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CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

DISCLOSEABLE TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY FOR MANGANESE MINING AND PROCESSING

The Board is pleased to announce that on 2 August 2005, CITIC Dameng (a subsidiary of the Company) entered into the JV Contract with Guangxi Dameng to jointly establish the JV in Chongzuo City, Guangxi Zhuang Autonomous Region, the PRC to undertake the business of manganese mining and processing.

Pursuant to the JV Contract, the registered capital of the JV shall be RMB500 million (HK\$480.8 million), of which RMB300 million (HK\$288.5 million), representing a 60% equity interest in the JV, will be contributed by CITIC Dameng in cash. The remaining RMB200 million (HK\$192.3 million) of the registered capital, representing a 40% equity interest in the JV, will be contributed by Guangxi Dameng in the form of the Contributed Assets. The net asset value of the Contributed Assets has been assessed in the amount of RMB242,794,300 (HK\$233.5 million) and is subject to verification and confirmation by a firm of certified public accountants in the PRC approved by both parties to the JV. The amount of capital contribution to the JV by Guangxi Dameng in the form of the Contributed Assets in excess of RMB200 million (being RMB42,794,300 (HK\$41.1 million)) shall be treated as premium payment by Guangxi Dameng and repaid by the JV to Guangxi Dameng in cash. If the value of the Contributed Assets as verified and confirmed by the certified public accountants in the PRC falls short of RMB242,794,300, the shortfall shall be made up by Guangxi Dameng to the JV in cash.

Payment by CITIC Dameng of its capital contribution to the JV is conditional upon the satisfaction of certain conditions precedent set out in this announcement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Guangxi Dameng and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

As the applicable percentage ratios for the transaction contemplated under the JV Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among others, details of the formation of the JV will be despatched to shareholders of the Company as soon as practicable.

INTRODUCTION

On 2 August 2005, CITIC Dameng (a non-wholly-owned subsidiary of the Company) entered into the JV Contract with Guangxi Dameng to jointly establish a sino-foreign equity joint venture in Chongzuo City, Guangxi Zhuang Autonomous Region, the PRC, namely, CITIC Dameng Mining Industries Limited (中信大錳礦業有限責任公司) to undertake the business of manganese mining and processing. Pursuant to the JV Contract, the JV shall be owned as to 40% by Guangxi Dameng and as to 60% by CITIC Dameng. The JV will become a subsidiary of the Company, and the financial results of the JV will be consolidated into the accounts of the Group.

JV CONTRACT

The Parties

- (a) Guangxi Dameng; and
- (b) CITIC Dameng

Registered Capital and Total Investment of the JV

Registered capital: RMB500 million (HK\$480.8 million)

Total investment: RMB800 million (HK\$769.2 million)

The registered capital of the JV shall be contributed by Guangxi Dameng and by CITIC Dameng in the ratio of 2:3. The difference between the registered capital and the total investment amount shall be raised by the JV by methods allowed under the laws of the PRC (including shareholder's loans and external borrowings).

Capital Contributions by the Parties to the Joint Venture

- (a) Guangxi Dameng shall contribute the Contributed Assets as approved by the relevant authorities of the PRC including Guangxi SAASC as its capital contribution to the JV in the amount of RMB200 million (HK\$192.3 million). The Contributed Assets include:
 - (i) operational assets and liabilities of Guangxi Daxin Manganese Mine (which owns the exclusive mining right in respect of a manganese mine in Xialei Town, Daxin County, Guangxi) and Guangxi Tiandeng Manganese Mine (which owns the exclusive mining right in respect of a manganese mine in Dongping Village, Tiandeng County, Guangxi) comprising, among others, current assets, fixed assets, construction in progress and equipment, intangible assets, current liabilities, long term liabilities and long term investments being a 77% equity interest in 廣西南寧寬廣工貿有限責任公司 (Guangxi Nanning Kuanguang Industry & Trade Co., Ltd.) and a 60% equity interest in 天等縣大錳鐵合金有限公司 (Tiandeng Dameng Ferroalloy Co., Ltd.) with an aggregate assessed value of RMB61,274,200 (HK\$58.9 million);
 - (ii) the mining right of Guangxi Daxin Manganese Mine (for a period of 30 years which commenced from February 2005) and the mining right of Guangxi Tiandeng Manganese Mine (for a period up to November 2008) with an aggregate assessed value of RMB111,352,900 (HK\$107.1 million);

- (iii) land use rights owned by Guangxi Dameng, Guangxi Daxin Manganese Mine and Guangxi Tiandeng Manganese Mine respectively in respect of land located in Chongzuo City, Daxin County and Tiandeng County in Guangxi Zhuang Autonomous Region (currently used for industrial and commercial purposes) for a term of 50 years from the date such land use rights are transferred to the JV with an aggregate area of 4,470,127.43 square meters and an aggregate assessed value of RMB61,459,100 (HK\$59.1 million);
 - (iv) a 50.98% equity interest in 廣西斯達特錳材料有限公司 (Guangxi Start Manganese Material Co., Ltd.) being a long term investment by Guangxi Dameng with an assessed value of RMB7,095,000 (HK\$6.8 million); and
 - (v) a 60% equity interest in 廣西大新縣大寶鐵合金有限公司 (Guangxi Daxin Dabao Ferroalloy Co., Ltd) being a long term investment by Guangxi Dameng with an assessed value of RMB1,613,100 (HK\$1.6 million).
- (b) CITIC Dameng shall pay its capital contribution in cash in foreign currency (as required under applicable PRC laws and regulations) equivalent to RMB300 million (HK\$288.5 million) at the exchange rate as announced by the People's Bank of China on the date of payment.

The value of the Contributed Assets (except the Mining Rights) was assessed as at 30 June 2004 according to the relevant Valuation Reports. The value of the Mining Rights was assessed as at 31 March 2005 according to the relevant Valuation Reports. The Valuation Reports in respect of operational assets and liabilities, the mining rights and the land use rights were issued on 22 April 2005, 14 June 2005 and 22 June 2005 respectively. Negotiations on the JV Contract commenced towards the end of 2004 and the terms of the JV Contract were only finalized after the obtaining of necessary governmental approvals and agreement by the parties on certain figures in the JV Contract.

The Contributed Assets were valued by the following independent professional valuers in the PRC:

Type of Assets	Name of Valuer(s)
Operational assets and liabilities and long term investments	中通城資產評估有限公司 (China Tong Cheng Assets Appraisal Limited Cooperation)
Mining Rights	北京中寶信資產評估有限公司 (Beijing Zhongbaoxin Assets Appraisal Co., Limited) 北京礦通資源開發諮詢有限責任公司 (Beijing Kaung Tong Resources Exploitation Consultation Co., Limited)
Land use rights	廣西公大房地產評估有限公司 (Guangxi Kung Da Real Estate Appraisal Co., Limited)

The above valuers are independent of and not connected with the Group or any of their directors, chief executive and substantial shareholders or their respective associates.

CITIC Dameng is ultimately owned as to 80% by the Group and as to 20% by CITIC United Asia. The capital contribution in cash by CITIC Dameng to the JV will be paid by the Group and by CITIC United Asia according to their respective percentage ownership in CITIC Dameng out of their respective internal resources.

Apart from the contribution to the registered capital of the JV, there are no other capital commitment obligations on the parties to the JV under the JV Contract.

Schedule for Capital Contribution by Guangxi Dameng

Guangxi Dameng shall contribute the Contributed Assets to the JV in accordance with the following schedule:

- (a) within 10 working days from the Establishment Date, Guangxi Dameng shall deliver or cause to be delivered all the Contributed Assets to the JV for its actual possession, use and for the benefit of the JV;
- (b) within 60 working days from the Establishment Date, Guangxi Dameng shall legally transfer, or procure the transfer of the ownership of the Contributed Assets (except the Mining Rights) to the JV; and
- (c) within 6 months from the Establishment Date, Guangxi Dameng shall legally change or procure a change in the registration of the title to the Mining Rights so that the Mining Rights are registered under the name of the JV.

Schedule and Conditions for Capital Contribution by CITIC Dameng

CITIC Dameng shall pay its capital contribution to the JV in two stages as set out below.

(First Stage)

Subject to the fulfillment (or waiver by CITIC Dameng in writing) of the Conditions Precedent set out below, CITIC Dameng shall within 10 working days from the fulfillment (or waiver) of such Conditions Precedent pay such portion of its capital contribution in cash to the JV pro rata to the portion of the Contributed Assets (except the Mining Rights) which have been assigned by Guangxi Dameng to the JV pursuant to its contribution:

- (a) Guangxi Dameng satisfying its obligation to transfer or procure the transfer of the Contributed Assets (except the Mining Rights) to the JV;
- (b) the PRC legal advisers engaged by Guangxi Dameng having issued a PRC legal opinion to confirm that:
 - (i) the Asset Restructuring Proposal has been approved by the state-owned asset administration authorities of the PRC with competent authorisation;
 - (ii) the Valuation Reports have been approved by and filed with the relevant government authorities of the PRC with competent authorisation;
 - (iii) the ownership or contractual rights or equity interest (as the case may be) in the properties, the bank loan agreements and mortgage agreements and the Four Subsidiaries comprised in the Contributed Assets have been legally transferred to the JV;
 - (iv) Guangxi Dameng has obtained the Mining Permits in respect of the Mining Rights and that there are no actual legal obstacles to the transfer of the title to the Mining Permits in respect of the Mining Rights to the JV;
 - (v) the Staff Arrangement Proposal in relation to the restructuring of Guangxi Dameng has been approved by the staff representatives of Guangxi Dameng and the authorities of the PRC with competent authorisation;
 - (vi) Guangxi Dameng has obtained all the necessary approval documents for carrying out its capital contribution obligations under the JV Contract in accordance with the laws and regulations of the PRC;
 - (vii) the Valuation Reports and the proposal for treatment of the land use rights comprised in the Contributed Assets have been confirmed by/filed with and approved by the state-owned land and resources administration authorities of the PRC with competent authorisation, and that the JV has obtained the certificates in respect of the land use rights comprised in the Contributed Assets; and
- (c) the Company has fulfilled all the requirements of the Stock Exchange and the Listing Rules for entering into the JV Contract (including the publication of this announcement and the issue of a circular to shareholders of the Company pursuant to Chapter 14 of the Listing Rules).

The pro-rata portion of capital contribution by CITIC Dameng to the JV in cash payable at this stage is estimated to be about RMB197.2 million (HK\$189.6 million).

If the Conditions Precedent mentioned above are not fulfilled or otherwise waived within 3 months from the Establishment Date, CITIC Dameng may postpone the payment of its capital contribution to the JV. If the Conditions Precedent mentioned above are not fulfilled or otherwise waived during the postponement of the payment of capital contribution by CITIC Dameng, either party shall have the right to terminate the JV Contract, and neither party shall be regarded as in breach of the JV Contract.

All of the Conditions Precedent may be waived by CITIC Dameng. There is no present intention on CITIC Dameng to waive any of the Conditions Precedent. The JV Contract does not provide for any further amount to be paid by either party in the event any of the Conditions Precedent is waived. The Company will make a further announcement if any of the Conditions Precedent is waived. The Company will make a further announcement if any of the Conditions Precedent is waived.

(Second Stage)

CITIC Dameng shall pay the balance of its capital contribution (estimated to be about RMB102.8 million (HK\$98.9 million)) within 10 working days from the date of registration of the title to the Mining Rights under the name of the JV.

If the title to the Mining Rights is not registered under the name of the JV within 6 months from the Establishment Date, CITIC Dameng shall have the right to unilaterally terminate the JV Contract. Guangxi Dameng has agreed that the JV shall within 30 working days from the date of written notice of termination by CITIC Dameng repay to CITIC Dameng all amounts of capital contributed by CITIC Dameng to the JV plus the corresponding amount of entitlements on the capital contribution. Alternatively, CITIC Dameng may negotiate with Guangxi Dameng for other settlement proposals. The JV Contract does not provide for any further amount to be paid by either party to the JV in such event.

Scope of Business

Pursuant to the JV Contract, the scope of business of the JV will be the exploitation of manganese mines, selection of minerals and advanced processing of manganese.

Composition of the Board of Directors and Senior Management of the JV

The board of directors of the JV shall consist of five directors, two of whom shall be appointed by Guangxi Dameng and three of whom shall be appointed by CITIC Dameng. There shall be one chairman and one vice chairman who shall be nominated by CITIC Dameng and Guangxi Dameng respectively.

The chief executive officer, the chief financial officer and the deputy general managers of the JV shall be appointed by its board of directors. The chief financial officer shall be recommended by CITIC Dameng.

Term of the JV

The JV shall have an initial term of 30 years commencing from the Establishment Date.

Restrictions on Competition

During the term of the JV, Guangxi Dameng and CITIC Dameng and any company in which either of them controls over 50% of the shareholding shall not directly or indirectly carry on any business which is the same as or similar to or in competition with the business carried on by the JV without the consent of the other party. Neither Guangxi Dameng nor CITIC Dameng may transfer or license its intellectual property rights to a third party without the consent by the other party.

Profit Distribution

From the Establishment Date, Guangxi Dameng and CITIC Dameng shall be entitled to the profits of the JV in proportion to their respective contribution to the registered capital of the JV.

For each of the first five years from the Establishment Date, the JV shall distribute not less than 30% of its distributable profits in cash to its shareholders.

Borrowings and Security

If the JV requires additional capital as working capital, it shall apply for bank loans. Unless agreed by both parties to the JV, bank loans of the JV shall be secured by its own assets. Shareholders of the JV are not obligated to provide any guarantee or other security in respect of such borrowings.

Pre-emptive Rights and Mortgage

If any party to the JV wishes to transfer all or part of its equity interest to a third party, it shall obtain the consent of the other party. The other party shall have pre-emptive right to acquire the equity interest under the same terms.

Neither party to the JV Contract may pledge or mortgage its rights pursuant to the JV Contract or provide security in respect of such rights in any other manner without the written consent of the other party.

Treatment of Capital Contribution by Guangxi Dameng

The net asset value of the Contributed Assets has been assessed in the amount of RMB242,794,300 (HK\$233.5 million). After the contribution of capital by Guangxi Dameng to the JV, the Contributed Assets shall be verified and confirmed by a firm of certified public accountants in the PRC approved by both parties to the JV. The amount of capital contributed to the JV by Guangxi Dameng in the form of the Contributed Assets in excess of RMB200 million (being RMB42,794,300 (HK\$41.1 million)) shall be treated as a premium amount paid by Guangxi Dameng. Such premium shall be repaid by the JV to Guangxi Dameng in cash within one month from the date the registered capital of the JV has been fully paid-up. If the value of the Contributed Assets, after being verified and confirmed by a firm of certified public accountants in the PRC and approved by both parties to the JV, is less than RMB242,794,300, Guangxi Dameng shall unconditionally and forthwith pay an amount in cash to the JV to make up the shortfall.

From 30 June 2004 up to the Establishment Date, any increase in the net asset value of the Contributed Assets due to profits made by Guangxi Dameng shall belong to Guangxi Dameng and such amount shall be regarded as a debt due by the JV to Guangxi Dameng, and any decrease in the net asset value of the Contributed Assets due to losses made by Guangxi Dameng shall be made up by Guangxi Dameng to the JV and such amount shall be regarded as a debt due by Guangxi Dameng to the JV. Such amount of increase or decrease in the net asset value of the Contributed Assets shall be audited and confirmed by a firm of certified public accountants in the PRC (which is approved and engaged by Guangxi Dameng and CITIC Dameng) and shall be settled within 6 months from the date the registered capital of the JV has been fully paid-up.

The Valuation Report in respect of the operational assets comprised in the Contributed Assets stated that its validity was for one year from the valuation date of 30 June 2004 and it expired on 30 June 2005. The validity of such report has been approved for extension from 30 June 2005 to 31 December 2005 by Guangxi SAASC. Pursuant to the approval by Guangxi SAASC, where changes occur to the assets, liabilities or net asset value of those operational assets during 1 July 2005 to 31 December 2005, Guangxi SAASC has the right to require a re-valuation of such assets if it considers necessary. If the re-valuation causes an increase in the value of the Contributed Assets, CITIC Dameng shall have the right to unilaterally terminate the JV Contract. Alternatively, CITIC Dameng may negotiate with Guangxi Dameng for other settlement proposals.

Taking Effect of JV Contract

The JV Contract shall take effect from the date of approval by the examination authority of the People's Government of Guangxi Zhuang Autonomous Region, the PRC.

REASONS FOR AND BENEFITS OF THE JV

The Group is an integrated provider of key commodities and strategic natural resources to the PRC, particularly base metals and oil.

The Company has been implementing a diversification of its business interests into other categories of natural resources. The establishment of the JV pursuant to the JV Contract is in line with its long term development strategy of becoming the natural resources arm of CITIC Group, its ultimate parent. The JV has the potential of enabling the Company to become the controller of the largest manganese mines in the PRC and the holding company of one of the largest manufacturers and suppliers of manganese products in the world. This will increase the core investment value of the Company and assist to increase the profitability of the Group.

The Directors have confirmed that the JV Contract was entered into on normal commercial terms after arm's length negotiations and the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON GUANGXI DAMENG

Guangxi Dameng is a state-owned limited liability company established under the laws of the PRC. The principal business activities of Guangxi Dameng and its subsidiaries include mining, selection, refining and processing of manganese and the sale of parts for motor vehicles.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Guangxi Dameng and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

GENERAL

As the applicable percentage ratios for the transaction contemplated under the JV Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, among others, details of the formation of the JV will be despatched to shareholders of the Company as soon as practicable. The circular will also be published on the respective websites of the Stock Exchange and the Company.

DEFINITIONS

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

"Asset Restructuring Proposal"	the proposal for the restructuring of assets of Guangxi Dameng for contribution to the JV in the form scheduled to the JV Contract
"Board"	the board of Directors
"CITIC Dameng"	CITIC Dameng Investments Limited (中信大錳投資有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of a company ultimately owned as to 80% by the Group and as to 20% by CITIC United Asia
"CITIC Group"	CITIC Group, a company incorporated under the laws of the PRC and holding approximately 60.47% of the total issued shares of the Company
"CITIC United Asia"	CITIC United Asia Investments Limited (中信裕聯投資有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of CITIC Group
"Company"	CITIC Resources Holdings Limited, a company incorporated in Bermuda, the Shares of which are listed on the Stock Exchange
"Conditions Precedent"	the conditions precedent to payment by CITIC Dameng of its capital contribution to the JV pursuant to the JV Contract
"Contributed Assets"	the net assets comprising, among others, current assets, long term investments (being the Four Subsidiaries), fixed assets, construction in progress and equipment, intangible assets, current liabilities, long term liabilities, land use rights, mining rights and patents and trademarks to be contributed by Guangxi Dameng to the JV pursuant to the JV Contract
"Director(s)"	director(s) of the Company
"Establishment Date"	the issuance date of the business licence of the JV
"Four Subsidiaries"	the 77% equity interest in 廣西南寧寬廣工貿有限責任公司 (Guangxi Nanning Kuanguang Industry & Trade Co., Ltd.), the 60% equity interest in 天等縣大錳鐵合金有限公司 (Tiandeng Dameng Ferroalloy Co., Ltd.), the 50.98% equity interest in 廣西斯達特錳材料有限公司 (Guangxi Start Manganese Material Co., Ltd.) and the 60% equity interest in 廣西大新縣大寶鐵合金有限公司 (Guangxi Daxin Dabao Ferroalloy Co., Ltd.) to be contributed to the JV by Guangxi Dameng as part of the Contributed Assets
"Group"	the Company and its subsidiaries from time to time
"Guangxi Dameng"	廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established in the PRC
"Guangxi Daxin Manganese Mine"	廣西壯族自治區大新錳礦 (Guangxi Zhuang Autonomous Region Daxin Manganese Mine), a state-owned enterprise established in the PRC and authorized by Guangxi SAASC to be operated by Guangxi Dameng
"Guangxi SAASC"	State-owned Asset Administration and Supervision Commission of the People's Government of Guangxi Zhuang Autonomous Region, the PRC
"Guangxi Tiandeng Manganese Mine"	廣西壯族自治區天等錳礦 (Guangxi Zhuang Autonomous Region Tiandeng Manganese Mine), a state-owned enterprise established in the PRC and authorized by Guangxi SAASC to be operated by Guangxi Dameng
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JV"	CITIC Dameng Mining Industries Limited (中信大錳礦業有限責任公司), a sino-foreign equity joint venture to be established in Chongzuo City, Guangxi Zhuang Autonomous Region, the PRC pursuant to the JV Contract
"JV Contract"	the contract dated 2 August 2005 entered into between Guangxi Dameng and CITIC Dameng relating to the establishment of the JV
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mining Permits"	the mining permits issued by the State-owned Land and Resources Administration Office of the Guangxi Zhuang Autonomous Region, the PRC
"Mining Rights"	the mining rights of Guangxi Daxin Manganese Mine and Guangxi Tiandeng Manganese Mine which form part of the Contributed Assets

“PRC”	the People’s Republic of China
“Shares”	shares of HK\$0.05 each in the share capital of the Company
“Staff Arrangement Proposal”	the proposal regarding the arrangements for the staff of Guangxi Dameng in connection with the restructuring of Guangxi Dameng for establishment of the JV in the form scheduled to the JV Contract
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“working day”	a day on which commercial banks in the PRC and in Hong Kong are both open for corporate business
“Valuation Reports”	the valuation reports in respect of the Contributed Assets, copies of which are scheduled to the JV Contract
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

In this announcement, amounts in RMB have been converted into HK\$ or vice versa at the rate of HK\$1=RMB1.04 for illustration purposes only. No representation is made that any amounts in RMB or HK\$ have been or could have been or can be converted at the above rate or at any other rates or at all.

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

Hong Kong, 2 August 2005

As of the date of this announcement, the executive directors of the Company are Mr. Kwok Peter Viem; 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 South China Morning Post.