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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)*

## **CONTINUING CONNECTED TRANSACTIONS**

CACT engages in the sale of iron ore to CITIC Metal on a recurring or ongoing basis. CACT is a wholly-owned subsidiary of CATL which, in turn, is an indirect non wholly-owned subsidiary of the Company and listed on the ASX.

CITIC Metal is a wholly-owned subsidiary of CITIC Group and a connected person of the Company.

Over the three years ended 31 December 2006, CACT traded and sold iron ore to CITIC Metal pursuant to a series of separate transactions negotiated each time on an arm's length basis. The annual revenue of such sales were A\$65,787,000 (HK\$401,300,700), A\$178,968,000 (HK\$1,091,704,800) and A\$223,339,000 (HK\$1,362,367,900) for the three years ended 31 December 2006 respectively and exceeded 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules. Such sales constituted non-exempt continuing connected transactions under the Listing Rules.

The sale of iron ore by CACT to CITIC Metal is expected to continue for the three years ended 31 December 2009 and, annually, may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules.

### **Actions taken in respect of the Prior Non-Exempt Continuing Connected Transactions**

CATL is listed on the ASX and has separately complied with the legal and regulatory requirements in Australia, including obtaining the approval and support of CATL's independent non-executive directors in respect of the Prior Non-Exempt Continuing Connected Transactions. Due to a misunderstanding, it had been assumed that there was no additional requirement to report these to the Company at the time they were entered into. The Prior Non-Exempt Continuing Connected Transactions have not therefore previously been reported and announced by the Company or approved by Independent Shareholders. The inadvertent omission by the Company to report and announce and obtain approval of the Independent Shareholders to the 2004 Non-Exempt Continuing Connected Transactions and 2005 Non-Exempt Continuing Connected Transactions was identified during the Group's 2005 audit.

Once the existence of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions was identified, the Company immediately notified the Stock Exchange and disclosed details of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions in the Company's Annual Report for the year ended 31 December 2005. No announcement has been issued by the Company to disclose the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions until this announcement. This was primarily due to the Company and CATL requiring time to review the possible non-compliance of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions and to obtain advice on the information that CATL, as a company listed on the ASX, can disclose in respect of such transactions and in respect of future transactions between CACT and CITIC Metal and the implications for CATL and its directors under the legal and regulatory regime in Australia including the ASX Listing Rules. In the interim period, CACT has continued to carry on business in the ordinary course including continuing to sell iron ore to CITIC Metal as revenue generated from this business line is an increasingly important contributor to CATL's overall revenue. A cessation of this business would not have been in the interests of CATL, its shareholders (including the Company) or Shareholders as a whole. Therefore, the 2006 Non-Exempt Continuing Connected Transaction have not been previously reported, announced or approved by Independent Shareholders.

A Special General Meeting of the Company will be convened for the purpose of, inter alia, asking the Independent Shareholders to ratify the Prior Non-Exempt Continuing Connected Transactions.

An Independent Board Committee will be formed to advise the Independent Shareholders on the terms of the Prior Non-Exempt Continuing Connected Transactions.

An Independent Financial Adviser shall be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Prior Non-Exempt Continuing Connected Transactions. The advice of both the Independent Board Committee and the Independent Financial Adviser in respect of the Prior Non-Exempt Continuing Connected Transactions will be set out in a circular to be despatched to Shareholders as soon as practicable.

### **Actions taken in respect of the Non-Exempt Continuing Connected Transactions**

CACT is expected to continue to sell iron ore to CITIC Metal on a recurring or ongoing basis over the course of the three years ending 31 December 2009 subject to the Annual Caps. The annual revenue from such sales may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules. Accordingly, the approval of the Independent Shareholders to the Non-Exempt Continuing Connected Transactions and the Annual Caps shall be sought at the Special General Meeting.

The Independent Board Committee and the Independent Financial Adviser referred to above will also advise on the terms of Non-Exempt Continuing Connected Transactions and the Annual Caps. The advice of the Independent Board Committee and the Independent Financial Adviser in respect of the Non-Exempt Continuing Connected Transactions will be set out in a circular to be despatched to Shareholders as soon as practicable.

*This announcement is published by the Company pursuant to the requirements of the Listing Rules. It contains information provided by CATL and CACT for the purpose of allowing the Company to issue this announcement. The information provided by CATL and CACT to assist the Company in determining the thresholds or Annual Caps described in this announcement and the thresholds or Annual Caps themselves are not, and should not be considered or viewed as, projections or forecasts of CATL and CACT's future trading in iron ore with CITIC Metal or otherwise. The thresholds or Annual Caps described in this announcement serve the purpose only of determining whether the Company is required to issue any further announcement or obtain the further approval of the Independent Shareholders if the trading activity between CACT and CITIC Metal exceeds the thresholds or Annual Caps described in this announcement.*

## **BACKGROUND**

The Company is an integrated provider of key energy and natural resources and commodities with business interests in aluminium smelting, coal mining, import and export of commodities, manganese mining and processing and the exploration and development of oil and gas.

CATL is an indirect non wholly-owned subsidiary of the Company, which operates in Australia and is listed on the ASX. It is an international trading company with an emphasis on trade between Australia and the PRC. It is a significant exporter of bulk commodities, focusing on base metals and mineral resources, including alumina, aluminium ingots and iron ore, and imports into Australia manufactured products such as tyres and wheels, batteries, steel and aluminium products.

CACT is a wholly-owned subsidiary of CATL.

CITIC Metal is based in the PRC and is a wholly-owned subsidiary of CITIC Group. It specialises in the operation of import and export of metallurgical raw materials and products.

In the ordinary course of its business, CACT engages in the trading and sale of iron ore including to the PRC market by trading and selling iron ore with CITIC Metal. These transactions are being, and are expected to continue to be, conducted between CACT and CITIC Metal on a recurring or ongoing basis. The annual revenue generated from such sales has historically exceeded, and going forward is expected to exceed, 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules.

Set out below is a summary of the principal terms and basis upon which CACT trades and sells iron ore to CITIC Metal:

- (A) a sale of iron ore by CACT to CITIC Metal is conducted under CACT's standard sale agreements and is entered into on the occasion of each separate sale between CACT and CITIC Metal;
- (B) each sale agreement between CACT and CITIC Metal is on an arm's length basis;
- (C) the price at which iron ore is sold by CACT to CITIC Metal is determined by reference to prevailing market prices; and
- (D) payments due from CITIC Metal in respect of the iron ore sold by CACT are payable by CITIC Metal within 60 to 90 days.

Annual revenue from the sale of iron ore by CACT to CITIC Metal during the three years ended 31 December 2006 were A\$65,787,000 (HK\$401,300,700), A\$178,968,000 (HK\$1,091,704,800) and A\$223,339,000 (HK\$1,362,367,900) respectively and exceeded 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules.

If the right opportunities arise, CACT is expected to continue to sell iron ore to CITIC Metal on the terms outlined above. On an annual basis, the revenue from such sales may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules for the three years ending 31 December 2009.

## **CLASSIFICATION AS CONTINUING CONNECTED TRANSACTIONS**

CITIC Metal is a wholly-owned subsidiary of CITIC Group, which controls, directly or indirectly, all of the issued share capital of Keentech and CA. Keentech and CA are each substantial shareholders of the Company holding an aggregate of 53.35% of the issued share capital of the Company as at the date of this announcement. Accordingly, CITIC Metal is a connected person of the Company.

As CITIC Metal is a connected person of the Company, the Prior Non-Exempt Continuing Connected Transactions constitute and the Non-Exempt Continuing Connected Transactions will constitute continuing connected transactions for the Company.

## **RATIFICATION OF PRIOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT SHAREHOLDERS**

The Prior Non-Exempt Continuing Connected Transactions have not previously been reported, announced and approved by Independent Shareholders.

CATL is listed on the ASX and has separately complied with the legal and regulatory requirements in Australia in respect of the Prior Non-Exempt Continuing Connected Transactions, including obtaining the approval and support of CATL's independent non-executive directors. Due to a misunderstanding, it had been assumed that there was no additional requirement to report these to the Company at the time they were entered into. The inadvertent omission by the Company to report and announce and obtain approval of the Independent Shareholders to the 2004 Non-Exempt Continuing Connected Transactions and 2005 Non-Exempt Continuing Connected Transactions was identified during the Group's 2005 audit.

The omission by the Company to comply with the requirements of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions was wholly unintentional. Once the existence of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions was identified, the Company took immediate steps to investigate and seek legal advice. After it had been established with a degree of certainty that the Company may not have complied with the reporting, announcement and independent shareholder approval requirements of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions, the Company immediately notified the Stock Exchange. The Company also disclosed details of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions in the Company's Annual Report for the year ended 31 December 2005.

No announcement has been issued by the Company to disclose the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions until this announcement. This was primarily due to the Company and CATL requiring time to review the possible non-compliance of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions and obtain advice on the information that CATL, as a company listed on the ASX, can disclose in respect of such transactions and in respect of future transactions between CACT and CITIC Metal and the implications for CATL and its directors under the legal and regulatory regime in Australia including the ASX Listing Rules. In the interim period, CACT has continued to carry on business in the ordinary course including continuing to sell iron ore to CITIC Metal as revenue generated from this business line is an increasingly important contributor to CATL's overall revenue. A cessation of this business would not have been in the interests of CATL, its shareholders (including the Company) or Shareholders as a whole. Therefore, the 2006 Non-Exempt Continuing Connected Transactions have not been previously reported, announced or approved by Independent Shareholders.

As a company listed on the ASX, CATL is subject to its own legal and regulatory requirements including the rules of the ASX which, the Company has been advised, includes rules that are similar in their aims and content to those of Chapter 14A of the Listing Rules. Moreover, the legal framework in Australia imposes severe penalties for a public company such as CATL or its subsidiaries to conduct related party transactions other than on an arm's length basis. CATL has complied with its obligations and legal and regulatory requirements in Australia in relation to the continuing connected transactions with CITIC Metal including obtaining the approval and support of CATL's independent non-executive directors. The Company understands that the duties of the independent non-executive directors of CATL are similar to those of independent non-executive directors of companies listed on the Stock Exchange.

Notwithstanding the above, the Company and the Directors understand and fully appreciate the importance of ensuring compliance by the Company with the requirements of the Listing Rules. The Company is taking steps to ensure that all appropriate levels of management within the Group are advised of and regularly refreshed on the requirements of the Listing Rules, with particular emphasis on the disclosure, announcement and shareholder approval requirements of Chapters 13, 14, and 14A of the Listing Rules, so that they understand and are able to identify transactions that must comply with such requirements and report these immediately to senior management of the Company.

In addition to those measures, the Company proposes to convene the Special General Meeting for the purpose, inter alia, of asking the Independent Shareholders to ratify the Prior Non-Exempt Continuing Connected Transactions. Further details of the Special General Meeting are set out below.

## **APPROVAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

CACT and CITIC Metal have entered into the Cooperation Agreement for a term of three years commencing from 1 January 2007 to, on a non-exclusive basis, promote and develop the sale of iron ore in the PRC. It is expected that CACT will continue to sell iron ore to CITIC Metal on a recurring or ongoing basis on the terms outlined above under the section headed "Background" of this announcement. On an annual basis, the revenue from such sales may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules for the three years ended 31 December 2009.

The Company proposes to seek the approval of the Independent Shareholders to the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2009 subject to the Annual Caps described below.

## **ANNUAL CAPS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND BASIS OF CALCULATION**

In relation to the Non-Exempt Continuing Connected Transactions, the proposed Annual Caps for the three years ending 31 December 2009 are set as follows:

31 December 2007	:	US\$330,000,000 (HK\$2,574,000,000)
31 December 2008	:	US\$380,000,000 (HK\$2,964,000,000)
31 December 2009	:	US\$420,000,000 (HK\$3,276,000,000)

The Annual Caps are determined by reference to and assuming anticipated future sales of iron ore which are arrived at based on the historical performance of iron ore sales as a growing business line for CATL over the last three years, an assumed sustained demand for iron ore particularly in the PRC market for the three years ending 31 December 2009, the potential price of iron ore generally and ability of CACT to source and secure iron ore supplies in the market at competitive prices.

## **REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The sale of iron ore by CACT was introduced in the 2004 Financial Year as a new business line for CATL and, although negligible to begin with, sales increased significantly in that period. During the 2005 Financial Year, the sale of iron ore further increased with exports to the PRC being a major factor. The PRC market is currently the world's largest iron ore market but distribution of iron ore within the PRC is regulated and effectively restricted to PRC entities. CITIC Metal has been instrumental in helping CACT increase export volumes of iron ore to the PRC market during the 2005 Financial Year and the 2006 Financial Year. Going forward, CATL aims to further develop its iron ore trading into a sustainable, significant and regular business line and the sale of iron ore to CITIC Metal, which gives CATL access to the PRC market, is an important element in achieving this.

The Directors consider that the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Moreover (and in the case of the Independent Board Committee, subject to the advice of the Independent Financial Adviser), the Directors believe that the proposal to enter into the Non-Exempt Continuing Connected Transactions is also fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

## **SPECIAL GENERAL MEETING**

A Special General Meeting will be convened for the purpose of asking the Independent Shareholders to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the Annual Caps. CITIC Group and its associates will be required to abstain from voting at the Special General Meeting. The votes of Independent Shareholders at the Special General Meeting will be taken by poll.

## **INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee will be formed to consider and make its recommendation to the Independent Shareholders in respect of the resolution(s) to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the Annual Caps.

## INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser shall be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether:

- (a) the terms of the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole; and
- (b) the Non-Exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

## CIRCULAR

A circular containing, among other things, details of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the Annual Caps, the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser, together with a notice convening the Special General Meeting will be despatched to Shareholders as soon as practicable.

## DEFINITIONS

The following defined terms are used in this announcement:

“Annual Caps”	the maximum value of the annual sales revenue of the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2009 as set out in this announcement
“associates”	has the meaning given to it in the Listing Rules
“ASX”	the Australian Stock Exchange
“Board”	the board of Directors
“CA”	CITIC Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
“CACT”	CITIC Australia Commodity Trading Pty. Ltd., a company incorporated in the State of Victoria with limited liability and a wholly-owned subsidiary of CATL
“CATL”	CITIC Australia Trading Limited, a company incorporated in the State of Victoria, Australia with limited liability, the shares of which are listed on the ASX
“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC
“CITIC Metal”	CITIC Metal Company Limited, a company incorporated in the PRC

“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning given to it in the Listing Rules
“Cooperation Agreement”	a cooperation agreement dated 5 April 2007 and made between CACT and CITIC Metal relating to the promotion development of iron ore sales to the PRC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	a board committee comprising the independent non-executive Directors of the Company to be formed to make a recommendation to the Independent Shareholders in respect of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the Annual Caps
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise in respect of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the Annual Caps
“Independent Shareholders”	Shareholders other than CA and Keentech and its associates
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Exempt Continuing Connected Transactions”	the proposed continuing connected transactions represented by the trading and sale of iron ore by CACT to CITIC Metal for the three financial years ending 31 December 2009
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Prior Non-Exempt Continuing Connected Transactions”	the 2004 Non-Exempt Continuing Connected Transactions, the 2005 Non-Exempt Continuing Connected Transactions and the 2006 Non-Exempt Continuing Connected Transactions
“Shareholder(s)”	holder(s) of shares of the Company
“Special General Meeting”	the special general meeting of the Company to be convened to, inter alia, ratify the Prior Non-Exempt Continuing Connected Transactions and approve the Non-Exempt Continuing Connected Transactions and the Annual Caps

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to it in the Listing Rules
“2004 Financial Year”	the 12 months ended 31 December 2004
“2004 Non-Exempt Continuing Connected Transactions”	the trading and sale of iron ore by CACT to CITIC Metal during the 2004 Financial Year
“2005 Financial Year”	the 12 months ended 31 December 2005
“2005 Non-Exempt Continuing Connected Transactions”	the trading and sale of iron ore by CACT to CITIC Metal during the 2005 Financial Year
“2006 Financial Year”	the 12 months ended 31 December 2006
“2006 Non-Exempt Continuing Connected Transactions”	the trading and sale of iron ore by CACT to CITIC Metal during the 2006 Financial Year
“A\$”	Australian dollars, the lawful currency of Australia
“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, amounts in US\$ and A\$ have been converted into HK\$ or vice versa at the rates of US\$1=HK\$7.8, and A\$1=HK\$6.1 respectively for illustration purposes only. No representation is made that any amounts in US\$, A\$ or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.*

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

Hong Kong, 13 April 2007

*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.