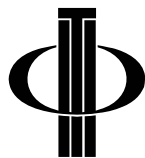


*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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**

The Board announces that on 16 May 2008, Xingcheng (a 79% owned subsidiary of CITIC Pacific), Ipson (a wholly owned subsidiary of CITIC Pacific) and Perfect Future entered into the Joint Venture Agreement for the formation of Jiangsu Metalwork. Jiangsu Metalwork will be owned as to 51% by Xingcheng, 39.2% by Ipson and 9.8% by Perfect Future.

The registered capital and the total investment of Jiangsu Metalwork are US\$12,000,000 (approximately HK\$93,600,000) and US\$29,800,000 (approximately HK\$232,440,000) respectively. The total considerations paid by the Group for the acquisition of the 90.2% interest in aggregate in Jiangsu Metalwork amounts to RMB126,036,460 (approximately HK\$138,640,000).

Perfect Future is a connected person of the Company as it is a substantial shareholder of certain subsidiaries of the Company engaging in steel manufacturing business. Perfect Future is also an associate of a director of some subsidiaries of the Company. Hence, the formation of the JV constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules is more than 0.1% but less than 2.5%, the formation of the JV is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. Details of the Joint Venture Agreement are accordingly disclosed in this announcement and will be disclosed in the Company's next published annual report.

## **DETAILS OF THE JOINT VENTURE AGREEMENT**

- Date: 16 May 2008
- Parties: (1) Xingcheng, a 79% owned subsidiary of the Company;  
(2) Ipson, a wholly owned subsidiary of the Company; and  
(3) Perfect Future
- Scope of Business: Development and production of alloy and metal hardware for construction, instrument and daily use
- Total Investment: US\$29,800,000 (approximately HK\$232,440,000)
- Registered Capital: US\$12,000,000 (approximately HK\$93,600,000), owned as to:
- (1) 51% by Xingcheng (i.e. US\$6,120,000 (approximately HK\$47,736,000));
  - (2) 39.2% by Ipson (i.e. US\$4,704,000 (approximately HK\$36,691,200)); and
  - (3) 9.8% by Perfect Future (i.e. US\$1,176,000 (approximately HK\$9,172,800))
- The registered capital has been fully contributed by the former shareholders of Jiangsu Metalwork.
- Pre-emptive Rights: Any transfer of interest in Jiangsu Metalwork by its shareholders is subject to the pre-emptive rights of the other shareholders.
- Term: 50 years from the date of issue of the business license of Jiangsu Metalwork (i.e. 17 July 2002).
- Board Composition: The board of Jiangsu Metalwork will consist of 9 directors. Xingcheng, Ipson and Perfect Future shall have right to appoint 4 directors, 4 directors and 1 director respectively. The chairman of the board will be appointed by Xingcheng.

The terms of the Joint Venture Agreement have been arrived at after arm's length negotiations. Pursuant to, and immediately after the execution of, the Joint Venture Agreement, the Parties executed the related articles of association of Jiangsu Metalwork to incorporate the material terms of the Joint Venture Agreement. The Joint Venture Agreement will take effect upon the approval by the relevant PRC authority.

## **BACKGROUND OF JIANGSU METALWORK**

Jiangsu Metalwork was established on 17 July 2002 by two former shareholders, which are not connected persons of the Company. On 16 May 2008, Xingcheng, Ipson and Perfect Future acquired 51%, 39.2% and 9.8% interest of Jiangsu Metalwork respectively from the two former shareholders. The total considerations paid by the Group for the acquisition of the 90.2% interest in aggregate in Jiangsu Metalwork amounts to RMB126,036,460 (approximately HK\$138,640,000), which is determined after arm's length negotiation with reference to the market value of the Property and taking into

account the potential use of the Property for future expansion and development of Xingcheng business. The consideration paid by Perfect Future for the acquisition of the 9.8% interest in aggregate in Jiangsu Metalwork amounts to RMB13,693,540 (approximately HK\$15,063,000). Immediately before the former shareholders sold their interest in Jiangsu Metalwork to the Group and Perfect Future, the registered capital and the total investment of Jiangsu Metalwork are US\$12,000,000 (approximately HK\$93,600,000) and US\$29,800,000 (approximately HK\$232,440,000) respectively.

Immediately before Jiangsu Metalwork was acquired by the Group and Perfect Future, Jiangsu Metalwork had to divest all its assets and liabilities save for the Property. The book value of the Property as at 31 December 2007 was RMB56,476,679 (approximately HK\$62,124,347) comprising RMB10,395,627 (approximately HK\$11,435,190) for the land and RMB46,081,052 (approximately HK\$50,689,157) for the building erected thereon. After Xingcheng, Ipson and Perfect Future complete the acquisition, Jiangsu Metalwork will demolish the building.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

Jiangsu Metalwork is in close proximity to current Xingcheng production facilities, the acquisition provides the Group spacious land site for future expansion and development of Xingcheng business.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Joint Venture Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

The Group is engaged in a diversified range of business, including 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.

Insofar as the Company is aware, Perfect Future is an investment holding company.

## **GENERAL**

Perfect Future is a connected person of the Company as it is a substantial shareholder of certain subsidiaries of the Company engaging in steel manufacturing business. Perfect Future is also an associate of a director of some subsidiaries of the Company. Hence, the formation of the JV constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rules 14.07 and 14.15(2) of the Listing Rules is more than 0.1% but less than 2.5%, the formation of the JV is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. Details of the Joint Venture Agreement are accordingly disclosed in this announcement and will be disclosed in the Company's next published annual report.

## DEFINITIONS

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

"associate", "connected person" and "substantial shareholder"	have the meaning given to them by the Listing Rules
"Board"	the board of Directors
"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
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Ipson"	長越投資有限公司 (Ipson Investments Limited), a company incorporated in Hong Kong with limited liability
"Jiangsu Metalwork"	江蘇法爾勝彰沉金屬製品有限公司(Jiangsu Fasten Zhangyuan Metalwork Co., Ltd.), a joint venture company established in the PRC, which is to be renamed as 江陰興澄鋼材製品有限公司 (Jiangyin Xingcheng Metalwork Co., Ltd.)
"Joint Venture Agreement"	the joint venture agreement of Jiangsu Metalwork dated 16 May 2008 between Xingcheng, Ipson and Perfect Future for the formation of the JV
"JV"	the joint venture arrangement in respect of Jiangsu Metalwork
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Perfect Future"	尙康國際有限公司 (Perfect Future International Limited), a company incorporated in Hong Kong with limited liability
"PRC"	People's Republic of China
"Property"	the land with an area of approximately 266,155 square metre located at 89 Cheng Jiang Dong Lu, Jiangyin Economic Development Area and the building erected thereon
"Shareholders"	the shareholders of the Company

"Stock Exchange"

The Stock Exchange of Hong Kong Limited

"Xingcheng"

江陰興澄特種鋼鐵有限公司 (Jiangyin Xingcheng Special Steel Works Co., Ltd.), a company incorporated in the PRC with limited liability

*For reference only, the exchange rates of US\$ to HK\$ adopted in this announcement is US\$1.00 to HK\$7.80 and the exchange rates of RMB to HK\$ adopted in this announcement is RMB1.00 to HK\$1.10.*

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

Hong Kong, 16 May 2008

*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, Carl Yung Ming Jie, Leslie Chang Li Hsien, Vernon Francis Moore, Li Shilin, Liu Jifu, Chau Chi Yin, Milton Law Ming To, Wang Ande and Kwok Man Leung; the non-executive directors of the Company are Messrs Willie Chang, André Desmarais, Chang Zhenming 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.*