



## CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

### VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

#### ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF RICHFIRST HOLDINGS LIMITED AND SHAREHOLDER'S LOAN

##### Acquisition of Richfirst

On 29 June 2004, Starbest, a wholly-owned subsidiary of the Company, conditionally agreed with CITIC Group to acquire the entire issued share capital of Richfirst and a shareholder's loan of US\$20,000,000 for an aggregate consideration of US\$21,200,000 (about HK\$165,360,000).

Richfirst, a wholly-owned subsidiary of CITIC Group, holds the Participating Interest which represents 40% of the Contractor's rights and obligations in the Petroleum Contract, a production sharing contract relating to the development and production of petroleum in the Kongnan Block, and which Richfirst has acquired from Pan-China.

Pan-China is an indirect wholly-owned subsidiary of Ivanhoe, a company whose shares are quoted and listed on Nasdaq and the Toronto Stock Exchange respectively. Pan-China is not a connected person of the Company.

##### Very Substantial Acquisition

For the purpose of classifying the category of notifiable transaction into which the Acquisition falls, the Acquisition is required to be aggregated with the Company's recent acquisition of CITIC Resources Australia Pty Limited and CITIC Portland Surety Pty Limited which was completed within the period of 12 months preceding the Agreement. Details of such recent acquisition were announced by the Company in its announcement dated 30 January 2004. As a consequence, the Acquisition will be treated as a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules.

##### Connected Transaction

CITIC Group is a connected person of the Company as it is the parent of and, therefore, an associate of Keentech and CITIC Australia. Keentech is a controlling shareholder of the Company and CITIC Australia is a substantial shareholder of the Company. Accordingly, the Acquisition will also constitute a connected transaction for the Company pursuant to the Listing Rules.

CITIC Group, through Keentech, acquired an indirect controlling interest of 41.26% of the issued share capital of the Company on 25 June 2002 and, through Keentech and CITIC Australia, currently has an indirect interest of 60.47% of the issued share capital of the Company.

##### Independent Shareholders' Approval

As the Acquisition will be treated as a very substantial acquisition and connected transaction for the Company, completion of the Acquisition will be subject to the approval of the Independent Shareholders. Keentech, CITIC Australia and their respective associates will abstain from voting on the resolution to approve the Acquisition. The voting in respect of the approval of the resolution regarding the Acquisition will be conducted by way of a poll.

#### INFORMATION ON THE AGREEMENT

##### Date

29 June 2004

##### Parties

- (1) CITIC Group
- (2) Starbest, a wholly-owned subsidiary of the Company
- (3) the Company

##### Assets to be acquired under the Agreement

Pursuant to the Agreement, Starbest shall acquire:

- (A) the Sale Shares; and
- (B) the Shareholder's Loan.

##### Aggregate Purchase Price

The aggregate purchase price payable by Starbest to CITIC Group in respect of the Sale Shares and the Shareholder's Loan is US\$21,200,000 (about HK\$165,360,000) and shall be payable in cash in one lump sum at completion of the Acquisition. No deposit is payable by the Company under the Agreement. The Company proposes to fund the purchase price from its existing working capital.

The aggregate purchase price has been determined on an arm's length basis between Starbest and CITIC Group and is a price acceptable to Starbest and CITIC Group with reference to the investment costs of CITIC Group (of about US\$1,200,000) and the value of the Shareholder's Loan (of US\$20,000,000).

##### Conditions

Completion of the Acquisition is subject to the following conditions being satisfied or waived:

- (A) completion to the satisfaction of Starbest of legal, financial and business due diligence in relation to Richfirst (including the Kongnan Block and all operations relating thereto);
- (B) all necessary approvals from Shareholders having been obtained including, without limitation, the Company having convened a special general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve, inter alia, the purchase of the Sale Shares by Starbest in compliance with all applicable laws, rules and regulations including, without limitation, the Listing Rules and the bye-laws of the Company;
- (C) the conditions precedent specified in and all transactions described in or which are contemplated by the Farmout Agreement having been satisfied (or waived with the prior written consent of Starbest) and completed to the satisfaction of Starbest (as determined by Starbest in its sole and absolute discretion);
- (D) the obtaining of any consents or approvals from any third party or government agency deemed by Starbest to be necessary for the continued operation of Richfirst's business and/or in connection with the transfer of the Sale Shares and/or the acquisition of control of the Participating Interest by Starbest; and
- (E) the issue of a legal opinion in a form acceptable to Starbest by PRC legal counsel appointed by Starbest confirming that, amongst other things, the assignment of the Participating Interest pursuant to the Farmout Agreement will not constitute a breach of the terms of the Petroleum Contract or any law of the PRC and that the choice of Hong Kong law as the governing law of the Farmout Agreement for the purpose of assigning the Participating Interest to Richfirst is an effective and valid choice of law and is not in breach of any relevant law of the PRC concerning such assignment of the Participating Interest.

Pursuant to the Agreement, Starbest has the discretion to waive in whole or in part the conditions set out in paragraphs (A) and (C) above. The Company has been advised by CITIC Group that Richfirst and Pan-China have completed the Farmout Agreement and this will be reviewed by the Company to determine whether the condition set out in paragraph (C) above has been satisfied.

If all the conditions have not been satisfied or waived (as the case may be) on or before 30 September 2004, the Agreement shall lapse and no party shall have any claim against any other in respect thereof save for any antecedent breach.

The Company currently has no intention of waiving any of the conditions.

##### Completion

Completion of the Acquisition will take place on the date falling 7 business days after the date on which the last of the conditions to be satisfied shall have been satisfied or waived (as the case may be) or such later date as the parties to the Agreement may agree provided that such date shall not be later than 12 October 2004 unless it is extended by agreement amongst the parties. If in any respect the obligations of CITIC Group or Starbest are not complied with at the time completion is due to take place, the party not in default may defer completion, or proceed to completion so far as practicable or terminate the agreement but without prejudice to any claim by any party in respect of any antecedent breach.

#### INFORMATION ON CITIC GROUP

CITIC Group is a PRC state-owned enterprise which holds major interests in many industries including banking, financial services, information technology, investment services, real estate, engineering services and infrastructure investment. CITIC Group has been an indirect controlling shareholder of the Company since 25 June 2002.

#### INFORMATION ON RICHFIRST AND THE PARTICIPATING INTEREST

##### Richfirst

Richfirst is a wholly-owned subsidiary of CITIC Group and was incorporated on 3 December 2003 for the purposes of acquiring and holding the Participating Interest.

For the period from 3 December 2003 (date of its incorporation) to 31 December 2003 and for the three months ended 31 March 2004, Richfirst did not have any net profit/(loss) before and after taxation and extraordinary items. As at 31 March 2004, the total asset value and net asset value of Richfirst were US\$10,000,000 (about HK\$78,000,000) and US\$100 (about HK\$780) respectively.

The Company is not required to make additional capital contributions to Richfirst. It may be called upon in respect of the CITIC Group Guarantee described below.

##### Participating Interest

Richfirst holds the Participating Interest which it has acquired from Pan-China for a consideration of US\$20,000,000 (about HK\$156,000,000) pursuant to the Farmout Agreement.

The Participating Interest comprises of and represents 40% of the Contractor's rights and obligations in the Petroleum Contract. Pan-China holds the remaining 60% of the Contractor's rights and obligations in the Petroleum Contract. The Petroleum Contract is a 30-year petroleum development and production sharing contract relating to the development and production of petroleum in the Kongnan Block.

The Kongnan Block covers an area of 22,400 gross acres within the Dagang Oilfield, PRC and is located about 125 miles south-east of Beijing. Pan-China has conducted extensive pilot testing in respect of the Kongnan Block (that saw production of approximately 500 barrels of oil per day at the end of 2003). An overall development program of the Kongnan Block which calls for the drilling of up to 115 new oil wells and the re-completion of 28 existing wells over a 3-year period has been approved by CNPC. The Kongnan

Block contains an estimated 52 million barrels of gross proven plus probable reserves. Once fully developed, gross production volumes are expected to reach a peak of 14,000 barrels per day.

In January 2004, Pan-China successfully drilled and completed its first development oil well ("Nan 105 Well") at the Kongnan Block. The initial test of the Nan 105 Well produced 330 barrels of 35 degree API oil per day, with no water. Current production from the Kongnan Block is approximately 750 barrels of oil per day.

Pan-China and Richfirst, as the Contractor, will be responsible for the costs relating to the development of the Kongnan Block. CNPC will earn 18% of the net revenue and Pan-China and Richfirst will earn 82% of the net revenue (divided as to 60% to Pan-China and as to 40% to Richfirst) from oil production at the Kongnan Block until the development costs of the Kongnan Block have been recovered. After all such development costs have been recovered, CNPC will earn 51% of the net revenue and Pan-China and Richfirst will earn 49% of the net revenue (divided as to 60% to Pan-China and as to 40% to Richfirst) from oil production at the Kongnan Block.

Over the 30-year life of the Petroleum Contract, the total budgeted capital expenditure is US\$176,000,000 (about HK\$1,372,800,000). Of this, US\$120,000,000 (about HK\$936,000,000) of the total budgeted expenditure is expected to be funded by long-term third party debt financing which will be non-recourse to the Group and the balance of US\$56,000,000 (about HK\$436,800,000) from revenue generated from the sale of petroleum produced from the Kongnan Block.

##### COMPANY TO REIMBURSE CITIC GROUP UNDER GUARANTEE

The obligations of Richfirst in respect of its proportionate share of the Contractor's contribution for amounts due under the annual work programs and budgets agreed between the Contractor and CNPC under the Petroleum Contract are guaranteed by CITIC Group. Pursuant to the terms of the Agreement, the Company and CITIC Group will use their reasonable endeavours to procure the release of CITIC Group from its guarantee (the "CITIC Group Guarantee") to CNPC in respect of the obligations of Richfirst in substitution for a guarantee by the Company on the same terms as the CITIC Group Guarantee. As from completion of the Acquisition and until such time as CITIC Group is released from the CITIC Group Guarantee (the "Relevant Period"), and whilst Richfirst remains a subsidiary of the Company, the Company has agreed to reimburse CITIC Group in respect of any amount of Richfirst's proportionate share of the Contractor's contribution due under the annual work programs and budgets paid by CITIC Group to CNPC under the CITIC Group Guarantee during the Relevant Period.

##### OPTION TO CONVERT THE PARTICIPATING INTEREST INTO SUNWING SHARES OR IVANHOE SHARES

Under the terms of the Farmout Agreement, Richfirst has an option to convert the Participating Interest into either Sunwing Shares or Ivanhoe Shares.

Subject to all applicable stock exchange approvals, Richfirst may elect:

- (A) if Sunwing effects an initial public offering, at any time prior to the first anniversary of the completion of such initial public offering, to convert the Participating Interest into Sunwing Shares. The number of Sunwing Shares that may be issued to Richfirst will be determined by dividing the amount of the consideration paid by Richfirst in respect of the Participating Interest (that is, US\$20,000,000) less any net cash flow received by Richfirst in respect of the Participating Interest prior to conversion (the "Conversion Amount") by a price per Sunwing Share (the "Sunwing Conversion Price") which shall be determined as follows:
  - (1) if Richfirst elects to convert at least 10 days prior to the completion of the initial public offering of Sunwing, the Sunwing Conversion Price will be a price equal to the issue price of the Sunwing Shares in the initial public offering less 10%, or
  - (2) if Richfirst elects to convert after the completion of the initial public offering of Sunwing and within 1 year prior to the first anniversary of the completion of the initial public offering of Sunwing, the Sunwing Conversion Price will be a price equal to the volume weighted average trading price of the Sunwing Shares on the principal stock exchange on which such shares are traded for the 30 trading days immediately preceding the election by Richfirst to convert the Participating Interest into Sunwing Shares less a discount of 8%; or
- (B) convert the Participating Interest into Ivanhoe Shares at any time during the period of 18 months following the completion of the acquisition of the Participating Interest by Richfirst. The number of Ivanhoe Shares that may be issued to Richfirst will be determined by dividing the Conversion Amount by a price per Ivanhoe Share equal to the volume weighted average trading price of the Ivanhoe Shares on the Toronto Stock Exchange for the 30 trading days preceding the election of Richfirst to convert the Participating Interest into Ivanhoe Shares less a discount of 8%.

If Richfirst elects to convert the Participating Interest into either Sunwing Shares or Ivanhoe Shares, the Participating Interest will be automatically re-assigned to Pan-China.

##### INFORMATION ON PAN-CHINA, SUNWING AND IVANHOE

Pan-China is a wholly-owned subsidiary of Sunwing, which in turn is a wholly-owned subsidiary of Ivanhoe.

Ivanhoe is quoted and listed on Nasdaq and the Toronto Stock Exchange respectively.

Each of Pan-China, Sunwing and Ivanhoe and its subsidiaries is independent of the directors, chief executive and substantial shareholders of the Company and its subsidiaries and is not a connected person of the Company.

##### INFORMATION ON CNPC

CNPC is a PRC state-owned enterprise. It is an integrated energy company with operations covering a broad spectrum of upstream and downstream activities, field operations and technical services and equipment manufacturing and supply. CNPC serves as the PRC's largest producer and supplier of crude oil and natural gas and is also a major producer and supplier of refined oil products and petrochemicals.

##### REASONS FOR THE ACQUISITION

The Company has been implementing a diversification of its business interests into other categories of natural resources to reduce its reliance on the manufacture and sale of plywood and to position the Company and its subsidiaries as an integrated provider of key commodities and strategic natural resources to the PRC market.

In March 2004, the Company completed the acquisition of CITIC Resources Australia Pty Limited and CITIC Portland Surety Pty Limited thereby gaining interests in, amongst others, the aluminium and coal industries and related commodities trading.

The Acquisition, if completed, will be another step in the diversification of the Company's business interests and a key development in the Company's business strategy. The Acquisition will benefit the Company as it will allow the Company to participate in the production of petroleum at the Kongnan Block and provide the Company with an exposure to the production and sale of oil, another important natural resource for the PRC market.

The Directors believe that the Acquisition is in the interests of the Shareholders as a whole and that the terms are fair and reasonable.

##### VERY SUBSTANTIAL ACQUISITION

For the purpose of classifying the category of notifiable transaction into which the Acquisition falls, the Acquisition is required to be aggregated with the Company's recent acquisition of CITIC Resources Australia Pty Limited and CITIC Portland Surety Pty Limited which was completed within the period of 12 months preceding the Agreement. Details of such recent acquisition were announced by the Company in its announcement dated 30 January 2004. As a consequence, the Acquisition will be treated as a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules.

## CONNECTED TRANSACTION

CITIC Group is a connected person of the Company as it is the parent of and, therefore, an associate of Keentech and CITIC Australia. Keentech is a controlling shareholder of the Company and CITIC Australia is a substantial shareholder of the Company. Accordingly, the Acquisition will also constitute a connected transaction for the Company pursuant to the Listing Rules.

CITIC Group, through Keentech, acquired an indirect controlling interest of 41.26% of the issued share capital of the Company on 25 June 2002 and, through Keentech and CITIC Australia, currently has an indirect interest of 60.47% of the issued share capital of the Company.

## ON-GOING CONNECTED TRANSACTIONS

Assuming completion of the Acquisition, a number of transactions may be entered into or come into existence between CITIC Group and the Company and CITIC Group and Richfirst which will constitute on-going connected transactions for the Company. These will include the CITIC Group Guarantee arrangement if CITIC Group is not released from the CITIC Group Guarantee at completion of the Acquisition (in respect of which it is proposed that CITIC Group will charge Richfirst a fee for providing the CITIC Group Guarantee for the period commencing from completion of the Acquisition and until CITIC Group is released from the CITIC Group Guarantee by CNPC) and the provision of management and advisory services by CITIC Group to Richfirst in order to assist Richfirst in the operation and management of the Participating Interest. Details of these on-going connected transactions will be disclosed in the circular to be despatched to Shareholders described below.

## INDEPENDENT SHAREHOLDERS' APPROVAL

As the Acquisition will be treated as a very substantial acquisition and connected transaction for the Company, completion of the Acquisition will be subject to the approval of the Independent Shareholders at the Special General Meeting. Keentech, CITIC Australia and their respective associates will abstain from voting on the resolution approving the Acquisition and, if required, any on-going connected transactions.

## INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising such of the independent non-executive directors of the Company as are not interested or involved in the Acquisition will be established to advise the Independent Shareholders in respect of the Acquisition and, if required, any on-going connected transactions.

## INDEPENDENT FINANCIAL ADVISER

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee in respect of the Acquisition and, if required, any on-going connected transactions.

## SPECIAL GENERAL MEETING

The Special General Meeting will be convened at which the Independent Shareholders will be asked to consider, and if thought fit, approve, amongst other things, the Acquisition.

The voting in respect of the approval of the resolution regarding the Acquisition and, if required, any on-going connected transactions will be conducted by way of a poll.

## CIRCULAR

A circular will be despatched to Shareholders as soon as practicable containing, amongst other things, (1) details of the Agreement and the Acquisition, (2) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders, (3) a letter from an independent financial adviser with its advice to the Independent Board Committee, and (4) a notice convening the Special General Meeting.

## DIRECTORS

As at the date hereof, the executive directors of the Company are Mr. Kwok Viem, Peter; Mr. Ma Ting Hung; Ms. Li So Mui; Mr. Mi Zengxin; Mr. Qiu Yiyong; Mr. Sun Xinguo; Mr. Zeng Chen and Mr. Zhang Jijing and the independent non-executive directors are Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian.

## DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares and the Shareholders Loan subject to and in accordance with the Agreement
“Agreement”	an agreement dated 29 June 2004 made between Starbest, CITIC Group and the Company relating to the sale and purchase of the Sale Shares and the Shareholder's Loan
“API”	the American Petroleum Institute's scale for specific gravity for liquid hydrocarbons, measured in degrees. The lower the API gravity, the heavier the liquid and, generally, the lower its commercial value
“CITIC Australia”	CITIC Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability and a wholly-owned subsidiary of CITIC Group
“CNPC”	China National Petroleum Corporation
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Contractor”	the contractor under the Petroleum Contract
“Directors”	the directors of the Company, including its independent non-executive directors
“Farmout Agreement”	an agreement dated 18 January 2004 (as amended) between Richfirst, Pan-China, Sunwing and Ivanhoe relating to, amongst other things, the assignment of the Participating Interest from Pan-China to Richfirst
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the board comprising the independent non-executive directors of the Company who are not interested or involved in the Acquisition
“Independent Shareholders”	Shareholders who do not have a material interest in the Acquisition or who are not otherwise required by the Stock Exchange to abstain from voting
“Ivanhoe”	Ivanhoe Energy Inc., a company incorporated in the State of Yukon, Canada
“Ivanhoe Shares”	common shares in the share capital of Ivanhoe which are quoted and listed on Nasdaq and the Toronto Stock Exchange respectively
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CITIC Group
“Kongnan Block”	an area comprising of six blocks covering 22,400 gross acres within the Dagang Oilfield, PRC and which is located about 125 miles south-east of Beijing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pan-China”	Pan-China Resources Limited, a company incorporated in the British Virgin Islands with limited liability
“Participating Interest”	an interest representing 40% of the Contractor's rights and obligations in the Petroleum Contract
“Petroleum Contract”	a 30-year petroleum development and production sharing contract entered into between Pan-China and CNPC on 8 September 1997 (as amended) for the development and production of petroleum in the Kongnan Block
“PRC”	the People's Republic of China
“Richfirst”	Richfirst Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CITIC Group
“Sale Shares”	ordinary shares representing the entire issued share capital of Richfirst
“Shareholder's Loan”	a shareholder's loan of US\$20,000,000 advanced by CITIC Group to Richfirst
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Special General Meeting”	the special general meeting of the Company to be convened to approve, amongst other things, the Acquisition
“Starbest”	Starbest Venture Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunwing”	Sunwing Energy Limited, a company incorporated in the British Virgin Islands with limited liability
“Sunwing Shares”	common shares in the share capital of Sunwing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

*Unless otherwise stated, amounts in US\$ have been translated into HK\$ at an exchange rate of US\$1 to HK\$7.8 for illustration purposes only.*

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