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# CITIC RESOURCES HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

*Website: [www.citicresources.com](http://www.citicresources.com)*

*(Stock Code: 1205)*

## DISCLOSEABLE TRANSACTION

### ACQUISITION OF A 51% PARTICIPATING INTEREST IN THE SERAM ISLAND NON-BULA BLOCK, INDONESIA

On 11 July 2006, CITIC Seram, an indirect wholly-owned subsidiary of the Company, has agreed conditionally to acquire from KUFPEC a 51% participating interest in the benefits, rights and obligations of the Contractor in the Production Sharing Contract for a purchase price of US\$97.4 million, subject to adjustment. A cash deposit of US\$5.0 million has been paid by CITIC Seram and the balance of the purchase price shall be paid by CITIC Seram to KUFPEC in cash at Completion. The payment of the purchase price by CITIC Seram to KUFPEC is guaranteed by the Company pursuant to the Guarantee.

Completion is subject to certain conditions precedent described in this announcement including the approval of BPMIGAS and the Government of Indonesia and which must be satisfied by the Long Stop Date.

The Directors believe that the acquisition of the Participating Interest is an important step for the Group's business development in the energy sector and it is in line with its long term development strategy of becoming the natural resources arm of CITIC Group, its ultimate parent. The Directors further believe that the acquisition will provide additional income diversification to the Group.

The applicable percentage ratios concerning the acquisition of the Participating Interest exceed 5% but are less than 25%. Accordingly, the acquisition of the Participating Interest constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing details relating to, amongst other things, the acquisition of the Participating Interest by CITIC Seram and information on the Seram Non-Bula Block and KUFPEC will be despatched to Shareholders as soon as practicable.

***Shareholders and potential investors should note that the implementation of the Sale and Purchase Agreement is subject to the satisfaction or waiver of the conditions precedent described in this announcement and therefore Completion may or may not occur. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.***

#### INTRODUCTION

The Directors are pleased to announce that on 11 July 2006, CITIC Seram, an indirect wholly-owned subsidiary of the Company, has agreed conditionally to acquire from KUFPEC a 51% participating interest in the benefits, rights and obligations of the Contractor in the Production Sharing Contract relating to the Seram Non-Bula Block, Indonesia.

## **DETAILS OF THE SALE AND PURCHASE AGREEMENT**

### **Date**

11 July 2006

### **Parties**

- (1) CITIC Seram
- (2) KUFPEC

### **Asset Acquired**

CITIC Seram has agreed conditionally to acquire the Participating Interest which represents a 51% interest in the benefits, rights and obligations of the Contractor in the Production Sharing Contract and the Joint Operating Agreement relating to the Seram Non-Bula Block with effect from the Effective Date.

### **Purchase Price and Deposit**

The purchase price payable by CITIC Seram to KUFPEC in respect of the acquisition of the Participating Interest is US\$97.4 million (HK\$759.7 million), subject to adjustment as described below.

A cash deposit of US\$5.0 million (HK\$39.0 million), representing 5.1% of the purchase price, has been paid to the Escrow Agent upon signing of the Sale and Purchase Agreement and shall be released to KUFPEC at Completion. In the event the conditions set out below are not satisfied or Completion does not occur, in either case other than as a result of the default of CITIC Seram, the deposit will be refunded to CITIC Seram.

The balance of the purchase price of US\$92.4 million (HK\$720.7 million) shall be paid by CITIC Seram to KUFPEC in cash at Completion.

The purchase price has been determined on an arm's length basis and submitted to KUFPEC as part of a bid process after taking into account factors such as the characteristics of the Seram Non-Bula Block, its potential reserves, the potential for exploration upside and recoverable costs.

The purchase price shall be funded by internal resources of the Company and existing facilities.

As CITIC Seram is acquiring the Participating Interest from the Effective Date, all income and other benefits that have been received, and all costs and expenses that have been incurred, by KUFPEC in respect of the Participating Interest during the period from the Effective Date to Completion shall belong to or be borne by (as the case may be) CITIC Seram. The purchase price will be adjusted following Completion by deducting income payable by KUFPEC to CITIC Seram and adding any costs that should be reimbursed by CITIC Seram to KUFPEC.

### **Conditions Precedent**

Completion is conditional upon the satisfaction of the following conditions precedent:

- (A) receipt by KUFPEC, in the form of a letter, of the approval of the Government of Indonesia and of BPMIGAS with respect to the sale and assignment of the Participating Interest from KUFPEC to CITIC Seram;
- (B) approval (in form and substance satisfactory to CITIC Seram, acting reasonably) by Lion, and Third Party Co if completion of the Third Party Co Sale occurs prior to Completion, as required under Clause 13.2 of the Joint Operating Agreement of the sale and assignment of the Participating Interest from KUFPEC to CITIC Seram (as evidenced by the execution by Lion and Third Party Co (as the case may be) of the deed of assignment relating to the sale and assignment of the Participating Interest by KUFPEC to CITIC Seram);
- (C) receipt by KUFPEC, in the form of a letter, of the approval of the Government of Indonesia with respect to CITIC Seram succeeding KUFPEC as the Operator; and
- (D) all votes and approvals (in form and substance satisfactory to CITIC Seram, acting reasonably) needed under the Joint Operating Agreement to appoint CITIC Seram as Operator with effect from Completion, including if required a waiver of the notice period specified under Clause 5.2 of the Joint Operating Agreement and including Third Party Co as a party to the Joint Operating Agreement if the Third Party Co Sale completes prior to Completion.

In the event any of the conditions precedent set out above is not satisfied by the Long Stop Date, either KUFPEC or CITIC Seram may give notice to the other terminating the Sale and Purchase Agreement unless it has failed to perform or observe in any material respect its covenants and agreements under the Sale and Purchase Agreement so as to cause Completion to fail to occur.

*Shareholders and potential investors should note that the implementation of the Sale and Purchase Agreement is subject to the satisfaction or waiver of the above conditions precedent and therefore Completion may or may not occur. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.*

## **GUARANTEE FROM THE COMPANY**

The payment of the purchase price by CITIC Seram to KUFPEC under the Sale and Purchase Agreement is guaranteed by the Company pursuant to the Guarantee.

## **DETAILS OF THE SERAM NON-BULA BLOCK**

### **Location**

The Seram Non-Bula Block is located on Seram Island, Indonesia and occupies an area of about 4,572 square kilometres.

### **Oseil Field**

The principal field in the Seram Non-Bula Block is the Oseil Field. The average production in the first six months of 2006 was about 4,300 barrels per day (gross) of 15° to 22° API oil.

The gross oil reserves of the Oseil Field have been estimated by independent technical advisers to be about 39 million barrels as at 31 December 2005 and comprises 7 million barrels of proven reserves, 6 million barrels of probable reserves and 26 million barrels of possible reserves.

### **Production Sharing Contract**

Under the Production Sharing Contract, the Contractor has been granted a 100% right to explore, develop and produce oil from the Seram Non-Bula Block until 2019. The current Contractor comprises KUFPEC and Lion presently holding 97.5% and 2.5% respectively of the Contractor's rights and obligations under the Production Sharing Contract.

### **Participants' Interests in the Contractor's Rights and Obligations in the Production Sharing Contract following Completion and completion of the Third Party Co Sale**

Upon Completion and completion of the Third Party Co Sale, the participants holding interests in the Contractor's rights in the Production Sharing Contract and the Joint Operating Agreement will be as follows:

Name/Description of Participant	Participating Interest
(1) CITIC Seram	51.0%
(2) KUFPEC	30.0%
(3) Third Party Co	16.5%
(4) Lion	2.5%

The costs relating to the development and production at the Seram Non-Bula Block shall be borne by the participants in accordance with their respective participating interests in the Contractor's rights in the Production Sharing Contract.

The income from the Seram Non-Bula Block, after deducting operating costs, shall be shared amongst BPMIGAS (37.5%) and the Contractor (62.5%). Following Completion, CITIC Seram will hold an effective economic interest of 31.875% in the Seram Non-Bula Block.

## **OPERATOR OF THE SERAM NON-BULA BLOCK**

Under the terms of the Sale and Purchase Agreement, CITIC Seram will become the Operator responsible for the day to day petroleum operations at the Seram Non-Bula Block and an assignment of the operatorship related contracts from KUFPEC to CITIC Seram will take place at Completion.

## **INFORMATION ON THE COMPANY AND CITIC SERAM**

The Company is an integrated provider of key natural resources and commodities with business interests in aluminium smelting, coal mining, import and export of commodities, manganese mining and processing and investments in companies exploring and developing oil and gas. The Company has also held direct interests in the oil and gas sector and, until recently, had a participating interest in the Kongnan Block within the Dagang oilfield in the PRC which was converted into common shares of Ivanhoe Energy Inc. in March 2006. The Company's interest in the Kongnan Block was a 40% participating interest with the 60% balance held by Ivanhoe Energy Inc.

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

## **BENEFITS OF THE ACQUISITION OF THE PARTICIPATING INTEREST**

The acquisition of the Participating Interest follows on from the Group's collaboration with Ivanhoe Energy Inc. in the Kongnan Block. The Directors believe that the acquisition of the Participating Interest is an important step for the Group's business development in the energy sector and it is in line with its long term development strategy of becoming the natural resources arm of CITIC Group, its ultimate parent. The Directors further believe that the acquisition will provide additional income diversification to the Group.

The Directors have confirmed that the Sale and Purchase Agreement 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 Shareholders as a whole.

## **INFORMATION ON KUFPEC**

KUFPEC is a subsidiary of Kuwait Petroleum Corporation and has held a participating interest in the Seram Non-Bula Block since 1985. Kuwait Petroleum Corporation is focused on international oil and gas exploration, development and production activities in the Middle East, Africa, Asia and Australia.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, KUFPEC and the ultimate beneficial owner of KUFPEC are third parties independent of the Company and connected persons of the Company.

## **DISCLOSEABLE TRANSACTION**

The applicable percentage ratios concerning the acquisition of the Participating Interest exceed 5% but are less than 25%. Accordingly, the acquisition of the Participating Interest constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing details relating to, amongst other things, the acquisition of the Participating Interest by CITIC Seram and information on the Seram Non-Bula Block and KUFPEC will be despatched to Shareholders 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 otherwise requires, the following terms shall have the following meanings:

“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
“BPMIGAS”	Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi, the oil and gas upstream regulatory authority in Indonesia
“CITIC Seram”	CITIC Seram Energy Limited, a company incorporated under the laws of the British Virgin Islands
“Company”	CITIC Resources Holdings Limited, a company incorporated under the laws of Bermuda and the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Participating Interest pursuant to the Sale and Purchase Agreement
“Contractor”	the contractor under the Production Sharing Contract, being collectively the participants (other than BPMIGAS) under the Production Sharing Contract
“Directors”	the directors of the Company
“discloseable transaction”	has the meaning ascribed thereto in the Listing Rules
“Effective Date”	00:00 hours Jakarta time on 1 January 2006, being the date determined by KUFPEC as the basis on which bids were made to acquire the Participating Interest
“Escrow Agent”	HSBC Bank Middle East Limited, Kuwait Branch

“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee dated the same date as the Sale and Purchase Agreement and made between the Company and KUFPEC pursuant to which the Company has guaranteed the obligation of CITIC Seram to pay the purchase price payable under the Sale and Purchase Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Operating Agreement”	the joint operating agreement dated 1 November 1985 between the then parties to that agreement being (i) CSR Petroleum (Asia) Limited, (ii) KUFPEC, (iii) Canada Northwest Energy Limited, (iv) Canada Northwest Australia Oil N.L., (v) Tricentrol Exploration Overseas Limited, (vi) Amadeus Oil N.L. and (vii) Bligh Oil and Minerals N.L. relating to the Seram Non-Bula Block
“KUFPEC”	KUFPEC (Indonesia) Limited, a company incorporated under the laws of the Cayman Islands
“Lion”	Lion Petroleum (Seram) Limited, a company incorporated under the laws of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling 120 days after the date of the Sale and Purchase Agreement
“Operator”	the operator appointed under the Joint Operating Agreement with specific responsibility for operating and managing the operations at the Seram Non-Bula Block on behalf of the Contractor
“Participating Interest”	an interest of KUFPEC in and representing a 51% interest in the whole of the benefits, rights and obligations of the Contractor in the Production Sharing Contract and a corresponding interest in the Joint Operating Agreement and all other commercial interests entered into pursuant to the Production Sharing Contract and the Joint Operating Agreement
“percentage ratios”	has the meaning ascribed thereto in the Listing Rules
“PRC”	the People’s Republic of China
“Production Sharing Contract”	the Seram Non-Bula Block production sharing contract dated 1 November 1969, originally granted by Perusahaan Pertambangan Minyak dan Gas Bumi Negara to Gulf & Western Industries Inc., as renewed in favour of KUFPEC by agreement dated 22 May 2000 and effective 1 November 1999
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 July 2006 and made between KUFPEC and CITIC Seram relating to the sale and purchase of the Participating Interest in accordance with its terms
“Seram Non-Bula Block”	the Seram Island Non-Bula Block defined as the contract area and more particularly described in the Production Sharing Contract and as varied from time to time under the terms of the Production Sharing Contract
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Third Party Co”	a third party company independent of the Company and its subsidiaries and their respective chief executives, directors and substantial shareholders

“Third Party Co Sale”	the sale by KUFPEC of an additional 16.5% participating interest in the benefits, rights and obligations of the Contractor in the Production Sharing Contract to Third Party Co which is independent of and not conditional upon Completion
“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 a representation that the HK\$ amount could actually be converted into US\$ or the US\$ amount could be converted into HK\$ at that rate stated or at all.*

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

Hong Kong, 12 July 2006

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

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