of the existing banking facility granted to CITIC Square Co. as described above.

The aggregate consideration for the interest in Eldwin (including the shareholder's loans) has been arrived at after arm's length negotiations between the parties and on the basis of (i) a 1.3% discount to the valuation of CITIC Square (as described below) and (ii) the acquisition of an attributable 79.998% interest in CITIC Square. The consideration will be funded by CITIC Pacific out of its existing internal resources.

If the proforma consolidated net asset value before the loans of Eldwin and CITIC Square Co. due to CITIC HK as at Completion (prepared on the basis that (i) such banking facility to CITIC Square Co. has been fully repaid; (ii) a valuation of HK\$2,525,000,000 for CITIC Square) is less than HK\$2,020,000,000, CITIC HK will reimburse CITIC Pacific the difference on a dollar for dollar basis. If such proforma consolidated net asset value is more than HK\$2,020,000,000, CITIC Pacific will pay CITIC HK the difference on a dollar for dollar basis, except that such amount will not exceed HK\$30,000,000 (i.e. the total amount paid to CITIC HK as consideration and under this adjustment will not exceed HK\$2,050,000,000).

Shareholder's loan

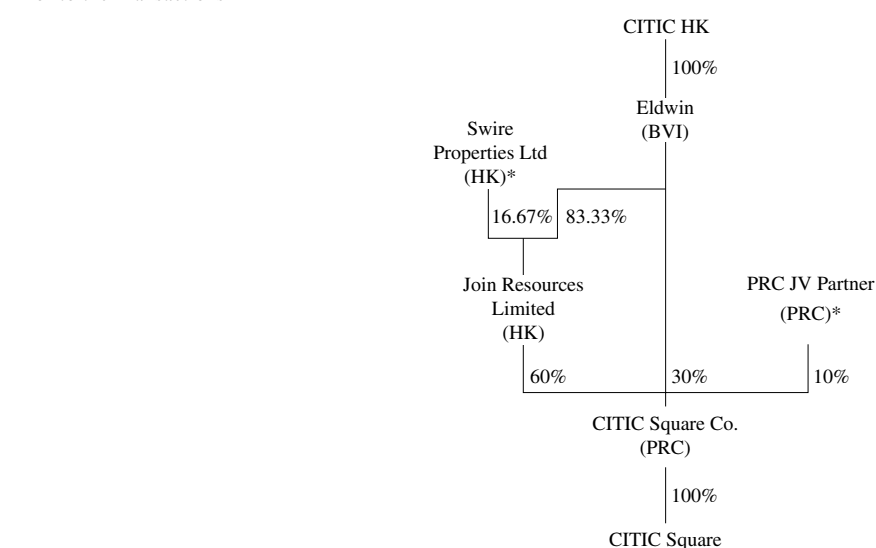
The shareholder's loan from CITIC HK and Eldwin to CITIC Square Co. (which will be assigned to CITIC Pacific on Completion) comprises 79.998% of the outstanding shareholders' loans to CITIC Square Co. and will be pro rata to CITIC Pacific's attributable interest in CITIC Square Co.

In addition, as at 20 December 2001, CITIC HK has advanced to CITIC Square Co. on behalf of the PRC JV Partner a loan with principal in the amount of US\$7,687,480 (approximately HK\$59,962,344), which loan represents the PRC shareholder's pro rata shareholder advance to CITIC Square Co. These arrangements will continue after Completion and the loan principal advanced by CITIC HK to CITIC Square Co. on behalf of the PRC JV Partner may increase to US\$15,754,742 (approximately HK\$122,886,988) if CITIC Pacific chooses not to acquire Eldwin with all the existing banking facility granted to CITIC Square Co. as described above, as the repayment of the existing banking facility may be funded out of additional loans from the actual or attributable shareholders of CITIC Square Co. in proportion to their attributable interests in CITIC Square Co.

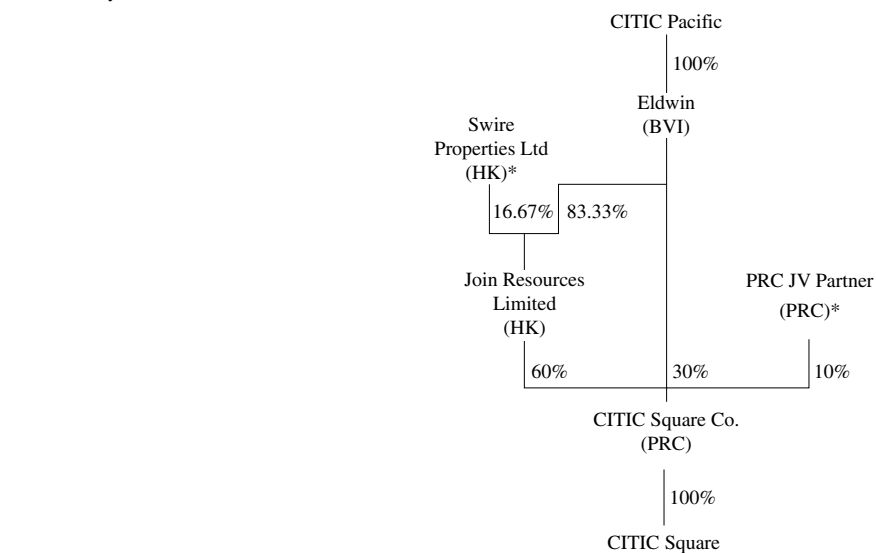
Ownership structure and assets

The charts below show the structure of the ownership of CITIC Square prior to and after the Transactions.

Prior to the Transactions



Immediately after the Transactions



* independent third parties

Information on Eldwin and CITIC Square

For the year ended 31 December 1999, the pro forma consolidated net loss attributable to shareholders before and after taxation of Eldwin was approximately HK\$9,596,000. For the year ended 31 December 2000, the pro forma consolidated net loss attributable to shareholders before and after taxation of Eldwin was approximately HK\$29,208,000. As at 31 December 2000, the pro forma consolidated net assets of Eldwin was approximately HK\$28,523,000.

CITIC Square is situated at 1168 Nanjing Xi Lu, Jingan District, Shanghai (上海市靜安區南京西路1168號). Jingan District is one of the most prestigious commercial areas in Shanghai. CITIC Square, was completed in June 2000 comprising a shopping centre with approximately 34,361 m², a grade-A office space with approximately 71,290 m² with 38 storeys and a 378-space underground car park. CITIC Square Co. has obtained the relevant property and land ownership certificate in respect of CITIC Square for the period from 10 February 1994 to 9 February 2044.

The office space was approximately 94% let as at 30 November 2001. The shopping mall was 91% let as at 30 November 2001. The total income for the first 11 months of 2001 and the month of November 2001 was RMB141.2million (approximately HK\$133.2 million) and RMB13.9 million (approximately HK\$13.11 million) respectively.

According to a valuation made by Knight Frank, an independent professional property valuer, the prevailing market value of CITIC Square as at 20 December 2001 was approximately HK\$2,559 million. The valuation report will be included in the circular to be despatched to the shareholders of CITIC Pacific.

Condition

Completion of the acquisition of Eldwin is conditional upon inter alia the following occurring on or before 1 March 2002 or such later date as may be agreed between the parties:

- the passing of an ordinary resolution by the Independent Shareholders of CITIC Pacific approving the terms of the Eldwin Agreement;
- issuance of a PRC legal opinion in respect of the CITIC Square and the shareholder's loan to CITIC Square Co. on terms satisfactory to CITIC Pacific;
- all approvals necessary for the sale under the Eldwin Agreement being obtained to the satisfaction of CITIC Pacific; and
- the conditions to the Ambest Agreement becoming satisfied or waived (other than the condition requiring the Eldwin Agreement to become unconditional).

Completion

Completion of the Eldwin Agreement will take place within ten business day after all the conditions have been satisfied or such other date as the parties may agree, being not later than 30 June 2002.

DETAILS OF THE AMBEST AGREEMENT

Date: 21 December 2001
Parties: CITIC HK as seller
CITIC Pacific as purchaser
Assets: the entire issued share capital of Ambest; a shareholder's loan advanced by CITIC HK to Ambest and a shareholder's loan advanced by CITIC HK to Shanghai Super. Ambest owns the entire interest of Shanghai Super, the holding company of Royal Pavilion.

Consideration

The aggregate consideration for the acquisition of Ambest will be HK\$682,000,000, as adjusted as described below, to be settled in cash on Completion.

CITIC Pacific may choose to acquire Ambest with all or part of the existing banking facilities granted to Shanghai Super or may elect to require CITIC HK to fully or partially repay such banking facilities. As at 20 December 2001, the principal and interest outstanding under such banking facilities was US\$35,331,452 (approximately HK\$275,585,324) and RMB55,000,000 (approximately HK\$52,358,491). If CITIC Pacific chooses to acquire Ambest with such banking facilities, the consideration payable to CITIC HK will be reduced by the amount of the banking facilities outstanding as at Completion.

As at 20 December 2001, the shareholder's loan to Ambest was HK\$284,945,240 and the shareholder's loan advanced by CITIC HK to Shanghai Super was HK\$56,096,660. The shareholder's loan to Shanghai Super may increase by the amount of the banking facilities being repaid on or before Completion if CITIC Pacific chooses not to acquire Ambest with all or part of the existing banking facilities granted to Shanghai Super as described above.

The aggregate consideration for the interest in Ambest (including the shareholder's loans) has been arrived at after arm's length negotiations between the parties and on the basis of a 1.3% discount to the valuation of Royal Pavilion (as described below). The consideration will be funded by CITIC Pacific out of its existing internal resources.

If the proforma consolidated net asset value before the shareholder's loans of Ambest and Shanghai Super due to CITIC HK as at Completion (prepared on the basis that (i) all such banking facilities have been fully repaid; (ii) a valuation of HK\$682,000,000 for Royal Pavilion) is less than HK\$682,000,000, CITIC HK will reimburse CITIC Pacific the difference on a dollar for dollar basis. If such proforma consolidated net asset value is more than HK\$682,000,000, CITIC Pacific will pay CITIC HK the difference on a dollar for dollar basis, except that such amount will not exceed HK\$38,000,000 (i.e. the total amount payable will not exceed HK\$720,000,000).

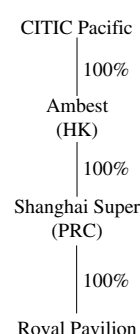
Ownership structure and assets

The charts below show the structure of the ownership of Royal Pavilion prior to and after the Transactions.

Prior to the Transactions



Immediately after the Transactions



Information on Ambest and Royal Pavilion

For the year ended 31 December 1999, the pro forma consolidated net profit attributable to shareholders before and after taxation of Ambest was approximately HK\$16,960,000.00. For the year ended 31 December 2000, the pro forma consolidated net profit attributable to shareholders before and after taxation of Ambest was approximately HK\$11,579,000.00. As at 31 December 2000, the pro forma consolidated net assets of Ambest was approximately HK\$39,708,000.

Royal Pavilion, a luxurious services apartment development situated at 688 Hua Shan Lu, Jingan District in Shanghai (上海市靜安區華山路688號), is close to Nanjing Xi Lu and the exclusive Huaihai Lu shopping areas and a mere 13.5 km from Hongqiao International Airport. Shanghai Super has obtained the relevant property and land ownership certificate in respect of Royal Pavilion for the period from 10 July 1993 to 9 July 2063.

The property was completed in August 1998 with a gross floor area of 34,743 m². It comprises two 39-storey towers with a total of 148 three-bedroom or four-bedroom residential units, 178 car parking spaces and a clubhouse. The property is approximately 93% let as at 30 November 2001. The total income for the first 11 months of 2001 and for the month of November 2001 was RMB\$7.3 million (approximately HK\$54.1 million) and RMB\$5.2 million (approximately HK\$4.9 million) respectively.

According to a valuation made by Knight Frank, an independent professional property valuer, the prevailing market value of Royal Pavilion as at 20 December 2001 was approximately HK\$691,000,000. The valuation report will be included in the circular to be despatched to the shareholders of CITIC Pacific.

Condition

Completion of the acquisition of Ambest is conditional upon inter alia the following occurring on or before 1 March 2002 or such later date as may be agreed between the parties:

- the passing of an ordinary resolution by the Independent Shareholders of CITIC Pacific approving the terms of the Ambest Agreement;
- issuance of a PRC legal opinion in respect of Royal Pavilion and the shareholder's loan to Shanghai Super on terms satisfactory to CITIC Pacific;
- all approvals necessary for the sale under the Ambest Agreement being obtained to the satisfaction of CITIC Pacific; and
- the conditions to the Eldwin Agreement becoming satisfied or waived (other than the condition requiring the Ambest Agreement to become unconditional).

Completion

Completion of the Ambest Agreement will take place within ten business days after all the conditions have been satisfied or such other date as the parties may agree being not later than 30 June 2002.

REASONS FOR THE TRANSACTIONS

CITIC Pacific's long term objective remains to develop a large diversified business focusing on infrastructure and supported by property development.

The economy in Mainland China continues to maintain its steady growth and China's accession to the World Trade Organisation will be an added stimulus. The demand for grade A office space and high quality apartments in the Mainland, particularly in major commercial centres such as Shanghai, is very strong. It is projected that the rental income for grade A office and high quality apartments in Shanghai will continue to increase as evidenced by the growing trends experienced by the CITIC Square and the Royal Pavilion in the past two years. The Transactions represent an excellent business opportunity for the Group to participate in the property market in Shanghai, being one of the most important cities in Mainland China.

GENERAL

As CITIC HK holds approximately 28.87% of the existing issued share capital of CITIC Pacific and is therefore a connected person of CITIC Pacific, the Transactions constitute a connected transaction for CITIC Pacific under the Listing Rules and is subject to approval by the Independent Shareholders. CITIC HK and its associates who together hold approximately 28.87% of the existing issued share capital of CITIC Pacific have confirmed that they would abstain from voting on the Transactions at the EGM.

An independent board committee comprising Messrs. Hansen Loh Chung Hon and Willie Chang, being independent non-executive directors of CITIC Pacific, has been established for the purpose of considering the terms of the Transactions and giving recommendation to the Independent Shareholders in respect of the Transactions. An independent financial adviser will be appointed to advise the independent board committee of CITIC Pacific in relation to the Transactions.

A circular containing, inter alia, details of the Transactions, the recommendation from the independent board committee of CITIC Pacific, the advice from the independent financial adviser, the independent valuation report on CITIC Square and Royal Pavilion and a notice of the EGM to approve the Transactions will be despatched to shareholders of CITIC Pacific as soon as practicable.

DEFINITIONS

"Ambest"	Ambest Company Limited, a company incorporated in Hong Kong
"Ambest Agreement"	the sale and purchase agreement dated 21 December 2001 entered into between CITIC Pacific and CITIC HK for the sale and purchase of Ambest
"associates"	as defined in the Listing Rules
"CITIC Square"	1168 Nanjing Xi Lu, Jingan District, Shanghai, PRC
"CITIC Square Co."	上海中信泰富廣場有限公司, the immediate holding company of CITIC Square as shown in the chart above
"CITIC HK"	China International Trust & Investment Corporation Hong Kong (Holdings) Limited (中國國際信託投資(香港集團)有限公司), a substantial shareholder of CITIC Pacific
"CITIC Pacific"	CITIC Pacific Limited (中信泰富有限公司)
"Completion"	completion of the Transactions
"connected person"	as defined in the Listing Rules
"Directors"	directors of CITIC Pacific
"EGM"	the extraordinary general meeting of CITIC Pacific to be convened for approving the Transactions
"Eldwin"	Eldwin Corporation, a company incorporated in the British Virgin Islands
"Eldwin Agreement"	the sale and purchase agreement dated 21 December 2001 entered into between CITIC Pacific and CITIC HK for the sale and purchase of Eldwin
"Group"	CITIC Pacific and its subsidiaries or, where the context so requires, any of them
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKS"	Hong Kong dollars
"Independent Shareholders"	the shareholders of CITIC Pacific other than CITIC HK and its associates (as such term is defined in the Listing Rules)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"PRC JV Partner"	Shanghai Jingan City Trading Group Company 上海靜安城商貿總公司, which is a 10% shareholder of CITIC Square Co. as shown in the chart set out above and is an independent third party to CITIC Pacific
"RMB"	Renminbi
"Royal Pavilion"	688 Hua Shan Lu, Jingan District, Shanghai, PRC
"Shanghai Super"	上海雄華置業有限公司 (Shanghai Super Property Co., Ltd.), being the immediate holding company of Royal Pavilion as shown in the chart above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	as defined in the Listing Rules
"Transactions"	the Eldwin Agreement and the Ambest Agreement

By Order of the Board
Alice Tso Mun Wai
Company Secretary

Hong Kong, 21 December 2001

(The exchange rate of Renminbi to Hong Kong dollars quoted in this announcement adopts a rate of RMB1 equivalent to HK\$0.94; The exchange rate of US dollars to Hong Kong dollars quoted in this announcement adopts a rate of US\$1 equivalent to HK\$7.8.)