



CITIC PACIFIC

Press Release

11 May 2010

CITIC Pacific announces today that it has signed a supplemental agreement with Metallurgical Corporation of China ("MCC"). Under the agreement, CITIC Pacific will pay an additional US\$835 million to MCC, the main engineering, procurement and construction ("EPC") contractor for the company's iron ore project in Western Australia.

The cost increase on the existing contract is due primarily to changes in the cost structure of the industry. The current US\$1.75 billion contract was signed in August 2007. However, since then the market for iron ore has changed significantly as a result of huge growth in demand, in particular from China. The contract price of iron ore has risen almost 140%, and costs related to mining projects, including labour, equipment and construction materials, have increased substantially.

Since late last year, CITIC Pacific further strengthened its mining management team in Australia with the addition of experienced senior project managers from CITIC Construction. Problems and issues were identified, and in March this year, CITIC Pacific reported to shareholders that a review of the overall project and its related costs was being conducted.

After extensive negotiations with MCC, CITIC Pacific believes that the additional amount is acceptable. In its decision to agree a revised contract price with MCC, CITIC Pacific considered many factors, of which costs and timing are the most important. The company believes that having MCC remain as the main EPC contractor is in the best interests of CITIC Pacific and its shareholders. As a future 20% shareholder of the Sino Iron project, MCC has every incentive to see the mine in operation as soon as possible.

Although the capital cost of the project is not a small sum, it is not significant to the total cost of the mining operation over its 25-year life. The additional amount to be paid to MCC represents approximately US\$1.2 per tonne based on the anticipated production.

Mr. Chang Zhenming, Chairman of CITIC Pacific said:

"We are clearly unhappy about this cost increase. However, we are confident that we have identified the problems, which have been substantially due to the changing cost environment at what is a pioneering iron ore development project in many ways. We have enhanced management controls to better manage costs and the performance of contracts going forward.

Our iron ore project is huge in scope and a great opportunity for CITIC Pacific. The underlying logic and exciting prospects of this investment are undisturbed by today's announcement."

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