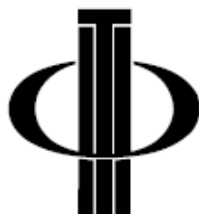


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CITIC PACIFIC

CITIC Pacific Limited

中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

ACQUISITION OF A TOTAL OF 17 VESSELS (TO BE CONSTRUCTED)

DISCLOSEABLE TRANSACTION

On 18 September 2007, seven wholly-owned subsidiaries of CITIC Pacific (as new buyers/transferees) entered into seven novation agreements (Novation Agreements Nos. 1-7) with Accomac Investment (as original buyer/transferor) and, CSTC and SJC (collectively “**Sellers A**”), whereby the rights and obligations of the original buyer/transferor under Shipbuilding Contracts Nos. 1-7 in relation to the acquisition of seven 115000 DWT Vessels for a consideration of US\$53,280,000 (approximately HK\$415.58 million) per 115000 DWT Vessel, were transferred to the new buyers/transferees (for a transfer fee of US\$10 for each Novation Agreement). The total consideration for the acquisition of the seven 115000 DWT Vessels is US\$372,960,070 (approximately HK\$2,909.09 million).

On 13 December 2007, five other wholly-owned subsidiaries of CITIC Pacific entered into five shipbuilding contracts (Shipbuilding Contracts Nos. 8-12) with Sellers A to purchase five additional 115000 DWT Vessels at US\$56,070,000 (approximately HK\$437.35 million) per 115000 DWT Vessel. The total consideration for the acquisition of the five 115000 DWT Vessels is US\$280,350,000 (approximately HK\$2,186.73 million).

On 13 December 2007, JLEPG (a non-wholly owned subsidiary of CITIC Pacific accounted for as a jointly controlled entity) (as new buyer/transferee) entered into five novation agreements (Novation Agreements Nos. 13-17) with Shanghai Haitang (as original buyer/transferor) and, CSSC and Shanghai Shipyard (collectively “**Sellers B**”), whereby the rights and obligations of the original buyer/transferor under Shipbuilding Contracts Nos. 13-17 in relation to the acquisition of five 57000 DWT Vessels for a consideration of RMB355,800,000 per 57000 DWT Vessel, were transferred to JLEPG. The total consideration for the acquisition of the five 57000 DWT Vessels is approximately RMB1,779.0 million (approximately HK\$1,832.37 million).

The total consideration of approximately HK\$6,928.19 million for the Acquisitions under (i) Novation Agreements Nos. 1-7 (being approximately HK\$2,909.09 million); (ii) Shipbuilding Contracts Nos. 8-12 (being approximately HK\$2,186.73 million); and (iii) Novation Agreements Nos. 13-17 (being approximately HK\$1,832.37 million), result in the Acquisitions constituting a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules. The entering into the Novation Agreements Nos. 1-7 constitute a discloseable transaction for CITIC Pacific only when aggregated with Shipbuilding Contracts Nos. 8-12 and Novation Agreements Nos. 13-17.

A circular, providing further details of the Acquisitions will be despatched to the Shareholders as soon as practicable.

THE ACQUISITIONS

A. Acquisitions under Novation Agreements Nos. 1-7

(a) **Date:**

Novation Agreements Nos. 1-7: 18 September 2007

(b) **Parties and Assets to be Acquired :**

Buyers: seven wholly-owned subsidiaries of CITIC Pacific (collectively “**Buyers A**”)

Sellers: CSTC and SJC (collectively “**Sellers A**”)

Pursuant to Shipbuilding Contracts Nos. 1-7 and Novation Agreements Nos. 1-7, the respective Buyer A has agreed to purchase and Sellers A have agreed to construct and sell a total of seven 115000 DWT Vessels.

(c) **Consideration and Delivery Date:**

| <u>Shipbuilding Contract No.</u> | <u>No. of 115000 DWT Vessels acquired</u> | <u>Consideration (US\$)</u> | <u>Delivery Date (on or before)</u> |
|----------------------------------|---|-----------------------------|-------------------------------------|
| 1. | 1 | 53,280,000 | 31 December 2010 |
| 2. | 1 | 53,280,000 | 30 June 2011 |
| 3. | 1 | 53,280,000 | 30 September 2011 |
| 4. | 1 | 53,280,000 | 31 October 2011 |
| 5. | 1 | 53,280,000 | 31 December 2011 |
| 6. | 1 | 53,280,000 | 31 December 2011 |
| 7. | 1 | <u>53,280,000</u> | 31 December 2011 |
| | Total: | <u>372,960,000</u> | |

The total consideration of US\$372,960,000 (approximately HK\$2,909.09 million) for the acquisition of seven 115000 DWT Vessels under the Shipbuilding Contracts Nos. 1-7 is subject to upward and downward adjustments. If the delivery of the respective 115000 DWT Vessel is made earlier than the specified delivery dates, the respective consideration will be adjusted upwards by a maximum of US\$315,000. The respective consideration will be adjusted downwards in the event of, amongst others, delay in delivery of the respective 115000 DWT Vessel, specified speed and deadweight not being reached and specified fuel consumption being exceeded. The upward and downward adjustments to the consideration will be made to the second instalment of the consideration.

(d) **Payment Terms:**

The total consideration of US\$372,960,000 under the Shipbuilding Contracts Nos. 1-7 is payable in the following manner:

- the first instalment representing 70% of the total consideration will be payable to Sellers A within seven Business Days after the respective Buyer A has received the Bank Refund Guarantee from Sellers A; and
- the second instalment representing the remaining 30% of the total consideration (subject to adjustments, if any) will be payable by the respective Buyer A to Sellers A upon delivery of the respective 115000 DWT Vessel.

As at the date of this announcement, an amount of US\$261,072,000, representing 70% of the total consideration under Shipbuilding Contracts Nos. 1-7 have been made by the respective Buyer A to Sellers A.

(e) **Bank Refund Guarantee:**

Buyer A may also rescind or cancel the relevant shipbuilding contracts if certain minimum specifications for delivery, speed, fuel consumption or deadweight are not met. Sellers A shall deliver to the respective Buyer A the Bank Refund Guarantee to guarantee the repayment of any consideration paid by the respective Buyer A.

Buyer A may enforce the Bank Refund Guarantee in the event that any of the Shipbuilding Contracts Nos. 1-7 is rescinded or cancelled by the respective Buyer A and Sellers A fail to make the required repayment.

(f) **Completion**

Subject to any extensions that may be agreed between the respective Buyer A and Sellers A, completion will take place upon delivery of 115000 DWT Vessel with the relevant documentation.

B. Acquisitions under Shipbuilding Contracts Nos. 8-12

(a) **Date:**

Shipbuilding Contracts Nos. 8-12: 13 December 2007

(b) **Parties and Assets to be Acquired:**

Buyers: five wholly-owned subsidiaries of CITIC Pacific
(collectively, “**Buyers B**”)

Sellers: Sellers A

Pursuant to Shipbuilding Contracts Nos. 8-12, the respective Buyer B has agreed to purchase and Sellers A have agreed to construct and sell a total of five 115000 DWT Vessels.

(c) **Consideration and Delivery Date:**

| <u>Shipbuilding Contract No.</u> | <u>No. of 115000 DWT Vessels acquired</u> | <u>Consideration (US\$)</u> | <u>Delivery Date (on or before)</u> |
|--------------------------------------|---|---------------------------------|---|
| 8. | 1 | 56,070,000 | 31 August 2012 |
| 9. | 1 | 56,070,000 | 30 September 2012 |
| 10. | 1 | 56,070,000 | 30 November 2012 |
| 11. | 1 | 56,070,000 | 31 December 2012 |
| 12. | 1 | 56,070,000 | 31 December 2012 |
| | | Total: <u>280,350,000</u> | |

The total consideration of US\$280,350,000 (approximately HK\$2,186.73 million) for the acquisition of five 115000 DWT Vessels under the Shipbuilding Contracts Nos. 8-12 is subject to upward and downward adjustments. If the delivery of the respective 115000 DWT Vessel is made earlier than the specified delivery dates, the respective consideration will be adjusted upwards by a maximum of US\$315,000. The respective consideration will be adjusted downwards in the event of, amongst others, delay in delivery of the respective 115000 DWT Vessel, specified speed and deadweight not being reached and specified fuel consumption being exceeded. The upward and downward adjustments to the consideration will be made to the second instalment of the consideration.

(d) **Payment Terms:**

The total consideration of US\$280,350,000 under the Shipbuilding Contracts Nos. 8-12 is payable in the following manner:

- the first instalment representing 70% of the total consideration will be payable to Sellers A within seven Business Days after the respective

Buyer B has received the Bank Refund Guarantee from Sellers A or 7 January 2008 (whichever is the later); and

- the second instalment representing the remaining 30% of the total consideration (subject to adjustments, if any) will be payable by the respective Buyer B to Sellers A upon delivery of the respective 115000 DWT Vessel.

(e) **Bank Refund Guarantee:**

Buyer B may also rescind or cancel the relevant shipbuilding contracts if certain minimum specifications for delivery, speed, fuel consumption or deadweight are not met. Sellers A shall deliver to the respective Buyer B the Bank Refund Guarantee to guarantee the repayment of any consideration paid by the respective Buyer B.

Buyer B may enforce the Bank Refund Guarantee in the event that any of the Shipbuilding Contracts Nos. 8-12 is rescinded or cancelled by the respective Buyer B and Sellers A fail to make the required repayment.

(f) **Completion**

Subject to any extensions that may be agreed between the respective Buyer B and Sellers A, completion will take place upon delivery of 115000 DWT Vessel with the relevant documentation.

C. Acquisitions under Novation Agreements Nos. 13-17

(a) **Date:**

Novation Agreements Nos. 13-17: 13 December 2007

(b) **Parties and Assets to be Acquired:**

Buyer: JLEPG

Sellers: CSSC and Shanghai Shipyard (collectively, “**Sellers B**”)

Pursuant to Shipbuilding Contracts Nos. 13-17 and Novation Agreements Nos. 13-17, JLEPG has agreed to purchase and Sellers B have agreed to construct and sell a total of five 57000 DWT Vessels.

(c) **Consideration and Delivery Date:**

| <u>Shipbuilding</u> <u>Contract No.</u> | <u>No. of</u> <u>57000 DWT</u> <u>Vessels acquired</u> | <u>Consideration</u> <u>(RMB)</u> | <u>Delivery Date</u> <u>(on or before)</u> |
|--|--|--------------------------------------|---|
| 13. | 1 | 355,800,000 | 30 September 2010 |
| 14. | 1 | 355,800,000 | 31 December 2010 |
| 15. | 1 | 355,800,000 | 31 March 2011 |
| 16. | 1 | 355,800,000 | 30 June 2011 |
| 17. | 1 | 355,800,000 | 30 September 2011 |
| Total: | | <u>1,779,000,000</u> | |

The total consideration for five 57000 DWT Vessels under Shipbuilding Contracts Nos. 13-17 is RMB1,779.0 million (approximately HK\$1,832.37 million).

Such consideration is subject to upward and downward adjustments. If the delivery of the respective 57000 DWT Vessel is made earlier than the specified dates, the respective consideration will be adjusted upwards by a maximum of RMB2,220,000. The respective consideration will be adjusted downwards in the event of, amongst others, delay in delivery of the respective 57000 DWT Vessel, specified speed and deadweight not being reached and specified fuel consumption being exceeded. The upward and downward adjustments to the consideration will be made to the 5th instalment of the consideration.

(d) **Payment Terms:**

The total consideration of RMB1,779.0 million under Shipbuilding Contracts Nos. 13-17 is payable in 5 instalments:

- 1st instalment (representing 30% of the total consideration) is payable to Sellers B within seven Business Days after JLEPG has received the CSSC Refund Guarantee from Sellers B or 7 January 2008 (whichever is the later);
- 2nd to 4th instalments (representing 10% of the total consideration each) payable upon the different stages of construction of the relevant 57000 DWT Vessel; and
- the 5th instalment (representing 40% of the total consideration) payable upon delivery of the relevant 57000 DWT Vessel.

(e) **CSSC Refund Guarantee:**

JLEPG may also rescind or cancel the relevant shipbuilding contracts if certain minimum specifications for delivery, speed, fuel consumption or deadweight are not met. CSSC shall deliver to JLEPG the CSSC Refund Guarantee to guarantee the repayment of any consideration paid by JLEPG.

JLEPG may enforce the CSSC Refund Guarantee in the event that any of the Shipbuilding Contracts Nos. 13-17 is rescinded or cancelled by JLEPG and Sellers B fail to make the required repayment.

(f) **Completion**

Subject to any extensions that may be agreed between JLEPG and Sellers B, completion will take place upon delivery of 57000 DWT Vessel with the relevant documentation.

GENERAL

The Novation Agreements Nos. 1-7, the Shipbuilding Contracts Nos. 8-12 and Novation Agreements Nos. 13-17 were negotiated and entered into on an arm's length basis and on normal commercial terms. The total consideration aggregating approximately HK\$6,928,190,000 which will be funded from the respective internal resources of CITIC Pacific and JLEPG (as the case may be) was determined by reference to the market intelligence the Company had gathered from shipbrokers and its own analysis of recently concluded sale and purchase transactions of vessels of comparable size and year of delivery in the market. No third party valuation has been performed on the Vessels. It is intended that payment of the total consideration will be satisfied entirely in cash by CITIC Pacific and JLEPG (as the case may be).

INFORMATION RELATING TO THE SELLERS

Sellers A:

CSTC, a subsidiary of CSSC, is engaged in selling of vessels manufactured by the ship-building factories under CSSC.

SJC, a subsidiary of CSSC, is engaged in manufacturing of various large-sized vessels, including large-sized bulk carrier.

Seller B:

CSSC is the major ship-building group in the PRC, and is the joint venture partner of CITIC Pacific in the Shanghai Shipyard Land Development Project, holding 50% in each of three joint venture companies, namely 上海瑞明置業有限公司 (Shanghai Rui Ming Real Property Co., Ltd.), 中船置業有限公司 (CSSC Complex Property Co., Ltd.) and 上海瑞博置業有限公司 (Shanghai Rui Bo Real Property Co., Ltd.).

Shanghai Shipyard, previously known as Shanghai-Chengxi Shipbuilding Co., Ltd., a subsidiary of CSSC, is engaged in manufacturing of various large-sized vessels, including bulk carrier.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Sellers A, Sellers B and their ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The total consideration of approximately HK\$6,928.19 million for the Acquisitions under (i) Novation Agreements Nos. 1-7 (being approximately HK\$2,909.09 million); (ii) Shipbuilding Contracts Nos. 8-12 (being approximately HK\$2,186.73 million); and (iii) Novation Agreements Nos. 13-17 (being approximately HK\$1,832.37 million), result in the Acquisitions constituting a discloseable transaction for CITIC Pacific under Chapter 14 of the Listing Rules. The entering into the Novation Agreements Nos. 1-7 constitute a discloseable transaction for CITIC Pacific only when aggregated with Shipbuilding Contracts Nos. 8-12 and Novation Agreements Nos. 13-17.

A circular, providing further details of the Acquisitions will be despatched to the Shareholders as soon as practicable.

REASONS FOR THE ACQUISITIONS

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

The purchase of the twelve 115000 DWT Vessels will enable the Group to secure vessels to ensure transportation from abroad to the Group's special steel businesses in the PRC for supply of iron ore and are also suitable for the transportation of the Group's iron ore products from Western Australia.

The purchase of the five 57000 DWT Vessels by JLEPG will enable JLEPG to secure vessels to ensure transportation of coal for its power plant.

The Directors consider that the terms of the Acquisitions are fair and reasonable, in the interests of CITIC Pacific and the Shareholders as a whole.

DEFINITIONS

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| “115000 DWT Vessel” | 115000 metric tons deadweight bulk carrier; |
| “57000 DWT Vessel” | 57000 metric tons deadweight bulk carrier; |
| “Accomac Investment” | Accomac Investment Limited, a corporation organised and existing under the laws of Republic of Liberia and is an independent third party of the Company; |

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|---|---|
| “Acquisitions” | the acquisitions of a total of 17 vessels, including (i) seven 115000 DWT Vessels under the Novation Agreements Nos. 1-7; (ii) five 115000 DWT Vessels under Shipbuilding Contracts Nos. 8-12; and (iii) five 57000 DWT Vessels under Novation Agreements Nos. 13-17, upon and subject to the terms and conditions contained therein; |
| “Bank Refund Guarantee” | a bank guarantee to be issued by the Sellers’ bank in the PRC to guarantee the repayment of any consideration paid by the respective buyers; |
| “Board” | the board of directors of CITIC Pacific; |
| “Business Day(s)” | a working day in the PRC, Hong Kong and New York, respectively; |
| “Buyers A” | Burgeon Investments Ltd., Silver Bliss Enterprises Inc., Winrich Investments Holdings Ltd., Bolein Corp., Cobikin Corp., Tridot Enterprises Inc. and Cosmos Light Holdings Corp., each a wholly-owned subsidiary of CITIC Pacific, and a “Buyer A” ; |
| “Buyers B” | Bright Treasure Assets Holdings Inc., Long Glory Assets Limited, Master Champ Assets Ltd., Palesto Holdings Inc. and Parmigan Corp.; each a wholly-owned subsidiary of CITIC Pacific, and a “Buyer B” ; |
| “CSSC” | 中國船舶工業集團公司 (China State Shipbuilding Corporation), a state-owned enterprise incorporated in the PRC; |
| “CSSC Refund Guarantee” | a refund guarantee to be provided by CSSC to guarantee the repayment of any consideration paid by JLEPG under Shipbuilding Contracts 13-17; |
| “CSTC” | 中國船舶工業貿易公司 (China Shipbuilding Trading Company, Limited), a state-owned enterprise incorporated in the PRC; |
| “CITIC Pacific” or the “Company” | CITIC Pacific Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange; |
| “Directors” | the directors of the Company; |
| “Group” | the Company and its subsidiaries; |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “JLEPG” | 江陰利港發電股份有限公司 Jiangyin Ligang Electric Power Generation Company Limited, a limited liability company incorporated in the PRC, which is owned as to 54.31% by a 100% owned subsidiary of CITIC Pacific, 26.21% by a 65%-owned subsidiary of CITIC Pacific and the remaining 19.48% by three independent third parties. JLEPG is a non-wholly owned subsidiary of CITIC Pacific under the Listing Rules but a jointly controlled entity under accounting principles; |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange; |
| “Novation Agreements Nos. 1-7” | seven novation agreements, all dated 18 September 2007 and entered into between Accomac Investment (as the original buyer/transferor), Sellers A and the respective Buyer A (as the new buyer/transferee), whereby the rights and obligations of Accomac Investment under the respective Shipbuilding Contracts No. 1-7 were transferred to the respective Buyer A; |
| “Novation Agreement Nos. 13-17” | five novation agreements, all dated 13 December 2007 and entered into between Shanghai Haitang (as the original buyer/transferor), Sellers B and JLEPG (as the new buyer/transferee), whereby the rights and obligations of Shanghai Haitang under the respective Shipbuilding Contracts Nos. 13-17 were transferred to JLEPG; |
| “PRC” | the People’s Republic of China; |
| “Sellers A” | CSTC and SJC; |
| “Sellers B” | CSSC and Shanghai Shipyard; |
| “Shanghai Haitang” | 上海海騰船務有限公司 (Shanghai Haitang Shipping Company Limited), which together with its ultimate beneficial owners, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of the Company and any connected persons of the Company; |

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|--|--|
| “Shanghai Shipyard” | Shanghai Shipyard Co., Ltd., formerly known as Shanghai-Chengxi Shipbuilding Co., Ltd., an enterprise incorporated in the PRC; |
| “Shareholders” | shareholders of the Company; |
| “SJC” | 上海江南長興重工有限責任公司 (Shanghai Jiangnan Changxing Heavy Industry Company Limited), an enterprise incorporated in the PRC; |
| “Shipbuilding Contracts Nos. 1-7” | seven shipbuilding contracts, all dated 7 December 2006 and entered into between Accomac Investment and Sellers A for the acquisition of one 115000 DWT Vessel under each shipbuilding contract by Accomac Investment, of which the rights and obligations of Accomac Investment were transferred to the respective Buyers A under Novation Agreements Nos. 1-7; |
| “Shipbuilding Contracts Nos. 8-12” | five shipbuilding contracts, all dated 13 December 2007 entered into between the respective Buyer B and Sellers A pursuant to which the respective Buyer B agreed to purchase and Sellers A agreed to construct and sell one 115000 DWT Vessel under each shipbuilding contract, upon and subject to the terms and conditions contained therein; |
| “Shipbuilding Contracts Nos. 13-17” | five shipbuilding contracts, all dated 6 December 2006 and entered into between Shanghai Haitang and Sellers B for the acquisition of one 57000 DWT Vessel under each shipbuilding contract by Shanghai Haitang, of which the rights and obligations of Shanghai Haitang were transferred to JLEPG under the respective Novation Agreements Nos. 13-17; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Vessels” | collectively twelve 115000 DWT Vessels and five 57000 DWT Vessels; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “US\$” | United States dollars, the lawful currency of United States of America; and |
| “%” | per cent. |

Unless otherwise specified in this announcement and for the purpose of illustration only, US\$ is translated to HK\$ at the rate of US\$1.00 = HK\$7.80, and RMB is translated to HK\$ at the rate of RMB1 = HK\$1.03.

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

Hong Kong, 13 December 2007

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 and Wang Ande; 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.