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CITIC Pacific Limited

中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00267)

**CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF INTEREST IN
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED**

The Board is pleased to announce that in line with CITIC Pacific's intention to focus on its core business, CITIC Pacific has on 18 December 2012 agreed to dispose of its interest in CITIC Telecom such that, assuming no changes in the percentage shareholding of CITIC Pacific and its subsidiaries in CITIC Telecom and no change in the issued share capital of CITIC Telecom from the date of this announcement to completion of the Disposal, the shareholding of CITIC Pacific in CITIC Telecom will be reduced from 60.58% to 41.95% as a result of the Disposal.

Under the Sale and Purchase Agreement for the Disposal, the Vendor, a wholly-owned subsidiary of CITIC Pacific agreed to sell and the Purchaser agreed to purchase the Sale Share and Sale Loan for the aggregate consideration of HK\$773,430,000. Upon Completion, CITIC Telecom will cease to be a subsidiary of CITIC Pacific. As a result, the financial results of CITIC Telecom will no longer be consolidated with that of the Group. CITIC Group Corporation and CITIC Pacific will enter into the Management Rights Agreement on Completion to coordinate their ownership in CITIC Telecom.

The Purchaser is a wholly-owned subsidiary of CITIC Group Corporation, and therefore an associate of the controlling shareholder of CITIC Pacific. Accordingly, the Purchaser is a connected person of CITIC Pacific and the Disposal constitutes a connected transaction on the part of CITIC Pacific under Chapter 14A of the Listing Rules.

As the terms of the Disposal are on normal commercial terms and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 0.1% but are less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement jointly made by CITIC Pacific and CITIC Telecom on 17 October 2012 relating to, among other things, a proposed restructuring of CITIC Group Corporation's ultimate shareholding interests in CITIC Telecom whereby CITIC Pacific, in line with its intention to focus on its core business, was contemplating selling a partial stake in CITIC Telecom to CITIC Group Corporation.

The Board is pleased to announce that on 18 December 2012, the Vendor, a wholly-owned subsidiary of CITIC Pacific, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share and Sale Loan for the aggregate consideration of HK\$773,430,000. Assuming no changes in the percentage shareholding of CITIC Pacific and its subsidiaries in CITIC Telecom and no change in the issued share capital of CITIC Telecom from the date of this announcement to Completion, the shareholding of CITIC Pacific and its subsidiaries in CITIC Telecom will be reduced from 60.58% to 41.95% as a result of the Disposal.

THE DISPOSAL

The Sale and Purchase Agreement

Date

18 December 2012

Parties

- (a) Onway Assets Holdings Ltd. (as the Vendor)
- (b) CITIC Investment (HK) Limited (as the Purchaser)
- (c) CITIC Pacific (as the guarantor of the warranties given by the Vendor to the Purchaser under the Sale and Purchase Agreement)

The Purchaser is a wholly-owned subsidiary of CITIC Group Corporation.

Subject of the Disposal

The Sale Share represents 100% of the issued share capital of Silver Log, which will, on Completion, hold 444,500,000 shares in CITIC Telecom, representing approximately 18.63% of the entire issued share capital of CITIC Telecom as at the date of this announcement.

The Sale Loan is due from Silver Log to CITIC Pacific.

Consideration

The total consideration for the Disposal is HK\$773,430,000 and for the purposes of apportionment, the consideration for the Sale Share is HK\$8 and the consideration for the Sale Loan is HK\$773,429,992.

The total consideration for the Disposal shall be payable by the Purchaser to the Vendor on the date of Completion. Any dividend declared, paid or made by CITIC Telecom prior to the Completion shall belong to the Vendor.

The total consideration for the Disposal was arrived at after arm's length negotiation between the Vendor and the Purchaser, having taken into account factors, including the price of the shares of CITIC Telecom in the last three months. Given that on Completion, the main asset of Silver Log will be its 444,500,000 shares in CITIC Telecom, if the total consideration for the Disposal was to be divided by such number of shares in CITIC Telecom, this would result, by way of illustration only, in the parties having agreed a price of HK\$1.74 per share in CITIC Telecom. This represents a discount of approximately 3.3% to the closing price of the shares in CITIC Telecom on the trading day prior to the Sale and Purchase Agreement and a discount of approximately 0.53% to the average of the closing price of the shares in CITIC Telecom over the last 30 trading days up to 17 December 2012.

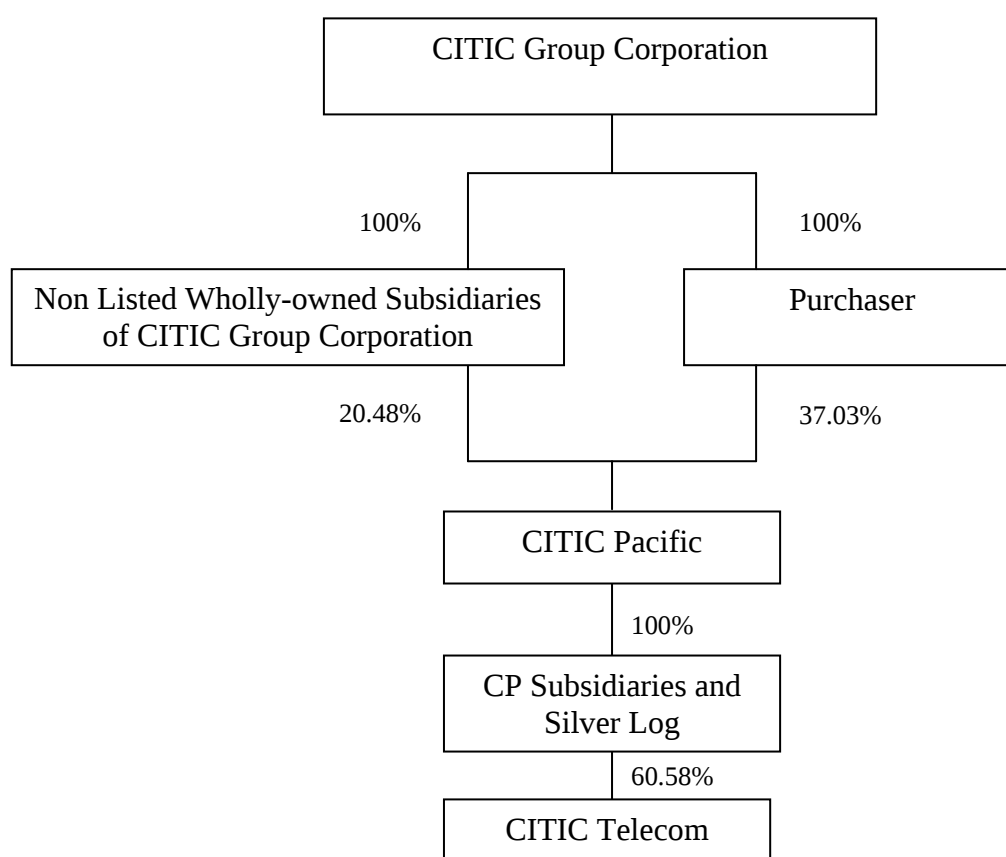
Condition Precedent

Completion is conditional upon all Regulatory Approvals and third party consents (if any) required to be made or obtained prior to Completion shall have been made or obtained. It is expected that certain PRC regulatory approvals may be required.

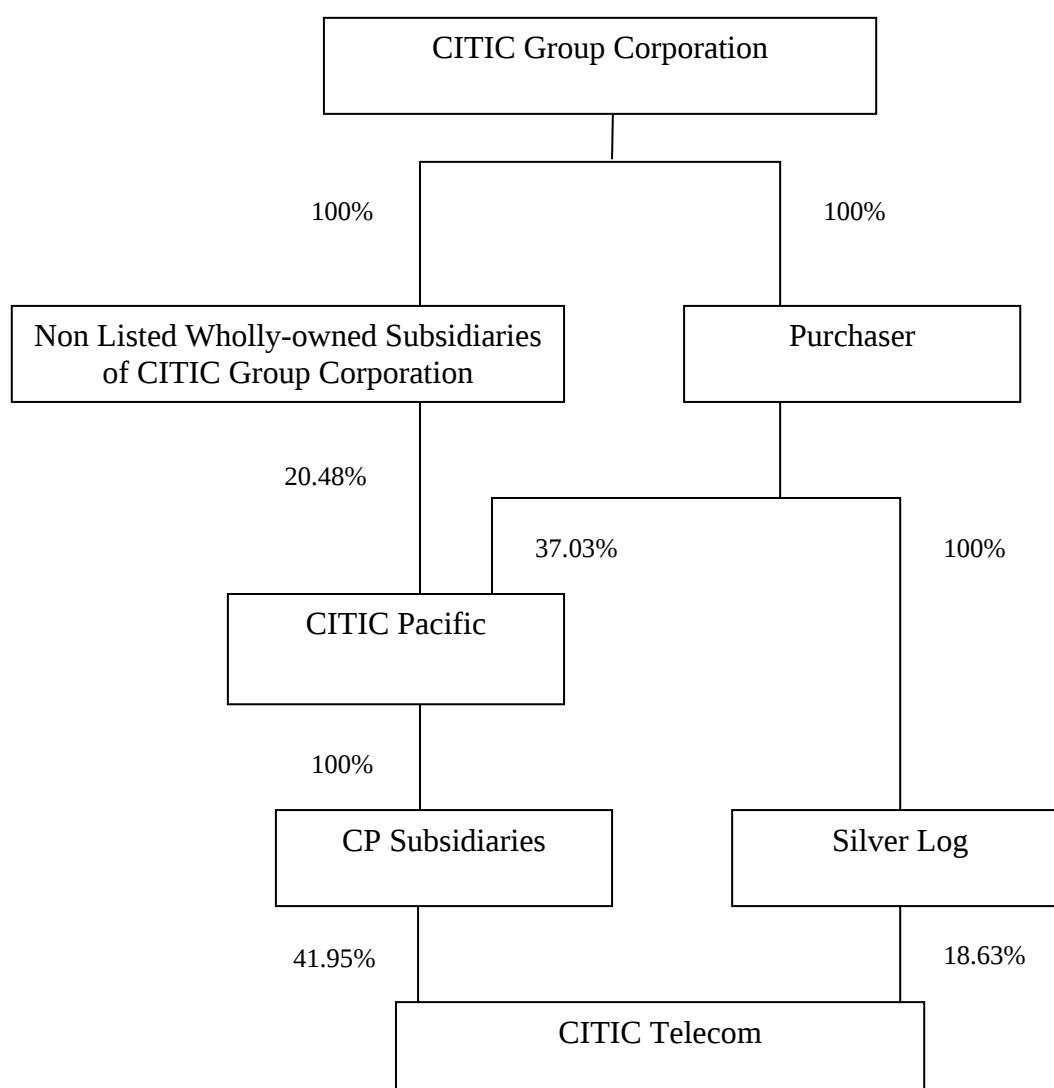
Completion

Completion shall take place on the second Business Day after satisfaction of the Condition or at such other time as the parties may otherwise agree.

The shareholding interests of CITIC Group Corporation and CITIC Pacific in CITIC Telecom immediately before Completion (assuming there is no change in the percentage shareholding of CITIC Group Corporation and its subsidiaries in CITIC Telecom and no change in the issued share capital of CITIC Telecom from the date of this announcement to Completion) is set out below:



The shareholding interests of CITIC Group Corporation and CITIC Pacific in CITIC Telecom immediately upon Completion (assuming there is no change in the percentage shareholding of CITIC Group Corporation and its subsidiaries in CITIC Telecom and no change in the issued share capital of CITIC Telecom from the date of this announcement to Completion) is set out below:



MANAGEMENT RIGHTS AGREEMENT

As part of the Disposal, Silver Log as the subsidiary of CITIC Group Corporation after Completion and the CP Subsidiaries (which will be the beneficial owners of approximately 60.58% of the issued share capital of CITIC Telecom before Completion) will enter into the Management Rights Agreement to regulate their relationship with each other in respect of their shareholdings in CITIC Telecom. For avoidance of doubt, CITIC Telecom is not a party to the Disposal and will not be a party to the Management Rights Agreement.

Pursuant to the Management Rights Agreement, Silver Log and the CP Subsidiaries will undertake, among other things, that:

- (i) each of (i) the CP Subsidiaries and (ii) Silver Log is entitled to nominate for election an equal number of non-executive directors to the board of CITIC

Telecom, in addition to the current executive directors and independent non-executive directors of CITIC Telecom provided that the CP Subsidiaries are required to vote in favour of any persons nominated by Silver Log to the board of CITIC Telecom from time to time;

- (ii) in respect of the re-election of the current executive directors and independent non-executive directors of CITIC Telecom, the CP Subsidiaries and Silver Log shall arrive at a consensus for casting their vote before each general meeting of CITIC Telecom at which the re-elections are subject to approval by the shareholders of CITIC Telecom; and
- (iii) Silver Log undertakes to take an active part in the management of CITIC Telecom to the extent that any annual operating budgets and appointment of key management or staff will be a matter of consensus between the CP Subsidiaries and Silver Log before implementation at CITIC Telecom.

INFORMATION ON THE VENDOR AND CITIC PACIFIC

The Vendor is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CITIC Pacific.

The Group'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 energy and civil infrastructure. It also holds controlling interests in Dah Chong Hong Holdings Limited and CITIC Telecom.

INFORMATION ON THE PURCHASER AND CITIC GROUP CORPORATION

The principal business activity of the Purchaser is investment holding. The Purchaser is a wholly-owned subsidiary of CITIC Group Corporation.

CITIC Group Corporation, through its subsidiaries, is engaged in a wide range of businesses. Its financial business covers a full range of services including commercial banking, investment banking, trust, insurance, fund management and asset management and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and the IT industry.

INFORMATION ON CITIC TELECOM

CITIC Telecom is one of Asia's leading telecoms service providers specialising in hub-based services. In addition to serving key markets in China and Hong Kong, CITIC Telecom group is actively expanding its business to international telecoms operators. It has four main types of business, namely Voice Services, SMS Services, Mobile VAS and Data Services. Its independent hub connects over 621 telecoms operators in 75 countries or regions.

The following is a summary of the financial information of CITIC Telecom and its subsidiaries as at 31 December 2010 and 31 December 2011 prepared in accordance with the Hong Kong Financial Reporting Standards:

For the year ended 31 December

	2010 <i>HK\$'million</i>	2011 <i>HK\$'million</i>
Audited profit before taxation	445.8	523.7
Audited profit attributable to equity holders of CITIC Telecom	401.3	458.2

As at 30 June 2012, the unaudited net assets value of CITIC Telecom and its subsidiaries was approximately HK\$3,258.6 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

It is CITIC Pacific's strategy to focus on the development of its three major businesses of special steel manufacturing, iron ore mining and property development in mainland China. Consequently, CITIC Pacific does not consider the business of CITIC Telecom as its core focus in the medium to long term. With the Disposal, CITIC Pacific will realise gross cash proceeds of approximately HK\$773 million which it expects to be used for its working capital. CITIC Pacific believes that the introduction of direct management involvement by CITIC Group Corporation in CITIC Telecom will be beneficial to CITIC Telecom whilst CITIC Pacific focuses on its core businesses. In addition, the maintenance of a significant stake in CITIC Telecom after Disposal will allow CITIC Pacific to benefit from the future growth of CITIC Telecom as CITIC Pacific continues to believe in the overall prospects of CITIC Telecom.

In addition, the estimated profit, by reference to the total consideration received net of the carrying value of those shares in CITIC Telecom, of approximately HK\$300 million which would arise from the Disposal. Upon Completion, CITIC Telecom will cease to be a subsidiary of CITIC Pacific (but will remain a subsidiary of CITIC Group Corporation). As a result, the financial results of CITIC Telecom will no longer be consolidated with that of the Group. After Completion, CITIC Pacific expects to equity account for its shareholding in CITIC Telecom.

The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of CITIC Pacific and its shareholders as a whole.

None of the Directors has a material interest in the Disposal. Accordingly, none of them is required to abstain from voting on the Board resolutions for considering and approving the Disposal.

LISTING RULES IMPLICATIONS

The Purchaser is a wholly-owned subsidiary of CITIC Group Corporation, and therefore an associate of the controlling shareholder of CITIC Pacific. Accordingly, the Purchaser is a connected person of CITIC Pacific and the Disposal constitutes a connected transaction on the part of CITIC Pacific under Chapter 14A of the Listing Rules.

As the terms of the Disposal are on normal commercial terms and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 0.1% but are less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	board of Directors;
“Business Day”	means a day (other than a Saturday) on which banks are generally open for business in Hong Kong;
“CITIC Group Corporation”	中國中信集團有限公司 (CITIC Group Corporation), a wholly state-owned enterprise established under the laws of the PRC and which indirectly owns approximately 57.51% shareholding interest in CITIC Pacific as at the date of this announcement;
“CITIC Telecom”	CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01883);
“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 (stock code: 00267);
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Loan;
“Condition”	the condition precedent to Completion;
“connected person”	has the meaning as ascribed under the Listing Rules;
“CP Subsidiaries”	Ease Action Investments Corp. and Richtone Enterprises Inc., being the wholly-owned subsidiaries of CITIC Pacific, and which together will hold an aggregate of 41.95% of the issued share capital of CITIC Telecom before Completion;

“Directors”	directors of CITIC Pacific;
“Disposal”	the sale of the Sale Share and the Sale Loan pursuant to the Sale and Purchase Agreement;
“Group”	CITIC Pacific and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Rights Agreement”	the management rights agreement to be entered into between Silver Log and the CP Subsidiaries;
“Purchaser”	CITIC Investment (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CITIC Group Corporation;
“PRC”	the People’s Republic of China;
“Regulatory Approvals”	the approvals, consents and authorisations from all relevant authorities in the PRC, being those necessary to effect the Sale and Purchase Agreement;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 December 2012 entered into between the Vendor, the Purchaser and CITIC Pacific in relation to the sale and purchase of the Sale Share and the Sale Loan;
“Sale Share”	the 1 ordinary share of US\$1.00 each in the capital of Silver Log and representing the entire issued share capital of Silver Log;
“Sale Loan”	all outstanding liabilities owed by Silver Log to CITIC Pacific, in the amount of HK\$773,429,992 as at Completion;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Silver Log”

Silver Log Holdings Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor; and

“Vendor”

Onway Assets Holdings Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CITIC Pacific.

By Order of the Board
CITIC Pacific Limited
Ricky Choy Wing Kay
Company Secretary

Hong Kong, 18 December 2012

As at the date hereof, the executive directors of CITIC Pacific are Messrs Chang Zhenming (Chairman), Zhang Jijing, Carl Yung Ming Jie, Vernon Francis Moore, Liu Jifu, Milton Law Ming To and Kwok Man Leung; the non-executive directors of CITIC Pacific are Messrs André Desmarais, Ju Weimin, Yin Ke and Peter Kruyt (alternate director to Mr André Desmarais); and the independent non-executive directors of CITIC Pacific are Messrs Alexander Reid Hamilton, Gregory Lynn Curl and Francis Siu Wai Keung.