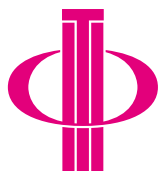


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CITIC PACIFIC

CITIC Pacific Limited 中信泰富有限公司

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT

The directors ("Directors") of CITIC Pacific Limited ("Company") have noted certain press articles relating to (i) the legality of the IDD wholesale telecommunications operations of the Company and its subsidiaries ("Group") in the People's Republic of China ("PRC") and (ii) the directive issued by the State Council of the PRC requiring regional governments in the PRC to settle properly with foreign investors in relation to projects with guaranteed fixed returns by 31 December 2002 and the impact that this may have on certain investments of the Group in Shanghai, the PRC. Accordingly, the Directors are making this clarification announcement.

The Directors have noted certain press articles relating to (i) the legality of the Group's IDD wholesale telecommunications operations in the PRC and (ii) the directive issued by the State Council of the PRC which requires regional governments in the PRC to settle properly with foreign investors in relation to projects with guaranteed fixed returns and the impact that this may have on certain investments of the Group in the PRC.

Regarding the legality of the Group's IDD wholesale telecommunication operations in the PRC, the Directors confirm that the Group's IDD wholesale operations (operated by CITIC Telecom 1616 Limited, a wholly-owned subsidiary) are conducted by connecting the network into the international gateway of designated telecommunication operators in the PRC approved by the Ministry of Information Industry for interconnecting with international carriers. The Group's IDD wholesale operations are therefore conducted in accordance with the relevant requirements in the PRC. For the 12 months ended 30 September 2002 CITIC Telecom 1616 Limited had a 32% market share for all outgoing calls from Hong Kong to the rest of the PRC (excluding Macau and Taiwan). It is envisaged by the Board that the crackdown on illegal operators may be beneficial to the Group's wholesale telecommunications operations in the PRC.

The Group has been involved in infrastructural projects in Shanghai with fixed investment returns since the early 1990s. The Group's investment in projects in Shanghai affected by the directive issued by the State Council of the PRC which requires regional governments in the PRC to settle properly with foreign investors in relation to projects with guaranteed fixed returns by 31 December 2002 will have a total investment amount of approximately US\$751 million (approximately HK\$5,858 million) as at 31 December 2002. Returns before 31 December 2002 are unaffected by this directive and accordingly the directive does not have any effect on the results of the Group for the year ending 31 December 2002. The contribution to the Group for the year ending 31 December 2003 from the investment in projects in Shanghai affected by the directive would have been approximately HK\$820 million.

Regarding guaranteed fixed investment returns, the Group is in discussions with its Shanghai joint venture partners in connection with the investments which may be affected. The discussions are at a preliminary stage and no arrangements have been reached. **Without concrete details, it is imprudent to make any assessment in relation to any financial impact upon the Group.** Ways of settling the matter as set out in the directive include (but are not limited to) amendment to the terms of the joint venture, sale of the Group's interest to the Group's PRC partners, a change to the nature of the investment so that the liability becomes a debt owed to a foreign party and liquidation of the joint venture company. As the last option is only appropriate for insolvent companies or ones which cannot carry on business, this option is inappropriate for the Group's affected investments. The Directors are of the view that it is unlikely that the Group will have to make any provisions in relation to the affected investments. The Group's investments in Shanghai so affected are the Yang Pu bridge, Nan Pu bridge, Xu Pu bridge, Da Pu Lu tunnel, Yanan East Road tunnel, Hu Jia toll road. Further announcements will be made as and when appropriate.

Shareholders of the Company are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
Alice Tso Mun Wai
Secretary

Hong Kong, 28 November 2002

Note: Translation of the US\$ to HK\$ stated in this announcement is based on the rate of US\$1.00 = HK\$7.8 for reference only.

"Please also refer to the published version of this announcement in SCMP-Business and Hong Kong Economic Times".