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CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

VERY SUBSTANTIAL ACQUISITION RELATING TO THE SUBSCRIPTION OF SHARES IN CALTEX SOUTH CHINA INVESTMENTS LIMITED

On 8 January 2005, the Company, Caltex, Star Concept and CSCIL entered into a Share Subscription Agreement pursuant to which the Company conditionally agreed that the Company or its wholly-owned subsidiary, COGH, shall subscribe for the New Shares representing 50.5% of the enlarged share capital of CSCIL. The Company will be required to pay a cash consideration of US\$45 million (about HK\$351 million), subject to certain adjustments (details of which are contained in the sub-section entitled "Consideration" under the section entitled "Share Subscription Agreement" below).

Upon Completion, the Company, Caltex, Star Concept, COGH and CSCIL will enter into a Shareholders' Agreement which will set forth their mutual agreement regarding the corporate governance of CSCIL.

The Transaction constitutes a very substantial acquisition of the Company under the Listing Rules and is subject to the approval of the Shareholders at the SGM.

Pursuant to the Share Subscription Agreement, CSCIL will enter into a Consulting Agreement with COHK whereby COHK will provide certain consulting services to CSCIL. In addition, CSCIL will enter into a Trademark License Agreement with CTGEI pursuant to which CTGEI will grant to CSCIL a non-exclusive and non-transferable license to use certain "Caltex" trademarks within the Fujian and Guangdong provinces in the PRC and Macau and to include the word "Caltex" or "加德士" as part of the company name of CSCIL. The Consulting Agreement and Trademark License Agreement will become effective from Completion.

As COHK is an associate of Caltex which will be a substantial shareholder of CSCIL, which in turn will become a subsidiary of the Company as a result of the Transaction, the Consulting Agreement will constitute a continuing connected transaction under the Listing Rules. The annual fee payable by CSCIL pursuant to the Consulting Agreement for each of the first three years is less than HK\$1,000,000. Depending on the relative percentage ratios applicable to continuing connected transactions under the Listing Rules at the time of Completion, the Company will take such further actions as appropriate to comply with the relevant disclosure and/or independent shareholders' approval requirements pursuant to the Listing Rules.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Caltex, COHK, CTGEI, Star Concept and CSCIL and their ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company.

The Circular containing, among other things, details of the Transaction and the Transaction Documents, and a notice convening the SGM to approve the Transaction will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the Share Subscription Agreement, which is subject to a number of Conditions Precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 10 January 2005. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 January 2005.

SHARE SUBSCRIPTION AGREEMENT

Date

8 January 2005

Parties

- (1) Company
- (2) Caltex
- (3) Star Concept
- (4) CSCIL

Subscription

Pursuant to the Share Subscription Agreement, the Company has conditionally agreed to subscribe for the New Shares. The Company intends to elect COGH to subscribe for the New Shares. Upon Completion, COGH will be the registered and beneficial owner of 50.5% of the enlarged share capital of CSCIL. The New Shares shall rank pari passu in all respects with all existing issued CSCIL Shares.

Upon Completion, Caltex shall be the registered and beneficial owner of 36.8775% and Star Concept shall be the registered and beneficial owner of 12.6225% of the enlarged issued share capital of CSCIL respectively.

Consideration

The Share Subscription Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The Subscription Price of US\$45 million (about HK\$351 million) is to be paid by the Company to CSCIL subject to adjustments to reflect (a) dividends declared and/or paid by CSCIL during the period from 1 June 2004 to Completion, if any, (b) net earnings of CSCIL during the period from 1 October 2004 to Completion, and (c) any breaches of warranty or Completion conditions made by CSCIL, Caltex and Star Concept under the Share Subscription Agreement, if any, which is likely to have a material adverse effect on the value of CSCIL ("**Final Subscription Price**").

The Final Subscription Price will be satisfied at Completion by payment in cash to CSCIL by the Company.

The Subscription Price has been determined based on various factors, including the total value of the assets of the CSCIL Group of about HK\$374,723,000 as at 31 December 2003, the growth prospect of the Existing Business, earnings potential and synergy opportunity with the CSCIL Group through the development of new petrol stations and the expansion of the retail and wholesale business of petroleum gas in the Guangdong and Fujian provinces in the PRC.

No deposit is payable by the Company under the Share Subscription Agreement. The Company shall fund the Final Subscription Price from its existing working capital.

Conditions Precedent for Completion

Completion of the Subscription is conditional upon satisfaction of the following Conditions Precedent:

- (a) the obtaining by the Company of all necessary approvals from the Shareholders, the approval by the Stock Exchange of the Circular and the publication of the same in accordance with the Listing Rules; and
- (b) the obtaining by the Company on behalf of CSCIL of all PRC government and regulatory approvals and licences required for the establishment of a wholly foreign-owned enterprise with a scope of business appropriate for operating the New Business.

If, within three (3) months from the date of the Share Subscription Agreement, the Company issues a written notice to the other Parties informing them that the establishment of the wholly foreign-owned enterprise cannot be satisfied by the Long Stop Date, the Parties may mutually elect to proceed to establish a sino-foreign co-operative joint venture. The Condition Precedent set out in paragraph (b) above shall then be replaced with the following condition:

“(b) with the assistance of the Company, the obtaining by CSCIL of all PRC government and regulatory approvals and licences required for the establishment of a sino-foreign co-operative joint venture with a scope of business appropriate for operating the New Business and with a profit sharing ratio of 90% (as to CSCIL acting as the foreign partner) and 10% (as to an affiliate of Company acting as the Chinese joint venture partner).”

If the Parties fail to reach agreement to proceed with the establishment of the sino-foreign co-operative joint venture or are unable to do so within one (1) month of the date of the above written notice issued by the Company to the other Parties, then the Share Subscription Agreement shall, subject to the liability of any Party to the others in respect of any antecedent breaches, be null and void and of no effect.

China has only recently opened its market to allow for the retail of petroleum gas by wholly foreign-owned enterprises under certain new measures published in 2004 pursuant to China's accession to the World Trade Organisation. The setting up of such wholly foreign-owned enterprises to conduct the New Business will be governed under a set of new requirements. It would therefore be difficult to ascertain how governmental officials would handle applications as there is no precedent nor any detailed official guidelines. Thus, the Parties have elected to have an alternative plan involving the use of a sino-foreign co-operative joint venture as the operating vehicle in the event a wholly foreign-owned enterprise cannot be used to conduct the New Business.

Pursuant to the Share Subscription Agreement, the Parties may at any time by agreement in writing waive, in whole or in part, or extend the Long Stop Date or such other date agreed by the Parties, within which any of the Conditions Precedent shall be satisfied.

If any of the Conditions Precedent is not fulfilled or waived by the Long Stop Date or such other date agreed by the Parties, the Share Subscription Agreement shall, subject to the liability of any Party to the others in respect of any antecedent breaches, be null and void and of no effect.

Completion

Subject to satisfaction or waiver of the Conditions Precedent, Completion shall take place on the date falling five (5) Business Days after the determination of the Final Subscription Price (or such later date as the Parties may agree in writing prior to Completion).

SHAREHOLDERS' AGREEMENT

At Completion, the Company, COGH, Caltex, Star Concept and CSCIL will enter into a Shareholders' Agreement which will set forth their mutual agreement regarding the corporate governance of CSCIL. The Shareholders' Agreement will become effective from Completion.

Pursuant to the Shareholders' Agreement, COGH has the right to appoint up to three of the six directors of the board of CSCIL and to elect the chairman of the board of CSCIL.

Unconditional Guarantee

Pursuant to the Shareholders' Agreement, in consideration of Caltex, Star Concept and CSCIL agreeing to enter into the Shareholders' Agreement with COGH at the request of the Company, the Company will agree to unconditionally and irrevocably guarantee in favour of Caltex, Star Concept and CSCIL the due and punctual performance and observance by COGH of all its obligations and undertakings under the Shareholders' Agreement.

Such guarantee will be a continuing guarantee and will remain in force until the earlier of (a) COGH ceasing to be a subsidiary of the Company, and (b) COGH ceasing to be a shareholder of CSCIL. The Company will remain liable for all antecedent breaches, obligations and liabilities not satisfied by COGH prior to the termination of the guarantee.

The Company is not assuming any additional liabilities under the guarantee. The Company is a party to the Share Subscription Agreement whereby it has assumed all responsibilities and liabilities by agreeing to subscribe for the New Shares. Should the Company elect to take up the New Shares directly instead of through COGH, its wholly-owned subsidiary, the Company would be equally liable as a shareholder under the Shareholders' Agreement. The guarantee does not therefore expose the Company to other liabilities to which it is not already under.

Restrictions on Transfer of CSCIL Shares

According to the Shareholders' Agreement, none of the Company, Caltex and Star Concept can without the prior written consent of the other:

- (a) pledge, mortgage, charge or otherwise encumber any of its CSCIL Shares or any interest in any of its CSCIL Shares; or
- (b) sell, transfer or otherwise dispose of, or grant any option over, any of its CSCIL Shares or any interest in its CSCIL Shares.

Each of them has a right of first refusal to acquire any CSCIL Shares offered to be purchased by a third party subject to the transfer procedures prescribed by the Shareholders' Agreement.

CONSULTING AGREEMENT

At Completion, COHK and CSCIL will enter into a Consulting Agreement whereby COHK will provide to CSCIL consulting services comprising (i) the sharing of the benefits of any global and regional advertising campaign undertaken by COHK, and (ii) advice on CSCIL's development of brand equity and branding strategies related to its business activities. The term of the Consulting Agreement will be eight years commencing on the date of Completion. Accordingly, CSCIL will pay to COHK the following remuneration:

- (a) an annual fee equivalent to US\$100,000 for each of the first three years; and
- (b) an annual fee equivalent to US\$200,000 for each of the remaining five years.

As COHK is an associate of Caltex which will be a substantial shareholder of CSCIL, which in turn will become a subsidiary of the Company as a result of the Transaction, the Consulting Agreement will constitute a continuing connected transaction under the Listing Rules. The annual fee payable by CSCIL pursuant to the Consulting Agreement for each of the first three years is less than HK\$1,000,000. Depending on the relative percentage ratios applicable to continuing connected transactions under the Listing Rules at the time of Completion, the Company will take such further actions as appropriate to comply with the relevant disclosure and/or independent shareholders' approval requirements pursuant to the Listing Rules.

TRADEMARK LICENSE AGREEMENT

At Completion, CTGEI and CSCIL will enter into a Trademark Licence Agreement whereby CTGEI as licensor will grant to CSCIL, in consideration of US\$10, a non-exclusive and non-transferable license to use the certain "Caltex" trademarks within the Fujian and Guangdong provinces in the PRC and Macau solely for use in connection with the operation of CSCIL's retail service petrol stations and convenience stores at such petrol stations. The licensed trademarks may be modified, from time to time, by mutual written agreement between the parties.

In addition, CTGEI as licensor will grant to CSCIL a non-exclusive and non-transferable license to include the words "Caltex" or "加德士" as part of the company name of CSCIL.

The Trademark License Agreement will become effective from Completion and will continue to be in force unless terminated in accordance with the provisions thereof.

The form of the Trademark Licence Agreement will be entered into by each other member of the CSCIL Group following Completion and replace existing arrangements concerning the use of the "Caltex" trademarks and the license to include the words "Caltex" or "加德士" as part of each CSCIL Group company's name.

As CTGEI is an associate of Caltex which will be a substantial shareholder of CSCIL, which in turn will become a subsidiary of the Company as a result of the Transaction, the Trademark License Agreement will constitute a de minimis continuing connected transaction which will be exempt from the disclosure and independent shareholders' approval requirements under the Listing Rules.

INFORMATION ON THE COMPANY

The principal activity of the Company is investment holding. As previously disclosed, the Company is implementing a business strategy to position the Group as an integrated provider of key commodities and key natural resources and to establish a unified business platform ranging from production to delivery of commodities and resources of which the PRC is a net importer - from upstream operations to mid-stream processing and to distribution of final products. Currently, the Group has interests in the aluminum, coal and crude oil industries and the manufacture and sale of plywood.

INFORMATION ON CSCIL

The principal activity of CSCIL is investment holding. The principal activities of the CSCIL Group is the carrying on of the business of operating petrol stations (with integrated convenience stores), retailing of gasoline, diesel, lubricants and liquefied petroleum gas, and selling of fuel oil, diesel and liquefied petroleum gas directly to commercial and industrial customers, in Macau and in the Guangdong and Fujian provinces of the PRC.

As of 31 December 2003, the audited net book value of the assets of the CSCIL Group under Hong Kong GAAP was about HK\$374,723,000.

The results of CSCIL for the two financial years ended 31 December 2003 under Hong Kong GAAP, as extracted from the audited consolidated financial statements of CSCIL, were as follows:

	Year ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Profits before taxation and minority interest	46,182	62,109
Taxation	(8,914)	(11,903)
Minority interests	(5,009)	(7,023)
Net profits	32,259	43,183

There was no extraordinary gain or loss recorded by CSCIL for the two financial years ended 31 December 2003.

INFORMATION ON CALTEX AND STAR CONCEPT

The principal activity of each of Caltex and Star Concept is investment holding.

REASONS AND BENEFITS OF THE TRANSACTION

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 Group as an integrated provider of key commodities and strategic natural resources to the PRC market.

The Transaction, if completed, will be another step and development in the Company's business strategy. The Subscription will benefit the Company as it will allow the Company to participate in the retail of petroleum gas in the PRC in conjunction with Caltex, a subsidiary of ChevronTexaco Corporation, one of the world's leading oil companies.

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

GENERAL

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Caltex, COHK, CTGEI, Star Concept and CSCIL and their ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company.

The Circular containing, among other things, details of the Transaction and the Transaction Documents, and a notice convening the SGM to approve the Transaction will be dispatched to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 10 January 2005, pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 January 2005.

DIRECTORS

As of the date of this announcement, 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. Chan Mo Po, Paul; Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Business Day”	a day which is not a Saturday or Sunday or a bank or public holiday in Hong Kong.
“Caltex”	Caltex (Asia) Limited, a company incorporated in the United States of America and a subsidiary of the ChevronTexaco Corporation.
“Circular”	the Shareholders circular to be published by the Company in connection with the Transaction.
“COGH”	CITIC Oil & Gas Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.
“COHK”	Caltex Oil Hong Kong Limited, a company incorporated in Hong Kong and a subsidiary of the ChevronTexaco Corporation.
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda, the Shares of which are listed on the Stock Exchange.
“Completion”	completion of the Share Subscription Agreement in accordance with the terms thereof.
“Conditions Precedent”	the conditions precedent to Completion under the Share Subscription Agreement, details of which are set out in the sub-section entitled “Conditions Precedent for Completion” under the section entitled “Share Subscription Agreement” in this announcement.
“Consulting Agreement”	a consulting agreement to be entered into between COHK and CSCIL at Completion.
“CSCIL”	Caltex South China Investments Limited, a company incorporated in Hong Kong.
“CSCIL Group”	CSCIL, its subsidiaries and joint ventures.
“CSCIL Shares”	ordinary shares of HK\$1.00 each in the share capital of CSCIL.
“CTGEI”	ChevronTexaco Global Energy Inc., a company incorporated in the United States of America.
“Directors”	the directors of the Company, including its independent non-executive directors.
“Existing Business”	the principal activities of the CSCIL Group described in the section entitled “Information on CSCIL” in this announcement.
“Final Subscription Price”	final Subscription Price as adjusted in the manner described in the sub-section entitled “Consideration” under the section entitled “Share Subscription Agreement” in this announcement.
“Group”	the Company and its subsidiaries.
“Hong Kong”	Hong Kong Special Administrative Region of the PRC.
“Hong Kong GAAP”	the general accepted accounting principles applicable in Hong Kong.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.
“Long Stop Date”	the date falling six (6) months from the date of the Share Subscription Agreement.
“Macau”	Macau Special Administrative Region of the PRC.
“New Business”	the business of developing and operating new petrol stations and any integrated convenience stores, retailing of gasoline, diesel, lubricants and liquefied petroleum gas and, if applicable laws permit, importing and wholesaling of gasoline, diesel and fuel oil in Guangdong province of the PRC, to be conducted by CSCIL through a wholly foreign-owned enterprise or a sino-foreign co-operative joint venture.
“New Shares”	the 5,050,000 new CSCIL Shares in the enlarged share capital of CSCIL, which shall be issued to the Company or COGH pursuant to the Share Subscription Agreement.
“Parties”	the parties to the Share Subscription Agreement, details of which are set out in the sub-section entitled “Parties” under the section entitled “Share Subscription Agreement” in this announcement.
“PRC”	the People’s Republic of China but excluding Hong Kong, Macau and Taiwan.
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving among other things, the Transaction.
“Shares”	the ordinary shares of par value HK\$0.05 each in the share capital of the Company.
“Shareholders”	holders of Shares.
“Shareholders’ Agreement”	a shareholders’ agreement to be entered into between Caltex, Star Concept, the Company, COGH and CSCIL at Completion.
“Share Subscription Agreement”	a conditional agreement dated 8 January 2005 made between the Company, Caltex, Star Concept and CSCIL.
“Star Concept”	Star Concept Holdings Limited, a company incorporated in the British Virgin Islands.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Subscription”	the subscription for the New Shares by the Company or COGH pursuant to the Share Subscription Agreement.
“Subscription Price”	US\$45 million (about HK\$351 million).
“Trademark License Agreement”	a trademark license agreement to be entered into between CTGEI and CSCIL at Completion.
“Transaction”	the transactions contemplated under the Transaction Documents.
“Transaction Documents”	Share Subscription Agreement, Shareholders’ Agreement, Consulting Agreement and Trademark License Agreement.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“US\$”	United States dollars, the lawful currency of the United States of America.

This announcement contains translation between US\$ and HK\$ at US\$1.0=HK\$7.8. The translation shall not be taken as representation that the HK\$ amount could actually be converted into US\$ at that rate or at all.

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

Hong Kong, 13 January 2005

Please also refer to the published version of this announcement in South China Morning Post dated 14 January 2005.