

CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 267)

DISCLOSEABLE TRANSACTION – ACQUISITION OF INTEREST IN DAYE

The Directors announce that on 17 December 2004, Xin Yegang (a 95% owned subsidiary of CITIC Pacific) entered into the Acquisition Agreement to acquire 44,320,000 shares of Daye held by non-state-owned legal persons (representing 9.86% of the total share capital of Daye) from four independent corporate vendors for RMB124,693,434.

On 20 December, 2004, CITIC Pacific China (a wholly-owned subsidiary of the Company) and Xin Yegang successfully bid for 126,618,480 state-owned shares of Daye (representing 28.18% of the total share capital of Daye) and 48,000,000 state-owned shares of Daye (representing 10.68% of the total share capital of Daye) in public auctions for RMB289,956,319.20 and RMB109,920,000 respectively.

The Group is currently interested in 9.41% of the total share capital of Daye. Upon completion of all the acquisitions mentioned above, the interest of the Group in Daye will increase to 58.13% (including 19.27% non-state-owned legal person shares and 38.86% state-owned shares of Daye).

The Acquisition in respect of 9.86% interest in Daye and the acquisition of the 38.86% state-owned shares of Daye, when aggregated with the acquisition of the other Daye Assets pursuant to the Framework Agreement entered into by the Company in February 2004 and the acquisition of the 9.41% interest in Daye in January 2004, constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among others, details of the Acquisition and the acquisition of the 38.86% state-owned shares of Daye at the Auctions will be despatched to the Shareholders as soon as practicable.

ACQUISITION AGREEMENT IN RESPECT OF 9.86% DAYE SHARES

Date: 17 December 2004

Parties: (1) Xin Yegang, a 95% owned subsidiary of the Company, as purchaser
(2) Vendor No. 1, Vendor No. 2, Vendor No. 3 and Vendor No. 4, as vendors

The principal business activities of the vendors are investment management and consultancy.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, all the vendors and their ultimate beneficial owners are third parties independent of and not connected with the Company or any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Asset acquired: A total of 44,320,000 non-state-owned shares of Daye (representing 9.86% of the total share capital of Daye), owned as to:

- (1) 15,000,000 shares by Vendor No. 1;
- (2) 15,300,000 shares by Vendor No. 2;
- (3) 10,050,000 shares by Vendor No. 3; and
- (4) 3,970,000 shares by Vendor No. 4.

Consideration: RMB124,693,434 in aggregate (approximately RMB2.81 per share), payable in cash upon completion of the Acquisition, and as to:

- (1) approximately RMB42.20 million to Vendor No. 1;
- (2) approximately RMB43.05 million to Vendor No. 2;
- (3) approximately RMB28.28 million to Vendor No. 3; and
- (4) approximately RMB11.17 million to Vendor No. 4.

No deposit has been paid by Xin Yegang as the purchaser.

The consideration was agreed after arm's length negotiations between Xin Yegang and the vendors with reference to the net asset value of Daye as at 30 September 2004 of RMB3.7 per share taking into account the fact that such 9.86% interest is not freely transferrable.

Completion: Completion shall take place within three business days from the date of registration of the transfer of shares.

ACQUISITION OF 38.86% DAYE SHARES AT PUBLIC AUCTION

Pursuant to the Framework Agreement entered into by the Company in February 2004, the Group agreed to acquire the Daye Assets which included 黃石東方鋼鐵有限公司 (Dongfang Iron and Steel Co., Ltd. of Huangshi). In October 2004, 黃石東方鋼鐵有限公司 (Dongfang Iron and Steel Co., Ltd. of Huangshi) was restructured as a 95% owned subsidiary of the Company and subsequently renamed Xin Yegang, for the purpose of entering into definitive agreements to acquire the Remaining Daye Assets pursuant to the Framework Agreement and the 38.86% state-owned shares in Daye. The definitive agreements in respect of the Remaining Daye Assets were entered into in October and November 2004.

Certain creditors of Daye Steel Group and Daye applied to the relevant provincial or municipal court to freeze the 38.86% state-owned shares of Daye for judicial sale to have their debt repaid. As a result, such 38.86% state-owned shares of Daye were put up for public auction under the direction of the relevant provincial or municipal court on 20 December 2004.

At the Auctions held on 20 December 2004:

- (a) CITIC Pacific China (a wholly-owned subsidiary of the Company) successfully bid for 126,618,480 state-owned shares of Daye (representing 28.18% of the total share capital of Daye) for RMB289,956,319.20 (RMB2.29 per share); and
- (b) Xin Yegang successfully bid for 48,000,000 state-owned shares of Daye (representing 10.68% of the total share capital of Daye) for RMB109,920,000 (RMB2.29 per share).

The consideration for the 38.86% state-owned shares in Daye will be paid into the relevant provincial or municipal court for settlement of the outstanding sum due to the creditors of Daye Steel Group and Daye.

In order to complete the acquisitions of the 38.86% state-owned shares in Daye, the Group is required to make a general offer for all the shares of Daye (other than those already owned or agreed to be acquired by the Group) ("General Offer"). The Company will apply to China Securities Regulatory Commission for a waiver from making the General Offer and submit a report on the acquisitions of the 38.86% state-owned shares in Daye to China Securities Regulatory Commission in support of such application. If such waiver is granted, the Group will complete the acquisitions of the 38.86% state-owned shares in Daye as soon as practicable thereafter. If such waiver is not granted, the Company will consider whether it would be in the interest of the Company and its shareholders to make the General Offer in order to complete the acquisitions, and will make a further announcement and comply with the relevant requirements under Listing

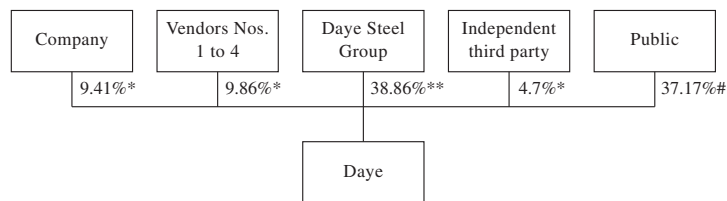
Rules in respect of the Company's decision. Save as disclosed herein, as at the date of this announcement, the Company does not have any intention to acquire the remaining shareholding interest in Daye.

INTRA-GROUP TRANSFER OF 9.41% DAYE SHARES

The Company has been interested in 42,300,000 shares of Daye held by non-state-owned legal persons (representing 9.41% of the total share capital of Daye) since January 2004. For the purpose of consolidating the Group's interests in Daye under Xin Yegang, on 17 December 2004, the Company injected its interest in such 9.41% interest in Daye into Xin Yegang by way of an intra-group transfer which transfer from a 100% owned subsidiary to a 95% owned subsidiary constitutes a deemed disposal of 5% of the 9.41% interest in Daye. 黃石東方投資有限公司 (Huangshi Dongfang Investment Co., Ltd.), the remaining 5% shareholder of Xin Yegang is not a connected person (as defined in the Listing Rules) of the Company.

The transfer is a transaction between the Company and Xin Yegang, its non-wholly owned subsidiary, and is exempt from the reporting, announcement and independent shareholders approval requirements under Rule 14A.31(1) of the Listing Rules. The transfer does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

(I) Shareholding structure of Daye immediately before 17 December 2004:



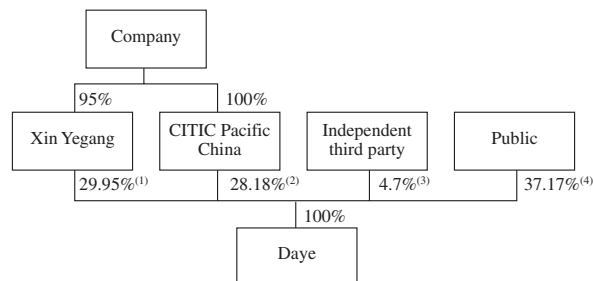
Listed shares of Daye:

* Non-state-owned legal person shares – not freely transferable (非流通社會法人股)

** State-owned shares – not freely transferable (非流通國有股)

Public shares – freely transferable (公眾流通股)

(II) Shareholding structure of Daye immediately upon completion of the acquisition of 9.86% interest and 38.86% interest in Daye and the intra-group transfer of 9.41% interest in Daye:



Listed shares of Daye:

(1) 19.27% non-state-owned legal person shares – not freely transferable (非流通社會法人股) and 10.68% state-owned shares – not freely transferable (非流通國有股)

(2) State-owned shares – not freely transferable (非流通國有股)

(3) Non-state-owned legal person shares – not freely transferable (非流通社會法人股)

(4) Public shares – freely transferable shares (公眾流通股)

INFORMATION RELATING TO DAYE

Daye is a stock limited company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange. Daye is primarily engaged in specialty steel manufacturing.

For the year ended 31 December 2003, the net profits before and after taxation of Daye were approximately RMB33 million and RMB25 million respectively. For the year ended 31 December 2002, the net profits before and after taxation of Daye were approximately RMB63 million and RMB46 million respectively. As at 31 December 2003, the net asset value of Daye was approximately RMB1,623 million.

The average closing price of Daye on the Shenzhen Stock Exchange for the 5 trading days immediately before 17 December 2004 was RMB6.03.

INFORMATION RELATING TO THE COMPANY

The Group is engaged in a diversified range of businesses in Hong Kong and Mainland China, including basic infrastructure (such as power generation, communications, aviation and civil infrastructure), manufacturing of specialty steel, marketing and distribution of motor and consumer products, and property investment and management.

REASONS AND BENEFITS FOR THE ACQUISITIONS

The Company's long term objective remains to develop a large diversified business focusing on infrastructure. Specialty steel manufacturing is a key element of the Group's industrial portfolio.

The acquisitions of interests in Daye and Daye Assets are summarised below:

In January 2004, the Company first become interested in 9.41% interest in Daye. In February 2004, the Company entered into the Framework Agreement relating to the acquisition of Daye Assets. In October 2004, 黃石東方鋼鐵有限公司 (Dongfang Iron and Steel Co., Ltd. of Huangshi) was restructured as a 95% owned subsidiary of the Company and subsequently renamed Xin Yegang. In October and November 2004, Xin Yegang entered into the definitive agreements in respect of the Remaining Daye Assets. On 17 December 2004, Xin Yegang (a 95% subsidiary of the Company) acquired 9.86% interest in Daye pursuant to the Acquisition Agreement and consolidated the 9.41% interest in Daye pursuant to an intra-group transfer. On 20 December 2004, the Group successfully bid for 38.86% state-owned shares of Daye at the Auctions.

Upon completion of the said acquisitions (including the Acquisition and the acquisition of the 38.86% state-owned shares of Daye), the interest of the Group in Daye will increase to 58.13%, and Daye will become a subsidiary of the Company. The Company intends to hold such 58.13% interest in Daye as long term investment. The acquisitions will be funded by internal resources of the Group.

The acquisitions of additional interests in Daye provides an opportunity for the Group to further expand its specialty steel manufacturing business in the PRC by obtaining control over Daye. Upon completion of the Acquisition and the acquisition of the 38.86% state-owned shares of Daye, the Company will be entitled to appoint the majority of the board of directors of Daye.

The Directors (including the independent non-executive directors) consider that the terms of the Acquisition Agreement and the acquisition of the 38.86% state-owned shares of Daye are normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The Acquisition in respect of 9.86% interest in Daye and the acquisition of the 38.86% state-owned shares of Daye, when aggregated with the acquisition of the other Daye Assets pursuant to the Framework Agreement entered into by the Company in February 2004 and the acquisition of the 9.41% interest in Daye in January 2004, constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among others, details of the Acquisition and the acquisition of the 38.86% state-owned shares of Daye at the Auctions will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Acquisition”	the acquisition by Xin Yegang of 44,320,000 non-state-owned shares of Daye (representing 9.86% of the total share capital of Daye) from four independent corporate vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 17 December 2004 between Xin Yegang and four independent corporate vendors in respect of the Acquisition
“Auctions”	the public auctions held on 20 December 2004 under the direction of the relevant provincial or municipal court in respect of the 38.86% state-owned shares of Daye
“Board”	the board of Directors
“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
“CITIC Pacific China”	中信泰富(中國)投資有限公司 (CITIC Pacific China Holdings Limited), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Daye”	大冶特殊鋼股份有限公司 (Daye Special Steel Co., Ltd.), a stock limited company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange
“Daye Assets”	黃石東方鋼鐵有限公司 (Dongfang Iron and Steel Co., Ltd. of Huangshi); 38.86% state-owned shares in Daye; and the Remaining Daye Assets
“Daye Steel Group”	冶鋼集團有限公司 (Daye Steel Group Corporation), a company incorporated in the PRC and the major shareholder of Daye holding the 38.86% state-owned shares in Daye
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement dated 5 February 2004 entered into by the Company with 黃石市國有資產經營有限公司 (Huangshi Municipal Government State-owned Assets Management Co., Ltd.) (who has power to authorise the operation and management of Daye Assets) relating to the acquisition of Daye Assets
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Remaining Daye Assets”	collectively, (a) all fixed assets and stocks of the steel pipe subsidiaries of Daye Steel Group (including 170 Steel Pipe Factory and Seamless Pipe Factory); (b) the construction-in-progress relating to ancillary facilities for steel production; and (c) the land use right of the property currently occupied by Daye Steel Group as its principal production site in Huangshi, Hubei
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor No. 1”	北京頤和丰業投資有限公司 (Beijing EHE Investment Ltd.), a company incorporated in the PRC
“Vendor No. 2”	北京方程興業投資有限公司 (Beijing FongChengXing Investment Ltd.), a company incorporated in the PRC
“Vendor No. 3”	合肥銀信投資管理有限公司 (Hefei YinXin Investment Management Ltd.), a company incorporated in the PRC
“Vendor No. 4”	北京龍聚興投資顧問有限公司 (Beijing LongJuXing Investment Consultancy Ltd.), a company incorporated in the PRC
“Xin Yegang”	湖北新冶鋼有限公司 (Hubei Xin Yegang Co., Ltd.), a joint venture company incorporated in the PRC and owned as to 95% by the Group and as to 5% by 黃石東方投資有限公司 (Huangshi Dongfang Investment Co., Ltd.)
“%”	percentage

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

By Order of the Board
CITIC Pacific Limited
Alice Tso Mun Wai
Company Secretary

Hong Kong, 22 December 2004

The exchange rate of RMB to Hong Kong dollars quoted in this announcement adopts a rate of RMB1 equivalent to HK\$0.94.

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