



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

### ESTABLISHMENT OF JOINT VENTURES IN RELATION TO THE SHANGHAI SHIPYARD LAND DEVELOPMENT PROJECT

### CONNECTED AND DISCLOSEABLE TRANSACTION

### DISPOSAL OF ENTIRE 50% INTEREST IN FESTIVAL WALK

#### ESTABLISHMENT OF JOINT VENTURES IN RELATION TO THE SHANGHAI SHIPYARD LAND DEVELOPMENT PROJECT

The Directors announce that on 20 January 2006, CITIC Pacific entered into joint venture agreements with the CSSC Extended Group in relation to Phase 2 of the Shanghai Shipyard Land Development Project. On the same date, CITIC Pacific also entered into a framework agreement with CSSC in relation to Phase 3 of the Shanghai Shipyard Land Development Project.

The Shanghai Shipyard Land Development Project is a joint venture between CITIC Pacific and the CSSC Extended Group whereby upon all of Phases 1 and 2 being completed, commercial premises, office premises, hotels, service apartments and residential premises with a gross floor area totalling 557,600 square metres will have been constructed on the Shanghai Shipyard Land. Property No.1 and Property No.2 have a total site area of approximately 216,407 square metres and are located in the new financial district of Lu Jia Zui in Shanghai, the PRC, and were previously used as a shipyard.

CITIC Pacific will hold a 49% interest in each of the two joint venture companies, namely JV No.1 and JV No.2, formed for the purposes of Phase 1 and Phase 2 of the Shanghai Shipyard Land Development Project. Each of JV No.1 and JV No.2 will be managed by the general manager under the leadership of the respective board of directors and the general manager will be nominated by CITIC Pacific. JV No.1 and JV No.2 will be accounted for as jointly-controlled entities of the Company.

Under Phase 1 of the Shanghai Shipyard Land Development Project, CITIC Pacific made a total investment of US\$139,512,604 (approximately HK\$1,088,198,311), comprising capital injection of US\$78,633,485 (approximately HK\$613,341,183) and shareholders' loan of US\$60,879,119 (approximately HK\$474,857,128). As a result, JV No.1 was transformed from a state-owned enterprise into a sino-foreign equity joint venture company upon the issue of a new business licence to JV No.1 on 20 September 2005.

Under Phase 2 of the Shanghai Shipyard Land Development Project, CITIC Pacific agreed to make a total investment of US\$304,167,110 (approximately HK\$2,372,503,458), comprising capital injection of US\$213,331,300 (approximately HK\$1,663,984,140) and shareholders' loan of not less than US\$90,835,810 (approximately HK\$708,519,318).

Subject to the signing of the formal joint venture agreements for JV No.3, CITIC Pacific intends to hold a 49% interest in JV No.3 to be formed for the purpose of Phase 3 of the Shanghai Shipyard Land Development Project, adding a site area of 34,973 square metres (being the area of Property No.3) for the development of office premises with a gross floor area totalling 289,700 square metres to the Shanghai Shipyard Land Development Project. The total investment amount of JV No.3 is expected to be approximately US\$923 million (approximately HK\$7,199 million). JV No.3 will be accounted for as a jointly-controlled entity of the Company.

The entry into the joint venture agreements in relation to JV No. 1 did not constitute a notifiable transaction under Chapter 14 of the Listing Rules by itself. When CITIC Pacific entered into the JV Documents relating to JV No.2 and JV No.3 on 20 January 2006, the entry into the joint venture agreements in respect of JV No.1, JV No.2 and JV No.3 are aggregated for the purpose of computing the applicable percentage ratios pursuant to Rule 14.04(9) of the Listing Rules which exceed 5% and therefore constitutes a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules and is subject to the disclosure requirements of Chapter 14 of the Listing Rules.

#### DISPOSAL OF ENTIRE 50% INTEREST IN FESTIVAL WALK

The Directors further announce that on 20 January 2006, Newmarket, a wholly-owned subsidiary of CITIC Pacific, CITIC Pacific, Swire Properties and Swire Pacific entered into the Disposal Agreement for the disposal of the Group's entire 50% interest in Festival Walk for a consideration of HK\$6,180 million (subject to completion adjustment).

Swire Pacific is a substantial shareholder of a subsidiary of CITIC Pacific. Swire Properties is its wholly-owned subsidiary. Swire Pacific and Swire Properties are therefore connected persons of CITIC Pacific. The applicable percentage ratios computed pursuant to Rule 14.04(9) of the Listing Rules for the Disposal exceed 5%. Accordingly, the Disposal constitutes a connected and discloseable transaction for CITIC Pacific and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules and the disclosure requirements of Chapter 14 of the Listing Rules.

Application will be made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a shareholders' meeting to approve the Disposal on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

#### REASONS AND BENEFITS

CITIC Pacific's business is increasingly focused in the PRC. Its strategy is to focus more on PRC investments in which the Group plays an active management role and to divest some of its more passive investments. The Board considers that the establishments of JV No.1, JV No.2 and JV No.3 are in the best interests of the Group because it provides an opportunity for the Group to further expand its property development and investment business at a prime location in the PRC. The proceeds of the Disposal will strengthen the Group's financial position for expanding its property investments in the PRC. In particular, part of the proceeds of the Disposal can be used for financing the Group's investments in the Shanghai Shipyard Land Development Project in which CITIC Pacific will play an active management role. The Group's investment in the Shanghai Shipyard Land Development Project and the Disposal are not inter-conditional.

#### CIRCULAR TO SHAREHOLDERS

A composite circular containing details of the Shanghai Shipyard Land Development Project, the particulars of the Disposal Agreement, a letter from the independent board committee in relation to the Disposal, a valuation report in relation to Festival Walk and a letter from the independent financial adviser in relation to the Disposal, will be despatched to the shareholders of CITIC Pacific as soon as practicable.

#### ESTABLISHMENT OF JOINT VENTURES IN RELATION TO THE SHANGHAI SHIPYARD LAND DEVELOPMENT PROJECT

The Directors announce that on 20 January 2006, CITIC Pacific entered into joint venture agreements with the CSSC Extended Group in relation to Phase 2 of the Shanghai Shipyard Land Development Project. On the same date, CITIC Pacific also entered into a framework agreement with CSSC in relation to Phase 3 of the Shanghai Shipyard Land Development Project.

The Shanghai Shipyard Land Development Project is a joint venture between CITIC Pacific and the CSSC Extended Group whereby upon all of Phases 1 and 2 being completed, commercial premises, office premises, hotels, service apartments and residential premises with a gross floor area totalling 557,600 square metres will have been constructed on the Shanghai Shipyard Land. Property No.1 and Property No.2 (excluding Property No.3) have a site area of approximately 216,407 square metres and are located in the new financial district of Lu Jia Zui, north of Chang Yi Lu (昌邑路), south of Huang Pu River (黄浦江), east of Pu Dong Nan Lu (浦东南路), west of Rong Cheng Lu (荣城路) in Shanghai, the PRC, and were previously used as a shipyard. In 2004, the master planning of the Shanghai Shipyard Land was approved by the relevant authorities to allow for office, commercial and hotel uses.

CITIC Pacific will hold a 49% interest in each of the two joint venture companies, namely JV No.1 and JV No.2, formed for the purposes of Phase 1 and Phase 2 of the Shanghai Shipyard Land Development Project. Each of JV No.1 and JV No.2 will be managed by the general manager under the leadership of the respective board of directors and the general manager will be nominated by CITIC Pacific. JV No.1 and JV No.2 will be accounted for as jointly-controlled entities of the Company.

Subject to the signing of the formal joint venture agreements for JV No.3, CITIC Pacific intends to hold a 49% interest in JV No.3 to be formed for the purpose of Phase 3 of the Shanghai Shipyard Land Development Project, adding a site area of 34,973 square metres (being the area of Property No.3) for development of office premises with a gross floor area totalling 289,700 square metres to the Shanghai Shipyard Land Development Project. JV No.3 will be accounted for as a jointly-controlled entity of the Company.

#### PHASE 1 – CAPITAL INJECTION INTO JV NO.1

Pursuant to the JV No.1 Documents including the JV No.1 Capital Injection Agreement, JV No.1 Contract and JV No.1 Articles of Association which were signed on 16 August 2005, each of CSSC and CITIC Pacific made an additional capital injection into JV No.1 (which was then a state-owned enterprise with registered capital of RMB50,000,000 (approximately HK\$48,000,000) contributed by JV No.2, Zhong Chuan Finance and CSSC Complex Investment) in the amount of US\$75,677,787 (approximately HK\$590,286,739) in cash in RMB and US\$78,633,485 (approximately HK\$613,341,183) in cash in US\$ respectively. JV No.1 was transformed from a state-owned enterprise into a sino-foreign equity joint venture company upon the issue of a new business licence to JV No.1 on 20 September 2005.

To the best knowledge of the Directors, before the entry into the JV No.1 Documents, JV No.1 had no operations other than holding the land use right of Property No.1. JV No.1 has undergone a restructuring such that all assets and indebtedness and employees of JV No.1 were disposed of, and all liabilities settled, except for (i) the assets relating to Property No.1; (ii) the indebtedness arising from the resettlement, removal and demolition works on Property No.1; and (iii) the cost of obtaining the land use right in respect of Property No.1. Immediately after the restructuring, the book value of the assets of JV No.1 is RMB2,163,855,329 and JV No.1 has not generated any profits and has no accumulated loss.

#### JV No.1 Contract and JV No.1 Articles of Association

Name of joint venture: 上海瑞明置業有限公司 (Shanghai Rui Ming Real Property Co., Ltd.)

Date: 16 August 2005

Parties:	(1) CITIC Pacific (2) CSSC (3) JV No.2 (4) Zhong Chuan Finance (5) CSSC Complex Investment
Duration of operation:	40 years from 28 June 2004 (subject to extension of a further period of 10 to 30 years to be unanimously approved by its board of directors at least six months prior to the expiry of the said 40 years with approval from the relevant PRC authorities)
Scope of business:	Mainly the development, operation and management of real property and provision of consultancy services and intermediary services (except brokerage services)
Property:	The land forming part of the Shanghai Shipyard Land numbered 2E2-1 and 2E2-2 with a site area of approximately 35,123 square metres
Registered capital:	US\$160,476,500 (approximately HK\$1,251,716,700) contributed as to:- <ul style="list-style-type: none"><li>CITIC Pacific: US\$78,633,485 (approximately HK\$613,341,183) (49%)</li><li>CSSC: US\$75,677,787 (approximately HK\$590,286,739) (47.158%)</li><li>JV No.2: RMB26,000,000 (approximately HK\$24,960,000) (1.998%) (to be transferred to CSSC pursuant to the restructuring incidental to the establishment of JV No.2 as a sino-foreign equity joint venture company)</li><li>Zhong Chuan Finance: RMB12,000,000 (approximately HK\$11,520,000) (0.922%)</li><li>CSSC Complex Investment: RMB12,000,000 (approximately HK\$11,520,000) (0.922%)</li></ul>
Shareholders' loan:	The following amounts were injected into JV No.1 by:- <ul style="list-style-type: none"><li>CSSC US\$63,363,981 (approximately HK\$494,239,052) in RMB (51%)</li><li>CITIC Pacific US\$60,879,119 (approximately HK\$474,857,128) (49%)</li></ul>
Total investment:	US\$481,429,500 (approximately HK\$3,755,150,100)
Settlement of indebtedness:	Indebtedness in the amount of US\$264,719,600 (approximately HK\$2,064,812,880) owed by JV No.1 to CSSC (arising from the expenses incurred by CSSC for the resettlement, removal and demolition works on Property No.1 and obtaining the land use right in respect of Property No.1 on behalf of the predecessor of JV No.1) will be repaid by JV No.1 from the registered capital of and the shareholders' loans in JV No.1

Restriction on transfer of registered capital:	Transfer by any party of its interest in the registered capital of JV No.1 (except for any transfer from CITIC Pacific to its wholly owned subsidiary or any transfer from JV No.2, Zhong Chuan Finance and/or CSSC Complex Investment to CSSC) is subject to the pre-emptive rights of the other parties
Board of directors and management of JV No.1:	The board of directors of JV No.1 comprises six members: three directors nominated by CITIC Pacific; and three directors nominated by CSSC, with the first chairman nominated by CSSC and the first vice-chairman nominated by CITIC Pacific.  JV No.1 will be managed by the general manager under the leadership of the board of directors of JV No.1. The general manager of the JV No.1 will be nominated by CITIC Pacific.

**PHASE 2 – CAPITAL INJECTION INTO JV NO.2**

At present, JV No.2 is a company incorporated in the PRC wholly owned by CSSC with registered capital of RMB124,000,000 (approximately HK\$119,040,000).

Pursuant to the JV No.2 Capital Injection Agreement, each of CSSC and CITIC Pacific agreed to make an additional capital injection into JV No.2 in the amount of US\$206,748,934 (approximately HK\$1,612,641,685) in cash in RMB and US\$213,331,300 (approximately HK\$1,663,984,140) in cash in US\$ respectively by instalments according to the schedule set out below:–

	CSSC	CITIC Pacific
1st instalment (within one month from the issue of the business licence of JV No.2)	Amount equivalent to US\$52,717,621 in RMB	US\$65,340,430
2nd instalment (within 12 months from the issue of the business licence of JV No.2)	Amount equivalent to US\$124,287,353 in RMB (excluding the 1st instalment of US\$52,717,621 in RMB)	US\$119,413,340 (excluding the 1st instalment of US\$65,340,430)
3rd instalment (within 24 months from the issue of the business licence of JV No.2)	Amount equivalent to US\$29,743,960 in RMB (excluding the 1st and 2nd instalment in a total amount of US\$177,004,974 in RMB)	US\$28,577,530 (excluding the 1st and 2nd instalment in a total amount of US\$184,753,770)
Total	Amount equivalent to US\$206,748,934 in RMB	US\$213,331,300

The performance of the obligations of the parties to the JV No.2 Capital Injection Agreement is conditional upon by 15 May 2006 or such later date as agreed between the parties, among other things:–

- the restructuring of JV No.2 having been completed such that all assets and indebtedness and employees of JV No.2 have been disposed of, and all liabilities settled, except for:–
  - (i) the assets relating to Property No.2; (ii) the indebtedness arising from the resettlement, removal and demolition works on Property No.2; and (iii) cost of obtaining the land use right in respect of Property No.2 (the aggregate amount of (i), (ii) and (iii) shall not exceed US\$620,749,200 (approximately HK\$4,841,843,760) (being the indebtedness owed by JV No.2 to the CSSC Group); and
  - the 1.998% interest in JV No.1 held by JV No.2 shall be transferred to CSSC as soon as practicable after the establishment of JV No.2 as a sino-foreign equity joint venture company;
- due diligence to the satisfaction of CITIC Pacific;
- all necessary approvals, licences and registration from the relevant governmental authorities for the JV No.2 Documents and the transactions contemplated thereunder having been obtained.

To the best of the Directors' knowledge, before the entry into the JV No.2 Documents, JV No.2 had no operations other than holding the land use right of Property No.2 and other property related business. It is expected that immediately after the restructuring, the book value of the assets of JV No.2 will be approximately US\$620 million (approximately HK\$4,836 million) and JV No.2 will not have generated any profits or have any accumulated loss. Upon completion of the capital injection, JV No.2 will become a sino-foreign equity joint venture company.

**JV No.2 Contract and JV No.2 Articles of Association**

Name of joint venture :	中船置業有限公司 (CSSC Complex Property Co., Ltd.)
Date:	20 January 2006
Parties:	(1) CSSC (2) CITIC Pacific
Duration of operation:	40 years from the date of establishment of JV No.2 as approved by Administration of Industry and Commerce (subject to extension of a further period of 10 to 30 years to be unanimously approved by its board of directors at least six months prior to the expiry of the said 40 years with approval from the relevant PRC authorities)
Scope of business:	Mainly the development, operation and management of real property and provision of consultancy services and intermediary services (except brokerage services)
Property:	The land forming part of the Shanghai Shipyard Land numbered 2E1-1, 2E2-3, 2E2-4, 2E2-5, 2E3-1, 2E3-2, 2E3-3 and 2E7-1 with a site area of approximately 181,284 square metres
Registered capital:	US\$435,370,000 (approximately HK\$3,395,886,000) to be contributed as to:– <ul style="list-style-type: none"> <li>• CSSC: US\$222,038,700 (approximately HK\$1,731,901,860) (51%)</li> <li>• CITIC Pacific: US\$213,331,300 (approximately HK\$1,663,984,140) (49%)</li> </ul>
Shareholders' loan:	The following amounts shall be advanced to JV No.2 within 24 months from the issuance of its business licence by:– <ul style="list-style-type: none"> <li>• CSSC not less than US\$94,543,390 (approximately HK\$737,438,442) in RMB (51%)</li> <li>• CITIC Pacific not less than US\$90,835,810 (approximately HK\$708,519,318) (49%)</li> </ul>
Total investment:	US\$1,306,110,000 (approximately HK\$10,187,658,000)
Settlement of indebtedness:	Indebtedness in the amount of US\$620,749,200 (approximately HK\$4,841,843,760) owed by JV No.2 to the CSSC Group (arising from the expenses incurred by the CSSC Group for the resettlement, removal and demolition works on Property No.2 and obtaining the land use right in respect of Property No.2 on behalf of JV No.2) will be repaid by JV No.2 from the registered capital of and the shareholders' loans in JV No.2
Restriction on transfer of registered capital:	Transfer by any party of its interest in the registered capital of JV No.2 (except for any transfer from CITIC Pacific to its wholly owned subsidiary) is subject to the pre-emptive rights of the other party
Board of directors and management of JV No.2:	The board of directors of JV No.2 comprises six members: three directors nominated by CITIC Pacific; and three directors nominated by CSSC. The first chairman shall be nominated by CSSC and the first vice-chairman shall be nominated by CITIC Pacific.  JV No.2 will be managed by the general manager under the leadership of the board of directors of JV No.2. The general manager of the JV No.2 will be nominated by CITIC Pacific.

**Total Capital Injection into JV No.1 and JV No.2**

The CSSC Group incurred expenses on behalf of JV No.1 and JV No.2 for the resettlement, removal and demolition works on Property No.1 and Property No.2 and obtaining the land use right in respect of Property No.1 and Property No.2 in the amounts of US\$264,719,600 (approximately HK\$2,064,812,880) and US\$620,749,200 (approximately HK\$4,841,843,760) respectively.

The aggregate amount of the total investment of JV No.1 and JV No.2 amounts to US\$1,787,539,500 (approximately HK\$13,942,808,100). The aggregate amount of capital injection and the shareholders' loan made or to be made by CITIC Pacific into the two joint venture companies pursuant to the relevant JV Documents will amount to US\$443,679,714 (approximately HK\$3,460,701,769), which was or will be funded by internal resources including, subject to completion of the Disposal set out below, proceeds of the Disposal, and bank borrowings of the Group. Under the relevant JV Documents, the difference between the total investment amount and the aggregate of the amounts of registered capital and shareholders' loans of the respective joint venture company will be financed by loans (including shareholders' loans). If guarantees for securing loans from financial institutions to the joint venture companies are required, CITIC Pacific will be required to provide such guarantee with liability proportional to its 49% interest in such joint venture company. CITIC Pacific has not provided such guarantee as at the date hereof. The Company will comply with the applicable requirements under Listing Rules if it is required to provide such guarantee.

The respective amounts of the said capital injections and the shareholders' loans were determined after arm's length negotiation between CITIC Pacific and CSSC with reference to the amount of indebtedness owed by each of JV No.1 and JV No.2 to the CSSC Group.

**JV NO.3 FRAMEWORK AGREEMENT**

JV No.3 is a limited liability company incorporated in the PRC with registered capital of RMB 50,000,000 (approximately HK\$48,000,000), owned as to 52% by CSSC, 24% by Zhong Chuan Finance and 24% by CSSC Complex Investment.

On 20 January 2006, CITIC Pacific and CSSC entered into the JV No.3 Framework Agreement in relation to the restructuring of JV No.3 such that subject to the signing of the formal joint venture agreements for JV No.3 by 18 July 2006 on principles as set out in the JV No.3 Framework Agreement, CITIC Pacific and CSSC will make additional capital injection into JV No.3 in such proportion that CITIC Pacific will then hold a 49% interest in JV No.3 and the CSSC Group will hold a 51% interest in JV No.3. To the best of the Directors' knowledge, before the entry into the JV No.3 Framework Agreement, JV No.3 had no operations other than holding the land use right of Property No.3. The formal joint venture agreements for JV No.3, if signed, will provide that additional capital injection to be made by CITIC Pacific and CSSC shall be conditional upon completion of the restructuring of JV No.3 based on principles similar to that of JV No.1 and JV No.2.

Under the JV No.3 Framework Agreement, the total investment for Phase 3 of the Shanghai Shipyard Land Development Project is expected to be approximately US\$923 million (approximately HK\$7,199 million) (subject to planning approval of the relevant PRC authorities). The capital injection and the shareholders' loan (if required) expected to be made by CITIC Pacific into JV No. 3 will be funded by internal resources including, subject to completion of the Disposal set out below, proceeds of the Disposal, and bank borrowings of the Group.

**TOTAL INVESTMENT AMOUNT**

The total investment amounts for Phase 1, Phase 2 and Phase 3 will amount to approximately US\$2,711 million (approximately HK\$21,146 million).

**INFORMATION RELATING TO CSSC GROUP**

CSSC is primarily engaged in shipbuilding. Zhong Chuan Finance is primarily engaged in providing financial services to the member companies of CSSC. CSSC Complex Investment is primarily engaged in investment in Hi-tech industry, management of investment and assets (excluding financing businesses), domestic trading (except the businesses requiring special approval) and consulting services relating thereto.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the members of the CSSC Group and their respective ultimate beneficial owners are third parties independent of CITIC Pacific and connected persons (as defined in the Listing Rules) of CITIC Pacific.

**REASONS AND BENEFITS OF THE ESTABLISHMENT OF JV NO.1, JV NO.2 AND JV NO.3**

JV No.1, JV No.2 and JV No.3 have been or will be formed for the purpose of investing in Phase 1, Phase 2 and Phase 3 of the Shanghai Shipyard Land Development Project.

JV No.1 holds the land use right for either 40 or 50 years (depending on the specific piece of land) commencing 9 November 2004 in respect of Property No.1 and has obtained the approvals from the relevant authorities for plans to construct, among others, hotels and office premises on Property No.1. Resettlement, removal and demolition works on Property No.1 has been completed. It is expected that the development of Property No. 1 will be completed around end of 2009.

JV No.2 holds the land use right for either 40, 50 years or 70 years (depending on the specific piece of land) commencing 9 November 2004 in respect of Property No.2. and has obtained the approvals from the relevant authorities for plans to construct, among others, commercial premises, service apartments, office premises and residential premises on Property No.2. Resettlement, removal and demolition works on Property No.2 has been completed. Property No.2 will be developed in phases according to the market conditions and completion of the last phase of the development is expected to be not later than end of 2014.

JV No.3 holds the land use right for 50 years commencing 9 November 2004 in respect of Property No.3 and has obtained the approvals from the relevant authorities for plans to construct office premises on Property No.3. Resettlement, removal and demolition works on Property No.3 has been completed in respect of a part of Property No.3 with a site area of approximately 26,521.4 square metres. It is envisaged under the JV No.3 Framework Agreement that the resettlement, removal and demolition works on the remaining part of Property No.3 with a site area of approximately 8,451.6 square metres will be undertaken by JV No.3 which will bear the expenses to be incurred.

The Board considers that the establishments of JV No.1, JV No.2 and JV No.3 are in the best interests of the Group because it can provide an opportunity for the Group to further expand its property development and investment business at a prime location in the PRC.

The Directors consider that the terms of the JV Documents are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

**COMPLIANCE WITH THE LISTING RULES – SHANGHAI SHIPYARD LAND DEVELOPMENT PROJECT**

The entry into the joint venture agreements in relation to JV No. 1 did not constitute a notifiable transaction under Chapter 14 of the Listing Rules by itself. When CITIC Pacific entered into the JV Documents relating to JV No.2 and JV No.3 on 20 January 2006, the entry into the joint venture agreements in respect of JV No.1, JV No.2 and JV No.3 are aggregated for the purpose of computing the applicable percentage ratios pursuant to Rule 14.04(9) of the Listing Rules which exceed 5% and therefore constitutes a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules and is subject to the disclosure requirements of Chapter 14 of the Listing Rules.

**DISPOSAL OF ENTIRE 50% INTEREST IN FESTIVAL WALK****The Disposal Agreement**

Date:	20 January 2006
Parties:	(1) Newmarket, as seller of the shares (which is part of the Sale Interest) (2) Swire Properties, as purchaser of the Sale Interest (3) CITIC Pacific, as seller of the non-interest bearing shareholder's loan in the amount of HK\$3,252,347,968.63 to Supreme Luck (which is part of the Sale Interest) and as Newmarket's guarantor (4) Swire Pacific, as purchaser's guarantor

**Assets involved**

The Group's entire 50% interest in Festival Walk represented by one ordinary share in the issued share capital of Supreme Luck and a non-interest bearing shareholder's loan in the amount of HK\$3,252,347,968.63 from CITIC Pacific to Supreme Luck. Supreme Luck is an indirect wholly-owned subsidiary of CITIC Pacific. It holds a 50% equity interest in FWHL. FWHL is accounted for as an associated company of CITIC Pacific. Upon completion of the Disposal Agreement, the Group will cease to have any interest in Supreme Luck or in FWHL.

**Consideration for the Disposal**

The consideration for the Disposal is HK\$6,180 million (subject to adjustment based on the completion accounts for FWHL) payable by immediately available funds on completion. The adjustment will be made by reference to the working capital of FWHL as at completion on a dollar for dollar basis to the effect that 50% of any working capital generated by FWHL up to and including the completion date shall belong to the seller and 50% of any deficit of the working capital resulting from FWHL's normal operations up to and including the completion date shall be borne by the seller.

The consideration was determined after arm's length negotiation between the parties and having considered the net book cost of the Sale Interest. A valuation has been commissioned from Knight Frank, an independent property valuer, to value Festival Walk as at 31 December 2005 and such valuation will be set out in the Company's circular to shareholders in relation to the Disposal.

The Board estimates that, with reference to the net book cost of the Sale Interest amounting to HK\$4,638 million as at 31 December 2004, an estimated gain of HK\$1,412 million will arise from the Disposal. However, based on the net book cost of the Sale Interest as at 31 December 2005 (which is prepared in accordance with generally accepted accounting principles in Hong Kong subject to audit), an estimated gain of HK\$1,256 million will arise. The gain is expected to be recognised in CITIC Pacific's consolidated income statement for the year ending 31 December 2006.

Proceeds from the Disposal will be used by the Group as its working capital, and subject to the relevant joint venture agreements for the Shanghai Shipyard Land Development Project becoming unconditional as described above, part of the proceeds is expected to be used for financing the Group's investment in the Shanghai Shipyard Land Development Project.

**Completion**

Completion of the Disposal is conditional upon (a) CITIC Pacific obtaining all approvals required under the Listing Rules and (b) Swire Pacific obtaining all approvals required under the Listing Rules.

Completion shall take place within 3 business days after the above conditions have been satisfied and in any event shall not be later than 28 April 2006 (or such later date as the parties may agree).

**INFORMATION RELATING TO SUPREME LUCK AND FWHL**

Supreme Luck is an indirect wholly-owned subsidiary of CITIC Pacific and an investment holding company. Its asset is a 50% interest in FWHL, which represents the Group's entire interest in FWHL.

FWHL is the owner of the shopping and commercial complex known as "Festival Walk" with a gross floor area of approximately 1.2 million square feet located at Kowloon Tong, Kowloon.

The net profits (both before and after taxation and extraordinary items) of Supreme Luck for the two financial years immediately preceding the Disposal, as extracted from its audited financial statements prepared in accordance with generally accepted accounting principles in Hong Kong are set out below:

<u>Year ended 31 December</u>	<u>Profit before Taxation (HK\$)</u>	<u>Profit after Taxation (HK\$)</u>
2004	126,221,450	126,221,450
2003	90,811,701	90,811,701

**REASONS AND BENEFITS FOR THE DISPOSAL**

CITIC Pacific's business is increasingly focused in the PRC. Its strategy is to focus more on PRC investments in which the Group plays an active management role and to divest some of its more passive investments. The proceeds of the Disposal will strengthen the Group's financial position for expanding its property investments in the PRC. In particular, part of the proceeds of the Disposal can be used for financing the Group's investments in the Shanghai Shipyard Land Development Project in which CITIC Pacific will play an active management role. The Group's investment in the Shanghai Shipyard Land Development Project and the Disposal are not inter-conditional.

The Directors (other than the independent non-executive directors whose views will be set out in the circular to be despatched to the shareholders together with the advice of the independent financial adviser to be appointed) consider that the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

**CONNECTION WITH SWIRE PACIFIC**

Swire Pacific is a substantial shareholder of a subsidiary of CITIC Pacific. Swire Properties, whose principal activities are property development and property investment, is its wholly-owned subsidiary. Swire Pacific and Swire Properties are therefore connected persons of CITIC Pacific.

**COMPLIANCE WITH THE LISTING RULES – DISPOSAL**

The applicable percentage ratios computed pursuant to Rule 14.04 (9) of the Listing Rules for the Disposal exceed 5%. Accordingly, the Disposal constitutes a connected and discloseable transaction for CITIC Pacific and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules and the disclosure requirements of Chapter 14 of the Listing Rules.

Application will be made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a shareholders' meeting to approve the Disposal on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

Swire Pacific has confirmed to CITIC Pacific that neither it nor its associates have any interest in any shares of the Company giving the right to attend and vote at general meetings of the Company. As such, none of the shareholders of CITIC Pacific is required to abstain from voting on the Disposal Agreement.

The following persons, who are closely allied group of shareholders of the Company and together beneficially interested in 1,188,154,385 shares representing approximately 54.18% of the issued share capital of CITIC Pacific, have indicated that they approve the Disposal and the Company will procure the signing of a written independent shareholders' approval as required under Rule 14A.43, failing which a shareholders' meeting will be convened for approving the Disposal:

<u>Name of beneficial shareholder</u>	<u>No. of ordinary shares beneficially interested</u>	<u>Percentage of total issued share capital of the Company as of the date hereof</u>
CITIC Hong Kong (Holdings) Limited (through its wholly-owned subsidiaries)	632,253,285	28.83%
10 Directors having an interest in the shares of CITIC Pacific (through their controlled corporations and/or personal interest)	555,901,100	25.35%
<b>TOTAL</b>	<b><u>1,188,154,385</u></b>	<b><u>54.18%</u></b>

An independent board committee, comprising independent non-executive Directors will be appointed to advise the shareholders of CITIC Pacific, and an independent financial adviser will be appointed to advise the independent board committee and the shareholders, on whether the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable and in the interests of the shareholders of CITIC Pacific as a whole.

**GENERAL**

The Group is engaged in diversified range of businesses in Hong Kong and the PRC, including manufacturing of special steel, property development and investment, basic infrastructure (such as power generation, aviation, tunnels and communications) and distribution of motor vehicles and consumer products.

CITIC Pacific's business is increasingly focused in the PRC. Its strategy is to focus more on PRC investments in which the Group plays an active management role and to divest some of its more passive investments. The Board considers that the establishments of JV No.1, JV No.2 and JV No.3 are in the best interests of the Group providing an opportunity for the Group to further expand its property development and investment business at a prime location in the PRC. The proceeds of the Disposal will strengthen the Group's financial position for expanding its property investments in the PRC. In particular, part of the proceeds of the Disposal can be used for financing the Group's investments in the Shanghai Shipyard Land Development Project in which CITIC Pacific will play an active management role. The Group's investment in the Shanghai Shipyard Land Development Project and the Disposal are not inter-conditional.

A composite circular containing details of the Shanghai Shipyard Land Development Project, the particulars of the Disposal Agreement, a letter from the independent board committee in relation to the Disposal, a valuation report in relation to Festival Walk and a letter from the independent financial adviser in relation to the Disposal, will be despatched to the shareholders of CITIC Pacific as soon as practicable.

**DEFINITIONS**

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

"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
"CSSC"	中國船舶工業集團公司 (China State Shipbuilding Corporation), a state-owned enterprise incorporated in the PRC
"CSSC Complex Investment"	中船投資發展有限公司 (CSSC Complex Investment and Development Co., Ltd.), a limited liability company incorporated in the PRC
"CSSC Extended Group"	any or all of CSSC, Zhong Chuan Finance, CSSC Complex Investment, JV No.1, JV No.2 and JV No.3
"CSSC Group"	any or all of CSSC, Zhong Chuan Finance and CSSC Complex Investment
"Directors"	directors of CITIC Pacific
"Disposal Agreement"	the sale and purchase agreement dated 20 January 2006 entered into between Newmarket, Swire Properties, CITIC Pacific and Swire Pacific in respect of the Disposal
"Disposal"	the disposal of the entire issued share capital of Supreme Luck, which holds 50% of the issued share capital in FWHL, pursuant to the terms of the Disposal Agreement

"Festival Walk"	the shopping and commercial complex known as "Festival Walk" located at Kowloon Tong, Kowloon
"FWHL"	Festival Walk Holdings Limited, which is a company held as to 50% by Swire Properties and 50% by Supreme Luck and the owner of Festival Walk
"Group"	CITIC Pacific and its subsidiaries
"JV Documents"	collectively, the JV No.1 Documents, the JV No.2 Documents and the JV No.3 Framework Agreement
"JV No. 1"	上海瑞明置業有限公司 (Shanghai Rui Ming Real Property Co., Ltd.), a sino-foreign equity joint venture company formed pursuant to the JV No. 1 Documents
"JV No. 2"	中船置業有限公司 (CSSC Complex Property Co., Ltd.), a company wholly owned by CSSC established on 8 November 2001 which will become a sino-foreign equity joint venture company pursuant to the JV No. 2 Documents
"JV No. 3"	上海瑞博置業有限公司 (Shanghai Rui Bo Real Property Co., Ltd.), a company owned as to 52% by CSSC, 24% by CSSC Complex Investment and 24% by Zhong Chuan Finance
"JV No. 1 Articles of Association"	the articles of association entered into on 16 August 2005 between CSSC, CITIC Pacific, JV No.2, Zhong Chuan Finance and CSSC Complex Investment in relation to the establishment of JV No.1
"JV No. 2 Articles of Association"	the articles of association entered into on 20 January 2006 between CSSC and CITIC Pacific in relation to the establishment of JV No.2
"JV No. 1 Contract"	the joint venture contract dated 16 August 2005 made between CSSC, CITIC Pacific, JV No.2, Zhong Chuan Finance and CSSC Complex Investment in relation to the establishment of JV No.1 as a sino-foreign equity joint venture company
"JV No. 2 Contract"	the joint venture contract dated 20 January 2006 made between CSSC and CITIC Pacific in relation to the establishment of JV No.2 as a sino-foreign equity joint venture company
"JV No. 1 Capital Injection Agreement"	the capital injection agreement dated 16 August 2005 made between CSSC, CITIC Pacific, predecessor of JV No.1 (before transformation into a sino-foreign equity joint venture company), Zhong Chuan Finance, CSSC Complex Investment and JV No. 2
"JV No. 2 Capital Injection Agreement"	the capital injection agreement dated 20 January 2006 made between CSSC, CITIC Pacific and JV No.2
"JV No. 1 Documents"	collectively, the JV No. 1 Capital Injection Agreement, JV No.1 Contract and the JV No. 1 Articles of Association and related documents
"JV No.2 Documents"	collectively, the JV No. 2 Capital Injection Agreement, the JV No.2 Contract and the JV No. 2 Articles of Association and related documents
"JV No.3 Framework Agreement"	a framework agreement dated 20 January 2006 made by CSSC and CITIC Pacific in relation to Phase 3 of the Shanghai Shipyard Land Development Project
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Newmarket"	Newmarket Holdings Limited, which is a wholly-owned subsidiary of CITIC Pacific and holds 100% of the issued share capital in Supreme Luck
"PRC"	the People's Republic of China
"Property No. 1"	the land forming part of the Shanghai Shipyard Land numbered 2E2-1 and 2E2-2 with a site area of approximately 35,123 square metres
"Property No. 2"	the land forming part of the Shanghai Shipyard Land numbered 2E1-1, 2E2-3, 2E2-4, 2E2-5, 2E3-1, 2E3-2, 2E3-3 and 2E7-1 with a site area of approximately 181,284 square metres
"Property No. 3"	the land forming part of the Shanghai Shipyard Land numbered 2E5-1 with a site area of approximately 34,973 square metres
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	one ordinary share in the issued share capital of Supreme Luck and a non-interest bearing shareholder's loan in the amount of HK\$3,252,347,968.63 from CITIC Pacific to Supreme Luck
"Shanghai Shipyard Land"	subject matter of the Shanghai Shipyard Land Development Project, being a piece of land with a site area of approximately 251,380 square metres and is located in the new financial district of Lu Jia Zui, north of Chang Yi Lu (昌邑路), south of Huang Pu River (黃浦江), east of Pu Dong Nan Lu (浦東南路), west of Rong Cheng Lu (榮城路) in Shanghai, the PRC, comprising Property No.1, Property No.2 and Property No.3 (subject to the signing of the formal joint venture agreements for JV No.3), and was previously used as a shipyard
"Shanghai Shipyard Land Development Project"	the project comprising Phase 1, Phase 2 and Phase 3 for the development of the Shanghai Shipyard Land into hotels, service apartments, office premises and residential premises as contemplated under the JV Documents
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supreme Luck"	Supreme Luck Investments Ltd., which is a wholly-owned subsidiary of CITIC Pacific and holds 50% of the issued share capital in FWHL
"Swire Pacific"	Swire Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
"Swire Properties"	Swire Properties Limited, a wholly-owned subsidiary of Swire Pacific
"US\$"	United States dollars, the lawful currency of the United States
"Zhong Chuan Finance"	中船財務有限責任公司 (Zhong Chuan Finance Co., Ltd.), a limited liability company incorporated in the PRC

(For the purpose of illustration only, the exchange rates of RMB1 to HK\$0.96 and of US\$1 to HK\$7.8 are adopted.)

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

Hong Kong, 20 January 2006

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); and 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.

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