



CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 267)

CONNECTED TRANSACTION DISPOSAL OF INTEREST IN JILIN XINLI POWER COGENERATION CO., LTD.

On 24 July 2006, a wholly-owned subsidiary of the Company agreed to sell to the Purchaser its 60% equity interest in the registered capital of the JV Company. Although no payment is being made to the Company for the Disposal, before Completion the Purchaser will obtain the relevant bank confirmations to release the Company from all its guarantee obligations extended to the JV Company, which amounted to approximately RMB624 million (approximately HK\$606 million) as at 30 June 2006. The JV Company is a sino-foreign equity joint venture established in the PRC which owns a coal-fired co-generation power station in Jilin Province in the PRC.

The Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is less than 2.5%, the Disposal falls within the provision of Rule 14A.32 and is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements. Details of the Disposal are disclosed in this announcement and will be included in the next published annual report of the Company in accordance with Rule 14A.45.

DETAILS OF THE DISPOSAL AGREEMENT

Date: 24 July 2006

Parties

- (1) the Vendor, as the seller; and
- (2) the Purchaser, as the purchaser. The Purchaser is a substantial shareholder of the JV Company (having an approximately 34%), and accordingly a connected person of the Company.

Assets to be sold

60% of the registered capital of the JV Company.

Consideration

No payment is being made to the Company for the Disposal. The fact that no consideration is to be paid to the Company was arrived at after arm's length negotiations between the parties with reference to the facts that (i) before Completion the Purchaser will obtain the relevant bank confirmations to immediately release the Company from all its guarantee obligations in respect of bank loans extended to the JV Company when the Disposal Agreement becomes effective, which amounted to approximately RMB624 million (approximately HK\$606 million) as at 30 June 2006, by way of repayment of the loans extended to the JV Company by the Purchaser, or guarantee or similar arrangements to take over and release such guarantee obligations of the Company by the Purchaser; (ii) an accumulated loss has been incurred by the JV Company since its incorporation; and (iii) the Company is pessimistic on the outlook of the JV Company taking into consideration the locality (including the relatively low electricity usage and slow growth for electricity demand in the Jilin Province as compared to other provinces in the PRC) and the small scale of the coal-fired co-generation power station owned by the JV Company, and the changes in the operating environment faced by the JV Company.

It is expected that no gain or loss will be accrued to the Company from the Disposal as the carrying value of the Company's investment in the JV Company is zero since the provisions have been made in the accounts of the Company.

Conditions to Completion of the Disposal Agreement

The followings are the conditions to Completion:

- (i) the obtaining of relevant bank confirmations to immediately release the Company from its guarantee obligations in respect of bank loans extended to the JV Company when the Disposal Agreement becomes effective;
- (ii) the signing of an agreement between the Company and the Purchaser to terminate the joint guarantee agreement dated 13 October 2003 between the same parties thereto; and
- (iii) the obtaining of necessary approval from Ministry of Commerce of the PRC for the transactions contemplated under the Disposal Agreement.

Completion shall take place within seven Business Days after Ministry of Commerce of the PRC has approved the Disposal Agreement, which is the last step of the above conditions.

INFORMATION ON THE JV COMPANY

The JV Company is a sino-foreign equity joint venture established in the PRC, which owns a coal-fired co-generation power station in Jilin Province of the PRC. The JV Company is owned 60% by the Vendor, 34% by the Purchaser and 6% by other joint venture partners. The JV Company is accounted for as a jointly controlled entity in the books of the Company.

As at 31 December 2005, the audited net asset value of the JV Company was RMB243 million (approximately HK\$236 million). For the financial year ended 31 December 2004, the audited net losses of the JV Company before and after taxation were both RMB36 million (approximately HK\$35 million). For the financial year ended 31 December 2005, the audited net losses of the JV Company before and after taxation were both RMB44 million (approximately HK\$43 million). Under the joint venture contract and the articles of association of the JV Company as amended, any transfer of the equity interest in the JV Company is subject to the pre-emptive right of the shareholders of the JV Company. On the date of the Disposal Agreement, the other JV partners confirmed to waive their pre-emptive rights in acquiring the Sale Shares.

In respect of the bank loans extended to the JV Company that are guaranteed by the Company, approximately RMB38 million (approximately HK\$37 million) of the principal amount of such bank loans will fall due in 2006, approximately RMB43 million (approximately HK\$42 million) will fall due in 2007, approximately RMB43 million (approximately HK\$42 million) will fall due in 2008, and the remaining approximately RMB500 million (approximately HK\$485 million) will fall due after 2008.

REASONS AND BENEFIT OF THE DISPOSAL

The Group's objective is to achieve higher returns for the shareholders of the Company. The JV Company has incurred an accumulated loss since its incorporation, and the Disposal provides an exit opportunity for the Company to divert its resources to other projects to optimise its asset portfolios.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Disposal Agreement, including the consideration for the Disposal, are normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL

The Group is engaged in a diversified range of businesses, 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.

The Purchaser is principally engaged in developing, constructing and operating power and transportation related businesses in the Jilin Province of the PRC.

The Purchaser is a substantial shareholder of the JV Company. Accordingly, the Purchaser is a connected person of the Company under the Listing Rules. The Disposal constitutes a connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules is less than 2.5%, the Disposal falls within the provision of Rule 14A.32 and is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements. Details of the Disposal are disclosed in this announcement and will be included in the next published annual report of the Company in accordance with Rule 14A.45.

DEFINITIONS

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

"Business Day"	a day other than Saturday and Sunday and other public holidays
"Company"	CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
"Completion"	completion of the Disposal
"connected person(s)", "substantial shareholder(s)"	each of which has the meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company
"Disposal"	disposal of the Sale Shares as contemplated under the Disposal Agreement
"Disposal Agreement"	the disposal agreement dated 24 July 2006 between the Purchaser and the Vendor, details of which are set out above
"Group"	the Company and its subsidiaries
"HK\$" / "RMB"	Hong Kong dollar, the lawful currency of Hong Kong
"JV Company"	Jilin Xinli Power Cogeneration Co., Ltd. (吉林新力熱電有限公司), a sino-foreign equity joint venture established in the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Jilin Provincial Energy & Communications Corporation (吉林省能源交通總公司), a state-owned company established in the PRC, being the purchaser of the Sale Shares under the Disposal Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	a 60% equity interest in the entire registered capital of the JV Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Master Port Investment Ltd. (港傑投資有限公司), a wholly-owned subsidiary of the Company

(For the purpose of illustration only, the exchange rate of HK\$100 to RMB103 is adopted.)

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

Hong Kong, 26 July 2006

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