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CITIC Pacific Limited
中信泰富有限公司

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

CONNECTED TRANSACTIONS

**ACQUISITION OF THE MINORITY INTERESTS IN
SUBSIDIARIES
RELATED TO THE JIANGYIN SPECIAL STEEL MILL**

On 24 August 2009, CITIC Pacific through its subsidiaries agreed to pay RMB1,522,800,000 (approximately HK\$1,735,992,000) to acquire 100% equity interest in each of Approach Well, Perfect Future and the PRC Company, together with the related shareholder's loans. These companies directly or indirectly own interests in the Investees, which are the operating companies of the Jiangyin special steel mill and are all subsidiaries of CITIC Pacific.

Each of the HK Seller and the PRC Seller is wholly-owned by the Guarantors and some of the Guarantors are the key management of the CITIC Pacific special steel group of companies. Yu Yapeng (俞亞鵬), Zhang Wenji (張文基), Shao Pengxing (邵鵬星), Qian Gang (錢剛) and Zhang Yinhua (張銀華), have agreed to remain with the Group for 2 years, and not to compete with the Group's special steel business for 3 years after they leave the Group.

THE HK AGREEMENT

Date: 24 August 2009

Parties:

- (i) HK Purchaser, being the purchaser to the HK Agreement;
- (ii) HK Seller, being the seller to the HK Agreement; and
- (iii) the Guarantors, who jointly and severally guarantee the due performance by the HK Seller of its obligations under the HK Agreement.

Assets to be acquired

(i) 100% interest in each of Approach Well and Perfect Future; and (ii) the Approach Well Shareholder's Loan and the Perfect Future Shareholder's Loan.

Details of Approach Well and Perfect Future are set out below.

Consideration

The aggregate consideration of RMB1,124,724,398 (approximately HK\$1,282,185,814) is apportioned as follows:

- (i) RMB2,809,966, for the sale and purchase of the 100% interest in Approach Well;
- (ii) RMB764,412,701, for the sale and purchase of the 100% interest in Perfect Future;
- (iii) RMB29,100,681, for the sale and purchase of the Approach Well Shareholder's Loan; and
- (iv) RMB328,401,050, for the sale and purchase of the Perfect Future Shareholder's Loan.

The original acquisition cost paid by the HK Seller for the interest in and the related shareholder's loan of each of Approach Well and Perfect Future were HK\$33 million and HK\$551.3 million respectively. The consideration for acquiring the 100% interest in each of Approach Well and Perfect Future was arrived at after arm's length negotiation between the HK Purchaser and the HK Seller with reference to the unaudited net asset value of Approach Well and Perfect Future as at 30 June 2009 and assessment of the business potentials of the Investees. The consideration for acquiring the Approach Well Shareholder's Loan and the Perfect Future Shareholder's Loan was with reference to their respective outstanding amount of HK\$32,998,085 and HK\$372,383,233.

The total consideration for the HK Acquisition is payable by the HK Purchaser upon completion of the HK Agreement and in HK\$ based on an exchange rate equal to the middle exchange rate of RMB against HK\$ published by the State Administration of Foreign Exchange of the PRC on the third business day prior to the completion date. The consideration will be funded by internal resources of the Group.

If at any time during the period commencing from the completion date and ending on the first anniversary of the completion, it comes to the attention of the HK Purchaser of any matter affecting Approach Well or Perfect Future which happened or accrued on or before 30 June 2009 and as a result of the happening or accruing of which the net asset value of Approach Well or Perfect Future as at 30 June 2009 as shown in their respective unaudited management accounts would have been reduced if such matter had been taken into account for the preparation of the such management accounts, the consideration shall be reduced by an amount equivalent to the said reduction in the net asset value (the "**Reduced Amount**"), and the HK Seller shall, upon notification by the HK Purchaser, forthwith pay the Reduced Amount to the HK Purchaser.

Conditions

Completion is conditional upon the following conditions being satisfied (or waived by the HK Purchaser) on or before 31 October 2009 or such later date as may be agreed between the parties (the “**Longstop Date**”):

- (i) the transfer of the equity interest in the PRC Company having been registered by the relevant authorities in the PRC (the “**PRC Registration**”);
- (ii) all necessary consents or approvals required of the Company under the Listing Rules in respect of the HK Agreement and the transactions contemplated thereunder having been obtained; and
- (iii) the HK Target Group receiving all relevant consents and approvals from third parties as may be necessary in connection with the proposed change in shareholding of Approach Well or Perfect Future.

If any of the above conditions have not been satisfied or waived on or before the Longstop Date, then the HK Agreement will immediately terminate.

Completion

Completion will take place on such business day as the HK Purchaser and the HK Seller may agree, or if no such agreement has been made, the 8th business day after the date on which all the conditions to the HK Agreement having been satisfied or waived.

THE PRC ACQUISITION AGREEMENTS

(1) Equity Transfer Agreement

Date: 24 August 2009

Parties:

- (i) PRC Purchaser, being the transferee to the Equity Transfer Agreement;
- (ii) PRC Seller, being the transferor to the Equity Transfer Agreement; and
- (iii) the Guarantors, who jointly and severally guarantee the due performance by the PRC Seller of its obligations under the Equity Transfer Agreement.

Assets to be acquired

100% equity interest in the PRC Company, details of which are set out below.

Consideration and Completion

Upon (i) all necessary consents or approvals required of the Company under the Listing Rules in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained; and (ii) the PRC Company receiving all relevant consents and approvals from third parties as may be necessary in connection with the proposed change in shareholding of the PRC Company, the parties shall proceed with the application for the PRC Registration.

The consideration for the 100% equity interest in the PRC Company is RMB184,659,406 (approximately HK\$210,511,723). The consideration was determined based on the net asset value of the PRC Company as at 30 June 2009 (as shown in the balance sheet of the PRC Company as at 30 June 2009 prepared by the existing management of the PRC Company) and assessment of the business potentials of the Investees.

The consideration will be paid by the PRC Purchaser to the PRC Seller within 7 business days after the date on which the PRC Registration being made (the “**Payment Date**”). The consideration will be funded by internal resources of the Group.

If at any time during the period commencing from the Payment Date and ending on the first anniversary of the Payment Date, it comes to the attention of the PRC Purchaser of any matter relating to the PRC Company which happened or accrued on or before 30 June 2009 and as a result of which the net asset value of the PRC Company as at 30 June 2009 as shown in its balance sheet would have been reduced if such matter has been taken into account for the preparation of such balance sheet, the consideration shall be reduced by an amount equivalent to the said reduction in the net asset value (the “**Shortfall Amount**”), and the PRC Seller shall, upon notification by the PRC Purchaser, pay the Shortfall Amount to the PRC Purchaser within 5 business days of such notification.

(2) *Loan Transfer Agreement*

Date: 24 August 2009

Parties:

- (i) PRC Purchaser, being the transferee to the Loan Transfer Agreement;
- (ii) PRC Seller, being the transferor to the Loan Transfer Agreement; and
- (iii) the PRC Company, being the debtor to the Loan Transfer Agreement.

Assets to be acquired

The PRC Shareholder's Loan of RMB213,416,196, which will be transferred to the PRC Purchaser on the Payment Date.

Consideration and Completion

The consideration for the acquisition of the PRC Shareholder's Loan is RMB213,416,196 (approximately HK\$243,294,463), which was equal to the outstanding amount of the PRC Shareholder's Loan.

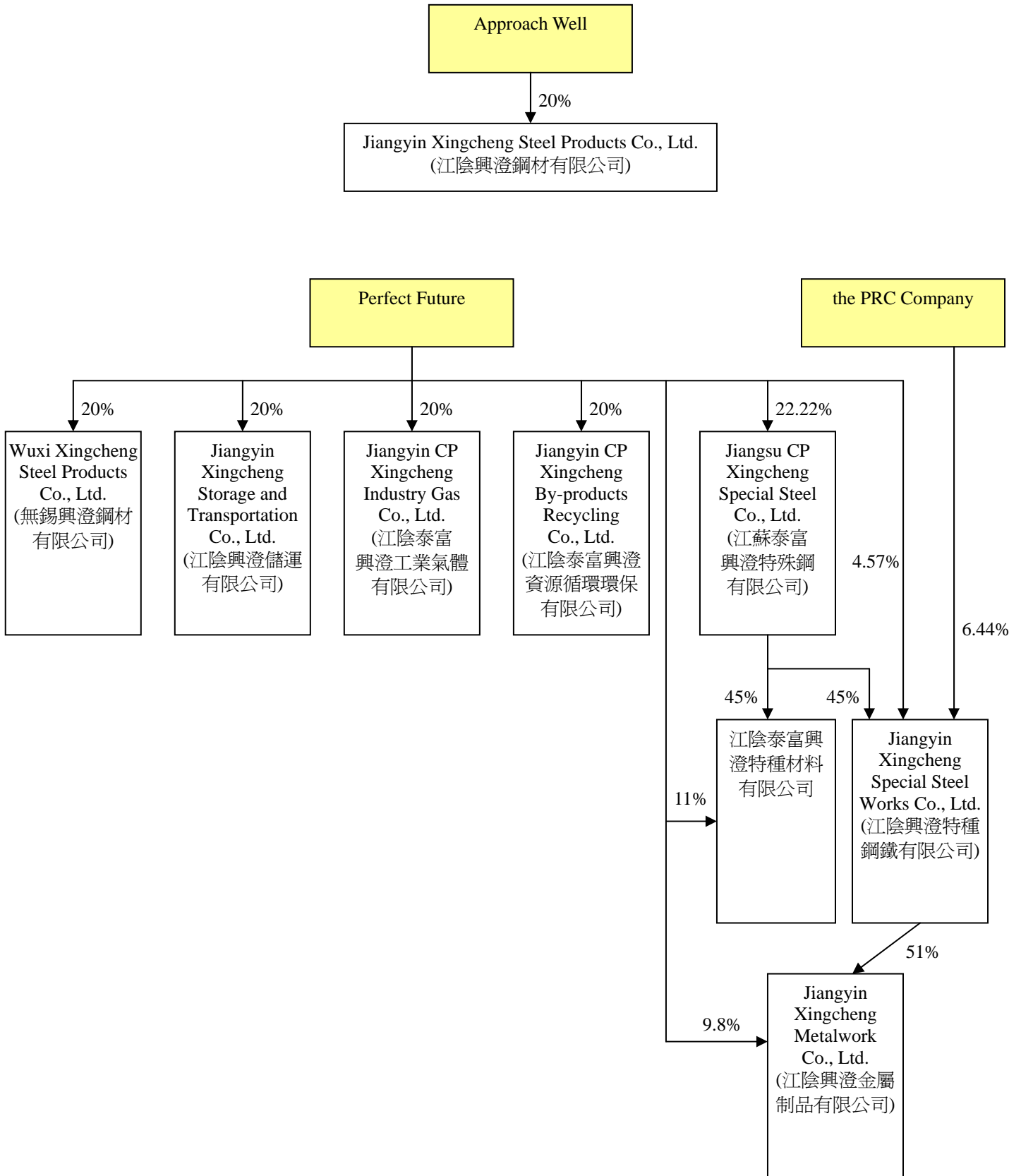
The consideration for the acquisition of the PRC Shareholder's Loan shall be paid concurrently with the payment of the consideration under the Equity Transfer Agreement. The consideration will be funded by internal resources of the Group.

The original acquisition cost paid by the PRC Seller for the interest in the PRC Company and the PRC Shareholder's Loan was approximately RMB293.4 million.

INFORMATION ON THE ASSETS TO BE ACQUIRED

Each of Approach Well, Perfect Future and the PRC Company is an investment holding company directly or indirectly owns interest in the Investees. Prior to the completion of the HK Agreement and the PRC Acquisition Agreements, all the Investees are non-wholly owned subsidiaries of the Company and the minority interests in the Investees are held by Approach Well, Perfect Future and the PRC Company. The Group has nominated a majority of the members of the board of directors of each of the Investees and has been actively involving in the management of the Investees. Upon completion of the HK Agreement and the PRC Acquisition Agreements, each of the HK Target Group Companies and the PRC Company will become a wholly-owned subsidiary of the Company.

The shareholding of Approach Well, Perfect Future and the PRC Company in the Investees is approximately as follows:-



The Investees are principally engaged in the special steel business and its ancillary business.

As at 30 June 2009, the unaudited net asset value of Approach Well, Perfect Future and the PRC Company was approximately HK\$325,403, HK\$768,814,737 and RMB153,185,794, respectively.

For the financial years ended 31 December 2007 and 2008, the audited net profits (both before and after taxation and extraordinary items) of Approach Well, Perfect Future and the PRC Company were approximately as follows:

	Audited net profits (loss) before taxation and extraordinary items		Audited net profits (loss) after taxation and extraordinary items	
	2007	2008	2007	2008
Approach Well (in HK\$)	858,449	532,760	858,449	532,760
Perfect Future (in HK\$)	474,851,485	225,014,958	474,851,485	225,014,958
PRC Company (in RMB)	-	58,642,121	-	58,642,121

Under the HK Agreement, the HK Seller has given non-competition undertakings to the HK Purchaser to the intent that for the period commencing on the date of the HK Agreement and ending on the date falling on the third anniversary from the completion of the HK Agreement, it and its controlled companies will not compete with the HK Target Group in respect of the special steel business comprising of smelting, rolling, casting, processing and finished products of special steel or similar business in the PRC, nor solicit any customer or supplier of the HK Target Group.

Furthermore, on the date of the PRC Acquisition Agreements, the Company and the Covenantors, who are the Guarantors, entered into an agreement for non-competition, in which the Covenantors have undertaken to the Company that for a period of 3 years from the date of termination of their respective employment with the Group, the Covenantors and their spouse and children will not compete with the Group in respect of the business of smelting, rolling and casting, and processing of special steel or similar business in places where the Group has already carried out such businesses, nor solicit any customer or supplier of the Group.

The Covenantors further consent that they will remain as an employee with the Group for a period of 2 years from the date of the agreement for non-competition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

CITIC Pacific is of the view that in the long run, the PRC special steel manufacturing market will grow strongly. Upon completion of the Acquisition, the Group will gain complete control of the Investees, all being companies relating to the Jiangyin special steel mill, giving CITIC Pacific complete control to enhance its return on this investment.

The Directors (including the independent non-executive Directors) are of the view that the terms of the HK Agreement and the PRC Acquisition Agreements are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

The HK Seller is an investment holding company incorporated in the British Virgin Islands.

The PRC Seller is an investment holding company established in the PRC.

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include power, aviation and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC 1616 Holdings Limited.

LISTING RULES IMPLICATIONS

Each of the HK Seller and the PRC Seller is wholly-owned by the Guarantors. The HK Seller is a substantial shareholder of the Investees and therefore is a connected person of the Company. Some of the Guarantors are the directors of the Investees and thus connected persons of the Company. Hence, the PRC Seller is also a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratio calculated with reference to the Acquisition is more than 0.1% but less than 2.5%, the above connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the HK Acquisition and the PRC Acquisition;
“Approach Well”	Approach Well Limited (帝銳有限公司), a company incorporated in Hong Kong and is 100% owned by the HK Seller;

“Approach Well Shareholder's Loan”	the outstanding loan of HK\$32,998,085 owed by Approach Well to the HK Seller, which is non-interest bearing;
“Company” or “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;
“connected person”	has the meaning ascribed to it by the Listing Rules;
“Covenantors”	Yu Yapeng (俞亞鵬), Zhang Wenji (張文基), Shao Pengxing (邵鵬星), Qian Gang (錢剛) and Zhang Yinhua (張銀華);
“Directors” or “Board”	the directors of the Company;
“Equity Transfer Agreement”	the agreement dated 24 August 2009 entered into between the PRC Purchaser, the PRC Seller and the Guarantors in relation to the acquisition of 100% equity interest in the PRC Company;
“Group”	the Company and its subsidiaries;
“Guarantors”	Yu Yapeng (俞亞鵬), Yang Xingfen (楊興芬), Zhang Wenji (張文基), Shao Pengxing (邵鵬星), Wang Fusheng (王福生), Meng Xinyi (孟心儀), Jiang Rencai (姜仁才), Zhang Yinhua (張銀華), Qian Gang (錢剛), Cai Xieao (蔡燮鰲), Shen Jinshan (沈錦山), Yang Jinxiang (楊金祥), Guo Xiaojian (郭筱儉), Xie Wenxin (謝文新) and Cao Fangliang (曹芳良);
“HK Acquisition”	the acquisition of the 100% interest in each of Approach Well and Perfect Future and the related shareholder's loans pursuant to the terms of the HK Agreement;
“HK Agreement”	the agreement dated 24 August 2009 entered into between the HK Purchaser, the HK Seller and the Guarantors in relation to the HK Acquisition;
“HK Purchaser”	Maxy Rich Investments Limited (萬富投資有限公司), a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company;
“HK Seller”	Bright Trinity Enterprises Ltd. (天水投資有限公司), a company incorporated in the British Virgin Islands;
“HK Target Group”	collectively Approach Well, Perfect Future, the Investees and the subsidiaries of the Investees, and “HK Target Group Company” shall mean any one of them;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Investees”	Jiangyin Xingcheng Steel Products Co., Ltd. (江陰興澄鋼材有限公司), Wuxi Xingcheng Steel Products Co., Ltd. (無錫興澄鋼材有限公司), Jiangyin Xingcheng Storage and Transportation Co., Ltd. (江陰興澄儲運有限公司), 江陰泰富興澄特種材料有限公司, Jiangsu CP Xingcheng Special Steel Co., Ltd. (江蘇泰富興澄特殊鋼有限公司), Jiangyin Xingcheng Special Steel Works Co., Ltd. (江陰興澄特種鋼鐵有限公司), Jiangyin Xingcheng Metalwork Co., Ltd. (江陰興澄金屬制品有限公司), Jiangyin CP Xingcheng Industry Gas Co., Ltd. (江陰泰富興澄工業氣體有限公司) and Jiangyin CP Xingcheng By-products Recycling Co., Ltd. (江陰泰富興澄資源循環環保有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Transfer Agreement”	the agreement dated 24 August 2009 entered into between the PRC Purchaser, the PRC Seller and the PRC Company in relation to the acquisition of the PRC Shareholder's Loan;
“Perfect Future”	Perfect Future International Limited (尙康國際有限公司), a company incorporated in Hong Kong and is 100% owned by the HK Seller;
“Perfect Future Shareholder's Loan”	the outstanding loan of HK\$372,383,233 owed by Perfect Future to the HK Seller, which is non-interest bearing;
“PRC”	the People’s Republic of China;
“PRC Acquisition”	the acquisition of the 100% equity interest in the PRC Company and the related shareholder's loan pursuant to the terms of the PRC Acquisition Agreements;
“PRC Acquisition Agreements”	the Equity Transfer Agreement and the Loan Transfer Agreement;
“PRC Company”	江陰興業投資有限公司, a limited liability company established in the PRC and is 100% owned by the PRC Seller;
“PRC Purchaser”	Jiangsu CP Xingcheng Special Steel Co., Ltd. (江蘇泰富興澄特殊鋼有限公司), a limited liability company established in the PRC and is a subsidiary of the Company;
“PRC Seller”	江陰鋼廠有限公司, a limited liability company established in the PRC;

“PRC Shareholder's Loan”	the outstanding loan of RMB213,416,196 owed by the PRC Company to the PRC Seller, which is non-interest bearing;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the holders of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules.

For illustration purpose in this announcement, the conversion rate of RMB1.00 = HK\$1.14 was adopted.

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

Hong Kong, 24 August 2009

As at the date of this announcement, the executive directors of the Company are Messrs Chang Zhenming (Chairman), 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 the Company are Messrs Willie Chang, André Desmarais, Zhang Jijing, Ju Weimin 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.