



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
Website: www.citicresources.com

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER THE GENERAL MANDATE RENEWAL OF GENERAL MANDATE

Placing Agent



Citigroup Global Markets Hong Kong Futures Limited

Placing and Subscription

The Company, the Vendor and the Placing Agent have entered into the Placing Agreement under which the Vendor will sell 270,000,000 Placing Shares at a price of HK\$1.45 per Placing Share. The Placing Shares will be sold to independent professional, institutional and/or individual investors to be procured by the Placing Agent.

The Vendor will, at the same price as the Placing Price, subscribe for 270,000,000 new Shares to be issued pursuant to the General Mandate.

The net proceeds from the issue of the Subscription Shares will be approximately HK\$380.2 million. The Company intends to apply such net proceeds to finance future investments and asset acquisitions with a particular focus in the natural resources sectors.

Renewal of General Mandate

It is proposed that the General Mandate in favour of the directors of the Company to issue new Shares shall be renewed subject to the approval of Shareholders at the SGM.

Suspension and resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 11:41 a.m. on 19 January 2004 pending the issue of the Announcement and has remained suspended up to and including 2 February 2004 pending the issue of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in its Shares on the Stock Exchange from 9:30 a.m. on 3 February 2004.

Placing Agreement dated 2 February 2004

Parties

- (i) The Vendor, a substantial shareholder of the Company;
- (ii) the Company; and
- (iii) the Placing Agent, as placing agent and underwriter of the Placing.

Number of Placing Shares

270,000,000 existing Shares.

This is approximately 8.19% of the Company's existing issued share capital comprising 3,296,470,588 Shares and approximately 7.57% of the Company's issued share capital as enlarged by the issue of the Subscription Shares.

The placees

Not less than six independent professional, institutional and/or individual investors to be procured by the Placing Agent.

Placing Price

HK\$1.45 per Placing Share. This is determined on an arm's length basis.

The Placing Price represents a discount of about 10.49% to the closing price of HK\$1.62 per Share quoted on the Stock Exchange on 19 January 2004, being the date on which the Share Purchase Agreements were entered into, a discount of about 4.61% to the closing price of HK\$1.52 per Share as quoted on the Stock Exchange on 16 January 2004, being the trading day immediately before the date of the Share Purchase Agreements and a premium of about 4.32% to the average closing price of HK\$1.39 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty trading days up to and including 16 January 2004.

The Placing Price is the same price at which the Consideration Shares will be issued to CITIC Australia at completion of the Acquisition.

The directors of the Company consider the Placing Price to be fair and reasonable.

Rights

The Placing Shares will be sold free of any third party rights. The placees will receive all dividends and distributions declared, made or paid after completion of the Placing.

Independence of the Placing Agent and the placees

The Placing Agent is and the placees will be independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

CITIC Capital Securities Limited, appointed as one of the sub-placing agents in relation to the Placing, is an associate of Keentech which is a substantial shareholder of the Company. CITIC Capital Securities Limited will not be acting as an underwriter of the Placing and will not be acquiring any Placing Shares.

Completion of Placing

The Placing is expected to be completed on 5 February 2004.

Termination events

The Placing Agreement contains provisions granting the Placing Agent the right to terminate its placing obligations on the occurrence of certain events including force majeure, any adverse change in the general affairs or financial or trading position of the Group which is materially adverse to the success of the Placing, or any event which would have rendered the warranties in the Placing Agreement untrue or inaccurate in any material respect, in each case occurring prior to 4:00 p.m. on the date of completion of the Placing. For this purpose, such event includes any significant change in local, national or international, economic, financial, political, military, regulatory or stock market conditions. If the Placing Agent exercises such right to so terminate the Placing, the Placing will not proceed.

Shareholders and investors should note that there is no assurance that the Subscription will occur.

Shareholders and investors are advised to exercise caution in dealing in the Shares.

Subscription for new Shares by the Vendor and effect on shareholding structure

The Vendor will subscribe for the Subscription Shares at a price per Subscription Share equal to the Placing Price.

Assuming full issue of the Subscription Shares, the total subscription monies payable by the Vendor to the Company will be approximately HK\$391.5 million less commission, professional fees and other expenses incurred by the Company (or in respect of which the Company is liable for) in relation to the Placing and the Subscription, which is estimated to be approximately HK\$11.3 million.

The effect of the Placing and the Subscription (and of the Acquisition and the USI Transfer as disclosed in the Announcement) on the shareholding structure of the Company is illustrated in the table below:

	Before Placing, Subscription, USI Transfer and issue of Consideration Shares	After Placing but before Subscription, USI Transfer and issue of Consideration Shares	After Placing and Subscription, but before the USI Transfer and issue of Consideration Shares	After Placing, Subscription, and USI Transfer but before issue of Consideration Shares	After Placing, Subscription, USI Transfer and issue of Consideration Shares
Keentech	41.26%	41.26%	38.14%	52.16%	43.09%
CITIC Australia	Nil	Nil	Nil	Nil	17.38%
Vendor	33.73%	25.54%	31.18%	17.16%	14.18%
Public	25.01%	33.20%	30.68%	30.68%	25.35%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(Keentech and USI are deemed to be parties acting in concert under the Takeovers Code and currently hold approximately 74.99% of the issued share capital of the Company. Assuming completion of the Placing and the Subscription but before issue of the Consideration Shares, Keentech and USI will hold approximately 69.32% of the issued share capital of the Company.)

Lock-Up by the Vendor, Keentech and CITIC Australia

The Vendor has, and Keentech and CITIC Australia have separately, undertaken to the Placing Agent that for a period of six months from the date of completion of the Placing, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will: (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including any new shares issued pursuant to the subscription) or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Placing Agent.

Mandate to issue Subscription Shares

The Subscription Shares will be issued under the General Mandate.

Ranking

The Subscription Shares, when issued and fully paid, will rank equally with all existing issued Shares.

Conditions of the Subscription

The Subscription is conditional upon:

1. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares;
2. the completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
3. (if necessary) the Bermuda Monetary Authority consenting to the issue of the Subscription Shares.

There is no provision entitling any of the parties to the Placing Agreement to waive any of the above conditions in the event that they cannot be satisfied.

The Company will apply to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Subscription Shares.

Restrictions on issue of new Shares

The Company has undertaken to the Placing Agent that for a period of six months from the date of completion of the Placing, the Company will not issue any new Shares or securities convertible into Shares except, amongst others, (1) the Subscription Shares and (2) pursuant to (a) the terms of any employee share option scheme of the Company or (b) any outstanding subscription warrants or (c) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association or (d) conversion of outstanding convertible bonds or (e) the Share Purchase Agreements).

Completion of the Subscription

Completion of the Subscription will take place on the second business day after the date upon which the last of the conditions relating to the Subscription to be satisfied shall have been so satisfied, provided that completion will not be later than 14 days after the date of the Placing Agreement unless otherwise agreed between the Vendor and the Company. If completion does not take place within 14 days after the date of the Placing Agreement, the Vendor and the Company shall comply with the requirements of the Listing Rules in relation to the issue of the Subscription Shares.

Use of net proceeds

The Group is at present principally engaged in the manufacture and sale of plywood. As stated in the Group's 2002 annual report and 2003 interim report, the Company has been exploring business opportunities in the natural resources sector. The directors of the Company are of the view that it would be in the interests of the Company to diversify its business interests and investments into other natural resources to supplement the Company's existing plywood manufacturing and sales business.

The Company intends to apply the net proceeds from the Subscription to finance future investments and asset acquisitions in the natural resources sectors (including but not limited to forestry, base metals, energy and relevant commodities trading). Save for the Share Purchase Agreements relating to the Acquisition as disclosed in the Announcement, the Company has not entered into any other agreement, formal or informal, regarding any further investment or acquisition.

The Board believes the terms of the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable.

Renewal of General Mandate

The Board proposes to seek approval of the Shareholders at the SGM to renew the General Mandate so as to grant the directors of the Company a general mandate to allot, issue and deal in Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM and any Shares repurchased by the Company.

Circular

A circular containing, amongst other things, information on the renewal of the General Mandate and a notice of the SGM will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

Suspension and resumption of trading

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Definitions

"Announcement"	the announcement issued by the Company dated 30 January 2004 in relation to the Acquisition
"Acquisition"	the acquisition of CITIC Resources Australia Pty Ltd and CITIC Portland Surety Pty Ltd by the Company from CITIC Australia as disclosed in the Announcement
"Board"	the board of directors of the Company
"CITIC"	China International Trust and Investment Corporation
"CITIC Australia"	CITIC Australia Pty Ltd, a direct wholly-owned subsidiary of CITIC, incorporated in the State of Victoria, Australia, the seller of CITIC Resources Australia Pty Ltd and CITIC Portland Surety Pty Ltd to the Company as disclosed in the Announcement and which will, upon completion of such acquisitions, be issued with the Consideration Shares
"Company"	CITIC Resources Holdings Limited, a company incorporated under the laws of Bermuda whose Shares are listed on the Stock Exchange
"Consideration Shares"	750,413,793 new Shares to be issued by the Company to CITIC Australia as disclosed in the Announcement
"General Mandate"	the general mandate granted by the shareholders of the Company to the directors of the Company to issue new Shares at the special general meeting of the Company held on 27 June 2003
"Group"	the Company and its subsidiaries
"HK\$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Keentech"	Keentech Group Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of CITIC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Placing"	the placing and sale of the Placing Shares by the Placing Agent pursuant to the Placing Agreement
"Placing Agent"	Citigroup Global Markets Hong Kong Futures Limited, a company incorporated under the laws of Hong Kong
"Placing Agreement"	the placing, underwriting and subscription agreement dated 2 February 2004 entered into between the Vendor, the Company and the Placing Agent
"Placing Price"	HK\$1.45 per Placing Share
"Placing Shares"	270,000,000 existing Shares beneficially held by the Vendor
"SGM"	the special general meeting of the Company to be convened by the Company as disclosed in the Announcement
"Share Purchase Agreements"	means a memorandum of understanding and two agreements each dated 19 January 2004 (as supplemented by an agreement dated 30 January 2004) and made between the Company, CITIC Australia and others relating, amongst other things, to the sale and purchase of shares in CITIC Resources Australia Pty Ltd and CITIC Portland Surety Pty Limited as disclosed in the Announcement;
"Shareholders"	holders of Shares
"Shares"	ordinary shares of HK\$0.05 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by the Vendor, on the terms of the Placing Agreement, for the Subscription Shares
"Subscription Shares"	270,000,000 new Shares.
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"USI Transfer"	the transfer of 500,000,000 existing Shares from the Vendor to Keentech as disclosed in the Announcement
"Vendor"	United Star International Inc., a company incorporated under the laws of the British Virgin Islands

By Order of the Board
CITIC Resources Holdings Limited
Peter Kwok Viem
Chairman

Hong Kong, 2 February 2004