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## **CITIC RESOURCES HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

### **POTENTIAL DISCLOSEABLE TRANSACTION AND PARTIALLY EXEMPT CONNECTED TRANSACTION**

#### **PROPOSED PRIVATISATION OF CITIC AUSTRALIA TRADING LIMITED**

##### **PROPOSED PRIVATISATION OF CATL**

On 3 November 2008, CRA submitted to the Independent CATL Directors a formal proposal in relation to the privatisation of CATL by way of a selective reduction in CATL's share capital through the cancellation of the CATL Minority Shares at a price of A\$0.75 per CATL Minority Share, representing A\$15.1 million in aggregate.

The Proposed CATL Capital Return will require, amongst other things, the approval of a Special Resolution of the CATL Minority Shareholders present at a duly convened meeting of the CATL Minority Shareholders.

In the event of completion of the Proposed CATL Capital Return, CATL will become an indirect wholly-owned subsidiary of the Company and an application will be made to withdraw the CATL Shares from listing on the ASX.

##### **IMPLICATIONS UNDER THE LISTING RULES**

If the Proposed CATL Capital Return proceeds to completion, it will constitute a discloseable transaction for the Company under the Listing Rules. In addition, as 6.27% of the CATL Minority Shares are held by the Relevant Directors, the Proposed CATL Capital Return in respect of such CATL Minority Shares will, on an aggregated basis, constitute a partially exempt connected transaction for the Company under the Listing Rules. Therefore, the Proposed CATL Capital Return is subject to the reporting and announcement requirements of the Listing Rules.

##### **GENERAL**

A circular containing, amongst other things, details of the Proposed CATL Capital Return will be despatched by the Company to Shareholders as soon as practicable.

## **INTRODUCTION**

On 3 November 2008, CRA submitted to the Independent CATL Directors a formal proposal in relation to the privatisation of CATL by way of a selective reduction in CATL's share capital through the cancellation of the CATL Minority Shares at a price of A\$0.75 per CATL Minority Share, representing A\$15.1 million in aggregate. The Independent CATL Directors are responsible for assessing and advising the CATL Minority Shareholders in respect of the Proposed CATL Capital Return.

The Proposed CATL Capital Return will require, amongst other things, the approval of a Special Resolution of the CATL Minority Shareholders present at a duly convened meeting of the CATL Minority Shareholders.

## **TERMS OF THE PROPOSED CATL CAPITAL RETURN**

### **Principal terms**

The principal terms of the Proposed CATL Capital Return are as follows:

- (a) all CATL Minority Shareholders will receive a total consideration of A\$0.75 per CATL Minority Share, part of which will be treated as a return of capital and the other part as a fully franked dividend. At this stage it is not known the proportion of the consideration which will comprise a return of capital and dividend. Further details in relation to the capital/dividend split will be provided in the explanatory materials to accompany the notice convening the meetings of the CATL Shareholders and the CATL Minority Shareholders; and
- (b) CATL will cancel all the CATL Minority Shares on or around 20 January 2009.

The consideration of A\$0.75 per CATL Minority Share was determined by reference to a number of factors including CATL's historic and current trading prices on the ASX, its net asset value and projected future earning, and current and anticipated commodities market conditions.

### **Conditions precedent**

The Proposed CATL Capital Return is subject to and conditional upon the following:

- (a) receipt by CATL of an independent expert's report confirming that the Proposed CATL Capital Return is fair and reasonable;
- (b) receipt by CATL of a satisfactory "Class Ruling" from the Australian Taxation Office; and
- (c) approval by:
  - (i) a Special Resolution passed at a general meeting of the CATL Shareholders, with no votes being cast against the resolution by the CATL Minority Shareholders; and
  - (ii) a Special Resolution passed at a separate meeting of the CATL Minority Shareholders.

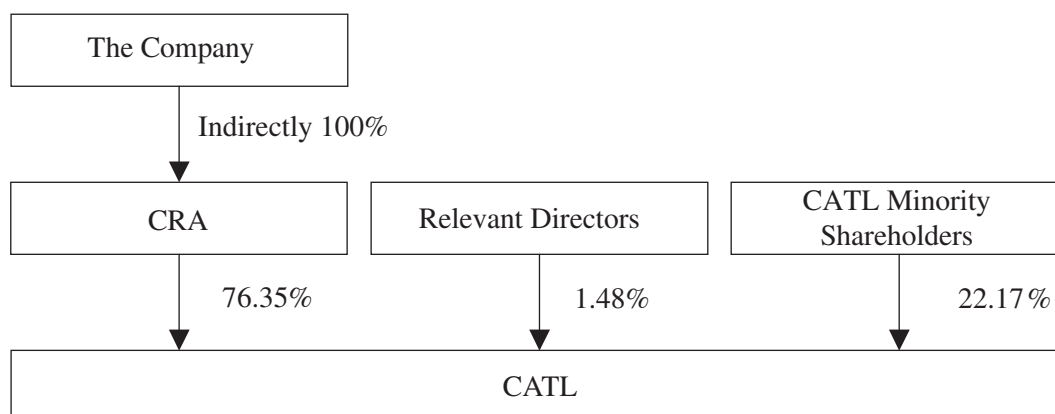
The Directors (including the independent non-executive Directors) believe that the terms of the Proposed CATL Capital Return are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Shareholders and holders of the Company's securities and potential investors should note that the completion of the Proposed CATL Capital Return is subject to the conditions set out above being satisfied. There is, therefore, no assurance that the Proposed CATL Capital Return will proceed or become effective. Shareholders and holders of the Company's securities and potential investors should exercise caution when dealing in Shares and other securities of the Company.

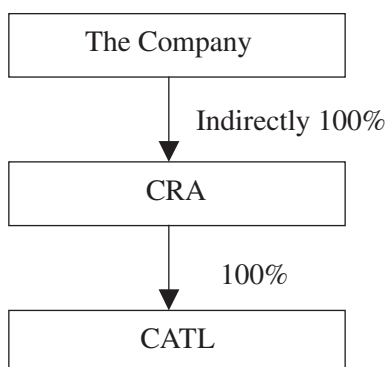
## SHAREHOLDING STRUCTURE OF CATL

Set out below are simplified charts showing the Company's shareholding in CATL as at the Proposal Date and, assuming completion of the Proposed CATL Capital Return, on completion of the Proposed CATL Capital Return:

### Existing shareholding structure of CATL:



### Shareholding structure of CATL immediately after completion of the Proposed CATL Capital Return:



As at the Proposal Date, there were 85,164,970 CATL Shares in issue, of which 65,025,000 CATL Shares, representing 76.35% of all CATL Shares in issue, were held by CRA, an indirect wholly-owned subsidiary of the Company. The remaining 20,139,970 CATL Shares, representing 23.65% of all CATL Shares in issue, were held by the CATL Minority Shareholders.

As at the Proposal Date, there were 1,263,402 CATL Shares held by the Relevant Directors, which represents 1.48% of all CATL Shares in issue and 6.27% of the CATL Minority Shares. The number of CATL Shares held by each Relevant Director is as follows:

	Number of CATL Shares	% of total issued CATL Shares	% of total CATL Minority Shares
Mr. Zeng Chen	385,402	0.45	1.91
Mr. Roger Marshall	600,000	0.70	2.98
Mr. Guo Tinghu	278,000	0.33	1.38

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, none of the CATL Minority Shareholders, other than the Relevant Directors, are connected persons of the Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSED CATL CAPITAL RETURN AND PRIVATISATION**

Assuming completion of the Proposed CATL Capital Return and resulting privatisation and de-listing of CATL, CATL will become an indirect wholly-owned unlisted subsidiary of the Company. The Directors believe this will allow CATL to operate and compete more effectively with its competitors and provide CATL with greater management flexibility to conduct its business more efficiently.

CATL is a trading company engaged in the import and export of commodities such as iron ore and alumina, operating in a fast moving and highly competitive market. CATL's own position as a public listed company, in certain cases, requires CATL to disclose on a more frequent basis and on a greater scale information about CATL's business from which commercially sensitive information such as trading prices, volumes, customers and suppliers can be derived which places CATL at a distinct business disadvantage to its competitors who operate on a unlisted platform; exposes CATL unnecessarily to a greater potential risk of loss of business and/or substantial prejudice to its negotiating position and thereby adversely affecting the manner in which it is able to transact business as effectively absent such factors. Given the nature of the market in which CATL operates, CATL's continuing listing on the ASX is not conducive to its business and the Directors believe it is in the interests of the Company and Shareholders to remove CATL from these additional requirements which are not faced by CATL's competitors generally.

Moreover, CATL has not raised any funds through the equity or debt capital markets since its listing on the ASX in June 2002 and has relied solely on bank borrowings and financing supported by guarantees from CRA. CRA is CATL's immediate parent and an indirect wholly-owned subsidiary of the Company. CATL does not see any material change to the manner in which it will continue to finance its business and operations and, therefore, the fees and costs associated with CATL's continued separate listing on the ASX also do not justify the benefits of continuing its listing on the ASX.

## **FINANCIAL EFFECTS OF THE PROPOSED CATL CAPITAL RETURN**

The key financial impact of the Proposed CATL Capital Return on CATL is a reduction equal to the aggregate cash amount payable to the CATL Minority Shareholders in respect of the Proposed CATL Capital Return in the balance of CATL's working capital and an equivalent reduction in the balance of CATL's shareholders' funds.

CATL will have sufficient funds to meet its obligations in respect of the Proposed CATL Capital Return whilst retaining adequate funds to pay its creditors.

The Directors believe that the Proposed CATL Capital Return will not have a material adverse effect on the earnings and net asset value of the Group.

## **WITHDRAWAL OF CATL SHARES FROM LISTING ON THE ASX**

In the event of completion of the Proposed CATL Capital Return, CATL will become an indirect wholly-owned subsidiary of the Company and an application will be made to withdraw the CATL Shares from listing on the ASX.

## **INFORMATION ON THE COMPANY**

The Company is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production.

For the financial year ended 31 December 2007, the consolidated profits before and after taxation of the Group amounted to HK\$731.0 million and HK\$521.4 million respectively and the consolidated net assets of the Group as at 31 December 2007 were HK\$7,159.6 million.

For the six months ended 30 June 2008, the unaudited consolidated profits before and after taxation of the Group amounted to HK\$1,342.7 million and HK\$738.4 million respectively and the unaudited consolidated net assets of the Group as at 30 June 2008 were HK\$8,176.8 million.

## **INFORMATION ON CATL**

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, iron ore, steel and ilmenite, and imports into Australia manufactured products such as vehicle and industrial batteries, tyres, alloy wheels and steel.

For the financial year ended 31 December 2007, the consolidated profits before and after taxation of CATL amounted to A\$17.3 million (HK\$90.0 million) and A\$12.4 million (HK\$64.5 million) respectively and the consolidated net assets of CATL as at 31 December 2007 were A\$34.4 million (HK\$178.9 million).

For the six months ended 30 June 2008, the unaudited consolidated profits before and after taxation of CATL amounted to A\$11.6 million (HK\$60.3 million) and A\$8.5 million (HK\$44.2 million) respectively and the unaudited consolidated net assets of CATL as at 30 June 2008 were A\$37.5 million (HK\$195.0 million).

## **IMPLICATIONS UNDER THE LISTING RULES**

If the Proposed CATL Capital Return proceeds to completion, it will constitute a discloseable transaction for the Company under the Listing Rules. In addition, 1,263,402 CATL Shares are held by the Relevant Directors representing 1.48% of all CATL Shares in issue and 6.27% of the CATL Minority Shares. Mr. Zeng Chen is a Director and a director of CATL. Mr. Roger Marshall and Mr. Guo Tinghu are directors of CATL. The Proposed CATL Capital Return in respect of the CATL Minority Shares held by the Relevant Directors will, on an aggregated basis, constitute a partially exempt connected transaction for the Company under the Listing Rules. Therefore, the Proposed CATL Capital Return is subject to the reporting and announcement requirements of the Listing Rules.

## **GENERAL**

A circular containing, amongst other things, details of the Proposed CATL Capital Return will be despatched by the Company to Shareholders as soon as practicable.

## DEFINITIONS

“ASX”	the Australian Securities Exchange
“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
“CATL Minority Share(s)”	CATL Shares other than those held or controlled by CRA
“CATL Minority Shareholders”	holders of CATL Shares other than CRA
“CATL Shareholders”	holders of CATL Shares
“CATL Shares”	ordinary share(s) in the share capital of CATL
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning given to it in the Listing Rules
“CRA”	CITIC Resources Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent CATL Directors”	Mr. Roger Marshall and Mr. Bruce Foy, being the independent non-executive directors of CATL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Proposal Date”	being 3 November 2008, the date on which CRA submitted to the Independent CATL Directors a formal proposal in respect of the Proposed CATL Capital Return
“Proposed CATL Capital Return”	the proposal by CRA in relation to the reduction in the share capital of CATL by way of a selective capital reduction of the CATL Minority Shares in accordance with the Australian Corporations Act 2001 (Cth)
“Relevant Directors”	Mr. Zeng Chen, Mr. Roger Marshall and Mr. Guo Tinghu, being directors of CATL

“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Special Resolution”	a resolution that has been passed by at least 75% of the votes cast by persons entitled to vote in respect of the resolution
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*In this announcement, amounts in A\$ have been converted into HK\$ or vice versa at the rates of A\$1=HK\$5.2 for illustration purposes only. No representation is made that any amounts in A\$ or HK\$ have been or could have been or can be converted at the aforementioned rates or at any other rates or at all.*

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

Hong Kong, 3 November 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.*