



CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

CONNECTED TRANSACTION ACQUISITION OF INTEREST IN WAL-MART EAST CHINA STORES CO., LTD.

The Directors announce that on 11 March 2005, the Purchaser, a wholly owned subsidiary of CITIC Pacific, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor a 35% equity interest in the JV Company at a consideration of US\$3,580,000 (approximately HK\$27,924,000). The JV Company is a sino-foreign equity joint venture established in the PRC and is engaged in hypermarket business in the PRC. Prior to completion of the Acquisition, the JV Company will be converted into a wholly foreign owned enterprise with a capital structure same as the one immediately prior to the said conversion.

The Vendor is wholly-owned by CITIC Group, which is a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Pursuant to the Listing Rules, as each of the applicable Percentage Ratios is less than 2.5%, the Acquisition is only subject to announcement and reporting requirements and does not require the approval of the independent shareholders of the Company. Details of the Acquisition is accordingly disclosed in this announcement and will be disclosed in the Company's forthcoming annual report pursuant to Rule 14A.45 of the Listing Rules.

By an announcement dated 21 January 2005, the Company announced that it was in discussions with CITIC Group to acquire its 35% equity interest in the JV Company. As a result of such discussions, the Acquisition Agreement was entered into on 11 March 2005.

DETAILS OF THE ACQUISITION AGREEMENT

Date: 11 March 2005

Parties: the Vendor as seller, a wholly owned subsidiary of CITIC Group. Since CITIC Group is a substantial shareholder of an approximately 29% interest in the Company, the Vendor is a connected person of the Company; and the Purchaser as purchaser, a wholly owned subsidiary of the Company, which has carried no business other than the entering into of the Acquisition Agreement.

Assets to be Acquired

- 35% equity interest in the JV Company

The JV Company was established on 15 October 2003 as a sino-foreign equity joint venture in the PRC with a term of 30 years commencing from its date of establishment. The total investment of the JV Company is US\$23 million. The registered capital of the JV Company is US\$9.7 million, which is owned and fully contributed as to 35% by the Vendor and as to 65% by Wal-Mart China. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, Wal-Mart China and its ultimate beneficial owner is independent of, and not connected with the directors, chief executive, substantial shareholders of the Company and its subsidiaries, or any of their respective associates.

For the year ended 31 December 2003, the audited net profits before and after taxation of the JV Company were both nil. For the year ended 31 December 2004, the unaudited net losses before and after taxation of the JV Company were both approximately RMB10 million (approximately HK\$9 million). As at 31 December 2004, the unaudited net asset of the JV Company was approximately RMB70 million (approximately HK\$66 million).

As set out in the paragraph headed "Information on the JV Company" below, prior to completion of the Acquisition, the JV Company will be converted into a wholly foreign owned enterprise with a capital structure same as the one immediately prior to the said conversion. Under the joint venture contract and the articles of association of the JV Company as amended, any transfer of the equity interest in the JV Company is subject to the pre-emptive right of the shareholders of the JV Company and the approval of the PRC government. On the date of the Acquisition Agreement, Wal-Mart China confirmed to waive its pre-emptive right in acquiring the Sale Shares.

Consideration Payable under the Acquisition Agreement

The purchase price of US\$3,580,000 (approximately HK\$27,924,000) payable in cash by the Purchaser for the Acquisition was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the registered capital contribution from the Vendor to the JV Company of US\$3,395,000 (approximately HK\$26,481,000), plus the cost of fund (being the funding cost of CITIC Group in relation to the deployment of its funds regarding the JV Company). The said purchase price will be paid in full upon completion, and will be funded by the internal resources of the Company. Save for the payment of the purchase price, the Acquisition Agreement does not impose any capital commitment on the part of the Purchaser.

CONDITION TO COMPLETION OF THE ACQUISITION AGREEMENT

Completion of the Acquisition Agreement will proceed after the following conditions are fulfilled:

- the obtaining of all necessary approvals from the relevant authorities of the PRC; the production to the Purchaser of evidence to its satisfaction that the registration of the transfer of the Sale Shares with the relevant industry and commerce bureau of the PRC having been duly completed; and
- the obtaining of the resolution of the board of directors of the JV Company unanimously approving the transfer of the Sale Shares to the Purchaser.

If the above conditions are not fulfilled (or waived by the Purchaser) within 12 months from the date of the Acquisition Agreement (or such later date as may be agreed between the Purchaser and the Vendor), the Acquisition Agreement may be terminated by either party without any liability to the other party.

Completion of the Acquisition Agreement will take place on the tenth Business Day after fulfillment (or waiver by the Purchaser) of the above conditions.

INFORMATION ON THE JV COMPANY

After signing the Acquisition Agreement, the Purchaser and Wal-Mart China (the other shareholder of the JV Company) will enter into the Amendment to JV Contract and the Amendment to JV Articles to convert the JV Company from a sino-foreign equity joint venture enterprise into a wholly foreign owned enterprise prior to the completion of the Acquisition. The said conversion will not affect the capital structure of the JV Company nor require any contribution to the registered capital of the JV Company. As set out above, completion of the Acquisition will be conditional upon, among other things, obtaining all the necessary approvals from the relevant PRC authorities. The principal terms of the joint venture contract and the articles of association of the JV Company as amended by the aforesaid amendments are as follows:-

Business of the JV Company	: hypermarket business (including agency and consignment sale and warehouse membership sale)
Registered capital	: US\$9,700,000 (owned as to 35%, i.e. US\$3,395,000, by the Purchaser and as to 65%, i.e. US\$6,305,000, by Wal-Mart China)
Total investment	: US\$23,000,000. It is agreed that any further funding need of the JV Company will be satisfied by methods to be agreed by the parties, including bank financing to be obtained by the JV Company or loans from the shareholders.
Right of Pre-emption	: In the event either of the Purchaser or Wal-Mart China wishes to transfer part of or the whole of its equity interest in the JV Company to a third party, the other party shall have a pre-emptive right to purchase such equity interest on the same term as those offered to such third party.
Management	: The board of directors of the JV Company comprises 9 directors. 3 directors shall be appointed by the Purchaser and 6 directors shall be appointed by Wal-Mart China. The Chairman shall be appointed by Wal-Mart China.
Term	: The term of the JV Company is 30 years commencing on 15 October 2003. No less than 6 months before the expiration of the term, with the unanimous consent of the parties, the board of the JV Company may apply to the relevant PRC authorities for an extension of the term of the JV Company.

REASONS AND BENEFIT OF ACQUISITION OF THE JV COMPANY

The Company's long term objective remains to develop a large diversified business including distribution of consumer products. The acquisition of interest in the JV Company represents a good opportunity for the Company to expand its marketing and distribution business in the PRC. It will also bring synergies to the Company's property development business in the PRC. The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are normal commercial terms, and are fair and reasonable and in the interest of the shareholders of the Company as a whole.

INFORMATION ON CITIC GROUP AND THE COMPANY

The principal businesses of CITIC Group comprise finance, industry and other services. The principal businesses of CITIC Pacific comprise the provision of basic infrastructure in Hong Kong and the PRC including power generation, communications, aviation and civil infrastructure and the manufacturing of special steel, distribution of motor vehicles and consumer products and property investment and development.

GENERAL

The Vendor is wholly owned by CITIC Group, which is a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company, and the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Pursuant to the Listing Rules, as each of the applicable Percentage Ratios is less than 2.5%, the Acquisition is only subject to announcement and reporting requirements and does not require the approval of the independent shareholders of the Company. The Acquisition is accordingly disclosed in this announcement and will be disclosed in the Company's forthcoming annual report pursuant to Rule 14A.45 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares contemplated under the Acquisition Agreement;
"Acquisition Agreement"	the equity transfer contract dated 11 March 2005 between the Purchaser and the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor the Sale Shares;
"Amendment to JV Articles"	the amendment to the articles of association of the JV Company to be entered into by the Purchaser and Wal-Mart China after signing the Acquisition Agreement to convert the JV Company from a sino-foreign equity joint venture into a wholly foreign owned enterprise;
"Amendment to JV Contract"	the amendment to the joint venture contract of the JV Company to be entered into by the Purchaser and Wal-Mart China after signing the Acquisition Agreement to convert the JV Company from a sino-foreign equity joint venture into a wholly foreign owned enterprise;
"associate(s)", "connected person(s)" and "substantial shareholder(s)"	each of which has the meaning ascribed to it under the Listing Rules;
"Business Day"	a day on which banks in Beijing as well as in Hong Kong open for business generally;
"CITIC Group"	CITIC Group 中信集團公司, a corporation established under the laws of the PRC;
"CITIC Pacific" or "the Company"	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange;
"Director(s)"	director(s) of the Company;
"HK\$" or "HK\$"	Hong Kong Dollar, the lawful currency of Hong Kong;
"JV Company"	Wal-Mart East China Stores Co., Ltd. 沃爾瑪華東百貨有限公司, currently a sino-foreign equity joint venture established in the PRC;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Percentage Ratios"	has the meaning set out in Rule 14A.10(10) of the Listing Rules;
"PRC"	People's Republic of China;
"Purchaser"	Sky Rich Investments Ltd. 佳富投資有限公司, a company incorporated in the British Virgin Islands with limited liability;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	a 35% equity interest in the registered capital of the JV Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"US\$" or "US\$"	United States Dollar, the lawful currency of the United States;
"Vendor"	CITIC Trust & Investment Co., Ltd. 中信信託投資有限責任公司, a corporation established under the laws of the PRC; and Wal-Mart (China) Investment Co., Ltd. 沃爾瑪(中國)投資有限公司.

(For reference only, the exchange rates used in this Announcement were RMB1.0= HK\$0.94 and US\$1.0=HK\$7.8)

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

Hong Kong, 14 March 2005

As at the date of this announcement, the executive directors of the Company are Messrs 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 of the Company are Messrs Willie Chang, André Desmarais and Peter Kruyt (alternate director to Mr. André Desmarais); and the independent non-executive directors of the Company are Messrs Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong.

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