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CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

ACQUISITION OF INTEREST IN KAZAKHSTAN OIL ASSETS

ACQUISITION OF LOAN AND OTHER INDEBTEDNESS

The Company has conditionally agreed to acquire from CITIC Group the entire issued share capital of RNL, and thereby the Kazakhstan Interests, and the benefit of the KEL Indebtedness.

The Kazakhstan Interests comprise 50% of the voting rights in each of KBM, ATS and TMS. KBM is engaged in the exploration, development and production of oil and holds the right to develop and produce oil in the Karazhanbas oilfield in Kazakhstan until 2020. As of 31 December 2006, the Karazhanbas oilfield had an estimated 363.8 million barrels of proved reserves. ATS is engaged in the provision of transportation services and other oilfield related logistics services. TMS is engaged in the provision of oil well drilling, construction and workover services.

The aggregate consideration payable by the Company to CITIC Group in respect of the Transaction is about US\$1,003,500,001 (HK\$7,827,300,008).

The Transaction constitutes a very substantial acquisition for the Company under the Listing Rules.

The Transaction also constitutes a connected transaction for the Company under the Listing Rules and requires the approval of the Independent Shareholders. CITIC Group is an associate of CA and Keentech, each of which is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The SGM shall be convened for the purpose of asking the Independent Shareholders to consider and, if thought fit, approve the Transaction.

A circular containing, among other things, further details of the Transaction, the Kazakhstan Companies, the Kazakhstan Assets and the Kazakhstan Business, a letter from the Independent Board Committee to the Independent Shareholders, the opinion from the Independent Financial Adviser on the Transaction and a notice convening the SGM will be despatched to Shareholders as soon as practicable.

Trading in the Shares was suspended at the request of the Company from 9:30 a.m. on 2 May 2007 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 May 2007.

Shareholders and potential investors should note that the Transaction, which is subject to the satisfaction of a number of conditions, may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Directors are pleased to announce that the Company has conditionally agreed to acquire from CITIC Group the entire issued share capital of RNL, and thereby the Kazakhstan Interests, and the benefit of the KEL Indebtedness.

The Kazakhstan Interests comprise 50% of the voting rights in each of KBM, ATS and TMS. KBM is engaged in the exploration, development and production of oil and holds the right to develop and produce oil in the Karazhanbas oilfield in Kazakhstan until 2020. As of 31 December 2006, the Karazhanbas oilfield had an estimated 363.8 million barrels of proved reserves. ATS is engaged in the provision of transportation services and other oilfield related logistics services. TMS is engaged in the provision of oil well drilling, construction and workover services.

The aggregate consideration payable by the Company to CITIC Group in respect of the Transaction is about US\$1,003,500,001 (HK\$7,827,300,008).

PRINCIPAL TERMS OF THE TRANSACTION AGREEMENTS

Date of Transaction Agreements

30 April 2007

Parties to Transaction Agreements

- (1) CITIC Group.
- (2) the Company.

Acquisition of RNL and KEL Indebtedness

Pursuant to the Transaction Agreements, the Company shall purchase the Sale Share, representing the entire issued share capital of RNL, and the KEL Indebtedness.

RNL holds indirectly the Kazakhstan Interests comprising an interest in 50% of the Kazakhstan Assets.

The Retained Kazakhstan Interests will be retained by CITIC Group subject to the KMG Option.

Conditions to the Transaction Agreements

Completion is conditional upon satisfaction of the following Conditions on or before the Long Stop Date:

1. in respect of the Acquisition Agreement:
 - (a) the Company being satisfied with its due diligence review and investigation in respect of the RNL Group and their respective businesses and assets including but not limited to the Kazakhstan Companies, the Kazakhstan Assets and the Kazakhstan Business;
 - (b) all necessary approval from the Independent Shareholders who are permitted under the Listing Rules or by the Stock Exchange to vote at a duly convened special general meeting of the Company of a resolution approving the Transaction; and
 - (c) the Kazakhstan Approvals having been obtained on terms acceptable to each of CITIC Group and the Company, acting reasonably, in respect of the Transaction and such approvals continuing in full force and effect; and

2. in respect of the KEL Debt Purchase Agreement:
 - (a) all necessary approval from the Independent Shareholders who are permitted under the Listing Rules or by the Stock Exchange to vote at a duly convened special general meeting of the Company of a resolution approving the KEL Debt Purchase Agreement; and
 - (b) completion of the Acquisition Agreement.

The Company has the right to waive the Condition described in paragraph 1(a) above. The other Conditions are not capable of being waived.

As at the date of this announcement, none of the Conditions has been satisfied or waived.

Completion of the Transaction

Completion shall take place on a date (being a Business Day) nominated by the Company falling not more than three months after the date on which the last of the Conditions described above under the heading “Conditions to the Transaction Agreements” to be satisfied or waived is duly satisfied or, as applicable, waived by the Company or such other date (being a Business Day) as the Company and CITIC Group may agree in writing but in any event shall not be later than 31 December 2007.

Warranties

Under the terms of the Arrangement Agreement pursuant to which CCEL, and thereby CITIC Group, acquired the Kazakhstan Assets, the representations and warranties made to CITIC Group and CCEL by CCPL in respect of CCPL, the Kazakhstan Companies, the Kazakhstan Assets and the Kazakhstan Business were limited. Accordingly, CITIC Group and CCEL were required to primarily rely on their own due diligence and investigations into CCPL, the Kazakhstan Companies, the Kazakhstan Assets and the Kazakhstan Business. The Company is required to acquire RNL, and thereby the Kazakhstan Interests, from CITIC Group on a similar basis.

CONSIDERATION PAYABLE IN RESPECT OF TRANSACTION

Aggregate Consideration

The aggregate consideration payable by the Company to CITIC Group in respect of the Transaction is about US\$1,003,500,001 (HK\$7,827,300,008).

Basis for Determination of Consideration

The consideration has been arrived at after arm's length negotiations between the Company and CITIC Group on normal commercial terms taking into account various factors, including the oil reserves at the Karazhanbas oilfield, the financial position of the RNL Group, prevailing oil prices and the net value and growth prospects of the principal activities of the RNL Group described in the section headed "Information on the RNL Group" of this announcement.

TERMS OF PAYMENT OF CONSIDERATION

Deposit

The Company has paid the Deposit, being the amount of US\$200,000,000 (HK\$1,560,000,000), to CITIC Group.

At Completion, the Company will pay the balance of the Consideration of about US\$803,500,001 (HK\$6,267,300,008) to CITIC Group in cash. The Company intends to finance the balance of the Consideration from available internal resources and third party debt and borrowings.

Refund of Deposit

The Deposit, together with interest, shall be repaid to the Company if the Transaction is terminated for any reason.

KMG OPTION AND EFFECT OF EXERCISE OF THE KMG OPTION

KMG has been granted the KMG Option pursuant to which KMG has the right (but not the obligation) to acquire indirectly the Retained Kazakhstan Interests.

The Retained Kazakhstan Interests comprise 50% of the Kazakhstan Assets.

If KMG exercises the KMG Option and assuming Completion occurs, the Company and KMG will each hold, directly or indirectly, a 50% interest in the Kazakhstan Assets and, as a result, the Company in such circumstances would expect to operate CCEL, CCPL and the Kazakhstan Companies as joint ventures with KMG. CCEL will be a jointly-controlled entity.

Under the existing terms of the KMG Option, unless otherwise agreed, members of the CCEL Group will distribute by dividends and other distributions all of their distributable reserves to their respective shareholders. CCEL will pay its dividends to its shareholders rateably and equally except that KMG shall have a right to be paid the Preferential Dividend in priority to dividends payable to the Company if the dividends declared and paid by CCEL are less than US\$32,400,000 (HK\$252,720,000) in any year.

KMG and the Company will provide management and other services to members of the CCEL Group in consideration for the payment annually of net service fees of US\$10,000,000 (HK\$78,000,000) per annum.

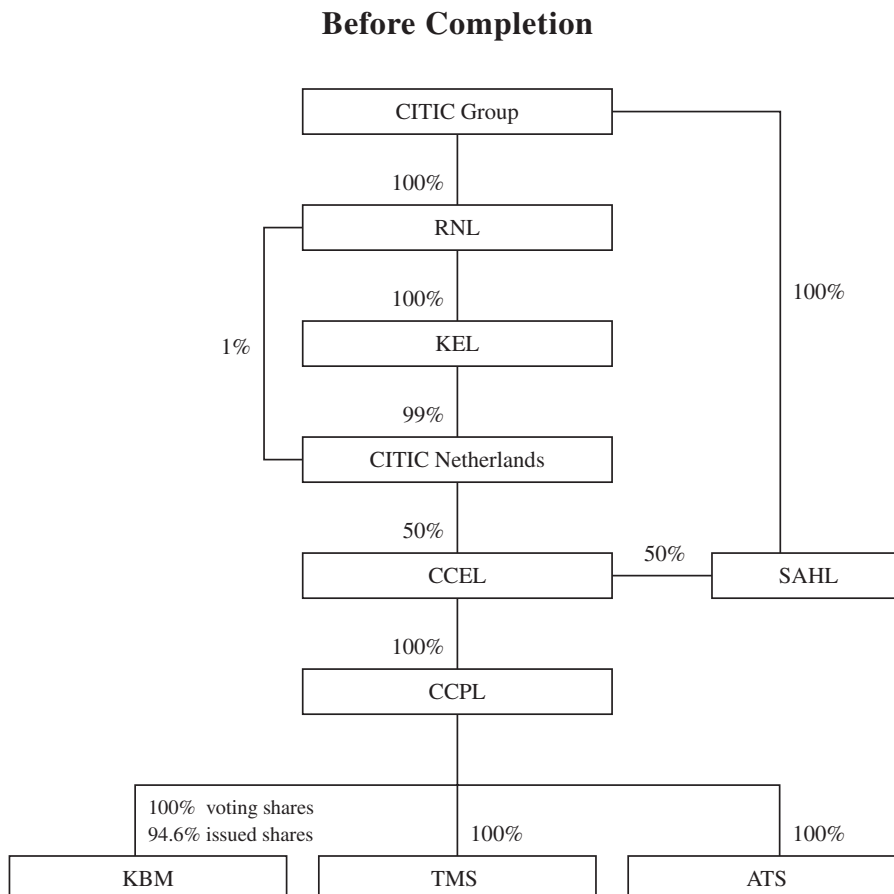
The Company will have the right to nominate the chief executive officer and technical director during the first five years of the joint venture, with KMG nominating the deputy chief executive officer and chief financial officer during the same period. In addition, the Company and KMG will have the right to each appoint a marketing and commercial director.

Decisions of the board of directors of CCEL, CCPL and KBM will be determined on a majority basis save for decisions on matters such as, but not limited to, approval of annual work programs, annual budgets and capital expenditure programs, long term oil supply contracts, the acquisition or disposal of major assets and amendments to the policy as to dividends where unanimous consent is required. The Company will have the right to appoint a majority of the directors to the boards of CCEL, CCPL and KBM. ATS and TMS will be managed by a management board comprising of two members, one appointed by the Company and the other by KMG.

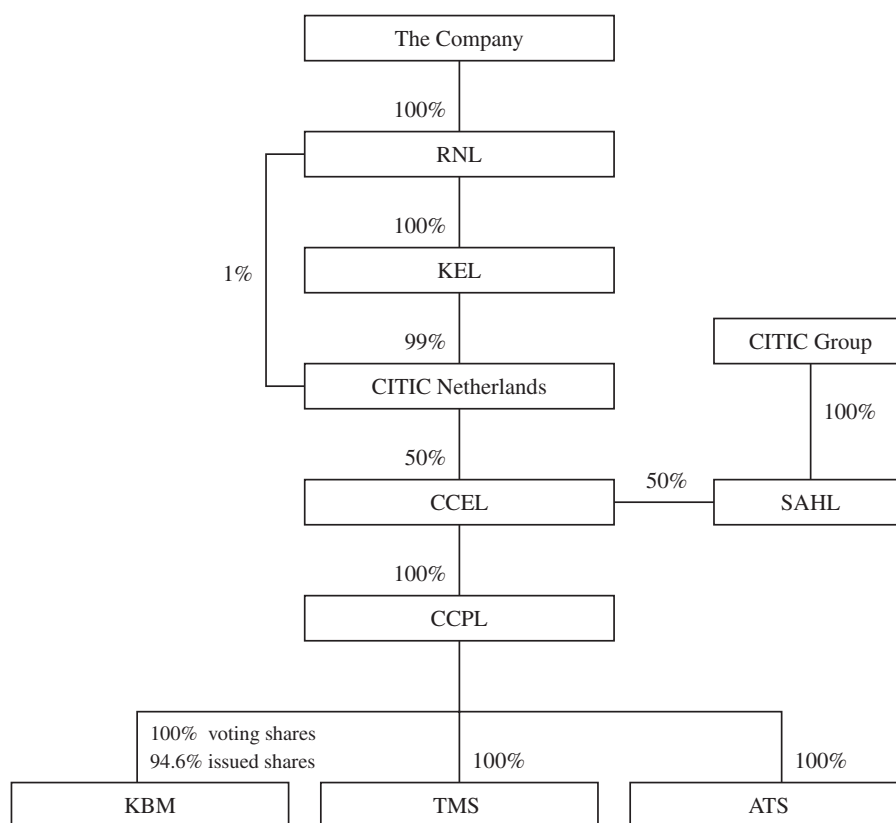
Certain decisions will be reserved to shareholders of CCEL, CCPL and KBM and these will include, but are not limited to, decisions concerning the dissolution, liquidation, merger or amalgamation, changes in share capital, changes to the constitutional documents and the entry into of a new field business or any substantial expansion of the current business.

CORPORATE STRUCTURE BEFORE AND AFTER COMPLETION

The following diagrams illustrate the simplified corporate structure of the RNL Group immediately before and after Completion:



After Completion



INFORMATION ON THE GROUP

The Company is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in oil, aluminium smelting, coal mining, import and export of commodities and manganese mining and processing. The Group operates in the PRC, Australia and Indonesia and, if the Company completes the Transaction, Kazakhstan. At present, aluminium smelting is the largest contributor to the overall profit of the Group. The Company anticipates revenue from its oil business to become its largest profit contributor in the future after Completion.

INFORMATION ON CITIC GROUP

CITIC Group is a state-owned entity and was established in October 1979 pursuant to a special order of the State Council of the PRC as a state-owned enterprise that is “under the direct leadership of the State Council”. CITIC Group conducts its business activities primarily through its domestic and overseas operating subsidiaries. Its business activities are divided into two main areas: financial services businesses and non-financial businesses. Financial services businesses, consisting primarily of commercial banking, insurance, trust and funds and asset management businesses, constitute the core business of CITIC Group. Non-financial businesses range from information technology, infrastructure, manufacturing, natural resources, property development to construction.

CITIC Group acquired CCPL and the Kazakhstan Companies on 29 December 2006 for a consideration of about US\$1,910,000,000 (HK\$14,898,000,000) subject to adjustment for cash, debt and other liabilities.

INFORMATION ON THE RNL GROUP

RNL

RNL is an investment holding company and was incorporated in the British Virgin Islands on 26 July 2005 and used solely for the purposes of CITIC Group's indirect acquisition of the Kazakhstan Assets.

Business Overview of the RNL Group

RNL's principal operating subsidiaries are the Kazakhstan Companies.

The principal activities of the Kazakhstan Companies are the operation of oil and oil related businesses and activities in Kazakhstan.

KBM

KBM is engaged in the exploration, development and production of oil and holds the right to develop and produce oil in the Karazhanbas oilfield in Kazakhstan until 2020.

The quality of oil produced from the Karazhanbas oilfield is typically 19 degree API.

The table below summarises information relating to the reserves at the Karazhanbas oilfield for the periods indicated:

Reserves (in million barrels)	As of 31 December						
	2000	2001	2002	2003	2004	2005	2006
Proved							
Developed	123.4	206.3	278.2	253.7	265.1	229.1	244.0
Undeveloped	102.4	138.6	105.8	137.7	140.9	117.9	119.8
Total Proved	225.8	344.9	384.0	391.4	406.0	347.0	363.8
Probable	73.8	94.6	89.6	67.6	110.8	78.9	74.6
Possible	91.5	167.2	138.5	103.9	33.6	29.2	21.6

The table below sets out information regarding oil production from the Karazhanbas oilfield for the year ended 31 December 2006:

For the year ended 31 December 2006	
Revenue from sales of oil	US\$843,500,000 (HK\$6,579,300,000)
Sales volume	15.5 million barrels of oil
Average sales price per barrel	US\$54.40 (HK\$424.32)

The table below sets out information on the number of wells drilled by KBM for the three years ended 31 December 2006:

	Productive	Dry	Total
Year ended 31 December 2004	105	2	107
Year ended 31 December 2005	132	3	135
Year ended 31 December 2006	194	11	205

ATS

ATS is engaged in the provision of transportation services and other oilfield related logistics services.

TMS

TMS is engaged in the provision of oil well drilling, construction and workover services.

FINANCIAL INFORMATION

Consolidated Financial Information on the RNL Group

On 29 December 2006, RNL acquired through CCEL a 100% interest in CCPL. KMG has an option, effective on the same date, to acquire the Retained Kazakhstan Interests by acquiring a 50% interest in CCEL. The 50% interest in CCEL to be disposed of has been reclassified as an interest in a jointly-controlled entity held for sale and the 50% interest that continues to be held by RNL has been proportionately consolidated. Below is the financial information on the RNL Group prepared with a 50% interest in CCEL which has been reclassified as held for sale and a 50% interest in CCEL which has been proportionately consolidated as at 31 December 2006.

Consolidated Balance Sheets

HK\$'000	Note	2005	2006
NON-CURRENT ASSETS			
Property, plant and equipment		—	18,088,593
Intangible assets		—	4,563
Other assets		—	46,050
		<hr/>	<hr/>
		—	18,139,206
CURRENT ASSETS			
Inventories		—	210,194
Accounts receivable		—	233,317
Prepayments, deposits and other receivables		—	214,659
Tax recoverable		—	54,371
Cash and cash equivalents		—	1,769,040
		<hr/>	<hr/>
		—	2,481,581
Interest in a jointly-controlled entity held for sale	(i)	—	6,810,976
		<hr/>	<hr/>
		—	9,292,557

CURRENT LIABILITIES

Accounts payable	—	100,036
Tax payable	—	380,676
Accrued liabilities and other payables	—	986,785
Due to the ultimate holding company	—	14,616,929
Interest-bearing bank and other borrowings	—	1,580,113

— 17,664,539

NET CURRENT LIABILITIES

— (8,371,982)

TOTAL ASSETS LESS CURRENT LIABILITIES

— 9,767,224

NON-CURRENT LIABILITIES

Interest-bearing bank and other borrowings	—	506,879
Deferred tax liabilities	—	9,109,278
Provision for dismantlement	—	91,289

— 9,707,446

Net assets

— 59,778

EQUITY

Issued capital	(ii)	—	—
Reserves		—	4,165

— 4,165

Minority interests

— 55,613

— 59,778

Notes:

(i) Interest in a jointly-controlled entity held for sale

On 29 December 2006, the RNL Group acquired through CCEL a 100% interest in CCPL from independent third parties. CCPL is an investment holding company which holds a 94.6% interest in KBM, a 100% interest in ATS and a 100% interest in TMS.

(ii) Issued capital

On incorporation, RNL issued 1 ordinary share of US\$1.0 at a price of US\$1.0 per share to its shareholder.

Combined Financial Information on CCPL and the Kazakhstan Companies

CCPL holds a 94.6% interest in KBM, a 100% interest in TMS and a 100% interest in ATS. Prior to the acquisition of CCPL by CITIC Group, CCPL disposed of certain assets not operating in Kazakhstan (the “Non-Kazakh Business”). Below is the combined financial information for CCPL (on a stand-alone basis) and its subsidiaries which include the Kazakhstan Companies with a carve out of the Non-Kazakh Business as at and for the three years ended 31 December 2004, 2005 and 2006.

Combined Income Statements

HK\$'000	Notes	Year ended 31 December		
		2004	2005	2006
REVENUE	(i)	3,293,107	5,107,472	6,377,844
Cost of sales	(ii)	<u>(896,339)</u>	<u>(1,126,544)</u>	<u>(1,643,879)</u>
Gross profit		2,396,768	3,980,928	4,733,965
Other income	(i)	3,733	8,090	18,684
Selling and distribution costs		(517,189)	(482,332)	(446,746)
Administrative expenses		(469,095)	(415,960)	(621,191)
Other operating expenses, net		(76,283)	(92,372)	(109,816)
Finance costs	(iii)	<u>(150,932)</u>	<u>(181,497)</u>	<u>(265,747)</u>
PROFIT BEFORE TAX	(ii)	1,187,002	2,816,857	3,309,149
Tax	(iv)	<u>(1,140,465)</u>	<u>(1,620,787)</u>	<u>(1,901,437)</u>
PROFIT FOR THE YEAR		<u>46,537</u>	<u>1,196,070</u>	<u>1,407,712</u>
ATTRIBUTABLE TO:				
Equity holders of the holding company		33,719	1,125,068	1,313,172
Minority interests		<u>12,818</u>	<u>71,002</u>	<u>94,540</u>
		<u>46,537</u>	<u>1,196,070</u>	<u>1,407,712</u>
Dividends	(v)	<u>163,512</u>	<u>514,026</u>	<u>560,558</u>

Notes:

(i) Revenue and other income

Revenue, which is also the aggregate turnover of the CCPL Group, represents revenue from the sale of crude oil. All significant intra-group transactions have been eliminated on combination.

HK\$'000	Year ended 31 December		
	2004	2005	2006
Revenue			
Sale of crude oil, net	3,402,327	5,263,030	6,579,492
Less: Royalties	<u>(109,220)</u>	<u>(155,558)</u>	<u>(201,648)</u>
	<u>3,293,107</u>	<u>5,107,472</u>	<u>6,377,844</u>
Other income			
Interest income	1,527	6,528	15,975
Others	<u>2,206</u>	<u>1,562</u>	<u>2,709</u>
	<u>3,733</u>	<u>8,090</u>	<u>18,684</u>

(ii) Profit before tax

The CCPL Group's profit before tax is arrived at after charging/(crediting):

HK\$'000	Year ended 31 December		
	2004	2005	2006
Cost of inventories sold	896,339	1,126,544	1,643,879
Depreciation and amortisation	310,829	365,719	531,179
Auditors' remuneration	<u>1,457</u>	<u>1,700</u>	<u>4,875</u>
Loss on disposal of items of property, plant and equipment	2,642	14,198	17,320
Foreign exchange differences, net*	(3,650)	10,242	4,203
Repairs and maintenance	165,519	163,468	306,093
Withholding tax*	80,592	68,482	86,591
Provision for obsolete inventories	—	35,988	63,256
Provision for impairment of other receivables	<u>1,829</u>	<u>—</u>	<u>31,571</u>

* These amounts are included in "other operating expenses, net" on the face of the combined income statements.

(iii) **Finance costs**

CCPL Group

HK\$'000	Year ended 31 December		
	2004	2005	2006
Interest expense on bank loan repayable within five years	67,826	120,232	202,326
Interest on other loans (including bonds)	58,479	57,768	61,191
Increase in discounted amounts of borrowings arising from the passage of time	<u>22,192</u>	<u>6,672</u>	<u>11,775</u>
Total interest	148,497	184,672	275,292
Less: Interest capitalised in property, plant and equipment	<u>(5,684)</u>	<u>(12,841)</u>	<u>(21,528)</u>
	142,813	171,831	253,764
Other finance charges:			
Increase in discounted amounts of provision arising from the passage of time	<u>8,119</u>	<u>9,666</u>	<u>11,983</u>
	<u><u>150,932</u></u>	<u><u>181,497</u></u>	<u><u>265,747</u></u>

The interest rates used for interest capitalisation represented the cost of capital arising from the related borrowings at the rates of 7.6%, 8.9% and 9.7% per annum for the years ended 31 December 2004, 2005 and 2006, respectively.

(iv) **Tax**

CCPL Group

HK\$'000	2004	2005	2006
Kazakhstan:			
Current	487,231	1,447,386	1,928,475
Deferred	<u>653,234</u>	<u>173,401</u>	<u>(27,038)</u>
Total tax charge for the year	<u><u>1,140,465</u></u>	<u><u>1,620,787</u></u>	<u><u>1,901,437</u></u>

CCPL and its subsidiaries are required to file tax returns in the respective jurisdictions in which they are registered. The primary operating jurisdiction is Kazakhstan with substantially all of the CCPL Group's income earned in Kazakhstan. KBM, a 94.6% owned subsidiary, TMS, a 100% owned subsidiary, and ATS, a 100% owned subsidiary, are separate taxpayers under the Kazakhstan tax legislation.

The income tax charge of the CCPL Group is calculated in accordance with the regulations of Kazakhstan and is based on the results reported in KBM's, ATS's and TMS's statements of operations prepared after adjustments for tax purposes.

In accordance with the subsoil use contract, KBM shall pay excess profit tax (the "EPT") on its profit after corporate income tax, pursuant to the Tax Code of Kazakhstan. The excess profit tax shall be paid by KBM for each calendar year on a basis of the cumulative real internal rate of return (the "IRR") exceeding 20%. The IRR is calculated based on the after tax cash flow (the "ATCF") by further discounting with the published oil machinery and equipment index. The ATCF shall be calculated as the cumulative gross income of KBM for a calendar year less all expenses of KBM relating to petroleum operations in that year, including transporting expenses, operating costs, capital expenditures and all taxes. KBM shall pay the EPT at the progressive rates from 4% to 30% of the profit after corporate income tax.

With effect from 2005, the IRR of KBM exceeded 30% and KBM is subject to 30% EPT. After taking into account the corporate income tax effect, the effective EPT rates of KBM are Nil, 21% and 21% for the years ended 31 December 2004, 2005 and 2006, respectively.

(v) Dividends

The board of directors of CCPL declared and paid dividends in the amount of HK\$163,512,000 (HK\$0.58 per ordinary share), HK\$514,026,000 (HK\$1.82 per ordinary share) and HK\$560,558,000 (HK\$1.98 per ordinary share) in respect of the years ended 31 December 2004, 2005 and 2006, respectively.

Combined Balance Sheets

HK\$'000	2004	2005	2006
NON-CURRENT ASSETS			
Property, plant and equipment	4,432,091	4,771,763	5,566,049
Intangible assets	10,287	10,285	9,125
Other assets	101,099	60,140	92,099
	<u>4,543,477</u>	<u>4,842,188</u>	<u>5,667,273</u>
CURRENT ASSETS			
Inventories	213,532	290,871	420,387
Accounts receivable	360,777	437,193	466,633
Prepayments, deposits and other receivables	267,451	290,287	428,042
Tax recoverable	46,808	91,373	108,741
Due from the intermediate holding company	—	—	2,199,657
Due from related parties	12,822	25,357	—
Due from ex-shareholders	19,627	—	—
Cash and cash equivalents	274,195	634,087	311,993
	<u>1,195,212</u>	<u>1,769,168</u>	<u>3,935,453</u>
CURRENT LIABILITIES			
Accounts payable	112,191	133,181	200,072
Tax payable	—	556,097	761,351
Accrued liabilities and other payables	198,960	230,328	363,312
Due to ex-shareholders	8,084	83,485	—
Interest-bearing bank and other borrowings	77,779	266,520	1,604,406
	<u>397,014</u>	<u>1,269,611</u>	<u>2,929,141</u>
NET CURRENT ASSETS	<u>798,198</u>	<u>499,557</u>	<u>1,006,312</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES	<u>5,341,675</u>	<u>5,341,745</u>	<u>6,673,585</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	1,843,983	1,909,256	1,013,758
Deferred tax liabilities	1,678,449	1,797,801	1,827,825
Provision for dismantlement	107,366	116,841	182,578
	<u>3,629,798</u>	<u>3,823,898</u>	<u>3,024,161</u>
Minority interests	<u>103,339</u>	<u>110,566</u>	<u>111,225</u>
OWNERS' EQUITY	<u><u>1,608,538</u></u>	<u><u>1,407,281</u></u>	<u><u>3,538,199</u></u>

Combined Cash Flow Statements

HK\$'000	2004	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	1,187,002	2,816,857	3,309,149
Adjustments for:			
Finance costs	150,932	181,497	265,747
Interest income	(1,527)	(6,528)	(15,975)
Depreciation and amortisation	310,829	365,719	531,179
Loss on disposal of items of property, plant and equipment	2,642	14,198	17,320
Equity-settled share option expenses	58,749	43,307	66,039
Provision for obsolete inventories	—	35,988	63,256
Provision for impairment of other receivables	1,829	—	31,571
	<u>1,710,456</u>	<u>3,451,038</u>	<u>4,268,286</u>
Increase in inventories	(34,024)	(120,001)	(176,261)
Increase in accounts receivable	(162,650)	(87,692)	(4,623)
Increase in prepayments, deposits and other receivables	(153,713)	(31,195)	(152,848)
(Increase)/decrease in amounts due from related parties	(11,875)	(12,936)	26,796
Increase in accounts payable	47,371	24,497	59,331
Increase in accrued liabilities and other payables	77,641	37,587	119,910
	<u>1,473,206</u>	<u>3,261,298</u>	<u>4,140,591</u>
Cash generated from operations	1,473,206	3,261,298	4,140,591
Overseas tax paid	(600,629)	(937,317)	(1,785,997)
	<u>872,577</u>	<u>2,323,981</u>	<u>2,354,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,527	6,528	15,975
Purchases of items of property, plant and equipment	(670,351)	(856,295)	(1,011,285)
Proceeds from disposal of items of property, plant and equipment	7,608	12,197	8,009
Additions to intangible assets	(2,064)	(2,839)	(1,182)
(Increase)/decrease in other assets	(49,451)	38,171	(28,545)
Increase in the amount due from the intermediate holding company	—	—	(2,199,657)
	<u>(712,731)</u>	<u>(802,238)</u>	<u>(3,216,685)</u>
Net cash outflow from investing activities	(712,731)	(802,238)	(3,216,685)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	359	41,277	132,999
New bank loans	2,242,000	448,984	933,773
Repayment of bank loans	(1,137,219)	(145,109)	(590,277)
Interest paid	(148,497)	(184,672)	(275,292)
Dividend paid	(163,512)	(514,026)	(560,558)
Dividends paid to minority shareholders	(46,879)	(60,442)	(100,193)
Net contribution from/(distribution to) equity owners	(637,072)	(838,800)	1,063,480
Increase in balances with ex-shareholders	(11,543)	94,667	(88,224)
	<u>97,637</u>	<u>(1,158,121)</u>	<u>515,708</u>

NET INCREASE/(DECREASE) IN

CASH AND CASH EQUIVALENTS	257,483	363,622	(346,383)
Cash and cash equivalents at beginning of year	16,417	274,195	634,087
Effect of foreign exchange rate changes, net	295	(3,730)	24,289

**CASH AND CASH EQUIVALENTS
AT END OF YEAR**

<u>274,195</u>	<u>634,087</u>	<u>311,993</u>
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**ANALYSIS OF BALANCES OF CASH
AND CASH EQUIVALENTS**

Cash and bank balances	<u>274,195</u>	<u>634,087</u>	<u>311,993</u>
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Unaudited Pro Forma Financial Information on the Enlarged Group

Below is the unaudited pro forma financial information on the Enlarged Group as at and for the year ended 31 December 2006.

It has been prepared based on a number of assumptions, estimates, and uncertainties, and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information does not purport to describe the financial position or the results of operations or cash flows that would have been presented had the proposed acquisition of RNL Group been completed. Further, the accompanying unaudited pro forma financial information does not purport to predict the Enlarged Group's future financial position, results of operations or cash flows.

Unaudited Pro Forma Combined Balance Sheet of the Enlarged Group Upon Completion of the Transaction

HK\$'000	Pro Forma Enlarged Group as at 31 December 2006
NON-CURRENT ASSETS	
Property, plant and equipment	20,480,094
Prepaid land lease premiums	58,353
Other intangible assets	140,264
Other assets	555,983
Goodwill	341,512
Available-for-sale equity investments	845,936
Prepayments, deposits and other receivables	16,346
Loan receivable	21,615
Deferred tax assets	6,754
Other assets	46,050
	<hr/>
Total non-current assets	22,512,907
	<hr/>
CURRENT ASSETS	
Inventories	1,322,344
Accounts receivable	1,173,255
Prepayments, deposits and other receivables	2,082,055
Tax recoverable	54,371
Loan receivable	17,327
Equity investments at fair value through profit or loss	1,974
Derivative financial instruments	16,380
Other assets	62,945
Cash and cash equivalents	2,731,510
Due from related companies	51,486
Due from the ultimate holding company	34,320
	<hr/>
Total current assets	7,547,967
	<hr/>
CURRENT LIABILITIES	
Accounts payable	633,824
Tax payable	427,784
Accrued liabilities and other payables	1,239,120
Derivative financial instruments	286,920
Due to a minority shareholder	38,174
Interest-bearing bank and other borrowings	1,612,315
Provisions	53,738
Due to the ultimate holding company	7,805,953
	<hr/>
Total current liabilities	12,097,828
	<hr/>
NET CURRENT LIABILITIES	(4,549,861)
	<hr/>

TOTAL ASSETS LESS CURRENT LIABILITIES	<u>17,963,046</u>
NON-CURRENT LIABILITIES	
Interest-bearing bank and other borrowings	2,721,419
Deferred tax liabilities	9,629,211
Derivative financial instruments	41,063
Provisions	208,838
Other payables	<u>75,648</u>
Total non-current liabilities	<u>12,676,179</u>
Net assets	<u><u>5,286,867</u></u>
OWNERS' EQUITY	<u><u>5,286,867</u></u>

Unaudited Pro Forma Combined Income Statement of the Enlarged Group Upon Completion of the Transaction

Below is the unaudited pro forma combined income statement of the Enlarged Group for the year ended 31 December 2006 which has been prepared for the purpose of illustration as if the proposed acquisition of the RNL Group had taken place on 1 January 2006.

HK\$'000	Pro Forma Enlarged Group for the year ended 31 December 2006
REVENUE	10,692,350
Cost of sales	<u>(8,277,470)</u>
Gross profit	2,414,880
Other income and gains	292,587
Selling and distribution costs	(291,675)
Administrative expenses	(525,506)
Other operating expenses, net	(117,227)
Finance costs	<u>(207,160)</u>
PROFIT BEFORE TAX	1,565,899
Tax	<u>(763,354)</u>
PROFIT FOR THE YEAR	<u><u>802,545</u></u>
ATTRIBUTABLE TO:	
Shareholders of the Company	718,010
Minority interests	<u>84,535</u>
	<u><u>802,545</u></u>

Unaudited Pro Forma Combined Cash Flow Statement of the Enlarged Group Upon Completion of the Transaction

Below is the unaudited pro forma combined cash flow statement of the Enlarged Group for the year ended 31 December 2006 which has been prepared for the purpose of illustration as if the proposed acquisition of the RNL Group had taken place on 1 January 2006.

HK\$'000	Pro Forma Enlarged Group for the year ended 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	1,970,764
Adjustments for:	
Finance costs	283,229
Interest income	(152,797)
Dividend income from listed investments	(55,115)
Equity-settled share option expenses	59,177
Depreciation	356,682
Amortisation	69,580
Loss on disposal/write-off of items of property, plant and equipment	13,228
Provision for long service and leave payments	6,715
Provision for rehabilitation cost	8,554
Provision for abandonment cost	112
Write-back of provision for impairment of items of property, plant and equipment	(4,893)
Provision for impairment of accounts receivable	1,816
Provision against inventories	33,143
Provision for impairment of other receivables	15,785
Gain on conversion of available-for-sale equity investments	(17,502)
Warranty income, net	(14,908)
Unrealised losses on embedded derivatives	111,667
Unrealised foreign exchange losses	25,777
Gain on disposal of available-for-sale equity investments	(5,235)
	<hr/>
	2,705,779
Increase in inventories	(390,859)
Increase in prepayments, deposits and other receivables	(136,147)
Increase in accounts receivable	(504,707)
Increase in amounts due from related companies	(38,088)
Decrease in accrued liabilities and other payables	(56,917)
Increase in accounts payable	343,571
Increase in an amount due to a minority shareholder	38,174
	<hr/>
Cash generated from operations	1,960,806
Income tax paid	(1,038,457)
	<hr/>
Net cash inflow from operating activities	922,349
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	150,391
Dividends received from listed investments	55,115
Purchase of items of property, plant and equipment	(679,011)
Purchase of other intangible assets	(623)
Proceeds from disposal of items of property, plant and equipment	25,637
Increase in other assets	(14,273)
Increase in the amount due from the intermediate holding company	(1,099,829)
Proceeds from disposal of available-for-sale equity investments	31,221
Net cash inflow from acquisition of subsidiaries	148,230
Repayment of loan receivable	15,990
Net cash outflow from acquisition of a participating interest in a joint venture	(757,723)
Deposits paid for potential investment projects	(1,560,000)
Payments of interest, legal and professional fees and other charges incurred in relation to the potential investment projects	(35,177)
	<hr/>
Net cash outflow from investing activities	(3,720,052)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of share capital	1,789,903
Dividend paid	(280,279)
Dividends paid to minority shareholders	(56,654)
New bank and other loans	6,486,746
Repayment of bank and other loans	(6,034,120)
Interest paid	(256,708)
Increase in the amounts due to ex-shareholders	(44,112)
Net capital contribution from equity owners	531,740
Increase in the amount due to the ultimate holding company	1,610,274
	<hr/>
Net cash inflow from financing activities	3,746,790

NET INCREASE IN CASH AND CASH EQUIVALENTS

949,087

Cash and cash equivalents at beginning of year	1,836,638
Effect of foreign exchange rate changes, net	19,084
	<hr/>

CASH AND CASH EQUIVALENTS AT END OF YEAR2,804,809**ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS**

Cash and bank balances	2,264,323
Non-pledged time deposits with original maturity of less than three months when acquired	540,486
	<hr/>
	<u>2,804,809</u>

REASONS AND BENEFITS OF THE TRANSACTION

As stated in the section headed “Information on the Group” above, the Group is a diversified energy and natural resources investment holding company with an increasing focus on the oil and gas industry. The Company is the principal energy and natural resources investment company of CITIC Group. The Transaction, if completed, will be a further and significant step forward in the Company’s business strategy.

LISTING RULES IMPLICATIONS

The Transaction constitutes a very substantial acquisition for the Company under the Listing Rules.

The Transaction also constitutes a connected transaction for the Company under the Listing Rules and requires the approval of the Independent Shareholders. CITIC Group is an associate of CA and Keentech, each of which is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As at the date of this announcement, CA and Keentech hold in aggregate 54.55% of the issued share capital of the Company.

The SGM shall be convened for the purpose of asking the Independent Shareholders to consider and, if thought fit, approve the Transaction. As required under the Listing Rules, the votes of the Independent Shareholders to be taken at the SGM will be taken on a poll. CA, Keentech and its respective associates are required to abstain from voting in respect of the ordinary resolution to be proposed at the SGM to approve the Transaction.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders on whether the Transaction is fair and reasonable. Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transaction.

A circular containing, among other things, further details of the Transaction, the Kazakhstan Companies, the Kazakhstan Assets and the Kazakhstan Business, a letter from the Independent Board Committee to the Independent Shareholders, the opinion from the Independent Financial Adviser on the Transaction and a notice convening the SGM will be despatched to Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company from 9:30 a.m. on 2 May 2007 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 May 2007.

Shareholders and potential investors should note that the Transaction, which is subject to satisfaction of a number of conditions, may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

As used in this announcement, the following words and phrases have the same meanings assigned:

“Acquisition Agreement”	the conditional sale and purchase agreement dated 30 April 2007 entered into between CITIC Group and the Company in respect of the Sale Share and assignment of part of the KEL Indebtedness
“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 hydrocarbon and, generally, the lower its commercial value
“Arrangement Agreement”	the arrangement agreement dated 25 October 2006 entered into between CITIC Group, CCPL, CCEL and Nations Petroleum Company Ltd. relating to the acquisition of all of the outstanding common shares of CCPL
“associate”	has the meaning ascribed to it in the Listing Rules
“ATS”	Argymak Trans Service LLP, a limited liability partnership established under the laws of Kazakhstan. CCPL holds 100% of the participation rights in ATS
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are open for business in Hong Kong
“CA”	CITIC Australia Pty. Ltd, a company incorporated in Australia and a direct wholly-owned subsidiary of CITIC Group
“CCEL”	CITIC Canada Energy Limited, a company incorporated in Alberta, Canada, an indirect wholly-owned subsidiary of CITIC Group
“CCEL Group”	CCEL, CCPL and the Kazakhstan Companies
“CCPL”	CITIC Canada Petroleum Limited, formerly Nations Energy Company Ltd., a company incorporated in Alberta, Canada and a direct wholly-owned subsidiary of CCEL
“CCPL Group”	CCPL and the Kazakhstan Companies
“CITIC Group”	CITIC Group, a company established in the PRC

“CITIC Netherlands”	CITIC Netherlands Energy Coöperatief U.A., a dutch co-operative established in the Netherlands and an indirect wholly-owned subsidiary of RNL
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Transaction
“Conditions”	the conditions precedent to Completion, details of which are set out in the sub-section headed “Conditions to the Transaction Agreements” under the section headed “Principal Terms of the Transaction Agreements” in this announcement
“Consideration”	US\$1,003,500,001 (HK\$7,827,300,008)
“Deposit”	the sum of US\$200,000,000 (HK\$1,560,000,000) paid by the Company to CITIC Group
“Directors”	the directors of the Company, including its independent non-executive directors
“Enlarged Group”	the Group as enlarged by the RNL Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (comprising Mr. Fan Ren Da, Anthony; Mr. Ngai Man and Mr. Tsang Link Carl, Brian) established by the Board for the purpose of advising the Independent Shareholders on the Transaction
“Independent Financial Adviser”	Somerley Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Transaction and a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities
“Independent Shareholders”	Shareholders other than CA and Keentech and their respective associates
“Kazakhstan”	the Republic of Kazakhstan

“Kazakhstan Approvals”	(1) the prior consent of the competent authority under article 53(1) of the law of Kazakhstan No. 2350 dated 28 June 1995 Concerning Petroleum, as amended; and (2) the waiver by the Government of Kazakhstan of (or decision not to exercise) the pre-emptive right vested in the Government of Kazakhstan to acquire the Sale Share under article 71 of the law of Kazakhstan No. 2828 dated 27 January 1996 Concerning the Subsurface and its Use, as amended
“Kazakhstan Assets”	100% of the issued voting shares of KBM (which represent 94.6% of the total issued shares of KBM), a 100% participation share in each of TMS and ATS and all assets of the RNL Group that are required to carry on the Kazakhstan Business
“Kazakhstan Business”	the operation of oil and oil related businesses and activities in Kazakhstan including but not limited to the development and production of oil at the Karazhanbas oilfield in Kazakhstan by the Kazakhstan Companies
“Kazakhstan Companies”	KBM, ATS and TMS
“Kazakhstan Interests”	50% of the Kazakhstan Assets
“KBM”	JSC Karazhanbasmunai, a joint stock company incorporated under the laws of Kazakhstan
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of CITIC Group
“KEL”	KBM Energy Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of RNL
“KEL Debt Purchase Agreement”	the conditional sale and purchase agreement dated 30 April 2007 entered into between CITIC Group and the Company relating to part of the KEL Indebtedness
“KEL Indebtedness”	an approximate amount of US\$1,003,500,000 (HK\$7,827,300,000) owing by KEL to CITIC Group, to be acquired by the Company under the Transaction Agreements
“KMG”	JSC National Company KazMunaiGaz, a state-owned oil company of Kazakhstan or its assignee or nominee
“KMG Option”	an option of KMG to acquire indirectly the Retained Kazakhstan Interests
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2007 or such other date as the Company and CITIC Group may agree in writing

“PRC”	the People’s Republic of China (for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Preferential Dividend”	US\$16,200,000 (HK\$126,360,000)
“Retained Kazakhstan Interests”	the remaining 50% of the Kazakhstan Assets which are, or will prior to Completion, be indirectly held by SAHL
“RNL”	Renowned Nation Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CITIC Group
“RNL Group”	the group of companies comprising RNL, KEL, CITIC Netherlands, CCEL, CCPL, KBM, TMS and ATS
“SAHL”	State Alliance Holdings Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CITIC Group
“Sale Share”	one issued share of US\$1 (HK\$7.8) par value of RNL, representing the entire issued share capital of RNL
“SGM”	the special general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve the Transaction
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholders”	holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“TMS”	Tulpar Munai Services LLP, a limited liability partnership established under the laws of Kazakhstan. CCPL holds 100% of the participation rights in TMS
“Transaction”	the sale and purchase of the Sale Share and the KEL Indebtedness pursuant to the Transaction Agreements
“Transaction Agreements”	the Acquisition Agreement and the KEL Debt Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

In this announcement, amounts in US\$ have been converted into HK\$ and vice-versa at the rates of US\$1=HK\$7.8 for illustration purposes only. These translations shall not be taken as a representation that any amounts in US\$ or HK\$ have been or could have been or can be converted at the aforementioned rate or at any other rate or at all.

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

Hong Kong, 8 May 2007

As at the date hereof, 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.