

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE FORMATION OF A JOINT VENTURE COMPANY AND ACQUISITION OF SHARES IN THAI PETROCHEMICAL INDUSTRY PUBLIC COMPANY LIMITED

Memorandum of Understanding

On 30 May 2005, CITIC Petrochemical entered into the Memorandum of Understanding with the TPI Shareholders concerning the formation of the Joint Venture Company as a special purpose vehicle to be used by the Parties to acquire the Existing TPI Shares (representing about 75% of the existing issued share capital of TPI).

CITIC Petrochemical is an indirect wholly-owned subsidiary of the Company.

TPI is a diversified fully integrated petrochemical producer in Thailand and its shares are listed on the Stock Exchange of Thailand. TPI is undergoing a business reorganisation pursuant to the Business and Debt Restructuring Plan approved by the Thai Central Bankruptcy Court.

The Memorandum of Understanding does not constitute CITIC Petrochemical's legally binding commitments and the Proposed Transaction remains subject to, amongst other things, further negotiations amongst the Parties, the approval of the Thai Central Bankruptcy Court, due diligence and execution and completion of the Transaction Documents.

Certain provisions of the Memorandum of Understanding do, however, constitute legally binding commitments of the TPI Shareholders. In particular, the TPI Shareholders have agreed, until CITIC Petrochemical decides it does not wish to proceed with its negotiations with the TPI Shareholders in respect of the Proposed Transaction, to act and co-operate with CITIC Petrochemical on an exclusive basis pursuant to which the TPI Shareholders shall not, amongst other things, negotiate or enter into any agreement with any third party in respect of any matter that is the subject of or contemplated by the Memorandum of Understanding.

Suspension and Resumption of Trading in Shares of the Company

Trading in the Shares was suspended at the request of the Company with effect from 9:31 a.m. on 26 May 2005 pending the release of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 2 June 2005.

Caution in Dealing in Shares

The Board draws to the attention of shareholders of the Company and investors and requires them to note that no formal agreement in relation to the Proposed Transaction has been entered into as at the date of this announcement. As the Proposed Transaction may or may not proceed, shareholders of the Company and investors are urged to exercise caution when dealing in the securities of the Company.

(A) MEMORANDUM OF UNDERSTANDING

Signing of the Memorandum of Understanding

The Company announces that on 30 May 2005, CITIC Petrochemical entered into the Memorandum of Understanding with the TPI Shareholders concerning the formation of the Joint Venture Company as a special purpose vehicle to be used by the Parties to acquire the Existing TPI Shares (representing about 75% of the existing issued share capital of TPI).

CITIC Petrochemical is an indirect wholly-owned subsidiary of the Company.

Obligations of CITIC Petrochemical

The Memorandum of Understanding does not constitute CITIC Petrochemical's legally binding commitments and the Proposed Transaction remains subject to, amongst other things, execution of the Transaction Documents. The Transaction Documents themselves are expected to include conditions such as, amongst others, the approval of the Thai Central Bankruptcy Court and satisfactory due diligence before completion of the Proposed Transaction can occur.

Obligations of TPI Shareholders and Exclusivity

Certain provisions of the Memorandum of Understanding do, however, constitute legally binding commitments of the TPI Shareholders. In particular, the TPI Shareholders have agreed, until CITIC Petrochemical decides it does not wish to proceed with its negotiations with the TPI Shareholders in respect of the Proposed Transaction, to act and co-operate with CITIC Petrochemical on an exclusive basis pursuant to which the TPI Shareholders shall not, amongst other things, negotiate or enter into any agreement with any third party in respect of any matter that is the subject of or contemplated by the Memorandum of Understanding.

(B) INFORMATION ON TPI AND TPI SHARES

TPI and its Business

TPI was established in 1978 and is a diversified fully integrated petrochemical producer in Thailand. Its shares are listed on the Stock Exchange of Thailand.

Business and Debt Restructuring of TPI

On 15 March 2000, the Thai Central Bankruptcy Court adjudged TPI insolvent and issued an order placing TPI in reorganisation. TPI is indebted to the Creditors in respect of the TPI Group Debts in the amount of about US\$2,700 million (about HK\$21,060 million) (exclusive of outstanding interest). TPI's reorganisation is being conducted pursuant to the terms of the Business and Debt Restructuring Plan, approved by the Thai Central Bankruptcy Court on 15 December 2000, by the Plan Administrator appointed by the Thai Central Bankruptcy Court.

The Existing TPI Shares represent about 75% of the existing issued share capital of TPI and are held by or on behalf of the Creditors. The Plan Administrator is authorised under the Business and Debt Restructuring Plan to sell the Existing TPI Shares, together with the New TPI Shares, to strategic investors to raise funds with which to part pay the TPI Group Debts. The Plan Administrator has agreed terms to sell the Existing TPI Shares and the New TPI Shares to strategic investors including, amongst others, PTT Public Company Limited, the Thai Government Saving Bank, the Thai Government Pension Fund and Vayupak Mutual Fund One.

The TPI Shares that are not held by or on behalf of the Creditors are held by the public which includes the TPI Shareholders. As far as the Company is aware, no connected person of the Company holds TPI Shares.

Financial Information relating to TPI

As at 31 December 2004, the audited consolidated total assets and net assets of TPI and its subsidiaries determined under Thai GAAP and as extracted from the audited financial statements of TPI for the year ended 31 December 2004 were about Baht 146,723 million (about HK\$28,611 million) and Baht 20,368 million (about HK\$3,972 million) respectively.

The audited consolidated revenue of TPI and its subsidiaries for the two years ended 31 December 2004 determined under Thai GAAP and as extracted from the audited financial statements of TPI for the years ended 31 December 2003 and 2004 were about Baht 90,296 million (about HK\$17,608 million) and Baht 154,546 million (about HK\$30,137 million) respectively.

The audited consolidated net profit of TPI and its subsidiaries for the two years ended 31 December 2004 determined under Thai GAAP and as extracted from the audited financial statements of TPI for the years ended 31 December 2003 and 2004 were about Baht 2,546 million (about HK\$496 million) and Baht 12,284 million (about HK\$2,395 million) respectively.

Trading Price of TPI Shares

The closing price of TPI Shares on the Stock Exchange of Thailand on 30 May 2005 (the date of signing the Memorandum of Understanding) was Baht 14 per share.

(C) EFFECT OF PROPOSED TRANSACTION ON THE TPI REORGANISATION

If the Proposed Transaction is to proceed, the Parties will need to obtain, amongst other things, the approval of the Thai Central Bankruptcy Court.

On 25 May 2005, the TPI Shareholders submitted a statement to the Thai Central Bankruptcy Court for an order requesting, amongst other things, that the Court grant the TPI Shareholders a period of three months to allow the TPI Shareholders to conduct appropriate due diligence in respect of TPI and its subsidiaries and companies under their control.

If the Proposed Transaction is successfully concluded, the sale of the Existing TPI Shares and the New TPI Shares to strategic investors such as PTT Public Company Limited, the Thai Government Saving Bank, the Thai Government Pension Fund and Vayupak Mutual Fund One will not proceed and it is expected that TPI and its subsidiaries under the Business and Debt Restructuring Plan would be able to exit from their respective reorganisations significantly earlier than is currently contemplated under the terms of the Business and Debt Restructuring Plan. Further, the Proposed Transaction will not require the issue of the New TPI Shares by TPI which would avoid an issue of TPI Shares by TPI at a price that is significantly below current trading prices of TPI Shares on the Stock Exchange of Thailand. The Parties believe that the Proposed Transaction would be in the interests of TPI, the Creditors and shareholders of TPI.

(D) INFORMATION ON THE TPI SHAREHOLDERS

TPI Shareholders

The TPI Shareholders are Mr Prachai Leophairatana, Mr Prateep Leopairut, Mr Pramuan Leophairatana, Mr Prayad Liewphairatana, TPI Holdings Company Limited and Leophairatana Enterprises Company Limited.

Executives and Guarantors

Mr Prachai Leophairatana is the founder of TPI. Mr Prachai Leophairatana, Mr Prateep Leopairut, Mr Pramuan Leophairatana and Mr Prayad Liewphairatana are former executives of TPI.

Each of the TPI Shareholders is also a guarantor in respect of the TPI Group Debts.

(E) REASON FOR THE PROPOSED TRANSACTION

The Company's business plan and strategy is to invest in natural resources of which China is a net importer. Such resources include petroleum and petroleum related products. TPI is a diversified fully integrated petrochemical producer. An investment in TPI is within the Company's business plan and strategy.

(F) GENERAL

Caution in Dealing in Shares

The Board draws to the attention of shareholders of the Company and investors and requires them to note that no formal agreement in relation to the Proposed Transaction has been entered into as at the date of this announcement and there is no assurance that the Transaction Documents will be agreed and executed between the Parties. As the Proposed Transaction may or may not proceed, shareholders of the Company and investors are urged to exercise caution when dealing in the securities of the Company.

No agreement as to the terms of the formation of the Joint Venture Company or the acquisition of the Existing TPI Shares has been made or entered into by the Company or CITIC Petrochemical. The Proposed Transaction is subject to, amongst other things, further discussion and negotiation amongst the Parties themselves, the approval of the Thai Central Bankruptcy Court, due diligence and execution and completion of relevant Transaction Documents. There is, therefore, no assurance that the Proposed Transaction will proceed or be successfully concluded.

Compliance with Listing Rules

The Proposed Transaction, if entered into, is expected to constitute a notifiable transaction under the Listing Rules. The Company will comply with the applicable provisions of the Listing Rules in relation to the Proposed Transaction including, if required, obtaining the approval of shareholders of the Company.

Further announcement(s) will be made by the Company in accordance with the Listing Rules.

(G) SUSPENSION AND RESUMPTION OF TRADING

Suspension

Trading in the Shares was suspended at the request of the Company with effect from 9:31 a.m. on 26 May 2005 pending the release of this announcement.

Resumption of Trading

Application has been made to the Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 2 June 2005.

(H) DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of directors of the Company
“Business and Debt Restructuring Plan”	the business reorganisation plan of TPI initially approved by the Thai Central Bankruptcy Court on 15 December 2000 (as amended)
“CITIC Petrochemical”	CITIC Petrochemical Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda and whose Shares are listed on the Stock Exchange
“connected person”	has the same meaning as defined in the Listing Rules
“Creditors”	creditors of TPI and its subsidiaries under the Business and Debt Restructuring Plan
“Existing TPI Shares”	5,898,911,211 existing TPI Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture Company”	a company to be established in Thailand between CITIC Petrochemical and the TPI Shareholders as contemplated by the Memorandum of Understanding
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	a memorandum of understanding dated 30 May 2005 and executed by CITIC Petrochemical and the TPI Shareholders concerning the Proposed Transaction
“New TPI Shares”	about 11,651,088,789 new TPI Shares which, together with the Existing TPI Shares, would represent about 90% of the issued share capital of TPI
“Parties”	CITIC Petrochemical and the TPI Shareholders
“Plan Administrator”	the Thai Ministry of Finance acting as the plan administrator under the Business and Debt Restructuring Plan
“Proposed Transaction”	the proposed transaction by the Parties including, but not limited to, amongst other things, the formation of the Joint Venture Company and the acquisition of the Existing TPI Shares by the Joint Venture Company

“Shares”	shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thai GAAP”	accounting standards and principles generally accepted in Thailand
“TPI”	Thai Petrochemical Industry Public Company Limited, a company incorporated in Thailand and whose shares are listed on the Stock Exchange of Thailand
“TPI Group Debts”	indebtedness of about US\$2,700 million (about HK\$21,060 million) owed by TPI and its subsidiaries under the Business and Debt Restructuring Plan to the Creditors
“TPI Shareholders”	Mr Prachai Leophairatana, Mr Prateep Leopairut, Mr Pramuan Leophairatana, Mr Prayad Liewphairatana, TPI Holdings Company Limited and Leophairatana Enterprises Company Limited
“TPI Shares”	shares of Baht 1 each in the share capital of TPI
“Transaction Documents”	all documents relevant to the Proposed Transaction as shall be required by CITIC Petrochemical and agreed between relevant parties including but not limited to a joint venture agreement and/or shareholders agreement relating to the Joint Venture Company, share sale and purchase agreement(s) relating to the Existing TPI Shares, relevant financing and loan agreements and relevant charge and security agreements and documents.
“Baht”	Thai Baht, the lawful currency of Thailand
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

In this announcement:

- (1) amounts in US\$ have been converted into HK\$ or vice versa at an exchange rate of US\$1.00: HK\$7.8; and*
- (2) amounts in Baht have been converted into HK\$ or vice versa at an exchange rate of HK\$1.00: Baht 5.1282.*

The exchange rates specified above shall not be taken as a representation that the relevant amounts specified in this announcement could actually be translated at such exchange rates or at all.

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

Hong Kong, 1 June 2005

As at 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.

Please also refer to the published version of this announcement in The Standard.