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## **CITIC RESOURCES HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

### **CONNECTED TRANSACTIONS**

#### **CAPITALISATION OF ADDITIONAL SHAREHOLDER LOANS ADVANCED TO CITIC DAMENG HOLDINGS LIMITED**

On 2 August 2010, Highkeen and Apexhill agreed to further capitalise certain of their shareholder loans advanced to CITIC Dameng Holdings, in the aggregate principal amount of HK\$84,600,000, by receiving in satisfaction of the repayment of such loans 258,320 Capitalisation Shares and 64,580 Capitalisation Shares respectively at an issue price of HK\$262 per Capitalisation Share.

The capitalisation of the Additional Highkeen Shareholder Loans constitutes a connected transaction of the Company and, when aggregated with the capitalisation of the Highkeen Shareholder Loans and the assignment of the CRH 2009 Loan, is subject to the reporting and announcement (but exempt from the independent shareholders' approval) requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.32 of the Listing Rules.

The capitalisation of the Additional Apexhill Shareholder Loans constitutes a connected transaction of the Company and pursuant to Rule 14A.31(3)(a) of the Listing Rules is an exempt connected transaction as the related issue of the Capitalisation Shares gives rise to the issue of CITIC Dameng Holdings Shares to Apexhill on a pro rata basis.

### **INTRODUCTION**

On 2 August 2010, Highkeen and Apexhill agreed with CITIC Dameng Holdings to capitalise the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans, together having an aggregate principal amount of HK\$84,600,000, by agreeing to receive 258,320 Capitalisation Shares and 64,580 Capitalisation Shares respectively in satisfaction of the repayment of such loans.

## **CAPITALISATION OF THE ADDITIONAL HIGHKEEN SHAREHOLDER LOANS AND THE ADDITIONAL APEXHILL SHAREHOLDER LOANS**

### **Details of the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans**

Prior to the Capitalisation as described in this announcement, CITIC Dameng Holdings was indebted to Highkeen in respect of, amongst other amounts, the Additional Highkeen Shareholder Loans and indebted to Apexhill in respect of, amongst other amounts, the Additional Apexhill Shareholder Loans.

The total amount of the Additional Highkeen Shareholder Loans was HK\$67,680,000 and the total amount of the Additional Apexhill Shareholder Loans was HK\$16,920,000.

The Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans were originally advanced to CITIC Dameng Holdings to finance CITIC Dameng Holdings' investment in CITIC Dameng Mining through its wholly-owned subsidiary, CITIC Dameng Investments.

### **Details of the Capitalisation Agreement**

(a) **Date:** 2 August 2010

(b) **Parties:**

- (i) CITIC Dameng Holdings
- (ii) Highkeen
- (iii) Apexhill

(c) **Repayment of the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans and Number of the Capitalisation Shares**

CITIC Dameng Holdings shall repay the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans by issuing 258,320 Capitalisation Shares and 64,580 Capitalisation Shares to Highkeen and Apexhill respectively in satisfaction of the repayment of such loans.

(d) **Issue Price of the Capitalisation Shares**

The issue price deemed to be paid by each of Highkeen and Apexhill in respect of each Capitalisation Share is HK\$262 and was determined by reference to the book value of CITIC Dameng Holdings as at 30 June 2010.

## **SHAREHOLDING STRUCTURE OF CITIC DAMENG HOLDINGS IMMEDIATELY PRIOR TO AND FOLLOWING THE ISSUE OF THE CAPITALISATION SHARES**

Immediately prior to the Capitalisation, 80% of the CITIC Dameng Holdings Shares in issue were held by Highkeen and 20% of the CITIC Dameng Holdings Shares in issue were held by Apexhill.

The Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans were advanced by Highkeen and Apexhill to CITIC Dameng Holdings in proportion to their respective shareholding interests in CITIC Dameng Holdings. The Capitalisation Shares will, therefore, be issued on a pro rata basis to Highkeen and Apexhill. Accordingly, no change in the shareholding structure of CITIC Dameng Holdings will occur as a result of the issue of the Capitalisation Shares.

## **INFORMATION ON CITIC DAMENG HOLDINGS, CITIC DAMENG INVESTMENTS, CITIC DAMENG MINING, HIGHKEEN AND APEXHILL**

CITIC Dameng Holdings is an investment holding company and an indirect non wholly-owned subsidiary of the Company.

CITIC Dameng Investments is an investment holding company and a wholly-owned subsidiary of CITIC Dameng Holdings.

CITIC Dameng Mining is a sino-foreign equity joint venture established in the PRC and a non wholly-owned subsidiary of CITIC Dameng Investments. It is owned as to 65.5% by CITIC Dameng Investments and as to 34.5% by Guangxi Dameng. CITIC Dameng Mining is principally engaged in the exploration, mining and processing of manganese and the associated production and sale of manganese related products.

Highkeen is an indirect wholly-owned subsidiary of the Company.

Apexhill is a wholly-owned subsidiary of CITIC United Asia which, in turn, is an indirect wholly-owned subsidiary of CITIC Group.

## **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 2009, the consolidated profits before and after taxation of the Group amounted to HK\$151.3 million and HK\$148.5 million respectively and the consolidated net assets of the Group as at 31 December 2009 were HK\$9,770.0 million.

## **REASONS FOR AND BENEFITS OF THE CAPITALISATION**

The Capitalisation and related issue of the Capitalisation Shares will further enlarge the capital base of CITIC Dameng Holdings and reduce its gearing level, thereby strengthening its financial position. It is not expected that the Capitalisation and related issue of the Capitalisation Shares will have any material impact on the operation and financial position of the Company or the Group.

The Directors (including the independent non-executive Directors) consider that the Capitalisation is on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

CITIC Dameng Holdings is an indirect non wholly-owned subsidiary of the Company. It is owned as to 20% by Apexhill, a wholly-owned subsidiary of CITIC United Asia which, in turn, is an indirect wholly-owned subsidiary of CITIC Group. CITIC Group, through its wholly-owned subsidiaries, Keentech and CA, controls 54.01% of the issued share capital of the Company. Consequently, CITIC Dameng Holdings is a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules and Apexhill, being an associate of Keentech and CA, is a connected person of the Company pursuant to Rule 1.01 of the Listing Rules. Accordingly:

- (A) the capitalisation of the Additional Highkeen Shareholder Loans constitutes a connected transaction of the Company. As the percentage ratios under the applicable size tests in respect of the capitalisation of the Additional Highkeen Shareholder Loans, when aggregated with the capitalisation of the Highkeen Shareholder Loans and the assignment of the CRH 2009 Loan, are less than 5%, the capitalisation of the Additional Highkeen Shareholder Loans and related issue of the Capitalisation Shares are subject to the reporting and announcement (but exempt from the independent shareholders' approval) requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.32 of the Listing Rules; and
- (B) the capitalisation of the Additional Apexhill Shareholder Loans constitutes a connected transaction of the Company. However, as the capitalisation of the Additional Apexhill Shareholder Loans and related issue of the Capitalisation Shares gives rise to a pro rata issue of CITIC Dameng Holdings Shares to Apexhill, the capitalisation of the Additional Apexhill Shareholder Loans and related issue of the Capitalisation Shares is an exempt connected transaction by virtue of Rule 14A.31(3)(a) of the Listing Rules.

## DEFINITIONS

“Additional Apexhill Shareholder Loans”	an aggregate amount of HK\$16,920,000 shareholder loans owing by CITIC Dameng Holdings to Apexhill
“Additional Highkeen Shareholder Loans”	an aggregate amount of HK\$67,680,000 shareholder loans owing by CITIC Dameng Holdings to Highkeen
“Apexhill”	Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CA”	CITIC Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
“Capitalisation”	the capitalisation of the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans, details of which are set out in the section “Capitalisation of the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans” of this announcement
“Capitalisation Agreement”	an agreement constituted by a notice of repayment of the Additional Highkeen Shareholder Loans and the Additional Apexhill Shareholder Loans dated 2 August 2010 issued by CITIC Dameng Holdings and an acknowledgement in response to such notice of repayment from Highkeen and Apexhill dated 2 August 2010, details of which are set out in the section “Details of the Capitalisation Agreement” of this announcement
“Capitalisation Shares”	CITIC Dameng Holdings Shares to be issued to Highkeen and to Apexhill in respect of the Capitalisation
“CITIC Dameng Holdings”	CITIC Dameng Holdings Limited, a company incorporated in Bermuda with limited liability
“CITIC Dameng Holdings Shares”	shares of HK\$0.10 each in the share capital of CITIC Dameng Holdings
“CITIC Dameng Investments”	CITIC Dameng Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“CITIC Dameng Mining”	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited), a sino-foreign equity joint venture established in the PRC

“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC
“CITIC United Asia”	CITIC United Asia Investments Limited, a company incorporated in Hong Kong with limited liability
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CRH 2009 Loan”	a loan in the principal amount of HK\$240,000,000 owing by CITIC Dameng Investments to the Company pursuant to the 2009 Loan Agreement, which was assigned to CITIC Dameng Holdings in consideration of the allotment and issue of CITIC Dameng Holdings Share as disclosed in the announcement of the Company dated 2 July 2010
“Director(s)”	the director(s) of the Company
“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 company established in the PRC with limited liability
“Highkeen”	Highkeen Resources Limited, a company incorporated in the British Virgin Islands with limited liability
“Highkeen Shareholder Loans”	an aggregate amount of HK\$188,040,000 shareholder loans owing by CITIC Dameng Holdings to Highkeen, which was capitalised through the issue of CITIC Dameng Holdings Shares in satisfaction of the repayment thereof as disclosed in the announcement of the Company dated 2 July 2010
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 (as amended from time to time)
“PRC”	the People’s Republic of China and, except where the context requires and only for the purposes of this announcement, references in this announcement to the PRC or China do not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC

“Shareholders”	holders of ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning assigned to this expression by section 2 of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)
“2009 Loan Agreement”	a loan agreement dated 4 February 2009 and made among the Company, Apexhill and CITIC Dameng Investments in relation to, amongst other things, the CRH 2009 Loan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 2 August 2010

*As at the date hereof, the executive directors of the Company are Mr. Sun Xinguo; Ms. Li So Mui; Mr. Qiu Yiyong; Mr. Tian Yuchuan and Mr. Zeng Chen, the non-executive directors are Mr. Kong Dan; Mr. Mi Zengxin; Mr. Wong Kim Yin; Mr. Zhang Jijing and Ms. Yap Chwee Mein (alternate to 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.*