
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC Resources Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



First Shanghai Capital Limited

A letter from the Independent Board Committee (as defined in this circular) containing its advice to the Independent Shareholders (as defined in this circular) is set out on pages 13 to 14 of this circular.

A letter from First Shanghai Capital Limited, the Independent Financial Adviser (as defined in this circular) containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 20 of this circular.

A notice convening a special general meeting of CITIC Resources Holdings Limited to be held at Pacific Place Conference Centre, Tien Room, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 May 2007 at 3:00 p.m., is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting (or any adjournment thereof) should you so wish.

7 May 2007

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DEFINITIONS

Unless the context otherwise requires, the following terms and expressions used in this circular shall have the following meanings:

“Announcement”	the Company’s announcement dated 13 April 2007 relating to the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the Annual Caps
“Annual Caps”	the maximum value of the annual sales revenue of the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2009 as set out in this circular
“Associates”	has the meaning given to it the Listing Rules
“ASX”	the Australian Stock Exchange
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company as amended from time to time
“CA”	CITIC Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability and a direct wholly-owned subsidiary of CITIC Group
“CACT”	CITIC Australia Commodity Trading Pty. Ltd., a company incorporated in the State of Victoria, Australia with limited liability and a wholly-owned subsidiary of CATL
“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, and an indirect non-wholly owned subsidiary of the Company
“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC
“CITIC Metal”	CITIC Metal Company Limited, a company incorporated in the PRC and a wholly-owned subsidiary of CITIC Group

DEFINITIONS

“CITIC Projects”	CITIC Projects Management (HK) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of CITIC Group
“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
“Corporation Agreement”	a cooperation agreement dated 5 April 2007 and made between CACT and CITIC Metal relating to the promotion development of iron ore sales to the PRC
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (comprising the Company’s three independent non-executive Directors), established by the Board to make a recommendation to the Independent Shareholders in respect of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the Annual Caps
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the Annual Caps
“Independent Shareholders”	Shareholders other than CA and Keentech and their respective Associates

DEFINITIONS

“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CITIC Group
“Latest Practicable Date”	4 May 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Exempt Continuing Connected Transactions”	the proposed continuing connected transactions represented by the trading and sale of iron ore by CACT to CITIC Metal for the three financial years ending 31 December 2009
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Prior Non-Exempt Continuing Connected Transactions”	the 2004 Non-Exempt Continuing Connected Transactions, the 2005 Non-Exempt Continuing Connected Transactions and the 2006 Non-Exempt Continuing Connected Transactions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened pursuant to the notice contained in this circular and at which Independent Shareholders will be asked to consider and, if thought fit, ratify the Prior Non-Exempt Continuing Connected Transactions and approve the Non-Exempt Continuing Connected Transactions and the Annual Caps
“Shareholders”	holders of Shares of the Company
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Substantial Shareholder”	has the meaning given to it in the Listing Rules
“USI”	United Star International Inc., a company incorporated in the British Virgin Islands
“2004 Financial Year”	the 12 months ended 31 December 2004
“2004 Non-Exempt Continuing Connected Transactions”	the trading and sale of iron ore by CACT to CITIC Metal during the 2004 Financial Year
“2005 Financial Year”	the 12 months ended 31 December 2005
“2005 Non-Exempt Continuing Connected Transactions”	the trading and sale of iron ore by CACT to CITIC Metal during the 2005 Financial Year
“2006 Financial Year”	the 12 months ended 31 December 2006
“2006 Non-Exempt Continuing Connected Transactions”	the trading and sale of iron ore by CACT to CITIC Metal during the 2006 Financial Year
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

In this circular, amounts in US\$ and A\$ have been converted into HK\$ or vice versa at the rates of US\$1 = HK\$7.8 and A\$1 = HK\$6.1 respectively for illustration purposes only. No representation is made that any amounts in US\$, A\$ or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.

LETTER FROM THE BOARD



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

Executive Directors:

Mr. KWOK Peter Viem (*Chairman*)
Mr. MA Ting Hung (*Vice Chairman*)
Mr. SHOU Xuancheng (*Vice Chairman*)
Mr. SUN Xinguo (*President and Chief Executive Officer*)
Ms. LI So Mui
Mr. MI Zengxin
Mr. QIU Yiyong
Mr. ZENG Chen
Mr. ZHANG Jijing

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-executive Directors:

Mr. FAN Ren Da, Anthony
Mr. NGAI Man
Mr. TSANG Link Carl, Brian

Head Office and

Principal Place of Business:
Suites 3001-3006
30/F, One Pacific Place
88 Queensway
Hong Kong

7 May 2007

To Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

As disclosed in the announcement of the Company dated 13 April 2007, the Board announced that CACT engages in the sale of iron ore to CITIC Metal on a recurring or ongoing basis. CACT is a wholly-owned subsidiary of CATL which, in turn, is an indirect non wholly-owned subsidiary of the Company and listed on the ASX. CITIC Metal is a wholly-owned subsidiary of CITIC Group and a Connected Person of the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions, the Annual Caps, the advice of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the SGM.

BACKGROUND

The Company is an integrated provider of key energy and natural resources and commodities with business interests in aluminium smelting, coal mining, import and export of commodities, manganese mining and processing and the exploration and development of oil and gas.

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 and iron ore, and imports into Australia manufactured products such as tyres and wheels, batteries, steel and aluminium products.

CACT is a wholly-owned subsidiary of CATL.

CITIC Metal is based in the PRC and is a wholly-owned subsidiary of CITIC Group. It specialises in the operation of import and export of metallurgical raw materials and products.

In the ordinary course of its business, CACT engages in the trading and sale of iron ore including to the PRC market by trading and selling iron ore with CITIC Metal. These transactions are being, and are expected to continue to be, conducted between CACT and CITIC Metal on a recurring or ongoing basis. The annual revenue generated from such sales has historically exceeded, and going forward is expected to exceed, 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules.

Set out below is a summary of the principal terms and basis upon which CACT trades and sells iron ore to CITIC Metal:

- (A) a sale of iron ore by CACT to CITIC Metal is conducted under CACT's standard sale agreements and is entered into on the occasion of each separate sale between CACT and CITIC Metal;
- (B) each sale agreement between CACT and CITIC Metal is on an arm's length basis;
- (C) the price at which iron are is sold by CACT to CITIC Metal is determined by reference to prevailing market prices; and
- (D) payments due from CITIC Metal in respect of the iron sold by CACT are payable by CITIC Metal within 60 to 90 days.

LETTER FROM THE BOARD

Annual revenue from the sale of iron ore by CACT to CITIC Metal during the three years ended 31 December 2006 were A\$65,787,000 (HK\$401,300,700), A\$178,968,000 (HK\$1,091,704,800) and A\$223,339,000 (HK\$1,362,367,900) respectively and exceeded 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules.

If the right opportunities arise, CACT is expected to continue to sell iron ore to CITIC Metal on the terms outlined above. On an annual basis, the revenue from such sales may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules for the three years ending 31 December 2009.

CLASSIFICATION AS CONTINUING CONNECTED TRANSACTIONS

CITIC Metal is a wholly-owned subsidiary of CITIC Group which controls, directly or indirectly, all of the issued share capital of Keentech and CA. Keentech and CA are each Substantial Shareholder of the Company holding an aggregate of 54.55% of the issued share capital of the Company as at the date of this circular. Accordingly, CITIC Metal is a Connected Person of the Company.

As CITIC Metal is a Connected Person of the Company, the Prior Non-Exempt Continuing Connected Transactions constitute and the Non-Exempt Continuing Connected Transactions will constitute continuing connected transactions for the Company under the Listing Rules.

RATIFICATION OF THE PRIOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT SHAREHOLDERS

The Prior Non-Exempt Continuing Connected Transactions have not previously been reported, announced and approved by Independent Shareholders.

CATL is listed on the ASX and has separately complied with the legal and regulatory requirements in Australia in respect of the Prior Non-Exempt Continuing Connected Transactions, including obtaining the approval and support of CATL's independent non-executive directors. Due to a misunderstanding, it had been assumed that there was no additional requirement to report these to the Company at the time they were entered into. The inadvertent omission by the Company to report and announce and obtain approval of the Independent Shareholders to the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions was identified during the Group's 2005 audit.

The omission by the Company to comply with the requirements of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions was wholly unintentional. Once the existence of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions was identified, the Company took immediate steps to investigate and seek legal advice. After it had been established with a degree of certainty that the Company may not have complied with the reporting, announcement and independent shareholder approval requirements of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions, the Company immediately notified the Stock Exchange. The Company also

LETTER FROM THE BOARD

disclosed details of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions in the Company's Annual Report for the year ended 31 December 2005.

No announcement has been issued by the Company to disclose the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions until the Announcement. This was primarily due to the Company and CATL requiring time to review the possible non-compliance of the Listing Rules in respect of the 2004 Non-Exempt Continuing Connected Transactions and the 2005 Non-Exempt Continuing Connected Transactions and obtain advice on the information that CATL, as a company listed on the ASX, can disclose in respect of such transactions and in respect of future transactions between CACT and CITIC Metal and the implications for CATL and its directors under the legal and regulatory regime in Australia including the ASX Listing Rules. In the interim period, CACT has continued to carry on business in the ordinary course including continuing to sell iron ore to CITIC Metal as revenue generated from this business line is an increasingly important contributor to CATL's overall revenue. A cessation of this business would not have been in the interests of CATL, its shareholders (including the Company) or Shareholders as a whole. Therefore, the 2006 Non-Exempt Continuing Connected Transactions have not been previously reported, announced or approved by Independent Shareholders.

As a company listed on the ASX, CATL is subject to its own legal and regulatory requirements including the rules of the ASX which, the Company has been advised, includes rules that are similar in their aims and content to those of Chapter 14A of the Listing Rules. Moreover, the legal framework in Australia imposes severe penalties for a public company such as CATL or its subsidiaries to conduct related party transactions other than on an arm's length basis. CATL has complied with its obligations and legal and regulatory requirements in Australia in relation to the continuing connected transactions with CITIC Metal including obtaining the approval and support of CATL's independent non-executive directors. The Company understands that the duties of the independent non-executive directors of CATL are similar to those of independent non-executive director's of companies listed on the Stock Exchange.

Notwithstanding the above, the Company and the Directors understand and fully appreciate the importance of ensuring compliance by the Company with the requirements of the Listing Rules. The Company is taking steps to ensure that all appropriate levels of management within the Group are advised of and regularly refreshed on the requirements of the Listing Rules, with particular emphasis on the disclosure, announcement and shareholder approval requirements of Chapters 13, 14, and 14A of the Listing Rules, so that they understand and are able to identify transactions that must comply with such requirements and report these immediately to senior management of the Company.

In addition to those measures, the Company proposes to convene the SGM for the purpose, inter alia, of asking the Independent Shareholders to ratify the Prior Non-Exempt Continuing Connected Transactions. Further details of the SGM are set out below.

LETTER FROM THE BOARD

APPROVAL OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

CACT and CITIC Metal have entered into the Cooperation Agreement for a term of three years commencing from 1 January 2007 to, on a non-exclusive basis, promote and develop the sale of iron ore in the PRC. It is expected that CACT will continue to sell iron ore to CITIC Metal on a recurring or ongoing basis on the terms outlined above under the section headed “Background” of this circular. On an annual basis, the revenue from such sales may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules for the three year’s ending 31 December 2009.

The Company proposes to seek the approval of the Independent Shareholders to the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2009 subject to the Annual Caps described below.

ANNUAL CAPS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND BASIS OF CALCULATION

In relation to the Non-Exempt Continuing Connected Transactions, the proposed Annual Caps for the three years ending 31 December 2009 are set as follows:

31 December 2007	:	US\$330,000,000	(HK\$2,574,000,000)
31 December 2008	:	US\$380,000,000	(HK\$2,964,000,000)
31 December 2009	:	US\$420,000,000	(HK\$3,276,000,000)

The Annual Caps are determined by reference to and assuming anticipated future sales of iron ore which are arrived at based on the historical performance of iron ore sales as a growing business line for CATL over the last three years, an assumed sustained demand for iron ore particularly in the PRC market for the three years ending 31 December 2009, the potential price of iron ore generally and ability of CACT to source and secure iron ore supplies in the market at competitive prices.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The sale of iron ore by CACT was introduced in the 2004 Financial Year as a new business line for CATL and, although negligible to begin with, sales increased significantly in that period. During the 2005 Financial Year, the sale of iron ore further increased with exports to the PRC being a major factor. The PRC market is currently the world’s largest iron ore market but distribution of iron ore within the PRC is regulated and effectively restricted to PRC entities. CITIC Metal has been instrumental in helping CACT increase export volumes of iron ore to the PRC market during the 2005 Financial Year and the 2006 Financial Year. Going forward, CATL aims to further develop its iron ore trading into a sustainable, significant and regular business line and the sale of iron ore to CITIC Metal, which gives CATL access to the PRC market, is an important element in achieving this.

LETTER FROM THE BOARD

The Directors are of the view that the Prior Non-Exempt Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions are made on an arm's length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than the terms available to or from independent third parties, and the Annual Caps thereof are fair and reasonable and the Transactions are in the interest of the Company and the Shareholders as a whole.

Please refer to the letter from the Independent Financial Adviser as set out in pages 15 to 20 to this circular.

SPECIAL GENERAL MEETING

A SGM will be convened for the purpose of asking the Independent Shareholders to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the Annual Caps. A notice convening the SGM is set out on pages 30 to 31 of this circular. Pursuant to the Listing Rules, voting on such resolutions will be conducted by way of a poll. As CITIC Metal is an Associate of CA and Keentech, each a Substantial Shareholder of the Company, CITIC Metal is a Connected Person of the Company. CA and Keentech and their respective Associates are required to abstain from voting at the SGM as required under the Listing Rules.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed on it to Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

An announcement will be made by the Company following conclusion of the SGM to inform Shareholders of the results of the poll vote in respect of the resolutions put to the Independent Shareholders at the SGM.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting;
or

LETTER FROM THE BOARD

- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

A demand by a person or proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every Shareholder who is present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall (save as provided otherwise in the Bye-laws) have one vote for every fully paid Share of which he is the holder (but so that no amount paid or credited as paid up on a Share in advance of calls or instalments shall be treated for the foregoing purposes as paid on the Share). A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Fan Ren Da, Anthony; Mr. Ngai Man and Mr. Tsang Link Carl, Brian, has been appointed to advise the Independent Shareholders in respect of the resolution(s) to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the Annual Caps. Your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether:

- (a) the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; and
- (b) the Non-Exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

Your attention is drawn to the letter from the Independent Financial Adviser set out on pages 15 to 20 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to these matters.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable and in the interest of the Company and Shareholders as a whole and that the Non-Exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the ordinary resolutions set out in the notice of the SGM contained in pages 30 to 31 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Moreover, the Independent Board Committee believes that the proposal to enter into the Non-Exempt Continuing Connected Transactions, subject to the Annual Caps, are also fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Accordingly, the Independent Board Committee also recommends that the Independent Shareholders ratify the Prior Non-Exempt Continuing Connected Transactions and vote in favour of the resolutions to be proposed to approve the Non-Exempt Continuing Connected Transactions and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Kwok Peter Viem
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

7 May 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to Shareholders of even date (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

As the Independent Board Committee, we have been appointed to advise you as to whether, in our opinion:–

- (a) the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; and
- (b) the Non-Exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

First Shanghai Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders on these matters. Details of the advice of the Independent Financial Adviser, including the factors taken into consideration in arriving at such advice, are set out on pages 15 to 20 of the Circular.

Having considered the principal terms and basis upon which CACT trades and sells iron ore to CITIC Metal, the reasons for having entered into the Prior Non-Exempt Continuing Connected Transactions and for entering into the Non-Exempt Continuing Connected Transactions, and the advice of the Independent Financial Adviser, we are of the opinion that:–

- (a) the Prior Non-Exempt Continuing Connected Transactions were fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (b) the Non-Exempt Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the Annual Caps.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Fan Ren Da, Anthony Ngai Man Tsang Link Carl, Brian
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed continuing connected transactions for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

7 May 2007

To the Independent Board Committee and the Independent Shareholders

CITIC Resources Holdings Limited
Suites 3001-3006
30/F, One Pacific Place
88 Queensway
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions, details of which are set out in the circular of the Company dated 7 May 2007 (the “**Circular**”) to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 13 April 2007, CACT engages in the sale of iron ore to CITIC Metal on a recurring or ongoing basis. CACT is a wholly-owned subsidiary of CATL which, in turn, is an indirect non wholly-owned subsidiary of the Company and is listed on the ASX. CITIC Metal is a wholly-owned subsidiary of CITIC Group and a Connected Person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Over the three years ended 31 December 2006, CACT traded and sold iron ore to CITIC Metal pursuant to a series of separate transactions negotiated each time on an arm's length basis. The annual revenue of such sales were A\$65,787,000 (HK\$401,300,700), A\$178,968,000 (HK\$1,091,704,800) and A\$223,339,000 (HK\$1,362,367,900) for the three years ended 31 December 2006 respectively and exceeded 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules. Such sales constituted non-exempt continuing connected transactions under the Listing Rules.

The sale of iron ore by CACT to CITIC Metal is expected to continue for the three years ending 31 December 2009 and, annually, may exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules.

CITIC Metal is a wholly-owned subsidiary of CITIC Group, and CITIC Group controls, directly or indirectly, all of the issued share capital of Keentech and CA. Keentech and CA are each Substantial Shareholder of the Company holding an aggregate of 54.55% of the issued share capital of the Company as at the date of the Circular. Accordingly, CITIC Metal is a Connected Person of the Company. As such, the Prior Non-Exempt Continuing Connected Transactions constitute and the Non-Exempt Continuing Connected Transactions will constitute continuing connected transactions for the Company under the Listing Rules. The SGM will be convened for the purpose of asking the Independent Shareholders to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the proposed Annual Caps. CA and Keentech and their respective Associates are required to abstain from voting at the SGM as required under the Listing Rules.

The Independent Board Committee, comprising the independent non-executive Directors, namely, Mr. Fan Ren Da, Anthony, Mr. Ngai Man and Mr. Tsang Link Carl, Brian, has been appointed to advise the Independent Shareholders in respect of the resolutions to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the proposed Annual Caps. Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is to give an independent opinion as to whether the terms of the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole in the SGM to be convened for the approval of such transactions.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Company were true at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld

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or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation as to the fairness and reasonableness of the continuing connected transactions, we have taken into account the following principal factors and reasons:

1. Background

The Company is an integrated provider of key natural resources with business interests in aluminium smelting, coal mining, import and export of commodities, manganese mining and processing and the exploration and development of oil.

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 and iron ore, and imports into Australia manufactured products such as tyres and wheels, batteries, steel and aluminium products.

CACT is a wholly-owned subsidiary of CATL.

CITIC Metal is based in the PRC and is a wholly-owned subsidiary of CITIC Group. It specialises in the operation of import and export of metallurgical raw materials and products.

2. Reasons for entering into the continuing connected transactions

As stated in the “Letter from the Board” in the Circular, the sale of iron ore by CACT was introduced in the 2004 Financial Year as a new business line for CATL and, although negligible to begin with, sales increased significantly in that period. During the 2005 Financial Year, the sale of iron ore further increased with exports to the PRC being a major factor.

According to CATL’s annual report for the 2004 Financial Year, CATL exported 1.3 million tonnes of iron ore to Chinese steel mills, generating a sales revenue of approximately A\$116,600,000 (HK\$711,260,000), of which A\$65,787,000 (HK\$401,300,700) were sold to CITIC Metal. As stated in CATL’s annual report for the 2005 Financial Year, CATL exported 3.5 million tonnes of iron ore to Chinese steel mills, generating a sales revenue of approximately A\$282,055,000 (HK\$1,720,535,500), of which A\$178,968,000 (HK\$1,091,704,800) were sold to CITIC Metal. With reference to CATL’s annual report for the 2006 Financial Year, CATL exported 2.7 million tonnes of iron ore to Chinese steel mills, generating a sales revenue of

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approximately A\$238,488,000 (HK\$1,454,776,800), of which A\$223,339,000 (HK\$1,362,367,900) were sold to CITIC Metal. We also noted that approximately 19.1%, 37.5% and 29.0% of the total revenue of CATL came from the trading and sale of iron ore for the three years ended 31 December 2006, respectively.

As stated in the “Letter from the Board” in the Circular, the PRC market is currently the world’s largest iron ore market, but distribution of iron ore within the PRC is regulated and effectively restricted to PRC entities. We understand from the Directors that CITIC Metal has been instrumental in helping CACT increase export volumes of iron ore to the PRC market during the 2005 Financial Year and the 2006 Financial Year. CATL aims to further develop its iron ore trading into a sustainable, significant and regular business line and the sale of iron ore to CITIC Metal, which gives CATL access to the PRC market, is an important element in achieving this.

In addition, based on an article published in December 2006 by the Australian Bureau of Agriculture and Resource Economics, world iron ore production is estimated to have grown by approximately 12 % to 1.47 billion tones in 2006 as compared to 2005. The iron ore production is forecast to increase by a further 143 million tones in 2007 to 1.61 billion tones. The PRC is estimated to have consumed around 600 million tones of iron ore in 2006, which accounted for 40% of the world’s total consumption. Imports are expected to account for the majority of this consumption. It is estimated that 332 million tones of iron ore were imported by the PRC in 2006, and an increase of approximately 12.3% to approximately 373 million tones of iron ore are expected to be imported by the PRC in 2007. With increasing import of iron ore by the PRC, the PRC market is expected to have immense development potential.

3. Prior Non-Exempt Continuing Connected Transactions

As stated in the “Letter from the Board” in the Circular, CACT engages in the trading and sale of iron ore including to the PRC market by trading and selling iron ore with CITIC Metal. The principal terms and basis upon which CACT trades and sells iron ore to CITIC Metal are as follows:

- (A) a sale of iron ore by CACT to CITIC Metal is conducted under CACT’s standard sale agreements and is entered into on the occasion of each separate sale between CACT and CITIC Metal;
- (B) each sale agreement between CACT and CITIC Metal is on an arm’s length basis;
- (C) the price at which iron ore is sold by CACT to CITIC Metal is determined by reference to prevailing market prices; and
- (D) payments due from CITIC Metal in respect of the iron ore sold by CACT are payable by CITIC Metal within 60 to 90 days.

Annual revenue from the sale of iron ore by CACT to CITIC Metal during the three years ended 31 December 2006 were A\$65,787,000 (HK\$401,300,700), A\$178,968,000 (HK\$1,091,704,800) and A\$223,339,000 (HK\$1,362,367,900) respectively.

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4. The proposed Annual Caps for the Non-Exempt Continuing Connected Transactions

As mentioned in the “Letter from the Board” in the Circular, CACT and CITIC Metal have entered into the Cooperation Agreement for a term of three years commencing from 1 January 2007 to, on a non-exclusive basis, promote and develop the sale of iron ore in the PRC. It is expected that CACT will continue to sell iron ore to CITIC Metal on a recurring or ongoing basis on the terms outlined above under the paragraph headed “Prior Non-Exempt Continuing Connected Transactions”.

The proposed Annual Caps of the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2009 are set as follows:

	For the year ending 31 December 2007	For the year ending 31 December 2008	For the year ending 31 December 2009
Proposed Annual Caps (<i>US\$'000</i>)	<u>330,000</u>	<u>380,000</u>	<u>420,000</u>
<i>(equivalent HK\$'000)</i>	<u>2,574,000</u>	<u>2,964,000</u>	<u>3,276,000</u>

As mentioned in the “Letter from the Board” in the Circular, the proposed Annual Caps are determined by reference to and assuming anticipated future sales of iron ore which are arrived at based on the historical performance of iron ore sales as a growing business line for CATL over the last three years, an assumed sustained demand for iron ore particularly in the PRC market for the three years ending 31 December 2009, the potential price of iron ore generally and ability of CACT to source and secure iron ore supplies in the market at competitive prices. We have reviewed the historical performance of iron ore sales to CITIC Metal over the last three years and the sales so far in 2007, and have discussed with the Directors on the anticipated sales volume and selling price of iron ore to CITIC Metal for the three years ending 31 December 2009. We consider that the basis of arriving at the proposed Annual Caps are reasonable.

As stated in the “Letter from the Board” in the Circular, annual revenue from the sale of iron ore by CACT to CITIC Metal during the three years ended 31 December 2006 were A\$65,787,000 (HK\$401,300,700), A\$178,968,000 (HK\$1,091,704,800) and A\$223,339,000 (HK\$1,362,367,900) respectively. We note that the annual revenue from the sale of iron ore by CACT to CITIC Metal have shown a fast growing trend during the three years ended 31 December 2006. The annual revenue for the 2005 Financial Year of A\$178,968,000 (HK\$1,091,704,800) represents a remarkable increase of approximately 172.0% as compared with the annual revenue for the 2004 Financial Year. The annual revenue for the 2006 Financial Year of A\$223,339,000 (HK\$1,362,367,900) represents an increase of approximately 24.8% as compared with the annual revenue for the 2005 Financial Year.

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above and summarised below:

- (i) given that CATL is a significant exporter of bulk commodities, focusing on base metals and mineral resources, including alumina, aluminium ingots and iron ore, the Prior Non-Exempt Continuing Connected Transactions and the Non-Exempt Continuing Connected Transactions fall within the ordinary and usual course of business of the Group;
- (ii) distribution of iron ore within the PRC is regulated and effectively restricted to PRC entities and CITIC Metal, which gives access to the PRC market, has been instrumental in helping CACT increase export volume of iron ore to the PRC market;
- (iii) the sales are on an arm's length basis with reference to prevailing market prices;
- (iv) the terms of the Non-Exempt Continuing Connected Transactions are the same as the terms of the Prior Non-Exempt Continuing Connected Transactions; and
- (v) the historical annual growth rate of the actual sales amounts between CATL and CITIC Metal have shown a growing trend during the three years ended 31 December 2006, and the growth in proposed Annual Caps for the three years ending 31 December 2009 are considered reasonable,

we are of the opinion that the Prior Non-Exempt Continuing Connected Transactions, the Non-Exempt Continuing Connected Transactions and the proposed Annual Caps are in the interests of the Company and the Shareholders as a whole and that the terms of the Prior Non-Exempt Continuing Connected Transactions, the terms of the Non-Exempt Continuing Connected Transactions and the proposed Annual Caps are fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to ratify the Prior Non-Exempt Continuing Connected Transactions and to approve the Non-Exempt Continuing Connected Transactions and the proposed Annual Caps.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee
Managing Director

Eric Lee
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

The issue of this circular has been approved by the Directors.

2. FURTHER INFORMATION ABOUT THE COMPANY

The Company was incorporated in Bermuda on 18 July 1997. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong.

Share Capital:

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised Share Capital:

HK\$500,000,000 divided into 10,000,000,000 Shares

Share Capital issued as fully paid:

HK\$251,184,219.05 divided into 5,023,684,381 Shares as at the Latest Practicable Date.

Note: All of the existing issued Shares rank *pari passu* in all respects including as to, amongst other things, dividends, voting and interests in capital.

3. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or

pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) and which have been notified to the Company and the Stock Exchange were as follows:

Interests in the Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares held	Interests in underlying Shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Kwok Peter Viem	Corporate	572,966,000 ⁽¹⁾	—	11.41
Mr. Kwok Peter Viem	Directly beneficially owned	—	50,000,000	1.00
Mr. Ma Ting Hung	Corporate	572,966,000 ⁽¹⁾	—	11.41
Mr. Ma Ting Hung	Directly beneficially owned	—	50,000,000	1.00
Mr. Shou Xuancheng	Directly beneficially owned	—	10,000,000	0.20
Mr. Sun Xinguo	Directly beneficially owned	—	10,000,000	0.20
Ms. Li So Mui	Directly beneficially owned	—	5,000,000	0.10
Mr. Mi Zengxin	Directly beneficially owned	—	10,000,000	0.20
Mr. Qiu Yiyong	Directly beneficially owned	—	10,000,000	0.20
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.20
Mr. Zhang Jijing	Family	28,000 ⁽²⁾	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.20

Notes:

- (1) The Shares disclosed above are held by USI, a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Mr. Kwok Peter Viem and 50% by Mr. Ma Ting Hung. Accordingly, each of them is deemed to be interested in the 572,966,000 Shares.
- (2) The Shares disclosed above are held by the spouse of Mr. Zhang Jijing. Accordingly, Mr. Zhang Jijing is deemed to be interested in the 28,000 Shares.

Interests in the ordinary shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Number of shares/equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Zeng Chen	CATL	Subsidiary	Ordinary shares	385,402 ⁽¹⁾	Family	0.46

Note:

- (1) The shares disclosed above are held by the spouse of Mr. Zeng Chen. Accordingly, Mr. Zeng Chen is deemed to be interested in the 385,402 shares.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date:

- (i) none of the Directors or chief executive of the Company had an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors was a director or employee of a company which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;
- (iii) none of the Directors or their respective Associates was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group taken as a whole;
- (iv) none of the Directors or their respective Associates had any interests in a business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group; and
- (v) no Director has been interested in any assets which have been within the two years immediately preceding the issue of this circular acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

(b) Disclosure of interests of Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of Shareholder	Nature of interest	Number of Shares held	Interests in underlying Shares pursuant to share options	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	2,740,594,381 ⁽¹⁾	—	54.55
CITIC Projects	Corporate	1,990,180,588 ⁽²⁾	—	39.61
Keentech	Corporate	1,990,180,588 ⁽³⁾	—	39.61
CA	Corporate	750,413,793 ⁽⁴⁾	—	14.94
USI	Corporate	572,966,000 ⁽⁵⁾	—	11.41
Mr. Kwok Peter Viem	Corporate	572,966,000 ⁽⁵⁾	50,000,000 ⁽⁷⁾	12.40
Mr. Ma Ting Hung	Corporate	572,966,000 ⁽⁵⁾	50,000,000 ⁽⁷⁾	12.40
Temasek Holdings (Private) Limited	Corporate	348,108,000 ⁽⁶⁾	—	6.93
Temasek Capital (Private) Limited	Corporate	348,108,000 ⁽⁶⁾	—	6.93
Seletar Investments Pte Ltd	Corporate	348,108,000 ⁽⁶⁾	—	6.93
Baytree Investments (Mauritius) Pte Ltd	Corporate	348,108,000 ⁽⁶⁾	—	6.93

Notes:

- (1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Projects and CA.
- (2) The figure represents an attributable interest of CITIC Projects through its interest in Keentech. CITIC Projects, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Group.

- (3) Keentech, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects.
- (4) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Group.
- (5) The figure represents an attributable interest of each of Mr. Kwok Peter Viem and Mr. Ma Ting Hung respectively as the beneficial owner of 50% each of USI. These interests are also included as corporate interests of Mr. Kwok Peter Viem and Mr. Ma Ting Hung, as disclosed under the heading “Disclosure of interests of Directors” above.
- (6) The figure represents an attributable interest of Temasek Holdings (Private) Limited through its interest in Temasek Capital (Private) Limited, Seletar Investments Pte Ltd and Baytree Investments (Mauritius) Pte Ltd.
- (7) The share options granted to Mr. Kwok Peter Viem and Mr. Ma Ting Hung are their respective personal interests.

(c) Disclosure of substantial shareholding in other members of the Group

Name of Shareholder	Name of subsidiary	Percentage of issued share capital
CITIC United Asia Investments Limited ⁽¹⁾	CITIC Dameng Holdings Limited	20

Note:

- (1) CITIC United Asia Investments Limited, a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of CITIC Group.

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

4. LITIGATION

Save as disclosed below and so far as is known to the Directors, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries:

- (a) In January 1999, Dongguan Xinlian Wood Products Company Limited (“**Dongguan Xinlian**”), a wholly-owned subsidiary of the Company held through Wing Lam (International) Timber Limited (“**Wing Lam**”), received a writ of summons (the “**Claim**”) from China Foreign Trade Development Company (the “**Plaintiff**”) claiming

US\$6,362,000 (HK\$49,624,000) and related interest in respect of six re-export contracts purported to have been entered into by Dongguan Xinlian prior to it becoming a Group subsidiary. A judgment (the “**First Judgment**”) was issued by the Shenzhen Intermediate People’s Court in February 2000 against Dongguan Xinlian for a sum of US\$3,448,000 (HK\$26,894,000). In response, Dongguan Xinlian filed an appeal against the First Judgment with the People’s High Court of Guangdong Province.

In August 2003, certain members of the Plaintiff management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the People’s High Court of Guangdong Province issued a judgment (the “**Second Judgment**”) in December 2003 against Dongguan Xinlian for US\$4,800,000 (HK\$37,440,000) with related interest. In January 2004, Dongguan Xinlian filed another appeal to the State Supreme Court requesting the withdrawal of the Second Judgment and a decision that Dongguan Xinlian is not liable to the Plaintiff in respect of the Second Judgment. In December 2004, the People’s High Court of Guangdong Province overturned the Second Judgment and issued a decision that it will re-hear the case.

In December 2005, the People’s High Court of Guangdong Province issued a judgment whereby the validity of the Second Judgment against Dongguan Xinlian was maintained (the “**Third Judgment**”).

As advised by the Group’s legal advisers, there were a number of conflicts and discrepancies with regard to the Second Judgment and the Third Judgment. The Second Judgment and the Third Judgment were not supported by valid evidence and although the People’s High Court of Guangdong Province acknowledged the criminal liabilities of certain members of the Plaintiff’s management team (including forging the contracts connected to the Claim), the People’s High Court of Guangdong Province did not, contrary to normal legal procedures, take these factors into account when it gave the Third Judgment. In February 2006, Dongguan Xinlian commenced an appeal process against the Third Judgment. In the meantime, the Shenzhen Intermediate People’s Court has frozen the assets and machinery of Dongguan Xinlian and the Group has also taken steps to apply for a suspension of the auction of the assets and machinery of Dongguan Xinlian.

The ex-shareholders of Wing Lam (the “**Ex-shareholders**”) have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK\$11,862,000, being the outstanding other loans from the Ex-shareholders as at 30 June 2006. In light of the indemnity from the Ex-shareholders and the advice of the Group’s legal advisers, the Directors believe that the outcome of the Claim will not have a material adverse impact on the financial results of the Group.

- (b) The Group has a 7% participating interest in the unified unincorporated co-operative Coppabella and Moorvale coal mines joint venture, the manager and agent of which is Macarthur Coal (C&M Management) Pty Limited (the “**Manager**”). Roche Mining Pty Limited (the “**Contractor**”) is contracted to mine coal and overburden at the Coppabella mine for a five year term which commenced on 1 July 2003.

In December 2003, the Manager lodged a notice of dispute with the Contractor under the terms of the mining contract. The claim included recovery of loss and damages for higher production costs and demurrage resulting from a failure of the Contractor to deliver coal in accordance with the contract provisions. Subsequently, the Manager received a series of claims from the Contractors.

In June 2004, following rejection by the superintendent of claims from the Contractor, the Contractor lodged a notice of dispute on the Manager under the mining contract. The rejected claim, consisting of 9 heads of claim, included higher costs of mining in the 2004 financial year due to alleged delay in access to particular mining areas and alleged adverse mining conditions. The Contractor then referred the dispute to arbitration.

In February 2005, the arbitrator determined that 7 of the 9 points of claim could proceed to arbitration. The Manager received the detailed points of claim from the Contractor in March 2005 and detailed further particulars in September 2005. In April 2006, the Manager lodged its defence to the points of claim and lodged a counterclaim against the Contractor.

In July 2005, the Contractor lodged a further notice of dispute in relation to alleged additional costs resulting from the superintendent's approval of the 2005 financial year mine plan. The claims were rejected by the superintendent and the subsequent dispute was referred to arbitration in August 2005. In April 2006, the Contractor lodged a consolidated and further amended points of claim in relation to both the 2004 financial year claim and the 2005 financial year claim. In October 2006, the Manager lodged its defence to the consolidated claim.

In January 2006, the Contractor lodged a further notice of claim in relation to alleged additional costs resulting from the superintendent's approval of the 2006 financial year mine plan. However, the Contractor has not provided to the superintendent the requested details of the nature and quantum of this claim.

The total value of the three claims noted above for financial years 2004, 2005 and 2006 is in the order of A\$100 million (HK\$617 million) out of which the Group's share amounted to A\$7 million (HK\$43 million). Areas of duplication have been identified across these three claims and the Contractor is yet to provide particulars regarding basis and quantum of the third claim.

The Manager disputes the above claims and will vigorously defend its position in arbitration. The arbitrator has set a date to hear the consolidated 2004 and 2005 financial year claims in June 2007. However, there is no set date for hearing of the consolidated 2006 financial year claim.

In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Manager and the joint venture participants of the Coppabella and Moorvale coal mines joint venture.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT

The Independent Financial Adviser is a licensed corporation under the SFO to carry out type 6 regulated activities. The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The Independent Financial Adviser has confirmed that it has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

8. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or the Independent Financial Adviser had any interest, director or indirect, in any asset which had been since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The share registrar and transfer office of the Company is Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms. Li So Mui. She holds a Master's Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. Ms. Li has over 29 years' experience in the accounting and banking field.
- (c) The qualified accountant of the Company is Mr. Chung Ka Fai, Alan. He is an associate member of the Australian Society of Certified Practising Accountants. Prior to joining the Company, he worked for various multinational companies. Mr. Chung has over 16 years' experience in the accounting field.

- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong from the date of this circular up to and including 22 May 2007:

- (a) the memorandum of association of the Company and Bye-laws;
- (b) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 15 to 20 of this circular;
- (c) the consent letter of the Independent Financial Adviser referred to under the section headed “Expert” above; and
- (d) CACT’s standard sale agreement for the sale of iron ore.

NOTICE OF SGM



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

(Stock Code: 1205)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of CITIC Resources Holdings Limited (the “**Company**”) will be held at Pacific Place Conference Centre, Tien Room, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 May 2007 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

Resolution No. 1

- (a) “**THAT** the Prior Non-Exempt Continuing Connected Transactions (as defined in the circular issued by the Company on 7 May 2007 (the “**Circular**”)) and the terms of such transactions be and are hereby ratified.”

Resolution No. 2

- (b) “**THAT** the Non-Exempt Continuing Connected Transactions (as defined in the Circular) and the terms of the transactions contemplated thereunder and the Annual Caps (as defined in the Circular) for each of the three financial years ending 31 December 2009 be and are hereby approved, and that any one Director, or any two Directors or one Director and the Company Secretary if the affixation of the common seal is necessary, be and is/are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to take all steps necessary or expedient to implement and/or give effect to the Non-Exempt Continuing Connected Transactions and the Annual Caps.”

By Order of the Board
CITIC Resources Holdings Limited
Li So Mui
Company Secretary

Dated: 7 May 2007, Hong Kong

Head Office and

Principal Place of Business in Hong Kong:

Suites 3001-3006

30/F, One Pacific Place

88 Queensway

Hong Kong

NOTICE OF SGM

Notes:

- (1) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead in accordance with the bye-laws of the Company. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the Meeting is enclosed.
- (3) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the Meeting (or any adjournment thereof) should they so wish. If a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.
- (4) If there are joint registered holders of a share in the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the joint holders so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

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.