

CITIC PACIFIC
中信泰富

News Release

12 November 2008

CITIC PACIFIC SET TO MOVE FORWARD WITH SUPPORT OF CITIC GROUP

- **CITIC Group provides CITIC Pacific with a US\$1.5 billion standby loan facility to be substituted by a convertible bond issued to CITIC Group**
- **The bond will be automatically converted into an equity interest at HK\$8 per share. CITIC Group will then hold the majority equity interest of 57.6% in CITIC Pacific**
- **CITIC Group will assist CITIC Pacific to reorganize its AUD leveraged foreign exchange contracts**

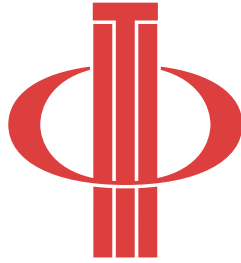
CITIC Pacific announces that it has reached an agreement that provides critical financial support to meet certain liabilities from the exposure to the leveraged foreign exchange contracts, which were previously disclosed on 20 October 2008.

Under the agreement, CITIC Group will provide a US\$1.5bn (approximately HK\$11.6bn) standby loan facility, to be replaced by the issuance of a convertible bond of the same value. This bond will convert into shares at a price of HK\$8 per share. On conversion of the convertible bond, CITIC Group's shareholding in CITIC Pacific will be around 57.6%.

After the above arrangements, the AUD leveraged foreign exchange contracts within CITIC Pacific will be used for its Australian iron ore business. CITIC Group will take on the rest of the contracts and their corresponding liabilities.

As a result, CITIC Pacific will have a sound financial platform and be able to continue its operations with an appropriate level of debt. Given the turmoil in global equity and credit markets, the Board believes it would currently be very difficult to obtain access to any additional finance from other sources. This outcome is therefore optimal and can be achieved in a reasonable timeframe.

An EGM will be convened to vote on resolutions relating to the proposed transaction. An Independent Board Committee has been formed to advise independent shareholders in relation to these resolutions. This committee will retain its own independent financial adviser to advise independent shareholders accordingly.



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The Board of CITIC Pacific has also established a new committee, chaired by Mr Chang Zhenming, a non-executive Director and Vice-Chairman and President of CITIC Group, to take the lead on all issues relating to the leveraged foreign exchange contracts. PricewaterhouseCoopers undertook an initial review of CITIC Pacific's treasury systems ahead of the company's announcement on 20 October 2008, and is currently conducting a more detailed review of internal controls.

Mr. Chang Zhenming, Vice Chairman and President of CITIC Group said:

"We believe that the agreement and arrangements with CITIC Pacific will help restore confidence in the company. CITIC Pacific is a strong company with solid assets and a highly experienced management team. CITIC Group is pleased to be able to offer our support and believe in the future of CITIC Pacific. With this financing in place, CITIC Pacific can move forward and continue developing its businesses."

Mr. Larry Yung Chi Kin, Chairman of CITIC Pacific said:

"We welcome the support of CITIC Group, and believe that today's announcement offers a positive outcome. We can now move on and begin to put the recent unfortunate event behind us. We have great confidence in the future of the company and the strong team in place to execute our very clear strategy of focusing on our core businesses of special steel, iron ore mining and property in China."

About CITIC Pacific

CITIC Pacific has unrivalled experience and expertise in operating businesses in China both on the mainland and in Hong Kong. With the rapid development of the Chinese economy, CITIC Pacific is increasingly focusing its business activities on the mainland of China. Our major businesses are special steel manufacturing; iron ore mining which supplies the raw material needed in the making of special steel, and property development in mainland China.

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