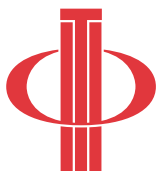


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC Pacific Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix – General Information	11

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“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 the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 17 December 2004 between Xin Yegang and the Vendors in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 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
“Company”	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“Daye”	大冶特殊鋼股份有限公司 (Daye Special Steel Co., Ltd.), a joint 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

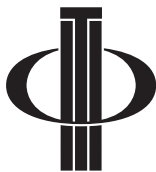
DEFINITIONS

“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 (including Daye Steel Group)) relating to the acquisition of Daye Assets
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	5 January 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Province
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.4 each in the share capital of the Company
“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

DEFINITIONS

“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
“Vendors”	Vendor No.1, Vendor No.2, Vendor No.3 and Vendor No.4
“Xin Yegang”	湖北新冶鋼有限公司 (Hubei Xin Yegang Co., Ltd.), a joint venture company established 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

LETTER FROM THE BOARD



CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

Directors:

Larry Yung Chi Kin (*Chairman*)
Henry Fan Hung Ling (*Managing Director*)
Vernon Francis Moore (*Deputy Managing Director*)
Peter Lee Chung Hing (*Deputy Managing Director*)
Norman Yuen Kee Tong (*Deputy Managing Director*)
Yao Jinrong (*Executive Director*)
Chang Zhenming (*Executive Director*)
Li Shilin (*Executive Director*)
Carl Yung Ming Jie (*Executive Director*)
Liu Jifu (*Executive Director*)
Willie Chang*
Hamilton Ho Hau Hay**
Alexander Reid Hamilton**
Hansen Loh Chung Hon**
Norman Ho Hau Chong**
André Desmarais*
Peter Kruyt #

Registered Office:

32nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

* *Non-executive Director*

** *Independent non-executive Director*

Alternate Director to André Desmarais

13 January 2005

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
ACQUISITION OF INTEREST IN DAYE

INTRODUCTION

In an announcement dated 22 December 2004, the Directors announced that on 17 December 2004, Xin Yegang (a 95% owned subsidiary of the Company) entered into the

LETTER FROM THE BOARD

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 the 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 was previously 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% (i.e. 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. The purpose of this circular is to provide you with further information relating to, among others, details of the Acquisition and the acquisition of the 38.86% state-owned shares of Daye at the Auctions.

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 respective 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.

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;

LETTER FROM THE BOARD

(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 was paid by Xin Yegang as the purchaser to any of the Vendors.

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 (based on its then latest published quarterly report) taking into account the fact that such 9.86% interest is not freely transferable.

Completion:

Completion took place on 20 December 2004.

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.

LETTER FROM THE BOARD

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 debts 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 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 has been paid to the auction company, which will in turn pay the same into the relevant provincial or municipal court for settlement in full of the debts due to the creditors of Daye Steel Group and Daye under the judicial sale.

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 submitted on 6 January 2005 a report on the acquisitions of the 38.86% state-owned shares in Daye to China Securities Regulatory Commission and will then apply to China Securities Regulatory Commission for a waiver from making the General Offer. 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 circular, 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.

LETTER FROM THE BOARD

INFORMATION RELATING TO DAYE

Daye is a joint stock limited company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange. Daye is primarily engaged in special 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 special 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. Special 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 became 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.

LETTER FROM THE BOARD

The acquisitions of additional interests in Daye provides an opportunity for the Group to further expand its special 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 Company considers that the Acquisition will strengthen the Group's earning base and will not have any material effect on the net asset of the Company.

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 based on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
CITIC Pacific Limited
Larry Yung Chi Kin
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive in securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which he was taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies set out in the Listing Rules:

(i) Shares in the Company:

	Number of shares			Trusts and similar interests	Percentage of issued share capital (%)
	Personal interests	Corporate interests	Family interests		
Larry Yung Chi Kin		400,381,000			18.265
Henry Fan Hung Ling		1,600,000		44,600,000	2.108
Vernon Francis Moore				3,200,000	0.146
Peter Lee Chung Hing	500,000				0.023
Norman Yuen Kee Tong	33,000				0.002
Liu Jifu	40,000				0.002
Hansen Loh Chung Hon	1,050,000	500,000 ¹	500,000 ¹		0.071
André Desmarais	99,800	100,242,000 ²			4.578
Peter Kruyt	2,100				0.0001
(alternate Director to André Desmarais)					

Notes:

1. *The corporate interests and the family interests of the relevant Director duplicated each other as the 500,000 shares were held through a company in which the relevant Director and his family were interested.*
2. *Out of 100,242,000 shares, 12,000 shares were held by a corporation controlled by the relevant Director and 100,230,000 shares were held indirectly by a corporation of which the relevant Director was the President and Co-Chief Executive Officer.*

(ii) Share options in the Company:

Directors	Date of Grant	Number of Share options granted	Options lapsed/ cancelled/ exercised	Number of Share options outstanding	Percentage of issued share capital (%)
Larry Yung Chi Kin	28 May 2002	2,000,000	Nil	4,000,000	0.182
	1 November 2004	2,000,000			
Vernon Francis Moore	28 May 2002	1,000,000	Nil	2,000,000	0.091
	1 November 2004	1,000,000			
Peter Lee Chung Hing	28 May 2002	1,000,000	Nil	2,000,000	0.091
	1 November 2004	1,000,000			
Norman Yuen Kee Tong	28 May 2002	500,000	Nil	1,000,000	0.046
	1 November 2004	500,000			
Yao Jinrong	28 May 2002	300,000	Nil	800,000	0.036
	1 November 2004	500,000			
Chang Zhenming	28 May 2002	500,000	Nil	500,000	0.023
Li Shilin	28 May 2002	300,000	Nil	300,000	0.014
Carl Yung Ming Jie	28 May 2002	300,000	Nil	800,000	0.036
	1 November 2004	500,000			
Liu Jifu	28 May 2002	300,000	Nil	800,000	0.036
	1 November 2004	500,000			

(iii) Shares in the associated corporation:

Name of Director	Number of ordinary shares in Cathay Pacific Airways Limited				Percentage to the issued share capital (%)
	Personal interests	Corporate interests	Family interests	Trusts and similar interests	
Hansen Loh Chung Hon	450,000				0.013

(b) Substantial shareholders of the Company

As at the Latest Practicable Date, save as disclosed herein, so far as was known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company or their respective associates) had any interest or

short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Percentage to the issued share capital (%)
CITIC Group	632,066,285	28.835
CITIC Hong Kong (Holdings) Limited ("CITIC HK")	632,066,285	28.835
Heedon Corporation	498,424,285	22.738
Honpville Corporation	310,988,221	14.187

CITIC HK is a substantial shareholder of the Company (within the meaning of the Listing Rules) indirectly through the following wholly owned subsidiary companies:

Name of subsidiary companies of CITIC HK	Number of Shares	Percentage to the issued share capital (%)
<i>Affluence Limited</i>	43,266,000	1.974
<i>Winton Corp.</i>	30,718,000	1.401
<i>Westminster Investment Inc.</i>	101,960,000	4.651
<i>Jetway Corp.</i>	22,500,000	1.026
<i>Cordia Corporation</i>	32,258,064	1.472
<i>Honpville Corporation</i>	310,988,221	14.187
<i>Hainsworth Limited</i>	80,376,000	3.667
<i>Southpoint Enterprises Inc.</i>	10,000,000	0.456

Each of Affluence Limited, Winton Corp., Westminster Investment Inc., Jetway Corp., Cordia Corporation, Honpville Corporation, Hainsworth Limited and Southpoint Enterprises Inc. holds the shares of the Company beneficially. Accordingly, Honpville Corporation is a substantial shareholder of the Company (within the meaning of the Listing Rules).

CITIC Group is the direct holding company of CITIC HK. CITIC HK is the direct holding company of Heedon Corporation, Hainsworth Limited, Affluence Limited and Barnsley Investments Limited. Heedon Corporation is the direct holding company of Winton Corp., Westminster Investment Inc., Jetway Corp., Kotron Company Ltd. and Honpville Corporation and Kotron Company Ltd. is the direct holding company of Cordia Corporation. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc. Accordingly, the interests of CITIC Group in the Company duplicate the interests of CITIC HK in the Company. The interests of CITIC HK in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Heedon Corporation in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Barnsley Investments Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above and the interests of Kotron Company Ltd. in the Company duplicate the interests in the Company of its direct subsidiary company as described above.

As at the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Larry Yung Chi Kin	CITIC Group	Director
	CITIC HK	Director
	Heedon Corporation	Director
	Honpville Corporation	Director
	Earnplex Corporation	Director and Shareholder
	Bloomfield Enterprises Corp.	Director and Shareholder
	Rockhampton Investments Limited	Director and Shareholder
Henry Fan Hung Ling	CITIC HK	Director
	Heedon Corporation	Director
	Honpville Corporation	Director
Vernon Francis Moore	CITIC HK	Director
	Honpville Corporation	Director
Yao Jinrong	CITIC Group	Director
Li Shilin	CITIC Group	Director
Carl Yung Ming Jie	Earnplex Corporation	Director
Liu Jifu	CITIC HK	Director

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

4. SERVICE CONTRACTS

There is no existing or proposed service contracts between any of the Directors and the Company or any of its subsidiaries, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTEREST

In so far as the Directors are aware, none of the Directors or their respective associates have any interest in a business which competes or is likely to compete with the business of the Group.

6. GENERAL

- (a) The secretary of the Company is Ms. Alice Tso Mun Wai, ACIS, MA and the qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Vernon Francis Moore, FCA, FCPA.
- (b) The registered office of the Company is at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (c) The share registrars of the Company is Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.