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## **CITIC RESOURCES HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF 7% INTEREST IN COPPABELLA AND MOORVALE JOINT VENTURE, TERMINATION OF CITIC MARKETING AGENCY AGREEMENT AND ACQUISITION OF SHARES IN MACARTHUR COAL LIMITED**

#### **RESUMPTION OF TRADING IN SHARES**

##### **Sale of CMJV Interest**

CITIC Coal, an indirect wholly-owned subsidiary of the Company, has conditionally agreed to sell the CMJV Interest to Macarthur Coal. The sale of the CMJV Interest will be achieved through the transfer of the Sale Shares and all other assets and liabilities held by CITIC Coal in respect of the Coppabella and Moorvale Joint Venture to Macarthur Coal for a consideration of A\$105 million (HK\$735 million), subject to adjustment. The Sale Shares Consideration will be adjusted by adding, if positive, the amount of the CMJV Interest's proportionate share of cash and debtors less creditors and accruals in the Coppabella and Moorvale Joint Venture as at 31 December 2009.

##### **Termination of CITIC Marketing Agency Agreement**

Under the CITIC Marketing Agency Agreement, CITIC Coal or a related entity has the right to market all coal produced by the Coppabella and Moorvale Joint Venture to, amongst others, Chinese customers in the PRC. As a term of the sale of the Sale Shares to Macarthur Coal, the CITIC Marketing Agency Agreement shall be terminated with effect from completion of the transfer of the Sale Shares to Macarthur Coal in return for a cancellation fee of A\$5 million (HK\$35 million).

### **Assets to be acquired by the Group**

Macarthur Coal shall issue, and the Group shall acquire, the Consideration Shares, being (subject to adjustment) 11,340,206 fully paid Macarthur Coal Shares, at an issue price of (subject to adjustment) A\$9.70 (HK\$67.90) per Consideration Share in satisfaction of the payment of the Sale Shares Consideration and the Cancellation Fee.

Assuming completion of the Transaction and the Gloucester Offer and the Noble Group Transaction and there being no adjustment to the Sale Shares Consideration, the Group will hold a 15.32% interest in Macarthur Coal.

### **Listing Rules Implications**

The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceed 5% (and are less than 25%). Accordingly, the Transaction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

### **Suspension and resumption of trading in Shares**

Trading in Shares was suspended at the request of the Company with effect from 9:30 a.m. on 22 December 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in Shares with effect from 9:30 a.m. on 23 December 2009.

*Shareholders and potential investors in securities of the Company should note that the Transaction is subject to the satisfaction or waiver of the Conditions Precedent described in this announcement and therefore it may or may not complete. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.*

## **INTRODUCTION**

The Board wishes to announce that CITIC Coal, an indirect wholly-owned subsidiary of the Company, has conditionally agreed to sell the CMJV Interest to Macarthur Coal. The CMJV Interest is owned by CITIC Coppabella, an indirect wholly-owned subsidiary of the Company, and comprises a 7% interest in the Coppabella and Moorvale Joint Venture which operates the Coppabella and Moorvale coal mines located in the State of Queensland, Australia.

The sale of the CMJV Interest will be achieved through the transfer of the Sale Shares and all other assets and liabilities held by CITIC Coal in respect of the Coppabella and Moorvale Joint Venture to Macarthur Coal for a consideration of A\$105 million (HK\$735 million), subject to adjustment. In addition, at completion of the sale of the Sale Shares to Macarthur Coal, the CITIC Marketing Agency Agreement and thereby the right of CITIC Coal or a related entity to market all coal produced by the Coppabella and Moorvale Joint Venture to, amongst others, Chinese customers in the PRC shall be terminated in return for a cancellation fee of A\$5 million (HK\$35 million).

Macarthur Coal shall issue, and the Group shall acquire, the Consideration Shares, being (subject to adjustment) 11,340,206 fully paid Macarthur Coal Shares, at an issue price of (subject to adjustment) A\$9.70 (HK\$67.90) per Consideration Share in satisfaction of the payment of the Sale Shares Consideration and the Cancellation Fee.

Assuming completion of the Transaction and the Gloucester Offer and the Noble Group Transaction and there being no adjustment to the Sale Shares Consideration, the Group will acquire 11,340,206 new Macarthur Coal Shares and will hold a 15.32% interest in Macarthur Coal.

## **AGREEMENT**

### **Date**

22 December 2009

### **Parties**

- (1) CITIC Coal, an indirect wholly-owned subsidiary of the Company.
- (2) CITIC Equipment, an indirect wholly-owned subsidiary of the Company.
- (3) CRA, an indirect wholly-owned subsidiary of the Company.
- (4) Macarthur Coal, a company listed on the ASX.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Macarthur Coal and its substantial shareholders are independent of the Company and connected persons of the Company.

### **Assets to be sold to Macarthur Coal by the Group**

#### ***CMJV Interest***

Under the terms of the Agreement, the sale of the CMJV Interest to Macarthur Coal shall be achieved as follows:

- (1) CITIC Coal shall transfer the CITIC Coppabella Sale Shares to Macarthur Coal and on the basis that CITIC Coppabella has, at the date of such transfer, cash equal to the Economic Benefit Cash Balance;
- (2) CITIC Equipment shall transfer the Macarthur Equipment Sale Shares to Macarthur Coal; and
- (3) the Group shall transfer all other assets and liabilities held by it in or associated with the Coppabella and Moorvale Joint Venture to Macarthur Coal.

### ***Information on CITIC Coppabella***

CITIC Coppabella is an indirect wholly-owned subsidiary of the Company and holds the CMJV Interest.

The net asset value of CITIC Coppabella was A\$21.7 million (HK\$151.9 million) as at 31 December 2007 and A\$40.0 million (HK\$280.0 million) as at 31 December 2008 and the net profit of CITIC Coppabella for the year ended 31 December 2007 and 31 December 2008 was A\$0.3 million (HK\$2.1 million) and A\$21.4 million (HK\$149.8 million) respectively.

On completion of the Transaction, CITIC Coppabella shall cease to be a subsidiary of the Company.

### ***Information on Macarthur Equipment***

Macarthur Equipment is a special purpose vehicle jointly owned by the Coppabella and Moorvale Joint Venture participants in proportion to their respective interests in the Coppabella and Moorvale Joint Venture. Macarthur Equipment acquires or leases equipment for use by the Coppabella and Moorvale Joint Venture.

The net liability of Macarthur Equipment was A\$0.8 million (HK\$5.6 million) as at 30 June 2008 and A\$3.7 million (HK\$25.9 million) as at 30 June 2009 and the net loss of Macarthur Equipment for the year ended 30 June 2008 and 30 June 2009 was A\$0.5 million (HK\$3.5 million) and A\$3.0 million (HK\$21.0 million) respectively.

### **Sale Shares Consideration**

The consideration payable by Macarthur Coal for the Sale Shares is A\$105 million (HK\$735 million), subject to adjustment, and is based upon the effective valuation of the CMJV Interest (excluding cash) as at 31 December 2009 and was agreed after arm's length negotiations amongst the parties.

The Sale Shares Consideration will be adjusted by adding, if positive, the amount of the CMJV Interest's proportionate share of cash and debtors less creditors and accruals in the Coppabella and Moorvale Joint Venture as at 31 December 2009. If the amount of the CMJV Interest's proportionate share of cash and debtors less creditors and accruals in the Coppabella and Moorvale Joint Venture is negative, no adjustment will be made to the Sale Shares Consideration and instead such amount will be added to the Economic Benefit Cash Balance.

An accounting gain/(loss) on disposal may be recognised in the income statement of the Group as a result of the Transaction. The calculation will be based on the Sale Shares Consideration (including adjustment relating to the balances of the cash, debtors and creditors from the audited statement of financial position of CITIC Coppabella as at 31 December 2009) less the net asset value of CITIC Coppabella as at 31 December 2009.

## **Termination of CITIC Marketing Agency Agreement**

Under the CITIC Marketing Agency Agreement, CITIC Coal or a related entity has the right to market all coal produced by the Coppabella and Moorvale Joint Venture to, amongst others, Chinese customers in the PRC. As a term of the sale of the Sale Shares to Macarthur Coal, the CITIC Marketing Agency Agreement shall be terminated with effect from completion of the transfer of the Sale Shares to Macarthur Coal in return for the Cancellation Fee.

## **Assets to be acquired by the Group**

Macarthur Coal shall issue, and the Group shall acquire, the Consideration Shares in satisfaction of the payment of the Sale Shares Consideration and the Cancellation Fee. The Consideration Shares will be issued at an issue price of A\$9.70 (HK\$67.90) per Consideration Share (subject to adjustment for any dividend (excluding any interim dividend declared by Macarthur Coal for the six months ended 31 December 2009), capital reconstructions or bonus element in any pro rata issue in accordance with the ASX Listing Rules).

The issue price of the Consideration Shares was determined after arm's length negotiations amongst the parties.

The issue price per Consideration Share represents (i) a discount of 0.10% to the closing price of A\$9.71 (HK\$67.97) per Macarthur Coal Share as quoted on the ASX on the Last ASX Trading Day; (ii) a premium of 1.46% to the average closing price of A\$9.56 (HK\$66.92) per Macarthur Coal Share as quoted on the ASX for the five trading days immediately prior to and including the Last ASX Trading Day; and (iii) a premium of 2.11% to the average closing price of A\$9.50 (HK\$66.50) per Macarthur Coal Share as quoted on the ASX for the ten trading days immediately prior to and including the Last ASX Trading Day.

## **Conditions Precedent**

The Transaction is subject to the satisfaction of the following conditions precedent:

- (1) the waiver of the pre-emptive rights of the Coppabella and Moorvale Joint Venture participants (other than Macarthur Coal) to acquire the Sale Shares;
- (2) the approval of shareholders of Macarthur Coal (as required by the ASX Listing Rules and the Corporations Act);
- (3) the approval of the Board and Shareholders (as required by the Listing Rules); and
- (4) all necessary regulatory or third party approvals or consents, including (but not limited to) FIRB approval by Macarthur Coal for the acquisition of the Sale Shares, FIRB approval by CITIC Coal for the acquisition of the Consideration Shares and any NDRC approval (if required).

CITIC Coal and Macarthur Coal shall use their best endeavours to procure the satisfaction of the Conditions Precedent before the End Date.

## **Termination of the Agreement**

If any of the Conditions Precedent is not satisfied or waived by the End Date and the parties cannot within 10 days of the End Date, acting in good faith, agree alternative means or methods to implement the Transaction or to extend the End Date, either party can give notice terminating the Agreement.

## **Completion of the Transaction**

Subject to the rights of the parties to terminate the Agreement as described in the section of this announcement headed “Termination of the Agreement”, completion of the Transaction will occur on the last day of the month following satisfaction or waiver of all of the Conditions Precedent.

## **Formal transaction documents**

The parties have agreed to use their best endeavours (acting in good faith) to agree and execute formal transaction documents within eight weeks of the Agreement and to implement the Transaction as soon as practicable.

## **REASONS FOR THE TRANSACTION**

The Group has a close working relationship and has been a cornerstone investor in Macarthur Coal since its initial public offering in 2001 and has been a joint venture partner for more than 11 years. The Group’s long-term strategy is to support Macarthur Coal’s growth and for Macarthur Coal to become one of Australia’s largest independent coal producers, creating superior investment returns for Shareholders.

Macarthur Coal has a portfolio of high quality operating metallurgical coal mines, strong pipeline of development projects, a highly promising exploration portfolio and an experienced and capable management team and board of directors. With no debt and a market capitalization exceeding A\$2.5 billion (HK\$17.5 billion), Macarthur Coal has strong growth potential both organically and through acquisitions.

The sale of the CMJV Interest and termination of the CITIC Marketing Agency Agreement is a logical next step in the Group’s long-term strategic partnering of Macarthur Coal. Importantly, the sale of the CMJV Interest delivers significant advantages to both Macarthur Coal and the Group and has the potential to create additional value for Shareholders.

Consolidating Macarthur Coal’s interests in two key operating assets and increasing its ownership to 80.30% of the Coppabella and Moorvale Joint Venture will add to attributable reserves and resources, production and future cashflow.

The Transaction enables Macarthur Coal to internalise marketing of all production of the Coppabella and Moorvale Joint Venture into the high growth markets for low volatile pulverised coal injection coal (PCI coal) of China and India.

The Transaction will convert the Group's minority project interest in the Coppabella and Moorvale Joint Venture into a larger and more strategic shareholding position in a leading independent Australian listed coal producer with strong near term growth potential and a market capitalisation exceeding A\$2.5 billion (HK\$17.5 billion) and allow the Group to gain an additional benefit from an exposure to the wider range of coal investments held by Macarthur Coal.

The Directors believe the Transaction will enhance the benefits currently enjoyed by the Group's 7% interest in the Coppabella and Moorvale Joint Venture and will have the potential to positively contribute to Macarthur Coal's broader investment appeal and will improve the liquidity of its investments.

Assuming completion of the Transaction and the Gloucester Offer and the Noble Group Transaction and there being no adjustment to the Sale Shares Consideration, the Group will hold 54.6 million Macarthur Coal Shares, representing a 15.32% interest in Macarthur Coal.

The Directors believe the terms of the Transaction are fair and reasonable and in the interests of Shareholders as a whole.

## **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.

## **INFORMATION ON MACARTHUR COAL**

Macarthur Coal is a public company listed on the ASX.

It is involved in operation, exploration, development and mining activities in the Bowen Basin in the State of Queensland, Australia. Macarthur Coal's principal product is low volatile PCI coal for use in the production of steel. Macarthur Coal is a key supplier of low volatile PCI coal to the steel mills of Asia, Europe and Brazil and also produces some thermal and coking coal. Macarthur Coal owns 73.30% of the Coppabella and Moorvale Joint Venture.

The consolidated net profit of Macarthur Coal (both before and after taxation and extraordinary items) for the two years ended 30 June 2009 are set out below:

	<b>Year ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>A\$ million</b>	<b>A\$ million</b>
	<b>(HK\$ million)</b>	<b>(HK\$ million)</b>
Profit before taxation and extraordinary items	<b>242.2</b>	116.0
	<b>(1,695.4)</b>	(812.0)
Profit after taxation and extraordinary items	<b>168.6</b>	72.7
	<b>(1,180.2)</b>	(508.9)

The consolidated net profit of Macarthur Coal (both before and after taxation and extraordinary items) for the six months ended 31 December 2007 and 2008 are set out below:

	<b>Six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>A\$ million</b>	A\$ million
	<b>(HK\$ million)</b>	(HK\$ million)
Profit before taxation and extraordinary items	<b>149.6</b>	19.2
	<b>(1,047.2)</b>	(134.4)
Profit after taxation and extraordinary items	<b>106.9</b>	13.5
	<b>(748.3)</b>	(94.5)

The consolidated total assets of Macarthur Coal as at 30 June 2008 and 2009 were A\$1,037.3 million (HK\$7,261.1 million) and A\$1,428.0 million (HK\$9,996.0 million) respectively and as at 31 December 2008 was A\$1,166.2 million (HK\$8,163.4 million).

The consolidated net assets of Macarthur Coal as at 30 June 2008 and 2009 were A\$690.5 million (HK\$4,833.5 million) and A\$1,009.1 million (HK\$7,063.7 million) respectively and as at 31 December 2008 was A\$719.1 million (HK\$5,033.7 million).

## **LISTING RULES IMPLICATIONS**

The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceed 5% (and are less than 25%). Accordingly, the Transaction constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING IN SHARES**

Trading in Shares was suspended at the request of the Company with effect from 9:30 a.m. on 22 December 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in Shares with effect from 9:30 a.m. on 23 December 2009.

*Shareholders and potential investors in securities of the Company should note that the Transaction is subject to the satisfaction or waiver of the Conditions Precedent described in this announcement and therefore it may or may not complete. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.*



## DEFINITIONS

For the purposes of this announcement, the following words and phrases have the meanings assigned to them below:

“Agreement”	a legally binding term sheet dated 22 December 2009 and entered into between CITIC Coal, CITIC Equipment, CRA and Macarthur Coal in respect of the Transaction
“ASX”	the Australian Stock Exchange
“ASX Listing Rules”	the Listing Rules of the ASX
“Board”	the board of Directors
“Cancellation Fee”	the fee of A\$5 million (HK\$35 million) payable by Macarthur Coal in respect of the termination of the CITIC Marketing Agency Agreement as described in the section of this announcement headed “Termination of CITIC Marketing Agency Agreement”
“CITIC Coal”	CITIC Australia Coal Pty Limited, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“CITIC Coppabella”	CITIC Australia Coppabella Pty Limited, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“CITIC Coppabella Sale Shares”	5,000,000 ordinary shares in, and representing 100% of, the issued share capital of CITIC Coppabella
“CITIC Equipment”	CITIC Mining Equipment Pty Limited, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“CITIC Marketing Agency Agreement”	the Coppabella and Moorvale Marketing Agreement entered into between Macarthur Coal (C&M Management) Pty Limited and CRA, pursuant to which CITIC Coal or a related entity has the right to market all coal produced by the Coppabella and Moorvale Joint Venture to, amongst others, Chinese customers in the PRC
“CMJV Interest”	the 7% interest in the Coppabella and Moorvale Joint Venture (including Olive Downs North) owned by CITIC Coppabella
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange
“Conditions Precedent”	the conditions precedent described in the section of this announcement headed “Conditions Precedent”

“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	subject to adjustment, 11,340,206 fully paid Macarthur Coal Shares to be issued in satisfaction of the Sale Shares Consideration and the Cancellation Fee
“Coppabella and Moorvale Joint Venture”	an unincorporated co-operative joint venture which operates the Coppabella and Moorvale coal mines located in the State of Queensland, Australia
“Corporations Act”	the Corporations Act of Australia
“CRA”	CITIC Resources Australia Pty Limited, a company incorporated in Australia with limited liability and an indirect wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Economic Benefit Cash Balance”	the sum of all cash receipts less all cash calls payable in respect of the CMJV Interest from 1 January 2010 to completion of the transfer of the Sale Shares less an amount equal to the notional tax payable by CITIC Coppabella on the interim earnings in respect of the CMJV Interest from 1 January 2010 to completion of the transfer of the Sale Shares
“End Date”	the date falling six months after the date the approval of shareholders of Macarthur Coal is obtained in respect of the Transaction
“FIRB”	the Foreign Investment Review Board of Australia
“Gloucester Offer and the Noble Group Transaction”	the transaction involving a takeover of Gloucester Coal Limited and conditional acquisitions of assets from Noble Group Limited by Macarthur Coal as announced and described in the announcement made by Macarthur Coal on 22 December 2009
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last ASX Trading Day”	21 December 2009, being the last trading day on the ASX prior to the date on which the Agreement was entered into
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macarthur Coal”	Macarthur Coal Limited, a company incorporated in Australia with limited liability and whose shares are listed on the ASX
“Macarthur Coal Shares”	ordinary shares in the share capital of Macarthur Coal

“Macarthur Equipment”	Macarthur Coal (C&M Equipment) Pty Limited, a company incorporated in Australia with limited liability
“Macarthur Equipment Sale Shares”	70 ordinary shares in, and representing 7% of, the issued share capital of Macarthur Equipment
“NDRC”	the National Development and Reform Commission of the PRC
“PRC”	the People’s Republic of China
“Sale Shares”	the CITIC Coppabella Sale Shares and the Macarthur Equipment Sale Shares
“Sale Shares Consideration”	the consideration payable in respect of the Sale Shares as described in the section of this announcement headed “Assets to be sold to Macarthur Coal by the Group”
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the sale of the Sale Shares, termination of the CITIC Marketing Agency Agreement and acquisition of the Consideration Shares
“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 rate of A\$1=HK\$7 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 rate or at any rate or at all.*

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

Hong Kong, 22 December 2009

*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.*