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CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

MEMORANDUM OF UNDERSTANDING GRANT OF RIGHT TO PURCHASE POTENTIAL OIL ASSETS

Memorandum of Understanding

On 27 October 2006, the Company entered into the Memorandum of Understanding with CITIC Group pursuant to which CITIC Group has granted to the Company the right to purchase the Potential Assets. The Purchase Right is exercisable by the Company during the period of one year commencing from the date CITIC Group completes its acquisition of the Potential Assets.

The consideration payable by the Company for the Purchase Right is US\$10.

The Purchase Right granted by CITIC Group to the Company represents a significant commercial and business advantage to the Company. It permits the Company to assess an investment in the Potential Assets without commitment or significant expenditure on the part of the Company and secures for the Company an ability to acquire the Potential Assets. In order to ensure that the Company acts expeditiously in relation to its review and assessment of an investment in the Potential Assets, the Company has placed the Earnest Money with CITIC Group. The Earnest Money together with interest is repayable to the Company if the Company does not exercise the Purchase Right.

Suspension and Resumption of Trading in Shares of the Company

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 31 October 2006 pending the release of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 2 November 2006.

Caution in Dealing in Securities of the Company

The Board draws to the attention of Shareholders and investors and requires them to note that the Purchase Right and any exercise of it by the Company will be subject to certain factors including the completion of CITIC Group's own acquisition of the Potential Assets, which is itself subject to the satisfaction of a number of conditions, and the conduct of appropriate due diligence investigations by the Company in relation to the Potential Assets that are satisfactory to the Company.

There is no assurance that the Company will have the right to exercise the Purchase Right or that it would proceed to exercise the Purchase Right should it vest in the event CITIC Group completes its acquisition of the Potential Assets or that any transfer of the Potential Assets from CITIC Group to the Company will occur.

Shareholders and investors are therefore advised to exercise caution when dealing in the securities of the Company.

BACKGROUND

Reference is made to the announcement (the "Announcement") by CITIC Resources Holdings Limited (the "Company") dated 26 October 2006. Terms and expressions defined in the Announcement shall have the same meaning when used in this announcement.

MEMORANDUM OF UNDERSTANDING

Right to purchase the Potential Assets

The Board wishes to announce that on 27 October 2006, the Company entered into a legally binding memorandum of understanding (the "Memorandum of Understanding") with CITIC Group pursuant to which CITIC Group has granted to the Company the right (but not the obligation) to purchase the Potential Assets (the "Purchase Right"). The consideration payable by the Company to CITIC Group for the grant of the Purchase Right is a nominal amount of US\$10 (which is non-refundable).

Exercise of the Purchase Right

The Company may elect to exercise the Purchase Right by giving notice in writing to CITIC Group during the period of one year commencing from the date CITIC Group completes its acquisition of the Potential Assets (the “Exercise Period”). CITIC Group’s acquisition of the Potential Assets is subject to the satisfaction of certain conditions and, therefore, an exercise of the Purchase Right by the Company would only be possible if CITIC Group completes its acquisition of the Potential Assets.

During the Exercise Period, the Company shall be entitled, amongst other things, to conduct due diligence investigations in respect of the Potential Assets. Subject to the satisfaction of relevant conditions relating to CITIC Group’s acquisition of the Potential Assets, CITIC Group’s acquisition of the Potential Assets is expected to occur towards the end of December 2006.

It is the Company’s current intention that, if it exercises the Purchase Right, it shall acquire the same interest in the Potential Assets that is acquired by CITIC Group.

Purchase Price Payable upon Exercise of the Purchase Right

If the Company elects to exercise the Purchase Right, the purchase price (the “Purchase Price”) payable by the Company to CITIC Group shall be an amount equal to:

- (a) the actual acquisition costs paid by CITIC Group in accordance with the relevant agreements governing CITIC Group’s acquisition of the Potential Assets;
- (b) plus an amount equal to the investment costs of CITIC Group (including, but not limited to, financing fees, lending and guarantee fees) incurred by CITIC Group (but not exceeding US\$200 million) less any costs borne by the Company (the “Investment Costs”); and
- (c) minus any reduction in the value of the Potential Assets arising from any payment or distribution of any dividend or capital or other distribution from the Potential Assets.

The actual acquisition cost of CITIC Group in relation to its acquisition of the Potential Assets will be US\$1.91 billion, subject to adjustment for cash and debt.

The amount of the Investment Costs may, at the election of the Company, be satisfied through the issue of new shares of HK\$0.05 each (“New Shares”) in the share capital of the Company. If the Company elects to issue New Shares to settle the amount of the Investment Costs, the issue price of such New Shares shall be HK\$1.36 per New Share. Such issue price represents a discount of 19.5% to the closing price of the Shares on the Stock Exchange on 27 October 2006, being the date of signing of the Memorandum of Understanding.

CITIC Group has agreed to assist the Company in procuring financing to fund payment of the Purchase Price (less any deposit paid by the Company) including, if required, acting as guarantor to the Company.

Benefits of the Purchase Right to the Company and Earnest Money

The Purchase Right granted by CITIC Group to the Company represents a significant commercial and business advantage to the Company. It permits the Company to assess an investment in the Potential Assets without commitment or significant expenditure on the part of the Company and secures for the Company an ability to acquire the Potential Assets. In order to ensure that the Company acts expeditiously in relation to its review and assessment of an investment in the Potential Assets, the Company has placed as earnest money (the “Earnest Money”) an amount equal to US\$200 million with CITIC Group. The Earnest Money together with interest is repayable to the Company if the Company does not exercise the Purchase Right.

Repayment of Earnest Money

If the Company does not exercise the Purchase Right for whatever reason, the Earnest Money shall, within 21 days of any demand, be repaid to the Company by CITIC Group together with interest. Interest shall be equal to the cost of funding incurred by the Company in respect of the Earnest Money and shall accrue from the date of payment of the Earnest Money to CITIC Group until the date the Earnest Money is repaid to the Company by CITIC Group.

If the Company exercises the Purchase Right, the Earnest Money will be applied towards payment of the deposit (the “Deposit”) and in part reduction of the Purchase Price payable to CITIC Group in respect of the Potential Assets. In the event, following any exercise of the Purchase Right, the acquisition of the Potential Assets by the Company does not complete, the Deposit shall, within 21 days of any demand, be repaid to the Company by CITIC Group together with interest. Interest shall be equal to the cost of funding incurred by the Company in respect of the Deposit and shall accrue from the date of payment of the Deposit to CITIC Group until the date the Deposit is repaid to the Company by CITIC Group.

SHAREHOLDERS AND OTHER RELEVANT APPROVALS

If the Company elects to exercise the Purchase Right, completion of the sale and purchase of the Potential Assets between CITIC Group and the Company and the transfer of the Potential Assets to the Company will constitute a very substantial acquisition and connected transaction of the Company under the Listing Rules and such transaction (including any related issue of New Shares to CITIC Group) will require the approval of the independent shareholders of the Company. In addition, any transfer of the Potential Assets to the Company will also require the approval of the relevant government and regulatory authorities in Kazakhstan.

The Company shall issue further announcements and despatch a circular to shareholders of the Company (“Shareholders”) as and when appropriate and as required by the Listing Rules.

IMPORTANCE OF CITIC GROUP’S ACQUISITION OF THE POTENTIAL ASSETS

The Purchase Right, and all other rights, granted to the Company under the Memorandum of Understanding will only become valid and capable of being exercised by the Company if CITIC Group completes its own acquisition of the Potential Assets. CITIC Group’s acquisition of the Potential Assets is subject to the satisfaction of a number of conditions. There is no assurance that such conditions will be satisfied or that the acquisition of the Potential Assets by CITIC Group will complete.

INFORMATION ON THE POTENTIAL ASSETS

The Potential Assets principally comprise a 94.6% interest in JSC Karazhanbasmunai, a joint stock company formed under the laws of Kazakhstan. JSC Karazhanbasmunai holds 100% of the mineral rights until 2020 to develop the Karazhanbas Oil and Gas Field in Mangistau Oblast, Kazakhstan which has proved reserves in excess of 340 million barrels of oil and current production of over 50,000 barrels of oil per day.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES OF THE COMPANY

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 31 October 2006 pending the release of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 2 November 2006.

CAUTION IN DEALING IN SECURITIES OF THE COMPANY

The Board draws to the attention of Shareholders and investors and requires them to note that the Purchase Right and any exercise of it by the Company will be subject to certain factors including:

- (a) the completion of CITIC Group's own acquisition of the Potential Assets, which is itself subject to the satisfaction of a number of conditions. There is no assurance that such conditions will be satisfied or that the acquisition of the Potential Assets by CITIC Group will complete. Completion of CITIC Group's acquisition of the Potential Assets is necessary before the Company will have the right and ability to exercise the Purchase Right; and
- (b) the conduct of appropriate due diligence investigations by the Company in relation to the Potential Assets that are satisfactory to the Company.

Shareholders and investors are therefore advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 1 November 2006

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.