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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)

DISCLOSEABLE TRANSACTION DAYE SHARE REFORM PLAN

As set out in the announcement of CITIC Pacific dated 23 November 2005 (the "Announcement"), communication with the holders of Daye Freely Transferable Shares would be made for the purposes of obtaining their views on the Daye Share Reform Plan, and the Daye Share Reform Plan might be altered based on the results of such communication and giving due regards to the legal rights of the holders of Daye Freely Transferable Shares.

The Board announces that such communication ended on 2 December 2005, and the conclusion was that the exercise price of the Option would be revised from RMB3.7 to RMB3.8 per Daye Freely Transferable Share with other terms of the Daye Share Reform Plan as disclosed in the Announcement remain unchanged. Accordingly, the terms of the Daye Share Reform Plan were finalised on 2 December 2005. Subject to the obtaining of the requisite shareholders' approvals, the Daye Share Reform Plan will proceed on the terms and conditions with the said alteration cleared by the Shenzhen Stock Exchange.

The proposed granting of the Options by Xin Yegang under the Daye Share Reform Plan constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among others, details of the Options and the Daye Share Reform Plan will be despatched to the shareholders of the Company as soon as practicable.

As disclosed in the Announcement, the Daye Share Reform Plan was 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). The Daye Share Reform Plan does not require the specific consent of the holders of the remaining 7.48% of the issued Daye Non-freely Transferable Shares provided that such shareholders are entitled to cast their votes in their capacity as shareholders of Daye in relation to the shareholders' approvals for the Daye Share Reform Plan described below.

Communication with the holders of Daye Freely Transferable Shares was made by Daye on behalf of Xin Yegang and CITIC Pacific China for the purposes of obtaining their views on the Daye Share Reform Plan, and the Daye Share Reform Plan might be altered based on the results of such communication and giving due regards to the legal rights of the holders of Daye Freely Transferable Shares.

The Board announces that such communication ended on 2 December 2005, and the conclusion was that the exercise price of the Option would be revised from RMB3.7 to RMB3.8 per Daye Freely Transferable Share with other terms of the Daye Share Reform Plan as disclosed in the Announcement remain unchanged. Accordingly, the terms of the Daye Share Reform Plan were finalised on 2 December 2005. Subject to the obtaining of the requisite shareholders' approvals, the Daye Share Reform Plan will proceed on the terms and conditions with the said alteration cleared by the Shenzhen Stock Exchange.

DAYE SHARE REFORM PLAN

The finalised terms and conditions of the Daye Share Reform Plan are summarised below:-

Conversion of Daye Non-freely Transferable Shares into Daye Freely Transferable Shares

Subject to the obtaining of the requisite shareholders' approvals as described below, 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.

Conditions

The Daye Share Reform Plan is conditional upon:

- the approvals of more than two-thirds of (i) all the shareholders of Daye and (ii) the holders of Daye Freely Transferable Shares; and
- 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 meeting to be held on 12 January 2006 or via the internet from 10 January 2006 to 12 January 2006.

If any of such conditions cannot be fulfilled, the Daye Share Reform Plan will not be implemented.

Put Option

Xin Yegang will 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 the obligation) to sell its Daye Freely Transferable Shares to Xin Yegang within the Option Period at an exercise price of RMB3.8 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 14.46% 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 RMB634.75 million (approximately HK\$609.36 million) by Xin Yegang, which is intended by the Company to be funded by the Group's internal resources.

Further Undertakings

Xin Yegang further undertakes that it will:

- prior to the Record Date, pay a performance guarantee deposit of approximately RMB126.95 million (approximately HK\$121.87 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. Such performance guarantee deposit will be funded by the Group's internal resources;
- 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 such arrangements, the two debtors are third parties independent of the Company; and
- 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 to comply with such undertaking. If the conditions for the Daye Share Reform Plan as set out above cannot be fulfilled, Xin Yegang will not be bound by this undertaking.

The holders of Daye Non-freely Transferable Shares, other than Xin Yegang, are not obliged to, and will not grant, nor be granted, the Option or give any of the above undertakings to be given by Xin Yegang described above, except that some of them have accepted a lock-up period of longer than the legal requirement of 12 months as mentioned above.

INFORMATION RELATING TO THE COMPANY AND DAYE

The Group is engaged in diversified range of businesses in Hong Kong and the PRC, including basic infrastructure (such as power generation, communications, aviation and civil infrastructure), manufacturing of specialty steel, marketing and distribution of motor vehicles and consumer products, and property investment and development.

Daye is a joint stock limited company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange. Daye is primarily engaged in specialty steel manufacturing.

Insofar as the Directors are aware, Daye does not have any substantial shareholder (within the meaning of the Listing Rules) other than Xin Yegang and CITIC Pacific China. As at the date hereof, Daye has more than 50,000 holders of its Daye Freely Transferable Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, in respect of those shareholders holding Daye Freely Transferable Shares of a value (valued on the basis of RMB3.8 per Daye Freely Transferable Share) which gives a relevant percentage ratio of Rule 14.07 of more than 0.1%, none of such shareholders is a connected person of the Company.

For the year ended 31 December 2004, both the audited net profits before and after taxation of Daye were approximately RMB27 million (approximately HK\$26 million). For the year ended 31 December 2003, the audited net loss before and after taxation of Daye were approximately RMB29 million (approximately HK\$28 million) and RMB43 million (approximately HK\$41 million) respectively. As at 30 September 2005, the net asset value of Daye was approximately RMB927 million (approximately HK\$890 million).

REASONS AND BENEFITS FOR DAYE SHARE REFORM PLAN

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 the implementation of the Daye Share Reform Plan 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 Directors (including the independent non-executive directors) also consider that the terms thereof (including the granting of the Options (as defined above)) are fair and 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 and they are in the interests of the shareholders of the Group as a whole.

GENERAL

The proposed granting of the Options by Xin Yegang under the Daye Share Reform Plan constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among others, details of the Options and the Daye Share Reform Plan will be despatched to the shareholders of the Company as soon as practicable.

If the conditions for the Daye Share Reform Plan as set out above cannot be fulfilled, any granting of Options will not be effective and the Company will make an announcement to disclose the same. Upon the exercise of the Option, the Company will comply with all the relevant requirements of the Listing Rules in relation thereto.

DEFINITIONS

"Board"	the board of Directors
"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
"Directors"	directors of the Company
"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
"PRC"	the People's Republic of China
"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, 2 December 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."