



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 VARIATION ARRANGEMENT IN RELATION TO JIANGSU LIGANG ELECTRIC POWER COMPANY LIMITED

The Directors announce that on 28 February 2005, Sunspark, a wholly owned subsidiary of the Company, entered into the Agreement with other JV Shareholders, pursuant to which Sunspark and other JV Shareholders have agreed to the Variation Arrangement in relation to the JV Contract and Articles in consideration of Sunspark paying the Compensation of RMB500 million (approximately HK\$470 million) to the other JV Shareholders.

Wuxi Power (one of the JV Shareholders) and its holding company are substantial shareholders of certain subsidiaries of the Company. Accordingly, Wuxi Power is a connected person of the Company. SDIC (another JV Shareholder) is a connected person of the Company due to its substantial interest held in a subsidiary of the Company. Hence, the Agreement constitutes a connected transaction for the Company. Pursuant to the Listing Rules, as each of the applicable Percentage Ratios is less than 2.5%, the Agreement is only subject to announcement and reporting requirements and does not require the approval of the independent shareholders of the Company. Details of the Agreement 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.

DETAILS OF THE AGREEMENT

Date: 28 February 2005

Parties: Sunspark as one of the JV Shareholders, an investment holding company and a wholly owned subsidiary of the Company;

Sunburst as one of the JV Shareholders (on behalf of itself and another JV Shareholder, namely SDIC), a company in which the Company owns a 65% shareholding interest;

Jiangsu Provincial Investment as one of the JV Shareholders; and

Wuxi Power as one of the JV Shareholders.

Wuxi Power and its holding company are substantial shareholders of certain subsidiaries of the Company. Therefore, Wuxi Power is also a connected person of the Company. SDIC is a connected person of the Company due to its substantial interest held in a subsidiary of the Company. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, Jiangsu Provincial Investment 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.

Variation to the JV Contract and Articles

The Joint Venture is a Sino-foreign equity joint venture established in the PRC on 11 January 1989 with a term of 30 years commencing from the date of its establishment. The Joint Venture has a total investment of RMB5,133,670,000 (approximately HK\$4,825,649,800). The registered capital of the Joint Venture is RMB1,155,265,000 (approximately HK\$1,085,949,100), which is beneficially owned as to 56.31% by Sunspark, as to 13.44% by Sunburst, as to 12.77% by SDIC, as to 8.74% by Jiangsu Provincial Investment and as to 8.74% by Wuxi Power. Such registered capital has been fully contributed by the JV Shareholders in proportion to their respective equity interest in the Joint Venture. The Joint Venture is principally engaged in the business of building, operation and management of a power plant in Ligang Town, Jiangyin Municipality, Jiangsu Province. The profit sharing ratio of the Joint Venture is the same as the capital contribution ratio of the JV Shareholders.

For the year ended 31 December 2003, the audited net profit before and after taxation and extraordinary items of the Joint Venture was approximately RMB596 million (approximately HK\$560 million) and RMB528 million (approximately HK\$496 million) respectively. For the year ended 31 December 2004, the unaudited net profit before and after taxation and extraordinary items of the Joint Venture was approximately RMB667 million (approximately HK\$627 million) and RMB558 million (approximately HK\$525 million) respectively. As at 31 December 2004, the unaudited net asset value of the Joint Venture was approximately RMB1,674 million (approximately HK\$1,574 million).

Phase I comprises two generating units with installed capacity of 350MW each and Phase II comprises two generating units with installed capacity of 350MW each. The Phase I and Phase II commenced commercial operation in 1993 and 1998 respectively.

The JV Contract and Articles stipulate that Sunspark and the Joint Venture have to transfer to the other JV Shareholders at nil consideration all their rights and benefits in Phase I upon the expiry of a 15-year period after the commencement of their commercial operation and Phase II upon the expiry of a 20-year period after the commencement of their commercial operation.

Under the Variation Arrangement, the terms of the Joint Venture shall be amended in accordance with the requirements under the Law of the PRC on Sino-foreign Equity Joint Ventures and all those provisions of the JV Contract and Articles that stipulate the aforesaid transfers of all the rights and benefits in Phase I and Phase II at nil consideration shall cease to have effect and shall be modified so that:

- Sunspark and the Joint Venture will no longer be required to effect the aforesaid transfers; and
- the terms of the JV Contract and Articles shall be changed to a long term joint venture in accordance with the requirements of the Law of the PRC on Sino-foreign Equity Joint Ventures.

Compensation

The aggregate Compensation of RMB500 million (approximately HK\$470 million) shall be paid by Sunspark in cash to Sunburst (as to approximately RMB153.8 million (approximately HK\$144.6 million)), SDIC (as to approximately RMB146.2 million (approximately HK\$137.4 million)), Jiangsu Provincial Investment (as to RMB100 million (approximately HK\$94 million)) and Wuxi Power (as to RMB100 million (approximately HK\$94 million)), which will approximately be in proportion to their respective equity interests in the Joint Venture.

The Compensation was determined after arm's length negotiation between Sunspark and all other JV Shareholders with reference to the aggregate past profits and profit potentials of Phase I and Phase II and the aggregate unaudited book values of Phase I and the Phase II of RMB1,674 million (approximately HK\$1,574 million). The Compensation will be funded by the internal resources of the Company.

Implementation of the Variation Arrangement

The Variation Arrangement is subject to governmental approval and will be implemented by way of formal agreement to amend the JV Contract and Articles.

REASONS AND BENEFITS FOR THE VARIATION ARRANGEMENT

The Company's long term objective remains to develop a large diversified business focusing on infrastructure, which includes, among others, power generation. The Variation Arrangement represents a good opportunity for the Group to enhance its power business in the PRC, and the stability and quality of the long term profitability of the Group. The Directors (including the independent non-executive Directors) are of the view that the terms of the 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 THE COMPANY AND OTHER JV SHAREHOLDERS

The principal businesses of the Company 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, marketing and distribution of motor vehicles and consumer products and property investment and development. The principal business of Sunburst, Jiangsu Provincial Investment, SDIC and Wuxi Power is investment holding.

GENERAL

Wuxi Power and its holding company are substantial shareholders of certain subsidiaries of the Company. Accordingly, Wuxi Power is a connected person of the Company. SDIC is a connected person of the Company due to its substantial interest held in a subsidiary of the Company. Hence, the Agreement 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 Agreement is only subject to announcement and reporting requirements and does not require the approval of the independent shareholders of the Company. The Agreement 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:

"Agreement"	the agreement-in-principle dated 28 February 2005 between the JV Shareholders, pursuant to which the JV Shareholders have agreed to the Variation Arrangement in consideration of Sunspark paying the Compensation to the other JV Shareholders;
"associate(s)", "connected person(s)" and "substantial shareholder(s)"	each of which has the meaning ascribed to it under the Listing Rules;
"Company"	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange;
"Compensation"	RMB500 million (approximately HK\$470 million), being the aggregate compensation payable by Sunspark under the Agreement to the other JV Shareholders for the Variation Arrangement;
"Director(s)"	director(s) of the Company;
"Jiangsu Provincial Investment"	Jiangsu Provincial Investment & Management Corporation 江蘇省投資管理有限責任公司, an enterprise established in the PRC;
"Joint Venture"	Jiangsu Ligang Electric Power Company Limited 江蘇利港電力有限公司, which is a Sino-foreign equity joint venture established in the PRC;
"JV Contract and Articles"	the existing joint venture contract and articles of the Joint Venture;
"JV Shareholders"	the beneficial owners of equity interest in the Joint Venture (i.e. Sunspark, Sunburst, Jiangsu Provincial Investment, SDIC and Wuxi Power), and a "JV Shareholder" means any one of them;
"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;
"Phase I"	the two generating units of the phase one power plant of the Joint Venture;
"Phase II"	the two generating units of the phase two power plant of the Joint Venture;
"PRC"	People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"SDIC"	SDIC Electric Power Co. 國投電力公司, an enterprise established in the PRC;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sunburst"	Sunburst Energy Development Company Limited 新力能源開發有限公司, an enterprise established in the PRC;
"Sunspark"	Sunspark Power Investment Company Limited 新宏電力投資有限公司, a company incorporated in Hong Kong with limited liability, which is a wholly owned subsidiary of the Company;
"Variation Arrangement"	the variation to the JV Contract and Articles contemplated under the Agreement, the principal terms of which are set out in this announcement; and
"Wuxi Power"	Wuxi Local Electric Power Company 無錫市地方電力公司, an enterprise established in the PRC.

(The exchange rate of Renminbi to Hong Kong dollars used in this Announcement is RMB1.0 = HK\$0.94.)

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

Hong Kong, 7 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.