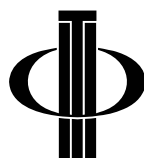


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CITIC PACIFIC

CITIC Pacific Limited

中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

**Standby Facility
Connected Transactions
involving
Subscription For Convertible Bond By CITIC Group
Application For Whitewash Waiver
Very Substantial Disposal Involving Certain Leveraged Foreign
Exchange Contracts To Be Assumed by CITIC Group
Increase of Authorised Share Capital
and
Resumption of Trading**

Financial adviser to CITIC Group
CITIC Securities Corporate Finance (HK) Limited



Further to the announcement of CITIC Pacific dated 20 October 2008, CITIC Pacific and CITIC Group have entered into the Standby Facility whereby CITIC Pacific would be able to draw up to USD1.5 billion (about HKD11.625 billion) for the sole purpose of funding any commitments and/or liabilities due from CITIC Pacific under the Novation Contracts, described below. The Standby Facility is unsecured and repayable on demand. Interest payable by CITIC Pacific is LIBOR plus 2.8% per annum. No interest shall be payable by CITIC Pacific if the Standby Facility is not drawn down. To the extent the Standby Facility is not drawn prior to the issue of the Convertible Bond described below, it shall no longer be available from and after Completion. If Completion does not take place, the Standby Facility shall be repayable on 31 January 2009.

Barring unforeseen circumstances, CITIC Pacific does not currently contemplate that it would have to draw on the Standby Facility. The intended objective of the Standby Facility, the Convertible Bond and the Novation is to demonstrate CITIC Group's continuing support for CITIC Pacific, to resolve CITIC Pacific's commitments and/or liabilities under the Novation Contracts (as described below) and to enhance the liquidity of the Group.

CITIC Pacific and CITIC Group have also entered into a conditional Agreement in connection with:-

- (i) the issue by CITIC Pacific of the Convertible Bond to CITIC Group with an aggregate principal amount of HKD11.625 billion. The principal amount of the Convertible Bond is convertible into Shares at an initial conversion price (subject to adjustment) of HKD8.00 per Share. An interest coupon of 2% per annum is payable from the time of issue of the Convertible Bond up to but excluding the date the Convertible Bond is converted into Shares. The money payable by CITIC Group to CITIC Pacific in respect of the Convertible Bond is HKD11.625 billion; and
- (ii) the Novation whereby CITIC Group will economically, or through transfer by novation, assume the liabilities and benefits of the Novation Contracts as described below. As at the Reference Date, the AUD : USD exchange rate was 0.6730 and on that basis, the mark-to-market loss under the Novation Contracts is estimated at HKD10.4 billion. On the basis of the target AUD : USD exchange rate described below and not taking into account any interim fixing and delivery of AUD under the Novation Contracts, it is estimated that CITIC Pacific will pay about HKD9.3 billion to CITIC Group for CITIC Group's assumption of liabilities and benefits of the Novation Contracts, if the rate on the Business Day prior to the Completion Date is the same as the rate on the Reference Date. CITIC Pacific, however, continues to be responsible for taking deliveries of certain AUD under the Novation Contracts as described below and for any breach of such Novation Contracts before the Completion Date.

Solely by way of illustration, assuming Completion takes place on the date of this announcement, the mark-to-market loss under the Novation Contracts as at the Reference Date is estimated to be HKD 10.4 billion and the mark-to-market loss of the remaining outstanding leveraged foreign exchange contracts of the Group as at the Reference Date is estimated to be HKD 5.1 billion. Accordingly, taking into account the realised loss under the Group's leveraged foreign exchange contracts from 1 July 2008 to the Reference Date of HKD 1.3 billion as set out in the paragraph headed "General" below, the realised loss and the mark-to-market loss under all of the Group's leveraged foreign exchange contracts in aggregate is HKD 16.8 billion. Shareholders and potential investors should note that the above description is solely for illustrative purpose and the actual losses (realised or mark-to-market) of the Group arising from its leveraged foreign exchange contracts shall be subject to foreign exchange rate and other valuation parameters prevailing from time to time and may therefore be different from the figures described in the above illustrative example.

The Agreement is conditional upon, among other things, the Whitewash Waiver. The Whitewash Waiver is necessary for CITIC Group to be able to increase its shareholding in CITIC Pacific without incurring a general offer obligation under the Takeovers Code upon conversion of the Convertible Bond.

CITIC Group has undertaken that in the event the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders but assuming the other conditions are fulfilled or waived (as the case may be), the Agreement will still proceed to Completion. However, the conversion of the Convertible Bond will be deferred until 19 January 2009, being the first date on which the increase in shareholding by CITIC Group in CITIC Pacific resulting from such conversion would not trigger a general offer obligation under the Takeovers Code pursuant to a waiver under Note 6 to Rule 26.1 of the Takeovers Code granted by the Executive on 12 November 2008.

In the event that the conditions to the Agreement are not fulfilled or, where applicable, waived by CITIC Group on or before 31 December 2008, the Agreement shall lapse unless extended by CITIC Group. Please refer to the section headed "Conditions of the Agreement" below for further information.

The net proceeds from the issue of the Convertible Bond will be used to discharge any amounts due from CITIC Pacific to CITIC Group under the Standby Facility (to the extent the Standby Facility is drawn) and under the Novation with the balance, if any, used as general working capital.

As CITIC Group is, through CITIC HK, the largest shareholder of CITIC Pacific, indirectly holding approximately 29% of the issued Shares as at the Latest Practicable Date, transactions contemplated pursuant to the Agreement constitutes a connected transaction for CITIC Pacific under the Listing Rules. In view of the amounts payable by CITIC Pacific in connection with the Novation, the Agreement also constitutes a very substantial disposal under the Listing Rules. The Standby Facility, although a connected transaction, is exempt, under the Listing Rules, from further announcement or shareholders' approval as it is on normal commercial terms and is unsecured.

The EGM will be held to consider resolutions to approve, among other things, (i) the Agreement and the transactions contemplated thereunder, (ii) the Whitewash Waiver and (iii) the increase in authorised share capital of CITIC Pacific. Pursuant to the Listing Rules, where a transaction or arrangement of an issuer is subject to shareholders' approval under the provisions of the Listing Rules, any shareholder who has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting. Pursuant to the Takeovers Code, any shareholder who is involved in, or interested in, the transaction in question shall abstain from voting on the Whitewash Waiver. CITIC Group Concert Parties have confirmed that they will abstain from voting on the resolution for the Whitewash Waiver. CITIC Group Concert Parties consist of CITIC Group, CITIC HK, Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai. There will be separate resolutions to approve the Agreement and the transactions contemplated thereunder including the issue of the Convertible Bond, the issue of Shares upon conversion of the Convertible Bond, the Novation and the increase in authorised share capital of CITIC Pacific. As Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai do not have a material interest in the Agreement and the transactions contemplated thereunder (as they are not a party to the Agreement and the Agreement and the transactions contemplated thereunder do not confer any benefit on them not available to other Shareholders) they can vote on the separate resolutions for the Agreement, the transactions contemplated thereunder and the increase in authorised share capital of CITIC Pacific. Each of Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai has indicated to CITIC Pacific his intention to vote in

favour of such resolutions. However CITIC Group and CITIC HK will abstain from voting on such resolutions. The issue of the Convertible Bond and the Novation is dependent on Independent Shareholders' approval and accordingly may or may not proceed.

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the Agreement and the Whitewash Waiver. Subject to the approval of the Independent Board Committee, CITIC Pacific has retained Anglo Chinese Corporate Finance Limited as the independent financial adviser to the Independent Board Committee.

A circular containing further details of the transactions contemplated under the Agreement, the advice of the Independent Board Committee, the advice of the independent financial adviser to that Independent Board Committee and notice of the EGM will be sent to Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of CITIC Pacific with effect from 2:30 p.m. on 31 October 2008 pending release of this announcement. Application has been made by CITIC Pacific for the resumption of trading in the Shares of CITIC Pacific with effect from 9:30 a.m. on 13 November 2008.

INTRODUCTION

The Directors are pleased to announce that on 12 November 2008, CITIC Pacific entered into the Standby Facility and the conditional Agreement.

THE STANDBY FACILITY

As stated in CITIC Pacific's profit warning announcement dated 20 October 2008, CITIC Group had agreed to coordinate a standby loan facility of USD 1.5 billion in order to strengthen the liquidity of CITIC Pacific.

CITIC Group has entered into a facility agreement with CITIC Pacific on 12 November 2008 whereby CITIC Pacific would be able to draw up to USD 1.5 billion (about HKD11.625 billion) for the sole purpose of funding any commitments and/or liabilities due from CITIC Pacific under the Novation Contracts described below. CITIC Group will either directly advance monies required under the Standby Facility or will procure such monies to be made available. The Standby Facility is unsecured and repayable on demand. Interest payable by CITIC Pacific is LIBOR plus 2.8% per annum. No interest shall be payable by CITIC Pacific if the Standby Facility is not drawn down and no fee is payable by CITIC Pacific to CITIC Group in relation to the Standby Facility.

Barring unforeseen circumstances, CITIC Pacific does not currently contemplate that it would have to draw on the Standby Facility. The intended objective of the Standby Facility, the Convertible Bond and the Novation is to demonstrate CITIC Group's continuing support for CITIC Pacific, to resolve CITIC Pacific's commitments and/or liabilities under the Novation Contracts (as described below) and to enhance the liquidity of the Group.

In the event that the Agreement proceeds to Completion, the net amount due under the Agreement would be used to repay the amounts outstanding under the Standby Facility. To the extent the Standby Facility is not drawn prior to the issue of the Convertible Bond, it shall

no longer be available from and after Completion. If Completion does not take place, the Standby Facility shall be repayable on 31 January 2009.

THE AGREEMENT

Date : 12 November 2008

Parties : CITIC Pacific and CITIC Group

CITIC Pacific and CITIC Group have entered into a conditional Agreement in connection with:-

- (i) the issue by CITIC Pacific of the Convertible Bond with an aggregate principal amount of HKD11.625 billion. The principal amount of the Convertible Bond is convertible into Shares at an initial conversion price (subject to adjustment) of HKD8.00 per Share. An interest coupon of 2% per annum is payable from the time of issue of the Convertible Bond up to but excluding the date the Convertible Bond is converted into Shares. The money payable by CITIC Group to CITIC Pacific in respect of the Convertible Bond is HKD11.625 billion; and
- (ii) the Novation whereby CITIC Group will economically, or through transfer by novation, assume the liabilities and benefits of the Novation Contracts. As at the Reference Date, the AUD : USD exchange rate was 0.6730 and on that basis, the mark-to-market loss under the Novation Contracts is estimated at HKD10.4 billion. So, on the basis of the target AUD : USD exchange rate described below and not taking into account any interim fixing and delivery of AUD under the Novation Contracts, CITIC Pacific will pay about HKD9.3 billion to CITIC Group in respect of the Novation if the AUD : USD exchange rate on the Business Day prior to the Completion Date is the same as the rate on the Reference Date. CITIC Pacific, however, continues to be responsible for taking deliveries of certain AUD under the Novation Contracts as described below and for any breach of such Novation Contracts before the Completion Date.

Under the terms of the Agreement, CITIC Group is entitled to designate any of its wholly-owned subsidiaries as the subscriber of the Convertible Bond or to be the contracting party to the Novation.

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

Principal Amount

The aggregate principal amount of the Convertible Bond is HKD11.625 billion.

Issue Price

The money payable by CITIC Group to CITIC Pacific in respect of the Convertible Bond is 100% of the principal amount of the Convertible Bond, namely, HKD11.625 billion.

Interest

Interest at the rate of 2% per annum shall accrue from the time of issue of the Convertible Bond up to but excluding the date the Convertible Bond is converted into Shares.

Conversion Price

The Convertible Bond will be convertible into Shares at an initial conversion price of HKD8.00 per Share. The Conversion Price will be subject to adjustment for subdivision or consolidation of Shares.

The Conversion Price represents:-

- (i) a premium of approximately 32.0% to the closing price of HKD6.06 per Share after the morning trading session on 31 October 2008, being the day on which CITIC Pacific had requested a suspension in trading of the Shares from 2:30p.m. that day;
- (ii) a premium of 60.0% to the closing price of HKD5.00 per Share on the Last Full Trading Day;
- (iii) a premium of approximately 35.1% to the average closing price of HKD5.92 per Share for the 10 trading days from and including 17 October 2008 up to and including the closing price at 2:30 p.m. on 31 October 2008; and
- (iv) a discount of approximately 71.2% to the unaudited consolidated net asset value per Share of about HKD27.8 as at 30 June 2008.

Conversion and Voting Rights

If the Independent Shareholders approve the Agreement and all other conditions are fulfilled or waived (as the case may be), the Convertible Bond shall be converted automatically into Shares on Completion.

To the extent that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders but assuming the other conditions are fulfilled or waived, as the case may be, the Agreement will still proceed to Completion. However, the conversion of the Convertible Bond will be deferred until 19 January 2009, being the first date on which the increase in shareholding by CITIC Group in CITIC Pacific resulting from such conversion would not trigger a general offer obligation under the Takeovers Code pursuant to a waiver under Note 6 to Rule 26.1 of the Takeovers Code granted by the Executive on 12 November 2008.

The aggregate principal amount of the Convertible Bond will, on issue, be convertible into 1,453,125,000 new Shares at the initial Conversion Price of HKD8.00 per Share, representing approximately 66.26% of the existing issued Shares and approximately 39.85% of the issued share capital as enlarged by the Shares to be issued upon full conversion of the Convertible Bond assuming no other changes to the issued share capital of CITIC Pacific before conversion of the Convertible Bond.

Shares issued on conversion will rank *pari passu* in all respects with the Shares in issue as at the conversion date and will entitle the holders thereof to receive all future dividends and distributions which are declared, made or paid after the date of allotment of such Shares. The Shares to be issued upon conversion of the Convertible Bond will be allotted and issued pursuant to a specific mandate proposed to be sought from the Shareholders at the EGM.

The Directors (other than the non-executive Directors who will give their recommendations after receiving advice from the independent financial adviser) believe that the terms of the Convertible Bond are fair and reasonable and in the interests of the Shareholders as a whole.

Term of Convertible Bond

For the period from Completion up to and including the Maturity Date.

Transfer

The Convertible Bond is transferable to any other person who is a wholly-owned entity of CITIC Group.

Form of the Convertible Bond

The Convertible Bond will be in registered form only.

Ranking of the Convertible Bond

The Convertible Bond will rank as direct, unsubordinated, unconditional and unsecured obligations of CITIC Pacific.

No Listing

The Convertible Bond will not be listed on the Stock Exchange or elsewhere.

NOVATION AND INDEMNITY

Background of the Leveraged Foreign Exchange Contracts

The leveraged foreign exchange contracts that CITIC Pacific has entered into can be classified into 2 categories, namely AUD daily accrual forward contracts and target redemption forward contracts.

Under the AUD daily accrual forward contracts, the strike rate (i.e. the rate at which deliveries of currencies are made) and the accumulation/ knock-out rate (i.e. the rate at which no delivery of currencies will be made if such rate is lower than or equal to the spot rate) are fixed. A notional amount of AUD will be delivered at the relevant instalment dates at the strike rate if at the relevant time, the spot rate is between the strike rate and the accumulation/ knock-out rates. In the event that the spot rate is lower than the strike rate at the relevant time, a pre-determined amount of AUD (which is greater than the notional amount) will be delivered.

Under the AUD target redemption forward contracts, the strike rates (which may have a step-up feature (i.e. to reflect an appreciation of the currency over the term of the contract)) are fixed. If the spot rate on any given day during the contract period is equal to or above the strike rate, a notional amount of the AUD will be delivered at the strike rate. The difference between the strike rate and the spot rate will be treated as a profit in respect of that particular contract and when the cumulative profit reaches the maximum profit stipulated in the contract, that particular contract will be knocked-out (i.e. the obligation to deliver further currencies will cease). If the spot rate is below the strike rate, a pre-determined amount of the AUD (which is greater than the notional amount) will be delivered at the strike rate.

Dual currency target redemption forward contracts are similar to the AUD target redemption forward contracts except that such contracts have AUD strike rates and EUR strike rates and the weaker of the two currencies (by comparing the spot rate of each currency against its corresponding strike rate) will be delivered.

The RMB target redemption forward contracts are net settled contracts and instead of the delivery of the RMB notional amounts under those contracts, the RMB target redemption forward contracts will be net settled in USD by reference to the gains and losses against the strike rates on a monthly basis.

The values of these outstanding leveraged foreign exchange contracts will be marked to their market values at the end of each relevant period based on valuations provided by the counterparties and will have an impact on the profit and loss statement of CITIC Pacific. The mark-to-market value is driven by a number of factors including, among other things, the volatility, liquidity, bid-ask spread and interest rate differential, at the time when such contracts are mark-to-market.

The Novation Contracts

CITIC Pacific and CITIC Group have agreed that CITIC Pacific will, upon Completion economically transfer, or subject to the agreement of the relevant counterparties, transfer by novation its rights and obligations under the Novation Contracts, which are certain AUD target redemption forward contracts, to CITIC Group at a price to be determined using the target AUD : USD exchange rate and other mark-to-market valuation parameters including without limitation the applicable volatility, liquidity, bid-ask spread and interest rate differentials applying to such contracts, at the time when the price of such contracts are valued. Apart from the AUD : USD exchange rate, the mark-to-market valuation of these Novation Contracts will take into account other parameters as aforesaid but whilst such other parameters will refine the mark-to-market value, the main determinant will still be the AUD : USD exchange rate. The maximum deliverable amount to the Group under the Novation Contracts is, as at the Reference Date, AUD5.7 billion and is deliverable in monthly instalments up to October 2010. The Novation Contracts have a strike price ranging from 0.7725 to 0.9600 and a weighted average strike price of AUD: USD 0.8985.

Following Completion, each Novation Contract will either be formally novated to CITIC Group with the consent of the relevant counterparty or failing that, CITIC Pacific would continue to be the contracting party. In the case of the latter, CITIC Group would, under the terms of the Novation, reimburse and indemnify CITIC Pacific for all amounts payable by CITIC Pacific and liabilities arising therefrom under such Novation Contracts from the Completion Date. CITIC Pacific, however, continues to be responsible for taking deliveries

of certain AUD under the Novation Contracts as described above and for any breach of such Novation Contracts before the Completion Date. As a result, from Completion, CITIC Pacific would no longer bear the economic burden or enjoy the benefits of the Novation Contracts. The effect of the Agreement is such that, depending on the relevant AUD : USD exchange rate after Completion, the Novation Contracts could, after Completion, result in a further loss or profit but CITIC Pacific would no longer have to account for such losses or profit.

The target AUD : USD exchange rate is calculated as follows:-

- (i) should the AUD : USD spot exchange rate which appears on the Reuters Screen RBA26 Page be 0.7000 or less at 4:00p.m. Sydney time on the Business Day prior to the Completion Date, the target AUD : USD exchange rate shall be 0.7000. Example, if the spot rate of AUD : USD is 0.6700, the target AUD : USD exchange rate is 0.7000;
- (ii) should the AUD : USD spot exchange rate which appears on the Reuters Screen RBA26 Page at 4:00p.m. Sydney time on the Business Day prior to the Completion Date be more than 0.7000, the target AUD : USD exchange rate shall be such spot rate plus 100 pips. Example, if the spot rate of AUD : USD is 0.7700, the target AUD : USD exchange rate is $0.7700 + 0.0100 = 0.7800$.

If the aggregate deemed mark-to-market value of the Novation Contracts determined by applying the target AUD : USD exchange rate described above shows a loss, CITIC Pacific shall pay CITIC Group an amount equal to such aggregate deemed mark-to-market value for the Novation Contracts. CITIC Group would receive such payment in return for assuming the ongoing obligations of the Novation Contracts which, based on the calculations by reference to the AUD : USD exchange rate on the Business Day prior to Completion, show a deemed mark-to-market loss. On the other hand, if the aggregate deemed mark-to-market value of the Novation Contracts determined by applying the target AUD : USD exchange rate described above shows a profit, CITIC Group shall pay CITIC Pacific an aggregate of HKD100 for the Novation (rather than an amount equal to such aggregate deemed mark-to-market value). As at the Reference Date, the AUD : USD exchange rate was 0.6730 and on that basis, the mark-to-market loss under the Novation Contracts is estimated to be HKD10.4 billion. On the basis described above, the target AUD : USD exchange rate is deemed to be 0.7000 and the deemed mark-to-market loss under the Novation Contracts is estimated to be HKD9.3 billion. In other words, even though the mark-to-market loss of the Novation Contracts is HKD10.4 billion, CITIC Pacific only pays, by reference to the aforesaid, HKD9.3 billion to CITIC Group for assuming the burden of such Novation Contracts. Whilst, as between CITIC Pacific and CITIC Group, the parties have agreed a floor of 0.7000 for the AUD : USD exchange rate (if the market AUD : USD spot exchange rates are less than 0.7000), the mark-to-market value would have to be confirmed and calculated by reference to the AUD : USD exchange rate of 0.7000 and other valuation parameters on the Business Day prior to the Completion Date. By way of estimation only and not taking into account any interim fixing and delivery of AUD under the Novation Contracts, it is estimated that CITIC Pacific will pay about HKD9.3 billion to CITIC Group for CITIC Group's assumption of liabilities and benefits of the Novation Contracts if the AUD : USD exchange rate on the Business Day prior to the Completion Date is the same as the rate at the Reference Date.

The difference between the mark-to-market value of the Novation Contracts on the Completion Date (calculated by reference to the rate on the Business Day prior to the Completion Date) and the consideration paid to or received from CITIC Group for the Novation Contracts is part of the net proceeds for the Shares issued on conversion of the Convertible Bond. This difference will be recorded in the balance sheet of CITIC Pacific as shareholders' equity.

Accounting Treatment

For illustration purposes, assuming that on the Business Day prior to Completion Date, the AUD:USD exchange rate is 0.6730 and all other valuation parameters are of the same value as those as at the Reference Date, the corresponding mark-to-market loss under the Novation Contracts will be HKD10.4 billion. By applying the deemed target AUD:USD exchange rate of 0.7000 (because, as between CITIC Pacific and CITIC Group, it is agreed that where the AUD:USD rate is less than 0.7000, the parties would apply, as between them the rate of 0.7000), the corresponding consideration payable to CITIC Group for the Novation Contracts will be HKD 9.3 billion.

It was stated on page 90 of CITIC Pacific's annual report for the year ended 31 December 2007 how CITIC Pacific would account for such leveraged foreign exchange contracts:

“Derivatives are stated at fair value. The gain or loss on changes in fair value is recognised generally in the profit and loss account unless the derivative qualifies for hedge accounting.”

The leveraged foreign exchange contracts do not qualify for hedge accounting.

For illustration purposes only, set out below is how CITIC Pacific will account for the Novation Contracts:-

- (i) With or without Completion, CITIC Pacific will reflect the mark-to-market loss of HKD 10.4 billion in its profit and loss account, correspondingly derivative liabilities of HKD10.4 billion will be recorded;
- (ii)
 - (a) Upon Completion but assuming that no legal transfer of the Novation Contracts, a derivative asset of HKD 10.4 billion will be recorded, the corresponding credit in the balance sheet will be a HKD 9.3 billion payable to CITIC Group while the difference between the HKD 10.4 billion and HKD 9.3 billion will be credited to shareholders' equity (see paragraph below); or
 - (b) Upon Completion and assuming that the legal transfer of all the Novation Contracts is completed at the same time, the HKD 10.4 billion derivative liabilities recorded in accordance with (i) will be derecognised, a HKD 9.3 billion payable to CITIC Group will be recorded, while the difference between the HKD 10.4 billion and HKD 9.3 billion will be credited to shareholders' equity (see paragraph below).

The difference between the HKD 10.4 billion derivative liabilities and HKD 9.3 billion payable to CITIC Group at Completion will be accounted for in shareholders' equity as part of the subscription price paid for Shares to be issued as a result of the Convertible Bond.

Impact on CITIC Pacific's financials

After Completion, the Novation Contracts will no longer result in any future net effect on CITIC Pacific's profit and loss account.

(i) After Completion but before legal transfer of Novation Contracts:-

The underlying derivatives of the Novation Contracts will remain contractual obligations of CITIC Pacific, and thus will be marked-to-market, changes in the mark-to-market value will be recognised in the profit and loss account until legal transfer occurs, which will be upon formal agreement with the counterparties. At the same time, CITIC Pacific will recognise another derivative, being the agreement to transfer the Novation Contracts at the agreed price to CITIC Group, and mark-to-market this derivative, with changes in mark-to-market value recognised in the profit and loss account until legal transfer of the Novation Contracts occurs. As the mark-to-market value of the Novation Contracts will change, the mark-to-market movement of this derivative will move in an opposite direction as compared to that of the Novation Contracts. As a result, the net effect on CITIC Pacific's profit and loss account will be nil after Completion.

(ii) After Completion and assuming legal transfer of Novation Contracts are completed at the same time:-

The derivative liabilities in relation to the Novation Contracts shall be derecognised as described in the above paragraph (ii)(b) in the sub-section headed "Accounting Treatment". Subsequently, the Novation Contracts shall have no impact on the profit and loss account of CITIC Pacific after Completion.

CONDITIONS OF THE AGREEMENT

Completion is conditional upon the following conditions being fulfilled (or waived by CITIC Group, as the case may be):

- (a) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on Completion, save for any temporary suspension not exceeding 10 consecutive trading days (or such longer period as CITIC Group may accept in writing) or any temporary suspension in connection with the clearance of the announcement in relation to the Agreement, and no indication being received on or before Completion from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the Completion or in connection with the terms of the Agreement or the Standby Facility;
- (b) the Agreement and any appropriate increase in the authorised capital of CITIC Pacific being approved in general meeting by the Independent Shareholders or the Shareholders, as the case may be;
- (c) the Whitewash Waiver being approved in general meeting by the Independent Shareholders;

- (d) the Stock Exchange agreeing to grant a listing of and permission to deal in the Shares to be issued pursuant to the Convertible Bond;
- (e) all consents or approval of any relevant governmental authorities or other relevant third parties in Hong Kong, the PRC or elsewhere which are required or appropriate for the entry into and the implementation of the Agreement having been obtained, including all filings with any relevant governmental authorities or other relevant third parties in Hong Kong, the PRC or elsewhere which are required for the entering into and the implementation of the Agreement having been made; all waiting periods which are required under the laws of Hong Kong, the PRC or any other relevant jurisdictions for the implementation of the Agreement having expired or terminated;
- (f) the Executive granting the Whitewash Waiver and confirming that no general offer is required in connection with CITIC 1616 Holdings Limited and Dah Chong Hong Holdings Limited, two of CITIC Pacific's subsidiaries whose securities are listed on the Stock Exchange, in connection with the transactions contemplated under the Agreement; and
- (g) there being no material breach of the warranties given by CITIC Pacific under the Agreement and no unexpected material adverse change as to, among other things, business, operations and financial condition of the Group as a whole.

CITIC Group may in its absolute discretion at any time waive in writing any of the conditions (or any part thereof) except the requirements for approval by Independent Shareholders under the Listing Rules in relation to condition (b) and such waiver may be made subject to such terms and conditions as are solely determined by CITIC Group.

CITIC Group has undertaken that in the event the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders but assuming the other conditions are fulfilled or waived, as the case may be, the Agreement will still proceed to Completion. If Completion does not take place and to the extent that the Standby Facility is drawn, all outstanding amounts under the Standby Facility shall be repayable on 31 January 2009.

COMPLETION

Completion will take place on the third Business Day following the day on which the conditions of the Agreement have been satisfied in full (or waived by CITIC Group, as the case may be) or such other date as may be agreed between the parties. It is expected that Completion will take place no later than 31 December 2008. In the event that the conditions to the Agreement are not fulfilled or, where applicable, waived by CITIC Group on or before 31 December 2008, the Agreement will lapse unless extended by CITIC Group.

COVENANTS

For the term of the Standby Facility, CITIC Pacific has covenanted to CITIC Group, among other things, that it shall not:-

- (i) issue, repurchase or grant any share or loan capital save for outstanding contractual commitments under CITIC Pacific's share option scheme;

- (ii) borrow or raise new money after the date of the Standby Facility in excess of HKD1 billion save and except for undrawn facilities entered into prior to the date of the Standby Facility;
- (iii) enter into any contract or commitment or undertake any contingent liability which is not in the Group's ordinary and usual course of business;
- (iv) declare, pay or make any dividends or other distributions;
- (v) grant any security over the assets of CITIC Pacific or grant guarantees other than in relation to banking facilities granted to the Group or for the Group's obligations in the ordinary and usual course of business;
- (vi) waive, compromise, settle or release, any material, civil, criminal or other proceedings or any material liability or claim; or
- (vii) dispose of or acquire any material asset

without the prior agreement of all Directors. Under the Agreement, there are similar covenants that, for the period until conversion of the Convertible Bond, CITIC Pacific will undertake not to proceed with the above matters without the prior written consent of CITIC Group provided that CITIC Group shall not unreasonably withhold or delay consent for any action which is consistent with the Group's ordinary and usual course of business as currently carried on by it. Regardless, the entry into any variation or termination of the Novation Contracts shall be subject to CITIC Group's consent.

TAKEOVERS CODE IMPLICATIONS

At present the CITIC Group Concert Parties, consisting of CITIC Group, CITIC HK, Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai own 1,115,989,285 Shares in total representing approximately 50.89% of the issued share capital of CITIC Pacific, in addition to CITIC Group's and CITIC HK's interests pursuant to the Agreement.

Dealings in Shares by the CITIC Group Concert Parties in the six months prior to the date of this announcement were as follows:-

	Date	Number of Shares acquired	Average Price Per Share (HKD)
Larry Yung Chi Kin	21 October 2008	1,000,000	7.370
	5 September 2008	923,000	25.112
	25 June 2008	253,000	28.990
	24 June 2008	1,556,000	29.211
	19 June 2008	305,000	30.011
Henry Fan Hung Ling	27 June 2008	20,000	27.750
	24 June 2008	120,000	28.650
	23 June 2008	500,000	29.797
Cai Xinghai	27 October 2008	100,000	3.730
CITIC HK	21 October 2008	2,000,000	7.392
	25 June 2008	252,000	28.995
	24 June 2008	1,539,000	29.232

Repurchases of Shares by CITIC Pacific in the six months prior to the date of this announcement were as follows:

Date	Number of Shares acquired	Average Price Per Share (HKD)
5 September 2008	1,000,000	25.236
25 June 2008	252,000	28.998
24 June 2008	1,590,000	29.254
20 June 2008	995,000	30.019

Each of Larry Yung Chi Kin, Henry Fan Hung Ling, Cai Xinghai and CITIC HK confirms that each of them did not have any knowledge of the transaction which forms the subject of the Whitewash Waiver application to be made by CITIC Group prior to 28 October 2008. Based on such confirmations, the Executive has confirmed that the above dealings will not

constitute “disqualifying transactions” under paragraph 3(a) to Schedule VI of the Takeovers Code.

The Agreement is conditional upon, among other things, the Whitewash Waiver. The Takeovers Code obliges a shareholder to make a mandatory general offer for the shares of a listed company if a shareholder and its concert parties who hold more than 30% but less than 50% of the voting rights in a listed company increases its shareholding by 2% or more in any 12-month period. CITIC Group Concert Parties are subject to this 2% restriction for the period ending on 18 January 2009. The Whitewash Waiver is therefore necessary for CITIC Group to be able to increase its shareholding in CITIC Pacific by 2% or more prior to and including 18 January 2009 without having to incur a general offer obligation under the Takeovers Code upon conversion of the Convertible Bond. An application will be made by CITIC Group to the Executive for the Whitewash Waiver which, if granted, will be made subject to the approval of the Independent Shareholders on a vote taken by way of a poll.

CITIC Group Concert Parties will abstain from voting on the resolution to approve the Whitewash Waiver.

USE OF PROCEEDS FROM THE ISSUE OF THE CONVERTIBLE BOND

The amount payable by CITIC Group to CITIC Pacific, prior to any application of such funds towards the repayment of any amount owed under the Standby Facility, in connection with the issue of the Convertible Bond is HKD11.625 billion. However, the actual cash received by CITIC Pacific will be reduced by the amounts owed by CITIC Pacific to CITIC Group under the Standby Facility (to the extent the Standby Facility is drawn) and the Novation. If the full amount of the Standby Facility is drawn prior to Completion, then there will be no additional cash injected into CITIC Pacific as a result of the issue of the Convertible Bond and CITIC Pacific would have to pay CITIC Group an estimated amount of HKD9.3 billion in respect of the Novation assuming the target AUD : USD exchange rate described above and such rate on the Business Day prior to the Completion Date is the same on the Reference Date.

To the extent the Standby Facility is not drawn prior to issue of the Convertible Bond, it shall no longer be available from and after Completion. The net proceeds from the issue of the Convertible Bond will be used to discharge any amounts due from CITIC Pacific to CITIC Group under the Standby Facility (to the extent the Standby Facility is drawn) and the Novation with the balance, if any, used as general working capital.

CITIC Pacific has not carried out any equity fund raising activities in the 12 months preceding the Latest Practicable Date.

REASONS FOR ENTERING INTO THE STANDBY FACILITY AND THE AGREEMENT

In light of the matters referred to in CITIC Pacific's profit warning announcement of 20 October 2008, the Standby Facility is considered desirable to ensure that the Group can demonstrate that it has access to sufficient liquidity to maintain confidence in the Group's ability to settle its obligations under certain leveraged foreign exchange contracts until Completion whereupon the Group will have, by virtue of the Novation, restructured and reduced its liability under the Novation Contracts. The Novation would, as on and from Completion, eliminate any further economic risk which CITIC Pacific otherwise would have in respect of the Novation Contracts which continue to run until October 2010.

In view of the current volatility and lack of liquidity in the equity and credit markets globally, the Board believes that it would be difficult to obtain additional banking facilities at this time and that financial support from its largest Shareholder, CITIC Group, is the most feasible option. Further, the outstanding positions on its leveraged foreign exchange contracts could result in additional losses and funding requirements. This would drain the Group's internal cash resources and the Board believes it is therefore in the interests of CITIC Pacific for CITIC Group to provide the Standby Facility for such contingent liquidity requirements relating to these contracts. The Standby Facility, in itself, is intended to be a temporary measure as the ongoing cost over a long period of time would not only increase the Group's gearing but also negatively impact its financial performance. For that reason, the issue and conversion of the Convertible Bond would be favourable to CITIC Pacific.

In negotiating the Conversion Price, the Directors took into account, amongst others, CITIC Pacific's profit warning announcement dated 20 October 2008, the agreement by CITIC Group to take up the Novation Contracts, the current market volatility in equity markets and the tight credit markets globally.

INFORMATION ON THE REMAINING LEVERAGED FOREIGN EXCHANGE CONTRACTS

After the Completion Date, assuming all the Novation Contracts have been transferred by novation, the Group will, for the purpose of hedging its AUD requirements, have outstanding AUD target redemption forward contracts and daily accrual contracts for AUD with a maximum deliverable amount of AUD3.0 billion. The remaining AUD contracts have a strike price ranging from 0.7680 to 0.9600 and the average weighted strike price is 0.8319. For such AUD contracts, CITIC Pacific intends to monitor the position carefully, restructure contracts (including to enable the restructured contracts to become eligible for hedge accounting) and take delivery of the AUD as required, in order to mitigate any losses to the Group whilst, at the same time, striving to match the AUD requirements of the iron ore project in Australia. The Group does not intend to terminate such contracts.

The maximum deliverable amount to the Group under the dual currency target redemption forward contracts is as at the Reference Date AUD284.3 million or EUR156.8 million and is deliverable in monthly instalments up to July 2010. The outstanding dual currency target redemption forward contracts assuming AUD is the weaker currency have a strike price ranging from 0.8200 to 0.9500 and a weighted average strike price of AUD : USD0.8686. The outstanding dual currency target redemption forward contracts assuming EUR is the weaker currency have a strike price ranging from 1.4000 to 1.4600 and a weighted average strike price of EUR : USD1.4412. The Group intends to terminate the dual currency target redemption forward contracts.

As some of the RMB target redemption forward contracts have been knocked out (i.e. the obligation to settle such RMB target redemption forward contracts has ceased), the maximum notional amount under the remaining RMB target redemption forward contracts as at the Reference Date is RMB6.0 billion. The amount payable in USD by CITIC Pacific under the remaining RMB target redemption forward contracts (which is the maximum actual exposure of the Group bearing in mind no physical delivery of RMB takes place) is calculated to be not more than USD42.2 million based on an exchange rate of USD : RMB6.83 as at the Reference Date. The outstanding RMB target redemption forward contracts have a weighted average strike price of USD : RMB6.52. The RMB target redemption forward contracts will not be taken over by CITIC Group and will be retained in the Group.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of CITIC Pacific is HKD1,200,000,000 divided into 3,000,000,000 Shares, of which 2,193,149,160 Shares have been issued and fully paid or credited as fully paid. In order to fulfill condition precedent (b) referred to in the section headed “Conditions of the Agreement” above, and to provide the Group with flexibility in future expansion and growth by means of issuing new Shares and fund raising activities as the Directors may consider appropriate from time to time, the Directors propose to increase the authorised share capital of CITIC Pacific accordingly by the creation of additional unissued Shares. Such increase in the authorised share capital of CITIC Pacific will be conditional upon the passing of an ordinary resolution by the Shareholders at the EGM, and save for the Shares which may fall to be issued under the Convertible Bond and CITIC Pacific's share option scheme, CITIC Pacific has no intention to issue any part of the proposed increase in its authorised share capital.

CHANGES TO THE SHAREHOLDING IN CITIC PACIFIC AS A RESULT OF CONVERSION

Assuming that there are no other changes in the issued share capital of CITIC Pacific before conversion of the Convertible Bond, the holding of CITIC Group after full conversion of the Convertible Bond at the initial Conversion Price will be 2,098,736,285 Shares (approximately 57.56% of the enlarged issued share capital of CITIC Pacific). The following table illustrates the change of shareholding structure of CITIC Pacific as a result of the conversion (assuming the total number of Shares in issue remain unchanged from the Latest Practicable Date):

Name of Shareholder	As at the Latest Practicable Date		Assuming the Convertible Bond is fully converted into Shares at HKD8.00 per Share	
	No. of Shares	Approx. % to issued share capital of CITIC Pacific	No. of Shares	Approx. % to enlarged issued share capital of CITIC Pacific
<i>CITIC Group Concert Parties</i>				
CITIC Group (through CITIC HK or its designated nominee)	645,611,285	29.438%	2,098,736,285	57.558%
Larry Yung Chi Kin	418,418,000	19.078%	418,418,000	11.475%
Henry Fan Hung Ling	50,640,000	2.309%	50,640,000	1.389%
Liu Jifu	840,000	0.038%	840,000	0.023%
Cai Xinghai	280,000	0.013%	280,000	0.008%
Zhuang Shoucang	200,000	0.009%	200,000	0.005%
Subtotal of CITIC Group Concert Parties (Note 1)	1,115,989,285	50.885%	2,569,114,285	70.458%
<i>Other Directors</i>				
Peter Lee Chung Hing	1,000,000	0.046%	1,000,000	0.027%
Carl Yung Ming Jie	300,000	0.014%	300,000	0.008%
Vernon Francis Moore	4,200,000	0.192%	4,200,000	0.115%
Li Shilin	300,000	0.014%	300,000	0.008%
Wang Ande	400,000	0.018%	400,000	0.011%
Hansen Loh Chung Hon	1,550,000	0.071%	1,550,000	0.043%
André Desmarais	10,145,000	0.463%	10,145,000	0.278%
Peter Kruyt	34,100	0.002%	34,100	0.001%
Other public Shareholders	1,059,230,775	48.295% (approximately)	1,059,230,775	29.051% (approximately)
Total	<u>2,193,149,160</u>	<u>100%</u>	<u>3,646,274,160</u>	<u>100%</u>

Note 1: Of these shareholders, Cai Xinghai who holds 280,000 Shares is a connected person of CITIC Pacific as he is a director of subsidiaries of CITIC Pacific. Zhuang Shoucang who holds 200,000 Shares is considered part of CITIC Pacific's public float pursuant to rule 8.24 of the Listing Rules since he is not a connected person of CITIC Pacific.

The number of Shares in issue as at the Latest Practicable Date is 2,193,149,160 Shares. As at the Latest Practicable Date, there are also options granted to participants under CITIC Pacific's share option scheme entitling the holders thereof, upon exercise in full, to subscribe for 29,760,000 Shares. The exercise price of such options range from HKD19.90 to HKD47.32 per Share. Of these share options the CITIC Group Concert Parties accounted for 4 million share options with an exercise price range from HKD22.10 to HKD47.32. These 4 million share options are held by Larry Yung Chi Kin as to 2,000,000 options, Liu Jifu as to 1,400,000 options and Cai Xinghai as to 600,000 options. In calculating the Shares held by public Shareholders, CITIC Pacific has included 160,289,669 Shares held by Power Corporation of Canada and its affiliates, representing 7.31% and 4.40% of the issued share capital of CITIC Pacific as at (i) the Latest Practicable Date and (ii) assuming full conversion of the Convertible Bond at HKD8.00 per Share respectively. Power Corporation of Canada is owned and controlled by Paul G. Desmarais, the father of one of the non-executive

Directors, André Desmarais. Pursuant to Rule 8.24 of the Listing Rules, the shareholding of Power Corporation of Canada is considered part of CITIC Pacific's public float.

INFORMATION ON THE GROUP

CITIC Pacific is incorporated in Hong Kong with limited liability and its Shares are listed on the Stock Exchange. CITIC Pacific and its subsidiaries are principally engaged in manufacturing of special steel, iron ore mining, property development and investment, basic infrastructure (such as power generation, aviation, tunnels and communications) and marketing and distribution.

INFORMATION ON CITIC GROUP

CITIC Group is a state-owned enterprise established in 1979 with the approval of the State Council of the PRC. CITIC Group operates a wide range of businesses in the financial services and industrial investment sectors. CITIC Group's industrial investment sectors include real estate, contracting, raw material and resources, information, manufacturing and the services industry.

CITIC HK is incorporated in Hong Kong and is a wholly-owned subsidiary of CITIC Group. CITIC HK owns approximately 29% of the issued Shares as at the Latest Practicable Date.

INTENTIONS FOR THE GROUP

Business

It is the intention of the existing Directors that the Group will continue its existing businesses.

Establishment of committee

The Board has resolved to set up a committee for the purpose of dealing with all matters concerning the Group's leveraged foreign exchange contracts. Mr Chang Zhenming, currently a non-executive Director and the Vice-Chairman and President of CITIC Group, has been appointed to chair such a committee. The committee is empowered to receive recommendations from internal and external parties as to how to improve the Group's internal management and risk controls, monitor the Group's ongoing and future leveraged foreign exchange contracts and negotiate terms of the Novation Contracts with the relevant counterparties.

MAINTAINING THE LISTING OF CITIC PACIFIC

It is the intention of CITIC Group to maintain the listing of CITIC Pacific on the Stock Exchange after Completion.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of CITIC Pacific with effect from 2:30 p.m. on 31 October 2008 pending release of this announcement. Application has been made by CITIC Pacific for the resumption of trading in the Shares of CITIC Pacific with effect from 9:30 a.m. on 13 November 2008.

GENERAL

The terms of the Standby Facility, the Agreement, including the Conversion Price and the terms of the Novation, were negotiated on an arm's length basis after taking into consideration the above factors. Accordingly the Directors (other than the non-executive Directors who will give their recommendations after receiving advice from the independent financial adviser) consider that the terms of the Standby Facility, the Agreement, including the Conversion Price and the terms of the Novation, are fair and reasonable and are in the interests of CITIC Pacific and the Shareholders as a whole.

CITIC Pacific and CITIC Group originally envisaged a standby loan facility of USD1.5 billion in order to strengthen the liquidity of CITIC Pacific on normal commercial terms as to interest and security, in order for CITIC Pacific to be able to itself resolve the issue of the leveraged foreign exchange contracts. However, during the course of the negotiations for the standby loan facility, CITIC Pacific and CITIC Group concluded that with the volatility in the equity and credit markets, (i) a standby loan facility of USD1.5 billion may not be sufficient for CITIC Pacific to itself resolve the issue of the foreign exchange leveraged exchange contracts; (ii) the Novation Contracts were perceived as very high risk to CITIC Pacific and (iii) that any loan would need to be repaid. It was uncertain whether CITIC Pacific could negotiate the unwinding of the Novation Contracts with existing counterparties or an investment bank on more attractive terms than the terms offered by CITIC Group for the Novation. CITIC Group offered, in conjunction with the Novation, the Standby Facility and the Agreement. The terms of the Novation, the Standby Facility and the Agreement were negotiated together. Taking into account the fact that the Novation, the Standby Facility and the Agreement are being entered into with CITIC Group together, the Directors (other than the non-executive Directors who will give their recommendations after receiving advice from the independent financial adviser) consider that the terms of the Standby Facility are on normal commercial terms.

Up to 30 June 2008, the Group did not incur any losses in relation to the leveraged foreign exchange contracts entered into since 2007. For the period between 1 July 2008 to 17 October 2008, an aggregate realised loss of HKD807.7 million was incurred by the Group, further details of which are set out in CITIC Pacific's profit warning announcement dated 20 October 2008.

During the period from 18 October 2008 to the Reference Date, CITIC Pacific has taken delivery of AUD266.1 million from leveraged foreign exchange contracts and performed monthly net settlement in respect of its RMB target redemption forward contracts. The total realised loss incurred from taking delivery of such currencies and net settling the RMB target redemption forward contracts is HKD259.0 million. CITIC Pacific has also incurred a loss of HKD1.9 million from selling AUD185.5 million delivered in such period. CITIC Pacific terminated further AUD redemption forward contracts at a loss of HKD277.5 million. For further information in relation to the Group's leveraged foreign exchange contracts up to 17 October 2008, please refer to CITIC Pacific's profit warning announcement dated 20 October 2008.

Accordingly, for the period between 18 October 2008 to the Reference Date, an aggregate loss of approximately HKD538.4 million arising from the leveraged foreign exchange contracts only (including HKD474.6 million arising from the Novation Contracts) was

therefore incurred by the Group as a result of the above actions, resulting in a total realised loss (from the leveraged foreign exchange contracts only) from 1 July 2008 to the Reference Date of HKD1.3 billion.

Solely by way of illustration, assuming Completion takes place on the date of this announcement, the mark-to-market loss under the Novation Contracts as at the Reference Date is estimated to be HKD 10.4 billion and the mark-to-market loss of the remaining outstanding leveraged foreign exchange contracts of the Group as at the Reference Date is estimated to be HKD 5.1 billion. Accordingly, taking into account the total realised loss of HKD 1.3 billion referred to above, the realised loss and the mark-to-market losses for all of the Group's leveraged foreign exchange contracts in aggregate is HKD 16.8 billion. Shareholders and potential investors should note that the above description is solely for illustrative purpose and the actual losses (realised or mark-to-market) of the Group arising from its leveraged foreign exchange contracts shall be subject to foreign exchange rate prevailing from time to time and may therefore be different from the figures described in the above illustrative example.

As CITIC Group, through CITIC HK, is the largest shareholder of CITIC Pacific, indirectly holding approximately 29% of the issued Shares as at the Latest Practicable Date, the transactions contemplated pursuant to the Agreement constitute a connected transaction for CITIC Pacific under the Listing Rules. In view of the amounts payable by CITIC Pacific in connection with the Novation, the Agreement also constitutes a very substantial disposal under the Listing Rules. The Standby Facility, although a connected transaction, is exempt, under the Listing Rules, from further announcement or shareholders' approval as it is on normal commercial terms and is unsecured.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, (i) the Agreement and the transactions contemplated thereunder, (ii) the Whitewash Waiver and (iii) the increase in authorised share capital of CITIC Pacific. Pursuant to the Listing Rules, where a transaction or arrangement of an issuer is subject to shareholders' approval under the provisions of the Listing Rules, any shareholder who has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting. Pursuant to the Takeovers Code, any shareholder who is involved in, or interested in, the transaction in question shall abstain from voting on the Whitewash Waiver. CITIC Group Concert Parties have confirmed that they will abstain from voting on the resolution for the Whitewash Waiver. CITIC Group Concert Parties consist of CITIC Group, CITIC HK, Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai. There will be separate resolutions to approve the Agreement and the transactions contemplated thereunder including the issue of the Convertible Bond, the issue of Shares upon conversion of the Convertible Bond, the Novation and the increase in authorised share capital of CITIC Pacific. As Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai do not have a material interest in the Agreement and the transactions contemplated thereunder (as they are not a party to the Agreement and the Agreement and the transactions contemplated thereunder do not confer any benefit on them not available to other shareholders of CITIC Pacific) they can vote on the separate resolutions for the Agreement, the transactions contemplated thereunder and the increase in authorised share capital of CITIC Pacific. Each of Larry Yung Chi Kin, Henry Fan Hung Ling, Liu Jifu, Zhuang Shoucang and Cai Xinghai has indicated to CITIC Pacific his intention to vote in favour of such resolution. However CITIC Group and CITIC HK will abstain from voting on such

resolutions. The issue of the Convertible Bond and the Novation is dependent on Independent Shareholders' approval and accordingly may or may not proceed.

An independent board committee will be established to advise the Independent Shareholders in respect of the Agreement and the Whitewash Waiver. Subject to the approval of the Independent Board Committee, CITIC Pacific has retained Anglo Chinese Corporate Finance Limited as the independent financial adviser to the Independent Board Committee.

CITIC Securities Corporate Finance (HK) Limited is the financial adviser to CITIC Group in connection with the Standby Facility, the Agreement and the transactions contemplated thereunder.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the Convertible Bond.

A circular containing further details of the transactions contemplated under the Agreement, the advice of the Independent Board Committee, the advice of the independent financial adviser to that Independent Board Committee and notice of the EGM will be sent to Shareholders as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the meaning given to it in the Takeovers Code
“Agreement”	the agreement dated 12 November 2008 between CITIC Pacific and CITIC Group, relating amongst other things to the Subscription and the Novation
“AUD”	Australian dollars, the lawful currency of the Commonwealth of Australia
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong and Sydney, Australia
“CITIC Group”	CITIC Group 中国中信集团公司, a state-owned enterprise established under the laws of the PRC and the 100% holding company of CITIC HK, the largest shareholder of CITIC Pacific holding approximately 29% of the issued Shares as at the Latest Practicable Date
“CITIC Group Concert Parties”	CITIC Group and parties acting in concert with any of them in respect of CITIC Pacific for the purposes of the Takeovers Code

“CITIC HK”	CITIC Hong Kong (Holdings) Limited 中信（香港集團）有限公司, a wholly-owned subsidiary of CITIC Group
“CITIC Pacific”	CITIC Pacific Limited 中信泰富有限公司, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Agreement
“Completion Date”	the date of Completion
“Conversion Price”	the price per Share at which the Convertible Bond may be converted into Shares
“Convertible Bond”	the convertible bond of an aggregate principal amount of HKD11.625 billion to be subscribed by CITIC Group or its designated nominee
“Director(s)”	the director(s) of CITIC Pacific
“EGM”	an extraordinary general meeting to be convened by CITIC Pacific for the purpose of approving, amongst other things, the Agreement, the Whitewash Waiver and the increase in authorised share capital of CITIC Pacific
“EUR”	Euros, the lawful currency of the European Union
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	CITIC Pacific and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the relevant independent board committee which will comprise such persons as required under the Listing Rules and the Takeovers Code, as the case may be
“Independent Shareholders”	shareholders of CITIC Pacific who are not precluded under the Listing Rules or the Takeovers Code, as the case may be, from voting on the relevant resolutions at the EGM
“Last Full Trading Day”	30 October 2008, being the last full trading day immediately prior to the release of this announcement

“Latest Practicable Date”	11 November 2008, being the latest practicable date prior to the date of this announcement for the purpose of ascertaining certain information contained in this announcement
“LIBOR”	three month London Inter-bank Offered Rate
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	31 January 2009
“Novation”	the economic transfer and/or legal transfer by novation, subject to the terms of the Agreement, of the liabilities and benefits under certain AUD target redemption forward contracts entered into by the Group
“Novation Contracts”	the AUD target redemption forward contracts to be novated to CITIC Group under the Novation
“PRC”	the People’s Republic of China
“Reference Date”	11 November 2008, being the latest practicable date prior to the date of this announcement for the purpose of calculating certain financial information pursuant to the leveraged foreign exchange contracts contained in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“Shares”	ordinary share(s) of HKD0.40 each in the capital of CITIC Pacific
“Shareholders”	holders of Shares
“Standby Facility”	the USD1.5 billion standby loan facility agreement entered into on 12 November 2008 between CITIC Group as the lender and CITIC Pacific as the borrower and where the interest rate is LIBOR plus 2.8% per annum
“Subscription”	the subscription for the Convertible Bond
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

“USD” United States dollars, the lawful currency of the United States of America

“Whitewash Waiver” a waiver from the obligation to make a general offer under the Takeovers Code pursuant to Note 1 and Note 8 on dispensations from Rule 26 of the Takeovers Code which will arise on Completion

By Order of the Board
CITIC Pacific Limited
Stella Chan Chui Sheung
Company Secretary

Hong Kong, 12 November 2008

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

The directors of CITIC Pacific jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement in this announcement misleading.

Mr. Cai Xinghai accepts full responsibility for the accuracy of the confirmation that he did not have any knowledge of the transaction which forms the subject of the Whitewash Waiver application to be made by CITIC Group prior to 28 October 2008 as set out on page 14 of this announcement.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 of Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbroker and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

In accordance with Rule 3.8 of the Takeovers Code, any associates (as defined in the Takeovers Code) of CITIC Pacific and of CITIC Group are hereby reminded to disclose their dealings in the securities of CITIC Pacific pursuant to the requirements of the Takeovers Code.