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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 licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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

**Independent Financial Adviser to the Independent Board Committee
and the Shareholders**

COMMERZBANK 

Commerzbank AG Hong Kong Branch

A letter from the Independent Board Committee is set out on page 22 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders is set out on pages 23 to 30 of this circular.

10 February 2006

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DEFINITIONS

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

“associate(s)” or “connected person(s)”	have the meanings ascribed to them respectively under the Listing Rules
“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

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, consisting of Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong, all being independent non-executive directors of the Company
“Independent Financial Adviser” or “Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in a connected transaction relating to the Disposal
“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

DEFINITIONS

“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
“Latest Practicable Date”	6 February 2006, 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
“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

DEFINITIONS

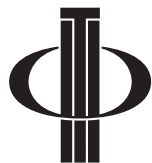
“Property No.1”	the land forming part of the Shanghai Shipyard Land numbered 2E2-1 and 2E2-2 with a site area of approximately 35,123 square metres
“Property No.2”	the land forming part of the Shanghai Shipyard Land numbered 2E1-1, 2E2-3, 2E2-4, 2E2-5, 2E3-1, 2E3-2, 2E3-3 and 2E7-1 with a site area of 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
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“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
“Share(s)”	share(s) of HK\$0.40 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares in CITIC Pacific
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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
“Valuer” or “Knight Frank”	Knight Frank Hong Kong Limited, an independent property valuer
“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
“%”	percentage

(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.)

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*)
Peter Lee Chung Hing (*Deputy Managing Director*)
Norman Yuen Kee Tong (*Deputy Managing Director*)
Vernon Francis Moore (*Executive Director*)
Yao Jinrong (*Executive Director*)
Li Shilin (*Executive Director*)
Carl Yung Ming Jie (*Executive Director*)
Liu Jifu (*Executive Director*)
Leslie Chang Li Hsien (*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

10 February 2006

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

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

**CONNECTED
AND
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DISPOSAL OF ENTIRE 50% INTEREST IN FESTIVAL WALK

LETTER FROM THE BOARD

INTRODUCTION

The Directors announced on 20 January 2006 that:

- (1) CITIC Pacific entered into joint venture agreements with the CSSC Extended Group in relation to Phase 2 of the Shanghai Shipyard Land Development Project, and 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; and
- (2) 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).

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.

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. The Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a shareholders' meeting to approve the Disposal on the basis of a written Shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

The purpose of this circular is to provide you with the particulars 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 letter from Independent Financial Adviser in relation to the Disposal and a valuation report from the Valuer in relation to Festival Walk.

LETTER FROM THE BOARD

A. ESTABLISHMENT OF JOINT VENTURES IN RELATION TO 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 (浦東南路), west of Rong Cheng Lu (榮城路) 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

LETTER FROM THE BOARD

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">• CITIC Pacific: US\$78,633,485 (approximately HK\$613,341,183) (49%)• CSSC: US\$75,677,787 (approximately HK\$590,286,739) (47.158%)

LETTER FROM THE BOARD

- JV No.2:
RMB 26,000,000 (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)
- Zhong Chuan Finance:
RMB 12,000,000 (approximately HK\$11,520,000) (0.922%)
- CSSC Complex Investment:
RMB 12,000,000 (approximately HK\$11,520,000) (0.922%)

Shareholders' loan: The following amounts were injected into JV No.1 by:–

- CSSC:
US\$ 63,363,981 (approximately HK\$494,239,052) in RMB (51%)
- CITIC Pacific:
US\$ 60,879,119 (approximately HK\$474,857,128) (49%)

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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)

LETTER FROM THE BOARD

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">• CSSC: US\$222,038,700 (approximately HK\$1,731,901,860) (51%)• CITIC Pacific: US\$213,331,300 (approximately HK\$1,663,984,140) (49%)
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">• CSSC: not less than US\$94,543,390 (approximately HK\$737,438,442) in RMB (51%)• CITIC Pacific: not less than US\$90,835,810 (approximately HK\$708,519,318) (49%)
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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

JV NO.3 FRAMEWORK AGREEMENT

JV No.3 is a limited liability company incorporated in the PRC with registered capital of RMB50,000,000 (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.

LETTER FROM THE BOARD

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 Company considers that there will not be any change in the net asset value of the Group as the Group will be injecting cash to establish the joint ventures, which will be in turn accounted for as jointly controlled entities. The Directors expect that the establishment of the joint ventures would not have adverse effect on the earnings, net asset value and liabilities of CITIC Pacific.

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 Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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.

B. 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, being the net current assets or the net current liabilities of FWHL (as the case may be) as calculated pursuant to the terms of the Disposal Agreement,

LETTER FROM THE BOARD

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. Completion accounts of FWHL will be prepared and audited for the purpose of the adjustment.

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 in respect of Festival Walk from Knight Frank, an independent property valuer, is set out in Appendix I to this circular.

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. Since the Company expects to recognise a gain on the Disposal, the net asset value of the Group is also expected to increase for the amount of the gain on the Disposal.

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.

LETTER FROM THE BOARD

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:

Year ended 31 December	Profit before Taxation (HK\$)	Profit after Taxation (HK\$)
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 Board (including the Independent Board Committee whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable and in the interests of the Shareholders 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.

LETTER FROM THE BOARD

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 is required to abstain from voting on the Disposal Agreement.

The following persons, who are closely allied group of Shareholders and together beneficially interested in 1,188,154,385 Shares representing approximately 54.18% of the issued share capital of CITIC Pacific, have also given a written Shareholders' approval as required under Rule 14A.43 approving the Disposal:

Name of beneficial Shareholder	No. of ordinary shares beneficially interested	Percentage of total issued share capital of the Company as of 19 January 2006*
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%
TOTAL	<u><u>1,188,154,385</u></u>	<u><u>54.18%</u></u>

* *The day when these shareholders gave their written approval prior to the signing of the Disposal Agreement.*

As such, the Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a shareholders' meeting to approve the Disposal on the basis of a written Shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

C. 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

LETTER FROM THE BOARD

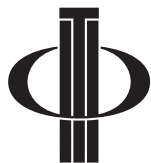
opportunity for the Group to further expand its property development and investment business at a prime location in the PRC. The proceeds of the Disposal will strengthen the Group's financial position for expanding its property investments in the PRC. In particular, part of the proceeds of the Disposal 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.

D. ADDITIONAL INFORMATION

The Independent Board Committee, comprising independent non-executive Directors has been appointed to advise the Shareholders in relation to the Disposal, and Commerzbank has been 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 Company and the Shareholders as a whole.

Your attention is also drawn to the letter from the Independent Board Committee in relation to the Disposal, the letter from Commerzbank in relation to the Disposal, the valuation report from Knight Frank in relation to Festival Walk and the general information set out in this circular.

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



CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

10 February 2006

To the Shareholders,

Dear Sir or Madam,

**CONNECTED
AND
DISCLOSEABLE TRANSACTION**

DISPOSAL OF ENTIRE 50% INTEREST IN FESTIVAL WALK

We have been appointed as the Independent Board Committee to advise you in connection with the Disposal, details of which are set out in the letter from the Board contained in the circular to the Shareholders of the Company dated 10 February 2006 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Commerzbank has been appointed as the independent financial adviser to consider and advise the Independent Board Committee and the Shareholders on the Disposal and the transactions contemplated thereunder.

Having considered the terms of the Disposal and the advice of Commerzbank in relation thereto as set out on pages 23 to 30 of the Circular, we are of the opinion that the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Shareholders to support the Disposal and the transactions contemplated thereunder. Your attention is drawn to the letter from the Board and the Letter from the Independent Financial Adviser set out in the Circular.

Yours faithfully,
For and on behalf of the
**Independent Board Committee of
CITIC Pacific Limited**

Hamilton Ho Hau Hay
Independent Non-executive Director

Alexander Reid Hamilton
Independent Non-executive Director

Hansen Loh Chung Hon
Independent Non-executive Director

Norman Ho Hau Chong
Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Commerzbank to the Independent Board Committee and the Shareholders which has been prepared for incorporation in this circular.

德 國 商 業 銀 行

COMMERZBANK 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

G.P.O. BOX 11378
HONG KONG

21/F, The Hong Kong Club Building
3A Chater Road, Central

telephone 28429666
telex 66 400 cbk hk hx
fax 28681414
swift COBAHK HX XXX

10 February 2006

To the Independent Board Committee and the Shareholders

Dear Sirs

CONNECTED AND DISCLOSEABLE TRANSACTION DISPOSAL OF ENTIRE 50% INTEREST IN FESTIVAL WALK

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Disposal, the definitions of which, amongst other things, are set out in the circular dated 10 February 2006 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular will have the same meanings when used in this letter unless the context requires otherwise.

By an announcement dated 20 January 2006, the Board announced that Newmarket, a wholly-owned subsidiary of the Company, the Company, Swire Properties and Swire Pacific had 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 the Company. 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 the Company.

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 the Company 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.

Our role as the independent financial adviser to the Independent Board Committee and the Shareholders is to give our opinion as to whether the terms of the Disposal is (i) on normal commercial terms; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the Disposal Agreement; (ii) the valuation report (the “**Valuation Report**”) prepared by an independent property valuer, Knight Frank Hong Kong Limited (the “**Valuer**”), as set out in Appendix I to the Circular; and (iii) the interim report of the Company as at 30 June 2005. We have also discussed with the Directors the Group’s corporate strategy, its future plans and the reasons for the Disposal.

We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Directors that having made all due enquiries and careful decisions, and to the best of their knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

In rendering our opinion, we have researched, analyzed and relied on information from independent third party sources. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have (i) taken reasonable steps as required under the Listing Rules 13.80 in obtaining all necessary information from the Company; and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Disposal and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Group and its respective associates.

THE DISPOSAL

In assessing the Disposal and giving our independent financial advice to the Independent Board Committee and the Shareholders, we have taken into account the following principal factors:

1. **Reasons for and benefits of the Disposal**

1.1 Business and strategy of the Group

The Company is a conglomerate principally engaged in investment in special steel manufacturing, property development and investment, civil infrastructure, power generation, aviation, marketing and distribution, communications, in Hong Kong and the PRC. The Group has extensive property

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

investment in Hong Kong and the PRC, and its portfolio of property development comprising of large-scale residential and commercial investment properties and development projects. The Group's properties are located in Hong Kong and the PRC, in particular Shanghai and its surrounding provinces.

We have discussed with the Directors and understand that the Group will focus more on investments in which it plays an active management role and to divest some of its more passive investments. We understand from the Directors that the Group's corporate strategy will continue to focus on investment opportunities in the PRC where they believe that there is a long-term growth potential. As far as the property development and investment sector is concerned, the Directors are of the view that there is long term growth potential in the PRC market, particularly in the Shanghai region, Jiangsu province, Zhejiang province and Hainan province where property market potential are huge.

In 2005, the Group has acquired sites in the Shanghai, Jiangsu and Zhejiang region which will be used for residential and commercial development with an aggregate gross floor area ("GFA") of about 7.4 million sq. ft.. We understand that as at to-date the Group has a land bank of approximately 10 million sq. ft. in the said region, and has a real estate and hospitality project in the Hainan province. In addition, pursuant to the Announcement, the Group announced the establishment of various joint ventures with China State Shipbuilding Corporation for the joint development of the Shanghai Shipyard Land Development Project, which is a property project to be developed in three phases, and will be comprising of commercial premises, office premises, hotels, serviced apartments and residential premises with a gross floor area totaling 557,600 sq. m (approximately 6,002,000 sq. ft.) in the first two phases, in which the Group has a 49% equity interest. Subject to the signing of a formal joint venture agreement, the Group will further hold an interest for the third phase of the Shanghai Shipyard Land Development Project totaling 289,700 sq. m (approximately 3,118,300 sq. ft.), in which the Group will also have a 49% equity interest. We understand from the Directors that the portfolio of property development and investment in the PRC will continue to grow in the coming years.

1.2 The terms of the Disposal

The Group's entire 50% interest in Festival Walk is 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 approximately HK\$3,252 million from the Company to Supreme Luck. Supreme Luck is an indirect wholly-owned subsidiary of the Company and it holds a 50% equity interest in FWHL. Swire Properties holds the remaining 50% equity interest in FWHL and has a casting vote in the board of directors' meetings in FWHL. Swire Properties is also responsible for the management of Festival Walk. FWHL is the owner of the shopping and commercial complex known as "Festival Walk" with a GFA of approximately 1.2 million sq. ft. located at Kowloon Tong,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Kowloon. Completed in 1998, Festival Walk comprises of an 11-storey commercial complex plus a 3-level carpark providing 830 carparking spaces. The complex consists of a 4-level office block erected on top of a 7-level shopping mall providing various sizes of shop spaces, 11 cinemas and an ice skating rink and a food court. FWHL is accounted for as an associated company of the Company. Upon completion of the Disposal Agreement, the Group will cease to have any interest in Supreme Luck or in FWHL.

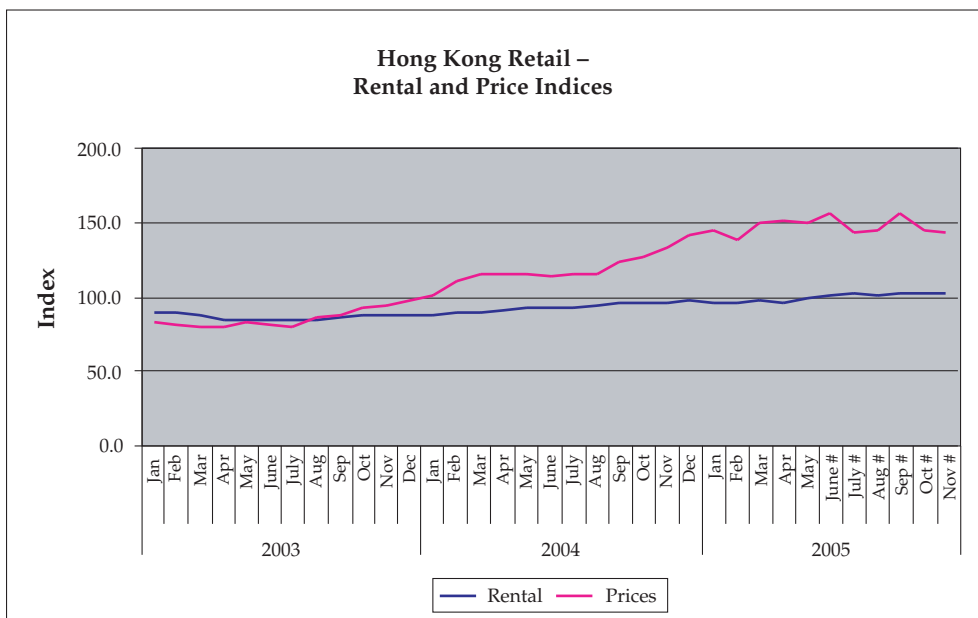
Completion of the Disposal is conditional upon (i) the Company obtaining all approvals required under the Listing Rules; and (ii) Swire Pacific obtaining all approvals required under the Listing Rules.

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).

Proceeds from the Disposal will be used by the Group as its working capital and part of the proceeds is expected to be used for financing the Group's investment in the Shanghai Shipyard Land Development Project.

1.3 Overview of the retail rental market in Hong Kong

According to the data from the Hong Kong Rating and Valuation Department, we note that prices on Hong Kong retail property market recorded upsurge during the first nine months in 2005, but has experienced a downward adjustment during the 4th quarter 2005. We also note that prices for the retail property market has been in a rising trend since mid of 2003, and has stabilised in the 2nd quarter of 2005.



Note: # Provisional figures

Source: Hong Kong Rating and Valuation Department

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have conducted research on the Hong Kong property market and is not aware of any commercial/retail sale and purchase transaction with size similar to the Disposal. Given the transaction size of the Disposal, in particular, the Sale Interest only comprised of 50% interest in Festival Walk, which is a passive investment of the Company, we are of the view that the Disposal to Swire Pacific provides a good exit opportunity for the Group on its non-core assets business.

1.4 Overview of the PRC property market

We have reviewed various research reports and note that in general, the overall property market in the PRC has slowdown recently as a result of the PRC government's policies in controlling the growth of property market in the PRC. Given the continuous high growth of gross domestic product, foreign direct investment and disposable household income, accompanied with the continuous urbanization and metropolitanization in the PRC, it is expected that the property market will maintain a strong growth in the medium to long term. According to the PRC National Bureau of Statistics, the CEIC database and the Shanghai Statistics Bureau, real estate investment in the PRC and Shanghai has recorded an annual increase of approximately 30.0% and 30.4% in 2004, respectively. In this connection, we concur with market consensus that the long-term fundamental outlook on the overall PRC property market remains positive, as there will be continued strong growth in the local economy and robust local demand.

Having considered the above as a whole, given that (i) the Company's business is increasingly focused in the PRC and its strategy is to focus more on PRC investments in which the Company plays an active management role; (ii) the Company's strategy to divest some of its passive investments; (iii) the retail property market in Hong Kong has a stable outlook; we are of the view that the Disposal is consistent with the overall corporate strategy of the Company and is in the interests of the Company and its Shareholders as a whole.

2. The Consideration

2.1 Basis of the Consideration

The consideration for the Disposal is HK\$6,180 million (the "**Consideration**") (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. We have reviewed the Disposal Agreement and note that FWHL has to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

conduct its business operations in accordance with its normal business practice until the completion date, we are of the view that there will not be any material discrepancies between the Consideration and the final price to be received by the Company at the completion date. We further understand that such adjustment mechanism is normal in acquiring company on a going-concern basis.

Festival Walk has been valued by the Valuer at HK\$10,400 million as at 31 December 2005, and accordingly 50% interest attributable to the Company is HK\$5,200 million. We understand that the valuation is arrived at by the Valuer using the "Direct Comparison Approach" by making reference to the rental yield on comparable market transactions and also on the basis of the capitalization of the net rental income. We note that the Consideration was determined after negotiations on an arms-length basis between the Company and Swire Properties. Based on the above, the Consideration represents a premium of approximately 18.85% to the value of Festival Walk appraised by the Valuer as at 31 December 2005.

2.2 Valuation methodology of the Valuer

Based on our discussion with the Valuer, we understand that the Valuer has relied to a considerable extent on the information provided by the Company. In the course of valuing Festival Walk, we note that (i) no structural survey has been made by the Valuer; and (ii) the Valuer assumed that the Festival Walk is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

We have considered the parameters adopted by the Valuer and are of the view that such parameters are consistent with market practice. In the course of our discussion with the Valuer, nothing material has come to our attention that would lead us to believe that the Valuation Report was not prepared on a reasonable basis nor reflected assumptions or parameters which have not been arrived at after due and careful consideration. We are of the view that the assumptions contained in the Valuation Report are fair and reasonable.

According to the Valuation Report, we note that Festival Walk has been valued on an open market basis using direct comparison approach by reference to the rental yield available on the market and the Valuer's knowledge of the prevailing market conditions. We understand that the value of Festival Walk was arrived at with reference to (i) the current rental yield of Festival Walk for the financial year of 2005; (ii) the current market rental on commercial/retail property of similar usage and grading; and (iii) a discount to the purchaser for the sale of a property of such size and magnitude. Given that there is no comparable market transaction of similar size or value, we are of the view that the valuation made on the basis of the capitalization of the net rental income serves as a good basis in determining the value of Festival Walk. Hence, the valuation methodology adopted by the Valuer is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that 50% of Festival Walk was valued at HK\$5,200 million as at 31 December 2005 by the Valuer, the consideration for the Disposal of HK\$6,180 million represents a premium of approximately 18.85% to the value appraised by the Valuer.

Having considered the above as a whole, given that (i) the direct comparison method adopted by the Valuer is an appropriate method in arriving at the current market value of Festival Walk; and (ii) the Consideration represents a premium of approximately 18.85% to the value appraised by the Valuer as the current market value of Festival Walk, we are of the view that the Consideration is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

3. Financial impact of the Disposal

3.1 *Earnings and net asset value (the "NAV")*

As set out in the Circular, the Consideration is payable by immediately available funds on completion to the Group. 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 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 Directors estimate 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 approximately 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 approximately HK\$1,256 million will arise and expects to be recognized in the Group's consolidated income statement for the year ending 31 December 2006.

Given that the Company will (i) recognize a gain on disposal in the financial year ending 31 December 2006, and (ii) upon the completion of Disposal, the Group's NAV will increase for the amount of the gain on disposal accordingly, we are of the view that the gain on disposal to be recognized in the financial year 2006 and the increase of NAV is in the interests of the Group and the Shareholders as a whole.

3.2 *Gearing*

Based on the unaudited interim report of the Group as at 30 June 2005, we note that the Group had total cash and bank deposits balance in an amount of approximately HK\$2,622 million (the "Cash Balance"). Upon completion of the Disposal, the Cash Balance of the Group will increase by the amount of approximately HK\$6,180 million, being the consideration of the Disposal, and the balance of investments will decrease by the net book cost of the Sale

The following is the text of the valuation report from Knight Frank in relation to Festival Walk for incorporation in this circular.



萊坊國際物業顧問

29/F Office Tower
Convention Plaza, 1 Harbour Road
Wanchai, Hong Kong

10 February 2006

The Directors
CITIC Pacific Limited
32nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interest as per the attached valuation certificate held by CITIC Pacific Limited (the “Company”) in Hong Kong for the purpose of public disclosure, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of this property interest as at 31 December 2005.

Our valuation of the property is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the owner sells the property interest in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interest.

The property is held for investment by the Company and we have valued the property by “Direct Comparison Approach” by making reference to comparable market transactions and where appropriate, on the basis of the capitalization of the net rental income shown on the schedules handed to us with due allowance to the reversionary income potential.

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, lettings, site and floor areas and all other relevant matters. We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Land Registry. We have not scrutinised the original documents to verify ownership or to verify any amendments to the documents. All documents and leases have been used as reference only and all dimensions, measurements and areas are only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We are also advised by the Company that no material fact has been omitted from the information supplied.

We have inspected the exterior of the property valued and did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is or is not free from rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In undertaking the valuation, we have regard to the requirements contained in Chapter 5 of the Listing Rules and the HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
KNIGHT FRANK HONG KONG LIMITED
Catherine Cheung
MHKIS MRICS RPS(GP)
Director

Note: Ms. Catherine Cheung has over 15 years' experience in valuing properties in Hong Kong and the People's Republic of China.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005
Festival Walk, 80 Tat Chee Avenue, Yau Yat Tsuen, Kowloon	The property comprises an 11-storey commercial complex plus a 3-level carpark erected on a site with a registered site area of approximately 222,380 sq.ft. The building was completed in 1998.	The property is fully let to various tenancies with terms mostly for two to three years and the latest tenancy will expire in October 2010 at a total rent of	HK\$10,400,000,000 (50% interest attributable to the Company: HK\$5,200,000,000)
New Kowloon Inland Lot No. 6181.	The complex consists of a 4-level office block erected atop of a 7-level shopping mall providing various sizes of shop spaces, 11 cinemas with seating capacity of 1,900, an ice skating rink and a food court. In addition, 830 carparking spaces are provided within the complex.	approximately HK\$652,000,000 exclusive of rates and management fees for the period January to December 2005.	
	Apart from connecting with the MTR/KCR Kowloon Tong Station, the building is designed to provide a public transport terminus on ground floor level.		
	The total gross floor area of the property (excluding the carparking spaces) is approximately 1,215,000 sq.ft.		
	The property is held under a Conditions of Sale for a term commencing on 30 March 1993 and expiring on 30 June 2047.		
	The Government rent payable for the property is an amount equal to 3 percent of the rateable value for the time being of the property per annum.		

- Notes:*
- (1) The registered owner of the property is Festival Walk Holdings Limited in which the Company has an attributable interest of 50 per cent.
 - (2) According to Shek Kip Mei Outline Zoning Plan No. S/K4/20 dated 23 December 2005 the property falls within an area zoned for "Other Specified Uses".

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:

Name of Director	Number of Shares				Percentage of issued share capital (%)
	Personal interests	Corporate interests	Family interests	Trusts and similar interests	
Larry Yung Chi Kin		400,381,000			18.255
Henry Fan Hung Ling		1,728,000		44,600,000	2.112
Peter Lee Chung Hing	500,000				0.023
Norman Yuen Kee Tong	33,000				0.002
Vernon Francis Moore				3,200,000	0.146
Liu Jifu	40,000				0.002
Leslie Chang Li Hsien	30,000				0.001
Hansen Loh Chung Hon	1,050,000	500,000 ¹	500,000 ¹		0.071
André Desmarais	1,488,000	102,742,000 ²	75,000		4.756
Peter Kruyt	34,100				0.002
<i>(alternate Director to Mr André Desmarais)</i>					

Notes:

1. The corporate interests and the family interests of the relevant Director duplicate each other as the 500,000 Shares are held through a company in which the relevant Director and his family are interested.
2. Out of 102,742,000 Shares, 2,512,000 Shares are held by a corporation controlled by the relevant Director and 100,230,000 Shares are held indirectly by a corporation of which the relevant Director is 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	104,000,000	4.742
	1 Nov 2004	2,000,000			
	5 Dec 2005	100,000,000			
		(Note)			
Peter Lee Chung Hing	28 May 2002	1,000,000	Nil	2,000,000	0.091
	1 Nov 2004	1,000,000			
Norman Yuen Kee Tong	28 May 2002	500,000	Nil	1,000,000	0.046
	1 Nov 2004	500,000			
Vernon Francis Moore	28 May 2002	1,000,000	Nil	2,000,000	0.091
	1 Nov 2004	1,000,000			
Yao Jinrong	28 May 2002	300,000	Nil	800,000	0.036
	1 Nov 2004	500,000			
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 Nov 2004	500,000			
Liu Jifu	28 May 2002	300,000	Nil	800,000	0.036
	1 Nov 2004	500,000			
Leslie Chang Li Hsien	28 May 2002	300,000	Nil	800,000	0.036
	1 Nov 2004	500,000			

Note: These 100,000,000 Share options were granted by CITIC Hong Kong (Holdings) Limited ("CITIC HK"), a substantial shareholder of the Company (within the meaning of the Listing Rules).

(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

None of the Directors has had any direct or indirect interest in any assets which have since 31 December 2004 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

(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:

(i) Interest in the Shares

Name	Number of Shares of the Company	Percentage to the issued share capital (%)
CITIC Group	632,253,285	28.827
CITIC HK	632,253,285	28.827
Heedon Corporation	496,386,285	22.633
Honpville Corporation	310,988,221	14.179

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 of the Company	Percentage to the issued share capital (%)
Affluence Limited	43,266,000	1.973
Winton Corp.	30,718,000	1.401
Westminster Investment Inc.	101,960,000	4.649
Jetway Corp.	20,462,000	0.933
Cordia Corporation	32,258,064	1.471
Honpville Corporation	310,988,221	14.179
Hainsworth Limited	82,601,000	3.766
Southpoint Enterprises Inc.	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 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.

(ii) *Short position in the Shares*

Name	Number of Shares of the Company	Percentage to the issued share capital (%)
CITIC Group	100,000,000	4.56
CITIC HK	100,000,000	4.56

These are in respect of options granted by CITIC HK, a substantial shareholder of the Company (within the meaning of the Listing Rules), to Mr. Larry Yung Chi Kin.

As at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and 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, or, was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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
	Honville Corporation	Director
	Earnplex Corporation Bloomfield	Director & shareholder
	Enterprises Corp. Rockhampton Investments Limited	Director & shareholder
Henry Fan Hung Ling Vernon Francis Moore	CITIC HK	Director
	CITIC HK	Director
	Heedon Corporation	Director
	Honville Corporation	Director
Yao Jinrong	CITIC Group	Director
Li Shilin	CITIC Group	Director
Carl Yung Ming Jie	Earnplex Corporation	Director
Liu Jifu	CITIC HK	Director
Leslie Chang Li Hsien	Honville Corporation	Director

(c) Substantial shareholding in other members of the Group

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 or a member of the Group) was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Percentage of issued share capital
Adwood Company Limited	Silverstone Assets Limited	30%
New Hong Kong Tunnel Company Limited	Kumagai International Limited	13.875%
Sims Trading (Macau) Company Limited	Mr. Ma Iao Hang	10%
	Mr. Ma Chi Seng	10%
	Mr. Ka Lon Ho	10%
Dah Chong Hong – Dragonair Airport GSE Service Limited	Hong Kong Dragon Airlines Limited	30%
Triangle – Isuzu Motors Limited	Isuzu Motors Limited	40%
DAS Nordisk Limited	Hydro Asia Pacific Pte. Ltd.	30%
DAS Aviation Support Limited	Hong Kong Dragon Airlines Limited	30%
Bright Billion Limited	Jungle Investment Limited	10%
Alixon Co. Ltd.	RFC Management Limited	10%
Prosperity Motors Limited	Xin Kang Heng Holdings Limited	40%
Dah Chong Hong Motor Service Centre (Macau) Limited	Xin Kang Heng Holdings Limited	40%
Fishman Technology Limited	Mr. Wu Xisang	15%
Firestone Technology Holdings Limited	Mr. Wu Xisang	15%
Easyband Broadband Holdings Limited	Mr. Wu Xisang	15%

Name of subsidiary	Name of shareholder	Percentage of issued share capital
Dong Chong Motors (China) Limited	Tokyo Boeki Ltd.	32.25%
Hang Shun Fat Company, Limited	Honorway Investments Limited	11.8%
	Wideland Investors Limited	11.8%
	Mr. Leung Kau Kui, deceased	11.8%
Wah Luen Fung Company, Limited	Marvel Sweet Management Ltd.	15%
	Wideland Investors Limited	15%
Asia Pacific Internet Exchange Limited	HKIX Hong Kong Ltd.	25%
Ko Lok Investment Company, Limited	Marvel Sweet Management Ltd.	40%
Goldenburg Properties Limited	Gorich Traders Limited	30%
Dah Chong Hong (Macao) Engineering Limited	Mr. Ma Iao Hang	20%
	Mr. Liu Chak Wan	20%
Dah Chong Hong Macau Total Supply Chain Management Company Limited	CBA Investments Company Limited	35%
	Cheong Wah Hong Corporation – Enterprises and Investments Limited	10%
Dah Chong Hong Macau Food Supply Company Limited	CBA Investments Company Limited	35%
	Cheong Wah Hong Corporation – Enterprises and Investments Limited	10%
Dah Chong Hong Macau Logistics Warehouse Company Limited	CBA Investments Company Limited	35%
	Cheong Wah Hong Corporation – Enterprises and Investments Limited	10%
DCH Supply Chain Management Company Limited	Excel Epoch International Limited	20%
Mainstream Holdings Limited	IBP Caribbean Inc.	45%
Regal Heights Limited	Perdue Farms Incorporated	40%
Winway Investments Holdings Corp.	Rising Sun Investments Holdings Ltd.	38%
Join Resources Limited	Swire Properties Limited	16.67%

Name of subsidiary being a joint venture company established in the PRC without the concept of general meetings (#)	Name of shareholder	Percentage of registered capital
Guangdong Jing Yun Distribution Co., Ltd.	Guangdong Huada Distribution Company	10%
無錫太湖景發展有限公司 (Wuxi Taihu Jing Development Co., Ltd.)	無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.)	30%
無錫太湖苑置業有限公司 (Wuxi Taihu Yuan Property Co., Ltd.)	無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.)	30%
無錫太湖美生態環保有限公司 (Wuxi Taihu Mei Environmental Co., Ltd.)	無錫市國聯發展(集團)有限公司 (Wuxi Guo Lian Development Group Co., Ltd.)	30%
Jiangsu CP Xingcheng Special Steel Co., Ltd.	Jiangyin Steel Mill Bright Trinity Enterprises Ltd.	10.6% 11.62%
Jiangyin Xingcheng Steel Products Co., Ltd.	Jiangyin Steel Mill	11.7%
Jiangyin Xingcheng Storage and Transportation Co., Ltd.	Jiangyin Steel Mill	11.7%
Wuxi Xingcheng Steel Products Co., Ltd.	Jiangyin Steel Mill	11.7%
Kunming Dah Chong Motor Service Co., Ltd.	雲南客車廠(Yunnan Coach Factory)	30%
Guangdong Dah Chong Foodstuffs Co., Ltd.	Guangdong International Trade Travel Service Ltd.	30%
Qingdao Adachi Paints and Chemical Materials Co., Ltd.	New Asia Pacific Group Co. Ltd.	25%
Shanghai DCH Jiangnanfeng Co., Ltd.	Shanghai Agriculture Investment Holding Co., Ltd. Shanghai Pudong Huilun Enterprise Holding Co., Ltd.	12.67% 10.56%
Shenzhen Zhongliangdachang Foodstuffs Co., Ltd.	COFCO Shenzhen Trading & Development Co. Ltd.	30%
Dalian CP Digital Technology Co., Ltd.	大連儀表集團有限公司 (Dalian Instrument Group Co., Ltd.)	19.5%
上海中信泰富廣場有限公司 (Shanghai CITIC Square Co., Ltd.)	Shanghai Jingan City Trading Group Company	10%

Although the information relating to these joint venture companies have been set out under this section, such joint venture companies established in the PRC under the relevant laws thereof have a different capital structure from, and do not have the same concept of shareholders general meetings as, subsidiaries of the Company established in other jurisdictions.

3. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited accounts of the Company were made up.

4. EXPERTS

- (a) The qualifications of the Independent Financial Adviser and the Valuer who have given advice contained in this circular are set out as follows:

Name	Qualification
Commerzbank	(acting through its Hong Kong branch) a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorised financial institution under the SFO to carry out type 1 (dealing in securities), 4 (advising on securities), and 6 (advising on corporate finance) regulated activities as set out in Schedule 5 of the SFO
Knight Frank	Qualified property valuer

- (b) Each of Commerzbank and Knight Frank has confirmed that it has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Each of Commerzbank and Knight Frank has confirmed that it does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date to which the latest published audited consolidated financial statements of the Company were made up.
- (d) Each of Commerzbank and Knight Frank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report (as the case may be) and references to its name in the form and context in which it appears.
- (e) The letter from Commerzbank and the valuation report from Knight Frank in relation to Festival Walk are given as of the date of this circular for incorporation herein.

5. 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.

6. 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).

7. 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.

8. 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. Leslie Chang Li Hsien, HKICPA, AICPA, NYSSCPA.
- (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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any weekday (Saturdays and Sundays excepted) during business hours at the registered office of the Company at 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong from the date of this circular up to and including 27 February 2006:

- (a) the Disposal Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular; and
- (d) the valuation report from Knight Frank, the text of which is set out in Appendix I to this circular.