



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 AND CAPITAL INJECTION AGREEMENT IN RESPECT OF SHIJIAZHUANG STEEL MILL

The Directors announce that on 11 November 2005, CITIC Pacific entered into the Acquisition and Capital Injection Agreement with Hebei SASAC and Hebei Zhongfu whereby CITIC Pacific agreed to –

- acquire 80% of the existing registered capital of Shijiazhuang Steel Mill from Hebei SASAC for a consideration of RMB1,281,887,104.49 (approximately HK\$1,230,611,620); and
- subscribe for new registered capital of Shijiazhuang Steel Mill in the amount of RMB196,406,087.92 (approximately HK\$188,549,844).

Upon completion of the Acquisition and Capital Injection Agreement, CITIC Pacific will hold 65% of the enlarged registered capital of Shijiazhuang Steel Mill which will become a jointly controlled entity of CITIC Pacific.

As the applicable Percentage Ratios are more than 5% and less than 25%, the Acquisition and Capital Injection Agreement constitutes a discloseable transaction of CITIC Pacific and is subject to the announcement and reporting requirements of the Listing Rules.

A circular containing, among other things, further details of the Acquisition and Capital Injection Agreement will be despatched to the Shareholders as soon as practicable.

ACQUISITION AND CAPITAL INJECTION AGREEMENT

Date: 11 November 2005

Parties: (1) CITIC Pacific, as purchaser of the Sale Interest and as subscriber of the registered capital of Shijiazhuang Steel Mill

(2) Hebei SASAC, as vendor of the Sale Interest and as subscriber of the registered capital of Shijiazhuang Steel Mill

(3) Hebei Zhongfu, as subscriber of the registered capital of Shijiazhuang Steel Mill

CITIC Pacific has nominated its wholly-owned subsidiary, Winchamp Enterprises Corp, to enter into the relevant joint venture contract and to execute the articles of association of Shijiazhuang Steel Mill.

Assets involved

- 80% of the existing registered capital of Shijiazhuang Steel Mill (excluding the interest in a subsidiary operating a hospital) from Hebei SASAC for a consideration of RMB1,281,887,104.49 (approximately HK\$1,230,611,620); and
- registered capital of Shijiazhuang Steel Mill for subscription by:
 - (1) CITIC Pacific in the amount of RMB196,406,087.92 (approximately HK\$188,549,844);
 - (2) Hebei SASAC in the amount of RMB134,387,667.70 (approximately HK\$129,012,161); and
 - (3) Hebei Zhongfu in the amount of RMB341,144,582.87 (approximately HK\$327,498,800).

At present, Shijiazhuang Steel Mill is owned by Hebei SASAC as to 100% of its registered capital. Upon completion of the Acquisition and Capital Injection Agreement, CITIC Pacific, Hebei SASAC and Hebei Zhongfu will respectively hold 65% (i.e. in the amount of RMB1,300 million (approximately HK\$1,248 million)), 20% (i.e. in the amount of RMB400 million (approximately HK\$384 million)) and 15% (i.e. in the amount of RMB300 million (approximately HK\$288 million)) of the enlarged registered capital of Shijiazhuang Steel Mill.

Consideration for the Acquisition and Amount of Capital Injection

The purchase price payable by CITIC Pacific to Hebei SASAC for the acquisition of the Sale Interest is RMB1,281,887,104.49 (approximately HK\$1,230,611,620) and the amount of Capital Injection payable by CITIC Pacific is RMB196,406,087.92 (approximately HK\$188,549,844).

In August 2005, the Company submitted its tender proposal to Hebei SASAC regarding the acquisition of Shijiazhuang Steel Mill. As a condition to the tender process, on 9 August 2005 the Company paid a deposit equivalent to RMB500 million (approximately HK\$480 million) to Hebei SASAC. The amount was kept in custody by Hebei Merger Centre (河北省產權交易中心). The said amount will be returned to the Company at the same time as the Company settles the purchase price in respect of the Acquisition as set out below.

The purchase price and amount of Capital Injection payable by CITIC Pacific in respect of the Acquisition and the Capital Injection respectively shall be made within one month after approval from the relevant governmental authorities for the Acquisition and Capital Injection Agreement having been obtained. It will be funded by the internal resources of CITIC Pacific.

The said purchase price of approximately RMB1,282 million (approximately HK\$1,231 million) was determined after arm's length negotiation between CITIC Pacific and Hebei SASAC with reference to the appraised net asset value of Shijiazhuang Steel Mill (excluding the interest in a subsidiary operating a hospital incorporated in the year 2004) as at 31 December 2004 of approximately RMB1,452 million (approximately HK\$1,394 million) as stipulated in the appraisal report prepared by China Consultants of Accounting and Financial Management Co., Ltd., a professional appraiser in the PRC which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of and not connected with CITIC Pacific or any of the directors, chief executive or substantial shareholders of CITIC Pacific or any of its subsidiaries or any of their respective associates.

Completion accounts will be prepared and audited (in accordance with generally accepted accounting principles in the PRC) with the view to ascertaining the net asset value of Shijiazhuang Steel Mill (excluding the interest in a subsidiary operating a hospital) as of the date of the completion. If the relevant net asset value at completion exceeds the corresponding net asset value as of 31 December 2004, such excess shall belong to Hebei SASAC and be payable by Shijiazhuang Steel Mill either (a) in cash within one week after the completion accounts are prepared and audited or (b) by Shijiazhuang Steel Mill issuing new registered capital to Hebei SASAC upon which CITIC Pacific and Hebei Zhongfu will subscribe for such amount of new equity in Shijiazhuang Steel Mill in order to maintain their respective 65% and 15% interest. If the relevant net asset value at completion is less than the corresponding net asset value as of 31 December 2004, Hebei SASAC shall indemnify Shijiazhuang Steel Mill on a dollar for dollar basis for such deficit.

Completion

Completion of the Acquisition and Capital Injection Agreement is conditional upon (a) all approvals from the relevant governmental authorities for the Acquisition and the Capital Injection having been obtained; (b) all the approvals, licences (including business licence) and registration from the relevant governmental authorities for the changes of the constitution of Shijiazhuang Steel Mill having been obtained.

Completion of the Acquisition and Capital Injection is expected to take place simultaneously. Shijiazhuang Steel Mill will be changed from a company wholly owned by the PRC government (i.e. state-owned) into a Sino-foreign equity joint venture company. After completion, decisions of Shijiazhuang Steel Mill must be approved by two thirds of all its directors, with some other corporate matters requiring unanimous approval by all the directors. As such, Shijiazhuang Steel Mill would be accounted for as a jointly controlled entity of CITIC Pacific in the financial statement upon completion. The results, assets and liabilities of Shijiazhuang Steel Mill will not be consolidated into CITIC Pacific's consolidated financial statements. Such accounting treatment is consistent with the accounting policy adopted by CITIC Pacific's audited annual accounts of 2004, and has been concurred by CITIC Pacific's auditors.

Hebei SASAC and Shijiazhuang Steel Mill are also negotiating with CITIC Pacific on an arrangement which is part and parcel to the Acquisition and the Capital Injection whereby prior to completion, CITIC Pacific may execute a guarantee in the amount of up to RMB400 million (approximately HK\$384 million) to secure the banking facilities granted to Shijiazhuang Steel Mill or its subsidiary. Under such circumstances, Hebei Merger Centre will return the deposit equivalent to the guaranteed amount to the Company immediately before it executes the guarantee. The banking facilities are expected to be repaid once the proceeds for Capital Injection has been paid by shareholders to Shijiazhuang Steel Mill according to the Acquisition and Capital Injection Agreement. The guarantee will then be cancelled.

INFORMATION ON SHIJIAZHUANG STEEL MILL

Shijiazhuang Steel Mill was established on 22 May, 1997 in Shijiazhuang, Hebei Province, PRC. At present, it is wholly owned by the PRC government. Shijiazhuang Steel Mill has current annual production capacity of 2 million tonnes of special steel and is one of the leading special steel manufacturers in the PRC. Shijiazhuang Steel Mill principally operates through its 75.09% subsidiary Shijiazhuang Iron & Steel Holdings Ltd (石家莊鋼鐵股份有限公司) and engages in the production and sale of special steel and related products. Shijiazhuang Iron & Steel Holdings Ltd (石家莊鋼鐵股份有限公司) is the main operating arm of Shijiazhuang Steel Mill. In order to streamline the corporate structure, this company will be dissolved as soon as practicable after completion of the Acquisition and Capital Injection Agreement with all its assets and liabilities transferred to Shijiazhuang Steel Mill.

Forthwith upon signing the Acquisition and Capital Injection Agreement, Hebei SASAC with reference to the net asset value of Shijiazhuang Steel Mill, will capitalize certain reserves into registered capital and after capitalization, the registered capital of Shijiazhuang Steel Mill will be approximately RMB1,328 million (approximately HK\$1,275 million) prior to completion of the Acquisition and Capital Injection Agreement. Upon completion of the Acquisition and Capital Injection Agreement, the total investment and registered capital of Shijiazhuang Steel Mill will be RMB4,000 million (approximately HK\$3,840 million) and RMB2,000 million (approximately HK\$1,920 million) respectively. The term of Shijiazhuang Steel Mill will be 50 years commencing from the date of obtaining the new business license, which may be extended if approved by the relevant PRC authorities.

The board of directors of Shijiazhuang Steel Mill will, after completion of the Acquisition and Capital Injection Agreement, comprise seven directors, four of which shall be appointed by CITIC Pacific, two by Hebei SASAC and one by Hebei Zhongfu. The Chairman shall be nominated by CITIC Pacific.

For the year ended 31 December 2004, the unaudited net profits before and after taxation of Shijiazhuang Steel Mill (in accordance with generally accepted accounting principles in the PRC and excluding the subsidiary operating a hospital incorporated in the year 2004) were approximately RMB457 million (approximately HK\$439 million) and RMB282 million (approximately HK\$271 million) respectively. For the year ended 31 December 2003, the unaudited net profits before and after taxation of Shijiazhuang Steel Mill (in accordance with generally accepted accounting principles in the PRC) were approximately RMB305 million (approximately HK\$293 million) and RMB212 million (approximately HK\$204 million) respectively. As at 31 December 2004, the unaudited net asset value of Shijiazhuang Steel Mill (in accordance with generally accepted accounting principles in the PRC and excluding the interest in the subsidiary operating a hospital incorporated in the year 2004) was approximately RMB1,346 million (approximately HK\$1,292 million).

The hospital subsidiary was owned by Shijiazhuang Steel Mill as to 88.9%. It does not form part of the core business of Shijiazhuang Steel Mill and will be disposed of by Shijiazhuang Steel Mill before completion. It has not been taken into account by the parties in arriving at the consideration for the Acquisition nor the Capital Injection.

REASONS AND BENEFIT FOR THE ACQUISITION AND CAPITAL INJECTION

The investment in Shijiazhuang Steel Mill through the Acquisition and Capital Injection provides an opportunity for the Group to further expand its special steel manufacturing business in the PRC by obtaining a majority stake in Shijiazhuang Steel Mill. Given this acquisition, the Group will have access to markets in East, Central and North China. Upon completion of the Acquisition and Capital Injection, CITIC Pacific will be entitled to appoint the majority of the board of directors of Shijiazhuang Steel Mill.

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

INFORMATION RELATING TO THE PARTIES

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. Hebei SASAC is a governmental authority responsible for administration of state assets. Hebei Zhongfu is a company beneficially owned by various management members and employees of Shijiazhuang Steel Mill. CITIC Pacific confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Hebei Zhongfu, its ultimate beneficial owners and Hebei SASAC are third parties independent of and not connected with CITIC Pacific or any of the directors, chief executive or substantial shareholders of CITIC Pacific or any of its subsidiaries or any of their respective associates.

GENERAL

As the applicable Percentage Ratios are more than 5% and less than 25%, the Acquisition and Capital Injection Agreement constitutes a discloseable transaction of CITIC Pacific and is subject to the announcement and reporting requirements of the Listing Rules.

A circular containing, among other things, further details of the Acquisition and the Capital Injection will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Acquisition”	the acquisition of Sale Interest by CITIC Pacific under the Acquisition and Capital Injection Agreement;
“Acquisition and Capital Injection Agreement”	the acquisition and capital injection agreement entered into between CITIC Pacific, Hebei SASAC and Hebei Zhongfu, the principal terms of which are set out above;
“associate(s)” or “connected person(s)”	have the meanings ascribed to them respectively under the Listing Rules;
“Capital Injection”	the injection as the additional capital of Shijiazhuang Steel Mill by CITIC Pacific in the amount of RMB196,406,087.92 (approximately HK\$188,549,844), Hebei SASAC in the amount of RMB134,387,667.70 (approximately HK\$129,012,161) and Hebei Zhongfu in the amount of RMB341,144,582.87 (approximately HK\$327,498,800) under the Acquisition and Capital Injection Agreement;
“Company” or “CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange;
“Director(s)”	director(s) of CITIC Pacific;
“Hebei SASAC”	中國河北省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Government of Hebei Province, PRC);
“Hebei Zhongfu”	河北眾富投資有限責任公司 (Hebei Zhongfu Investment Limited), a company beneficially owned by various management members and employees of Shijiazhuang Steel Mill;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Percentage Ratios”	has the meaning set out in Rule 14.04(9) of the Listing Rules;
“PRC”	People's Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	80% of the existing registered capital of Shijiazhuang Steel Mill;
“Shareholders”	holder of shares in CITIC Pacific;
“Shijiazhuang Steel Mill”	石家莊鋼鐵有限責任公司 (Shijiazhuang Iron & Steel Co., Ltd.), a company wholly owned by the PRC government which will become a Sino-foreign equity joint venture company upon the completion of the Acquisition and Capital Injection Agreement; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

(For reference only, the exchange rates used in this announcement are RMB1 = HK\$0.96.)

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

Hong Kong, 15 November 2005

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