

CITIC PACIFIC

# CITIC Pacific Limited

## 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

### CONNECTED TRANSACTION

#### TRANSFER OF 30% REGISTERED CAPITAL OF SHANGHAI DCH SHUANGHUI IBP CO., LTD. (上海大昌雙滙艾波有限公司)

The Directors announce that on 16 December 2002, Mainstream Holdings (a 55% owned subsidiary of CITIC Pacific) and Shuanghui Investment entered into the Sale and Purchase Agreement whereby:-

- Mainstream Holdings agreed to transfer a 30% interest in the registered capital of DCH Shuanghui to Shuanghui Investment for a consideration of RMB18.7 million (approximately HK\$17.6 million); and
- after the completion of the transfer of the 30% interest, the registered capital of DCH Shuanghui will be increased by RMB46.75 million (approximately HK\$44.1 million), of which 60% (amounting to approximately HK\$26.5 million) will be contributed by Shuanghui Investment in Renminbi and 40% (amounting to approximately HK\$17.6 million) by Mainstream Holdings in US dollars.

Mainstream Holdings also entered into two further agreements with Shuanghui Investment for the corresponding amendments to the joint venture contract and the articles of association of DCH Shuanghui.

DCH Shuanghui is engaged in the business of producing and selling meat and related food products. Immediately after the completion of the transfer of the 30% interest, DCH Shuanghui will be owned as to 60% by Shuanghui Investment and 40% by Mainstream Holdings and will no longer be a subsidiary of the Company.

Being a substantial shareholder of DCH Shuanghui, which is a subsidiary of CITIC Pacific, Shuanghui Investment is a connected person (as defined in the Listing Rules) of CITIC Pacific. Accordingly, the transfer of the 30% interest in DCH Shuanghui from Mainstream Holdings to Shuanghui Investment will constitute a connected transaction of CITIC Pacific under the Listing Rules. The aggregate value of the connected transaction represents more than 0.03% but less than 3% of the book value of the net tangible assets of the Group. Details of this connected transaction will be included in the 2002 annual report of the Company.

#### SALE AND PURCHASE AGREEMENT

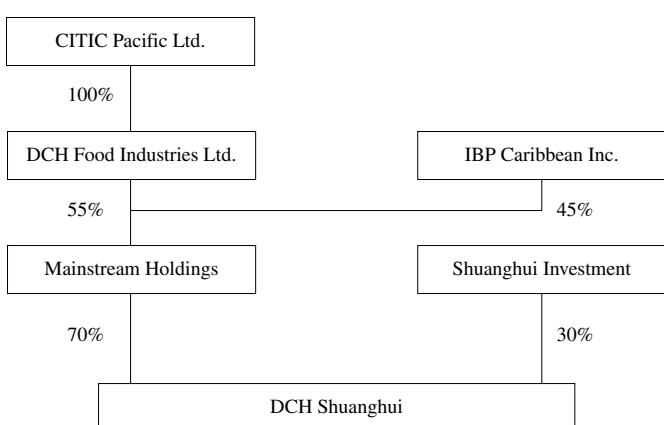
- Date : 16 December 2002
- Parties : (1) Mainstream Holdings, a 55% owned subsidiary of CITIC Pacific, as vendor; and  
(2) Shuanghui Investment, a connected person of CITIC Pacific, as purchaser.
- Asset Disposed : 30% of the registered capital, fully paid, of DCH Shuanghui (being paid up capital of RMB32.4 million (approximately HK\$30.55 million)) and all other rights and obligations attached thereto pursuant to the joint venture contract and articles of association of DCH Shuanghui
- Consideration : RMB18.7 million (approximately HK\$17.6 million), payable in US dollars equivalent by Shuanghui Investment to Mainstream Holdings within 7 business days from the date of completion of the transfer

The consideration was arrived at after arm's length negotiations between the parties and reflects, on a dollar-for-dollar basis, the unaudited net asset value of DCH Shuanghui as at 30 November 2002 (as valued by the Valuer) of approximately RMB62.32 million (approximately HK\$58.77 million); 30% of which amounts to approximately RMB18.7 million (approximately HK\$17.6 million).

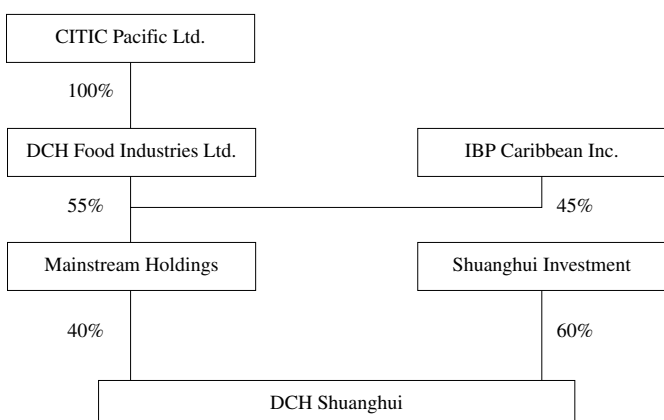
- Completion : Completion of the transfer will take place on the date on which all relevant documents have been signed and the approvals of each of the Shanghai Foreign Investment Working Committee (上海市外國投資工作委員會) and the Shanghai Administration for Industry and Commerce (上海市工商行政管理局) for the amendment and registration of the business licence of DCH Shuanghui have been obtained.

Before the transfer of the 30% interest in DCH Shuanghui, DCH Shuanghui is owned as to 70% by Mainstream Holdings and 30% by Shuanghui Investment. Immediately after the completion of the transfer, DCH Shuanghui will be owned as to 40% by Mainstream Holdings and 60% by Shuanghui Investment and will no longer be a subsidiary of the Company. The shareholding structures of DCH Shuanghui immediately prior to and after the transfer are set out below:-

#### Immediately prior to the completion of the transfer



#### Immediately after the completion of the transfer



#### DCH SHUANGHUI

DCH Shuanghui is engaged in the business of producing and selling meat and related food products. As at 31 December 2001, the audited net asset value of DCH Shuanghui (in accordance with PRC generally accepted accounting principles) was approximately RMB67.8 million (approximately HK\$63.93 million). For the year ended 31 December 2000, the audited net loss of DCH Shuanghui (in accordance with PRC generally accepted accounting principles) both before and after taxation was approximately RMB18.27 million (approximately HK\$17.23 million). For the year ended 31 December 2001, the audited net loss of DCH Shuanghui (in accordance with PRC generally accepted accounting principles) both before and after taxation was approximately RMB13.09 million (approximately HK\$12.34 million).

As at the date of this announcement, the registered capital of DCH Shuanghui is RMB108 million, of which RMB75.6 million was contributed by Mainstream Holdings and RMB32.4 million by Shuanghui Investment. After the completion of the transfer of the 30% interest in DCH Shuanghui, the registered capital of DCH Shuanghui will be increased to RMB154.75 million. The additional registered capital amounting to RMB46.75 million will be contributed in the proportions of 40:60 by Mainstream Holdings in US dollars (amounting to approximately HK\$17.6 million) and by Shuanghui Investment in Renminbi (amounting to approximately HK\$26.5 million).

Mainstream Holdings also entered into two further agreements with Shuanghui Investment for the corresponding amendments of the joint venture contract and the articles of association of DCH Shuanghui, including, inter alia, the changing of the name of DCH Shuanghui to "Shanghai Shineway DCH Tyson Co., Ltd. (上海雙滙大昌泰森有限公司)" and corresponding change to profit-sharing arrangement in proportion to their respective contribution in the registered capital of DCH Shuanghui.

#### CONNECTED TRANSACTION

Being a substantial shareholder of DCH Shuanghui, which is a subsidiary of CITIC Pacific, Shuanghui Investment is a connected person (as defined in the Listing Rules) of CITIC Pacific. Accordingly, the transfer of the 30% interest in DCH Shuanghui from Mainstream Holdings to Shuanghui Investment will constitute a connected transaction of CITIC Pacific under the Listing Rules. The aggregate value of the connected transaction represents more than 0.03% but less than 3% of the book value of the net assets of the Group. Details of this connected transaction will be included in the 2002 annual report of the Company.

#### REASONS FOR THE DISPOSAL OF THE 30% INTEREST IN DCH SHUANGHUI

With the increase in shareholding of Shuanghui Investment in DCH Shuanghui, it is anticipated that Shuanghui Investment will make greater contributions to DCH Shuanghui in terms of capital, know-how, sales and marketing and overall management. This should be beneficial to the Company as Mainstream Holdings will retain a 40% interest in DCH Shuanghui immediately after the completion of the transfer.

The sale proceeds will be applied towards the payment of the contribution to the increase in the registered capital of DCH Shuanghui by Mainstream Holdings as contemplated under the Sale and Purchase Agreement.

The Directors (including the independent non-executive directors) consider that the terms of the Sale and Purchase Agreement are normal commercial terms and are fair and reasonable and in the interests of CITIC Pacific and all its shareholders as a whole.

#### Term used in this announcement:

"Board"	the board of directors of the Company
"Company" or "CITIC Pacific"	CITIC Pacific Limited, a company listed on the main board of the Stock Exchange
"DCH Shuanghui"	Shanghai DCH Shuanghui IBP Co., Ltd. (上海大昌雙滙艾波有限公司), a sino-foreign joint venture company established in the PRC
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mainstream Holdings"	Mainstream Holdings Ltd. (華新控股有限公司), a company incorporated in Hong Kong and a 55% owned subsidiary of CITIC Pacific
"PRC"	the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purpose of this announcement)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the agreement dated 16 December 2002 entered into between (1) Mainstream Holdings; and (2) Shuanghui Investment
"Shuanghui Investment"	河南雙滙投資發展股份有限公司, a company established in the PRC and listed on the Shenzhen Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US dollars"	the legal currency of the United States of America
"Valuer"	Shanghai Lixin Appraisal Limited (上海立信資產評估有限公司), an independent asset valuer not connected with the Company, its directors, chief executive or substantial shareholders or any of its subsidiaries or any of their respective associates

The exchange rate of RMB to Hong Kong dollars quoted in this announcement adopts the rate of RMB1 equivalent to HK\$ 0.943

By Order of the Board  
**Alice Tso Mun Wai**  
Secretary

Hong Kong, 16 December 2002