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## **CITIC RESOURCES HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

### **PROPOSED DISCLOSEABLE TRANSACTION AND MATERIAL DILUTION OF INTEREST IN A MAJOR SUBSIDIARY RESULTING FROM THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF CITIC DAMENG HOLDINGS LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to announce that on 5 September 2008, CITIC Dameng Holdings submitted an advance booking form for an application for the listing of, and permission to deal in, the CITIC Dameng Shares on the Main Board of the Stock Exchange.

CITIC Dameng Holdings, through its subsidiaries, is primarily engaged in the business of exploration, mining and processing of manganese and the associated production of manganese products.

It is intended that Qualifying Shareholders will be provided with an assured entitlement to CITIC Dameng Shares under the Global Offering, subject to certain conditions. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and result in a material dilution of the Company's shareholding interest in CITIC Dameng Holdings and will require the approval of Shareholders under Rule 13.36(1)(a)(ii) of the Listing Rules.

Further, it is intended that the Spin-off Group will undergo a reorganisation to rationalise its operation structure for the purpose of the Proposed Spin-off. It is anticipated that certain steps of the reorganisation may constitute connected transactions of the Company and will be subject to the reporting, announcement and/or independent shareholders' approval requirements set out in the Listing Rules.

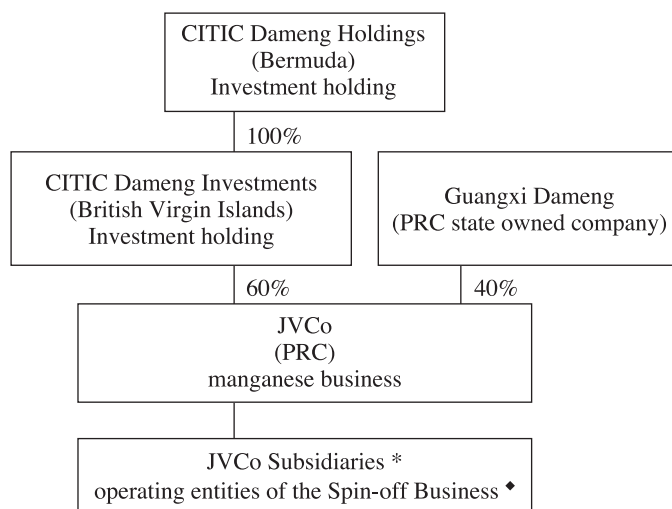
Shareholders and other investors are reminded that no final decision has yet been made by the Company or CITIC Dameng Holdings as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee to the Proposed Spin-off and listing of, and permission to deal in, the CITIC Dameng Shares on the Main Board of the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

**As the listing of the CITIC Dameng Shares pursuant to the Proposed Spin-off is subject to, among other things, the approval of the Listing Committee, the final decision of the Board and the board of directors of CITIC Dameng Holdings and approval of Shareholders, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

The Board wishes to announce that on 5 September 2008, CITIC Dameng Holdings submitted an advance booking form for an application for the listing of, and permission to deal in, the CITIC Dameng Shares on the Main Board of the Stock Exchange.

### INFORMATION ON THE SPIN-OFF GROUP

As at the date of this announcement, the Company owns 80% of the shareholding interest in CITIC Dameng Holdings indirectly through its wholly-owned subsidiary, Highkeen. The other 20% shareholding interest in CITIC Dameng Holdings is held by Apexhill, a wholly-owned subsidiary of CITIC United Asia. The Spin-off Group comprises CITIC Dameng Holdings and its subsidiaries and commenced manganese operations in March 2006. The JVCo is currently indirectly owned as to 60% by CITIC Dameng Holdings through its wholly-owned subsidiary, CITIC Dameng Investments. The other 40% equity interest in the JVCo is held by Guangxi Dameng. Set out below is the current shareholding structure of the Spin-off Group:



\* *JVCo Subsidiaries refer to a number of wholly-owned and non wholly-owned Subsidiaries of the JVCo. Please refer to the definition of "JVCo Subsidiaries" for details of these subsidiaries and the JVCo's shareholding interest in each of them.*

♦ *On 23 November 2007, the JVCo entered into an agreement to acquire a 51% indirect equity interest in Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon), a company incorporated in Gabon, Africa, through the acquisition of a 60% share interest in Huazhou Mining Investment Limited, a company incorporated in the British Virgin Islands.*

The Spin-off Group's business principally involves manganese mining and ore processing, manganese downstream processing, non-manganese ferroalloy processing and other businesses, including the trading of various commodities such as manganese ore, electrolytic manganese metal, chromium ore and sulfur, as well as transportation services and subcontracting services.

The Spin-off Business is principally undertaken by the JVCo and the JVCo Subsidiaries. It is intended that the Group will undergo a reorganisation to rationalise its operation structure such that, upon the completion of the reorganisation, the Spin-off Business will be wholly-owned by CITIC Dameng Holdings. As part of the reorganisation, Guangxi Dameng BVI, a wholly-owned subsidiary of Guangxi Dameng, will subscribe for new shares in CITIC Dameng Holdings and at the same time, Guangxi Dameng will transfer all its 40% equity interest in the JVCo to CITIC Dameng Investments. Immediately after the reorganisation, the JVCo will be converted from a sino-foreign equity joint venture to a wholly foreign owned enterprise in the PRC indirectly wholly-owned by CITIC Dameng Holdings. It is also envisaged that certain senior employees of the JVCo will be given the opportunity to subscribe for CITIC Dameng Shares as part of the reorganisation. The steps for the reorganisation have not been finalised and the Company will make further announcement(s) regarding the details of the reorganisation as and when appropriate.

As a result of the proposed issue of new CITIC Dameng Shares to Guangxi Dameng BVI and certain senior employees of the JVCo, it is expected that the Company's percentage interest in the issued share capital of CITIC Dameng Holdings will be diluted to approximately 50% immediately after the completion of the reorganisation and to below 50% after the completion of the Global Offering. As such, CITIC Dameng Holdings will cease to be a subsidiary of the Company. However, the Company will remain as a controlling shareholder of CITIC Dameng Holdings within the meaning of the Listing Rules.

## **GLOBAL OFFERING**

It is currently proposed that, pursuant to the Global Offering, CITIC Dameng Shares will be offered to the public in Hong Kong for subscription and for placing with certain professional and institutional investors and other investors, including the Qualifying Shareholders. It is also contemplated that an Over-allotment Option will be granted to the global coordinator of the Global Offering whereby CITIC Dameng Holdings will be required to issue additional CITIC Dameng Shares upon the exercise of such option to cover over-allocations in the international placing tranche of the Global Offering.

## **RATIONALE AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Board proposes the separate listing of CITIC Dameng Holdings as it believes that the separate listing of CITIC Dameng Holdings will be beneficial to the Group for the following reasons:

- (a) the Proposed Spin-off will enable investors to appraise and assess the potential and performance of the Spin-off Business separately from the Retained Business. At the same time, the Company will continue to enjoy the benefits from the development of the Spin-off Business;
- (b) the Proposed Spin-off will enable the Company to focus on its non-manganese related business;

- (c) the separate listing of CITIC Dameng Holdings will enable CITIC Dameng Holdings and the Spin-off Group to take advantage of opportunities in the manganese business by:
  - (i) making available a dedicated management team which can focus on the specific opportunities in the exploration and operation of manganese mines, as well as the manufacturing and processing of refined manganese products;
  - (ii) attracting new investors who are seeking investments in the manganese mining and processing industry; and
  - (iii) providing greater clarity for credit profiling for financial institutions who wish to lend against the credit of a pure manganese company;
- (d) the capital base of CITIC Dameng Holdings will be enlarged which will provide financial resources for continuing organic expansion as well as acquisitions; and
- (e) the manganese business has grown to a size sufficient to command a separate listing. The Proposed Spin-off will permit CITIC Dameng Holdings to establish a separate management team and provide incentives to them independent of the Company.

## **ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT**

The Board will give due regard to the interests of Shareholders by providing the Qualifying Shareholders with an assured entitlement to CITIC Dameng Shares under the Global Offering, subject to certain conditions, if the Board decides to proceed with the Proposed Spin-off and the Global Offering, and the Listing Committee has given its approval to the Proposed Spin-off and the Global Offering. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

## **APPROVAL FROM SHAREHOLDERS**

CITIC Dameng Holdings is a major subsidiary of the Company. The Proposed Spin-off, if it proceeds, will result in a material dilution of the Company's shareholding interest in CITIC Dameng Holdings and will require the approval of Shareholders under Rule 13.36(1)(a)(ii) of the Listing Rules.

An Independent Board Committee will be formed to consider the Proposed Spin-off and an Independent Financial Adviser will be appointed to advise the Independent Board Committee and Shareholders on the fairness and reasonableness of the Proposed Spin-off.

It is anticipated that certain steps of the reorganisation and, in particular, the subscription for CITIC Dameng Shares by the senior management of the JVCo will constitute connected transactions of the Company under the Listing Rules and will be subject to the reporting, announcement and/or independent shareholders' approval requirements set out in the Listing Rules.

A circular containing, among other things, details of the Proposed Spin-off, including the reorganisation and the relevant connected transactions involved (if any), the advice of the Independent Financial Adviser to the Independent Board Committee and Shareholders in relation to the Proposed Spin-off, the recommendation of the Independent Board Committee to Shareholders in relation to the Proposed Spin-off, and all other necessary information and documents will be despatched to Shareholders in accordance with the provisions of the Listing Rules or otherwise as permitted by the Stock Exchange as and when appropriate.

Further, as the Proposed Spin-off will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, the Company will comply with the notification, publication and shareholders' circular requirements set out in Chapter 14 of the Listing Rules if the Proposed Spin-off proceeds.

## INFORMATION ON THE GROUP AND CITIC DAMENG HOLDINGS

The Group is an integrated provider of key commodities and strategic natural resources. The Group's manganese related business is conducted through CITIC Dameng Holdings and its subsidiaries. The principal asset of CITIC Dameng Holdings is its current 60% equity interest in the JVCo. The JVCo, together with the JVCo Subsidiaries, is primarily engaged in the business of exploration, mining and processing of manganese and the associated production of manganese products. Apart from the Spin-off Business undertaken by the Spin-off Group, the Group has been and is currently engaging in the business of aluminium smelting, coal, import and export of commodities and the exploration, development and production of oil. It is intended that the Retained Group will continue to be engaged in such businesses after the Proposed Spin-off.

## GENERAL

Shareholders and other investors are reminded that no final decision has yet been made by the Company or CITIC Dameng Holdings as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee to the Proposed Spin-off and the listing of, and permission to deal in, the CITIC Dameng Shares on the Main Board of the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

**As the listing of the CITIC Dameng Shares pursuant to the Proposed Spin-off is subject to, among other things, the approval of the Listing Committee, the final decisions of the Board and the board of directors of CITIC Dameng Holdings and approval of Shareholders, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Apexhill”	Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is directly wholly-owned by CITIC United Asia
“Board”	the board of Directors
“CITIC Dameng Holdings”	CITIC Dameng Holdings Limited, a company incorporated in Bermuda with limited liability and which is indirectly owned as to 80% by the Company as at the date hereof
“CITIC Dameng Investments”	CITIC Dameng Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is a wholly-owned subsidiary of CITIC Dameng Holdings
“CITIC Dameng Shares”	shares of HK\$0.10 each in the share capital of CITIC Dameng Holdings
“CITIC United Asia”	CITIC United Asia Investments Limited, a company incorporated in Hong Kong with limited liability and which is indirectly wholly-owned by CITIC Group

“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
“Director(s)”	the director(s) of the Company
“Global Offering”	the offer to the public in Hong Kong for subscription, and the international placing with certain professional and institutional investors and other investors (including the preferential offer to the Qualifying Shareholder(s)), of CITIC Dameng Shares
“Group”	the Company and its subsidiaries
“Guangxi Dameng”	廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industry Co., Ltd.), a PRC company wholly-owned and controlled by the People’s Government of the Guangxi Zhuang Autonomous Region in the PRC
“Guangxi Dameng BVI”	Guinan Dameng International Resources Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Guangxi Dameng held through Huanan Dameng Investments Limited, a direct wholly-owned subsidiary of Guangxi Dameng incorporated in Hong Kong with limited liability
“Highkeen”	Highkeen Resources Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company which holds a 80% interest in CITIC Dameng Holdings as at the date hereof
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors to be formed to advise Shareholders as to whether the Proposed Spin-off is fair and reasonable and in the interests of the Company and Shareholders as a whole
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise Shareholders how to vote at the special general meeting to be convened to consider and, if thought fit, approve the Proposed Spin-off
“JVCo”	CITIC Dameng Mining Industries Limited (中信大錳礦業有限責任公司), a sino-foreign joint venture established in the PRC and owned as to 60% by CITIC Dameng Investments and as to 40% by Guangxi Dameng

“JVCo Subsidiaries”	the following direct or indirect subsidiaries of the JVCo: 中信大錳(廣西)礦業投資有限責任公司 (CITIC Dameng (Guangxi) Metallurgical Investment Co., Limited) (100% owned), 中信大錳田東新材料有限公司 (CITIC Dameng Tiandong New Material Co., Limited) (100% owned), 中信大錳(天等)新材料有限公司 (CITIC Dameng (Tiandeng) New Material Co., Limited) (100% owned), 中信大錳(崇左)新材料有限公司 (CITIC Dameng (Chongzuo) New Material Co., Limited) (100% owned), 中信大錳北部灣(廣西)新材料有限公司 (CITIC Dameng Beibuwan (Guangxi) New Material Co., Limited) (100% owned), 廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.) (71.17% owned), 廣西大新縣大寶鐵合金有限公司 (Guangxi Daxin Dabao Ferroalloy Co., Ltd.) (60% owned), 天等縣大錳鐵合金有限公司 (Tiandeng Dameng Ferroalloy Co., Ltd.) (60% owned), 廣西南寧寬廣工貿有限責任公司 (Guangxi Nanning Kuanguang Industry & Trade Co., Ltd.) (77% owned), 廣西欽州市桂鑫冶金有限公司 (Guangxi Qinzhou Guixin Ferroalloy Co., Ltd.) (70% owned) and CITIC Dameng Mining Industries Ireland Branch Limited (100% owned)
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Over-allotment Option”	the option expected to be granted by CITIC Dameng Holdings to the joint bookrunners of the Global Offering exercisable under the International Underwriting Agreement pursuant to which CITIC Dameng Holdings may be required by the joint bookrunners to issue certain additional CITIC Dameng Shares at the final offer price to cover over-allocations in connection with the international placing tranche of the Global Offering
“PRC”	the People’s Republic of China
“Proposed Spin-off”	the proposed spin-off of the Spin-off Business for a separate listing on the Main Board of the Stock Exchange
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on a record date to be fixed (currently proposed to exclude certain overseas shareholders, if any, subject to compliance with Rule 13.36(2)(a) of the Listing Rules)
“Retained Business”	the business of aluminium smelting, coal, import and export of commodities and the exploration, development and production of oil
“Retained Group”	the Group, excluding the Spin-off Group
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company

“Spin-off Business”	the business of, among other things, exploration, mining and processing of manganese and the associated production of manganese products carried on by the Spin-off Group
“Spin-off Group”	CITIC Dameng Holdings and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as defined under the Listing Rules
“United States”	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**CITIC Resources Holdings Limited**  
**Sun Xinguo**  
*Chief Executive Officer*

Hong Kong, 5 September 2008

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