



CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 267)

DAYE SHARE REFORM PLAN

A proposal has been made by the Group for the conversion of the non-freely transferable shares of Daye (a non-wholly owned subsidiary of the Company) into freely transferable shares of Daye. If any of conditions for the Daye Share Reform Plan cannot be fulfilled, the Daye Share Reform Plan will not be implemented.

The Board wishes to announce that the Daye Share Reform Plan proposed by Xin Yegang and CITIC Pacific China, which together hold a total of 261,238,480 Daye Non-Freely Transferable Shares (representing an approximately 58.13% of all the issued shares in Daye and approximately 92.52% of all the issued Daye Non-freely Transferable Shares) has been cleared by the Shenzhen Stock Exchange. The implementation of the Daye Share Reform Plan is in line with the prevailing development of the securities market of the PRC and will render the Daye Non-freely Transferable Shares held by the Group becoming freely transferable on the Shenzhen Stock Exchange. The Board considers that it is in the interest of the Group because it can enhance the value of the Group's interest in Daye, and will provide more flexibility to the Group in dealing with its interest in Daye. The Board also considers that the terms thereof (including the granting of the Options (as defined below)) are reasonable from the perspective of the Group whilst giving an incentive for holders of Daye Freely Transferable Shares to support the Daye Share Reform Plan.

The proposal and other documents relating to the Daye Share Reform Plan are available on the Chinese website of the Stock Exchange and the website of the Shenzhen Stock Exchange on or after 24 November 2005. Some of the terms of the Daye Share Reform Plan are set out below.

Put Option

Xin Yegang shall grant a put option (the "Option") to each holder of Daye Freely Transferable Shares, pursuant to which a holder of Daye Freely Transferable Shares (whose name shall be registered on the register of members of Daye upon close of trading on the Option Date) shall have the right (but not an obligation) to sell its Daye Freely Transferable Shares to Xin Yegang within the Option Period at an exercise price of RMB3.7 per Daye Freely Transferable Share (subject to adjustment for any cash or scrip dividend distributions by Daye and conversion of Daye's common reserve fund to equity), representing a premium of 11.45% over the closing price per Daye Freely Transferable Share at the close of trading on 28 October 2005 after which date trading in Daye Freely Transferable Shares has been suspended. Based on the 167,040,000 Daye Freely Transferable Shares in issue as at the date hereof, the full exercise of the Options would require the payment of approximately RMB618.05 million (approximately HK\$593.33 million) by Xin Yegang, which is intended by the Company to be funded by the Group's internal resources.

If the approvals for the Daye Share Reform Plan as set out below are not obtained, any granting of Options will not be effective. If the said approval are obtained, the Company will comply with all the relevant requirements of the Listing Rules in relation to the Options.

Modification of the Daye Share Reform Plan

Communication with the holders of Daye Freely Transferable Shares will be made for the purposes of obtaining their views on the Daye Share Reform Plan. Based on the results of such communications and giving due regards to the legal rights of the holders of Daye Freely Transferable Shares, Xin Yegang and CITIC Pacific China may alter the Daye Share Reform Plan. In the event that there is any material alteration to the Daye Share Reform Plan, the Company will comply with all the relevant requirements of the Listing Rules in relation thereto.

Conditions

The Daye Share Reform Plan is conditional upon (a) the approvals of more than two-thirds of (i) all the shareholders of Daye and (ii) the holders of Daye Freely Transferable Shares; and (b) the completion of all the necessary formalities for the purpose of enabling the trading on the Shenzhen Stock Exchange of those Daye Freely Transferable Shares to be converted from Daye Non-freely Transferable Shares. The votes of the shareholders of Daye in respect of the Daye Share Reform Plan may be cast at a physical meeting to be held on 12 January 2006 or via the internet from 10 January 2006 to 12 January 2006. If any of such approvals cannot be fulfilled, the Daye Share Reform Plan will not be implemented.

The Daye Non-freely Transferable Shares will be freely transferable on the Shenzhen Stock Exchange on the first trading day following the Implementation Date subject to a lock-up period of 36 months in the case of Xin Yegang and CITIC Pacific China and a period of at least 12 months as required by the applicable laws in the case of the remaining holders of Daye Non-freely Transferable Shares. However, some of such remaining holders of Daye Non-freely Transferable Shares have accepted longer lock-up period of up to 24 months.

Further Undertakings

Xin Yegang further undertakes that it will:

- (1) prior to the Record Date, pay a performance guarantee deposit of approximately RMB123.61 million (approximately HK\$118.67 million), representing 20% of the total amount payable by Xin Yegang upon full exercise of the Options, into the bank account designated by the relevant authority, which will be frozen until the expiry of the Option Period. The said performance guarantee deposit will be funded by the Group's internal resources;
- (2) with a view to ensuring that the following debts be repaid prior to the Record Date, actively procure the repayment to Daye of an aggregate amount of approximately RMB188.88 million (approximately HK\$181.32 million) owed by two debtors of Daye and provide an irrevocable guarantee for the said repayments. In the event that the said two debtors fail to make such repayments, Xin Yegang will repay the said amount to Daye on their behalf out of the purchase prices payable by the Group for the Group's acquisitions of certain assets including fixed assets and stocks of two steel pipe factories from the two debtors or their parent company. Save for the aforesaid arrangements, the two debtors are third parties independent of the Company; and
- (3) within 3 years from the Implementation Date, put forward proposal(s) at meeting(s) of the shareholders of Daye in respect of Xin Yegang's injection(s) of quality asset(s) of a value of not less than RMB300 million and of a return on net asset ratio calculated on the basis of the audited financial statements for the preceding financial year of not less than 10% to Daye with a view to enhancing the profitability of Daye. In the event that such undertaking is not complied with, Xin Yegang shall pay to each shareholder of Daye (other than Xin Yegang and CITIC Pacific China) RMB0.053 for each share of Daye held by such shareholder. Based on the number of shares of Daye held by the shareholders of Daye (other than Xin Yegang and CITIC Pacific China) as at the date hereof, an aggregate amount of approximately RMB10 million (approximately HK\$9.6 million) shall be payable by Xin Yegang if it fails comply with such undertaking. If the approvals for the Daye Share Reform Plan as set out above are not obtained, Xin Yegang will not be bound by this undertaking. If the said approvals are obtained, Xin Yegang will be bound by this undertaking and the Company will comply with all the relevant requirements of the Listing Rules in relation thereto.

Financial position of Xin Yegang

Based on the unaudited financial statements of Xin Yegang as at 30 September 2005, Xin Yegang had a total asset of approximately RMB3,419.50 million (approximately HK\$3,282.72 million), net asset of approximately RMB2,372.93 million (approximately HK\$2,278.02 million); and for the nine months ended 30 September 2005, the revenue of Xin Yegang's principal business was approximately RMB3,307.45 million (approximately HK\$3,175.15 million) and net profits of Xin Yegang was approximately RMB294.63 million (approximately HK\$282.84 million). As at 30 September 2005, the outstanding guarantee provided by Xin Yegang in favour of Daye was approximately RMB1,291.33 million (approximately HK\$1,239.67 million).

Definitions

"Board"	the board of directors of the Company
"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
"CITIC Pacific China"	中信泰富(中國)投資有限公司(CITIC Pacific China Holdings Limited), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Daye"	大冶特殊鋼股份有限公司(Daye Special Steel Co., Ltd.), a joint stock limited company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange
"Daye Freely Transferable Share(s)"	freely transferable share(s) of Daye
"Daye Non-freely Transferable Share(s)"	not freely transferable share(s) of Daye
"Daye Share Reform Plan"	the proposal for the conversion of the Daye Non-freely Transferable Shares into Daye Freely Transferable Shares
"Group"	the Company and its subsidiaries
"Implementation Date"	the date of implementation of the Daye Share Reform Plan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Option Date"	the last trading day of the twelfth month after the Implementation Date
"Option Period"	the trading days comprised in a period of 30 days after the Option Date
"Record Date"	3 January 2006, which is the date chosen for the determination of shareholders' entitlements to vote in respect of the Daye Share Reform Plan
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Xin Yegang"	湖北新冶鋼有限公司(Hubei Xin Yegang Co., Ltd.), a joint venture company incorporated in the PRC and owned as to 95% by the Company and as to 5% by 黃石東方投資有限公司(Huangshi Dongfang Investment Co., Ltd.)

(For the purpose of illustration only, the exchange rate of RMB1 to HK\$0.96 is adopted.)

By Order of the Board
CITIC Pacific Limited
Alice Tso Mun Wai
Company Secretary

Hong Kong, 23 November 2005

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, Norman Yuen Kee Tong, Vernon Francis Moore, Yao Jinrong, Li Shilin, Carl Yung Ming Jie, Liu Jifu and Leslie Chang Li Hsien; the non-executive directors of the Company are Messrs Willie Chang, André Desmarais 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.

“Please also refer to the published version of this announcement in The Standard and Hong Kong Economic Times.”