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## IMPORTANT

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**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.

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## CITIC RESOURCES HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

### CONTINUING CONNECTED TRANSACTIONS WITH CITIC METAL COMPANY LIMITED

### REVISED ANNUAL CAPS FOR EXISTING IRON ORE TRANSACTIONS, EXTENSION OF COOPERATION AGREEMENT AND NEW IRON ORE TRANSACTIONS

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



**First Shanghai Capital Limited**

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A letter from the Independent Board Committee (as defined in this circular) containing its advice to Independent Shareholders (as defined in this circular) is set out on pages 11 to 12 of this circular.

A letter from the Independent Financial Adviser (as defined in this circular) containing its opinion and advice to the Independent Board Committee and Independent Shareholders is set out on pages 13 to 22 of this circular.

A notice convening a special general meeting of CITIC Resources Holdings Limited to be held at Pacific Place Conference Centre, Mont Blanc Room, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Friday, 27 June 2008 at 3:30 p.m., is set out on pages 32 to 33 of this circular. Whether or not you are able to attend the special general 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 special general meeting (or any adjournment thereof). 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.

10 June 2008

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## DEFINITIONS

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

“associates”	has the meaning given to it in 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
“CACT”	CITIC Australia Commodity Trading Pty. Ltd., a company incorporated in the State of Victoria, Australia with limited liability
“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
“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC
“CITIC Metal”	CITIC Metal Company Limited, a company incorporated in the PRC
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning given to it in the Listing Rules
“Cooperation Agreement”	a cooperation agreement dated 5 April 2007 and made between CACT and CITIC Metal relating to the promotion and development of iron ore sales to the PRC, as amended
“Director(s)”	the director(s) of the Company (other than Mr. Ngai Man)

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## DEFINITIONS

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“Existing Iron Ore Transactions Caps”	the annual caps relating to the iron ore sales between CACT and CITIC Metal during the three years ending 31 December 2009 as approved by Independent Shareholders at the 2007 SGM and details of which are disclosed in the 2007 Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all of the independent non-executive Directors (other than Mr. Ngai Man)
“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed under the SFO to carry out type 6 regulated activities
“Independent Shareholders”	Shareholders other than CA and Keentech and their respective associates
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Latest Practicable Date”	5 June 2008, 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
“New Iron Ore Transactions Cap”	the annual cap relating to iron ore sales between CACT and CITIC Metal for the one year ending 31 December 2010 set out in the section “Extension of Cooperation Agreement, New Iron Ore Transactions and New Iron Ore Transactions Cap” in the “Letter from the Board” set out in this circular
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

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## DEFINITIONS

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“Revised Iron Ore Transactions Caps”	the revised annual caps relating to iron ore sales between CACT and CITIC Metal for the two years ending 31 December 2009 set out in the section “Revised Annual Caps for Existing Iron Ore Transactions” in the “Letter from the Board” set out in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Special General Meeting”	the special general meeting of the Company to be convened pursuant to the notice contained in this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to it in the Listing Rules
“2007 Announcement”	the announcement issued by the Company on 13 April 2007
“2007 SGM”	the special general meeting of the Company held on 22 May 2007
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Tenge”	Tenge, the lawful currency of Kazakhstan
“US\$”	United States dollars, the lawful currency of the United States of America

*In this circular, amounts in A\$, Tenge and US\$ have been converted into HK\$ or vice versa at the rates of A\$1 = HK\$6.54, Tenge 1 = HK\$0.0646172 and US\$1 = HK\$7.8 respectively for illustration purposes only. No representation is made that any amounts in US\$, A\$, Tenge or HK\$ have been or could have been or can be converted at the above rates or at any other rates or at all.*

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## LETTER FROM THE BOARD

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### **CITIC RESOURCES HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

*Executive Directors:*

Mr. KONG Dan (*Chairman*)  
Mr. MI Zengxin (*Vice Chairman*)  
Mr. SHOU Xuancheng (*Vice Chairman*)  
Mr. SUN Xinguo (*President and Chief Executive Officer*)  
Ms. LI So Mui  
Mr. QIU Yiyong  
Mr. ZENG Chen  
Mr. ZHANG Jijing

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Directors:*

Mr. MA Ting Hung  
Mr. WONG Kim Yin  
Ms. YAP Chwee Mein (*Alternate to Mr. WONG Kim Yin*)

*Head Office and*

*Principal Place of Business:*

Suites 3001-3006  
30/F, One Pacific Place  
88 Queensway  
Hong Kong

*Independent Non-executive Directors:*

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

10 June 2008

*To Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS WITH CITIC METAL COMPANY LIMITED**

### **REVISED ANNUAL CAPS FOR EXISTING IRON ORE TRANSACTIONS, EXTENSION OF COOPERATION AGREEMENT AND NEW IRON ORE TRANSACTIONS**

#### **INTRODUCTION**

In the ordinary course of its business, CACT engages in the trading and sale of iron ore and accesses the PRC market by selling iron ore to CITIC Metal.

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## LETTER FROM THE BOARD

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At the 2007 SGM, Independent Shareholders approved the Cooperation Agreement which facilitates the sale of iron ore by CACT to CITIC Metal for the three years ending 31 December 2009 subject to the Existing Iron Ore Transactions Caps.

The Company proposes to increase the annual caps relating to sale of iron ore between CACT and CITIC Metal for the two years ending 31 December 2009 to the Revised Iron Ore Transactions Caps and extend the duration of the Cooperation Agreement by one year to 31 December 2010 and to permit CACT to enter into of further iron ore sales with CITIC Metal during such period subject to the New Iron Ore Transactions Cap.

The purpose of this circular is to provide you with information regarding iron ore sales by CACT to CITIC Metal subject to the Revised Iron Ore Transactions Caps, the extension of the Cooperation Agreement by one year to 31 December 2010 and further iron ore sales between CACT and CITIC Metal during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap.

### **COOPERATION AGREEMENT**

The Cooperation Agreement provides a framework for and promotes iron ore trading between CACT and CITIC Metal. Its principal terms are as follows:

- (A) sales of iron ore by CACT to CITIC Metal are conducted under CACT's standard sale agreement and an individual sale agreement is entered into on the occasion of each separate iron ore sale between CACT and CITIC Metal;
- (B) each sale agreement between CACT and CITIC Metal is entered into 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 iron ore sold by CACT to CITIC Metal are payable by CITIC Metal within 60 to 90 days of the relevant sale agreement.

### **REVISED ANNUAL CAPS FOR EXISTING IRON ORE TRANSACTIONS**

Since the 2007 SGM, iron ore prices and costs associated with CACT's trading of iron ore such as freight and insurance charges have increased significantly with iron ore prices having increased by over 75% and freight charges by over 20% since the beginning of 2008. These increases will have an impact on the aggregate value of iron ore sales between CACT and CITIC Metal and as a result are expected to lead to annual revenue from such sales for the two years ending 31 December 2009 exceeding the Existing Iron Ore Transactions Caps.

The Existing Iron Ore Transactions Cap for the year ending 31 December 2008 is US\$380,000,000 (HK\$2,964,000,000). Total revenue derived from iron ore sales for the period from 1 January 2008 to 30 April 2008 (both dates inclusive) is about US\$157,000,000 (HK\$1,224,600,000).

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## LETTER FROM THE BOARD

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The Company proposes to increase the annual caps relating to the sale of iron ore by CACT to CITIC Metal for the two years ending 31 December 2009 to the amount of the Revised Iron Ore Transactions Caps set out below.

31 December 2008	:	US\$750,000,000 (HK\$5,850,000,000)
31 December 2009	:	US\$1,050,000,000 (HK\$8,190,000,000)

Sale of iron ore by CACT to CITIC Metal until 31 December 2009 will be conducted in accordance with the terms of the Cooperation Agreement subject to the Revised Iron Ore Transactions Caps.

### **EXTENSION OF COOPERATION AGREEMENT, NEW IRON ORE TRANSACTIONS AND NEW IRON ORE TRANSACTIONS CAP**

The Cooperation Agreement is a three year contract which expires on 31 December 2009. As the sale of iron ore by CACT to CITIC Metal is an important contributor to the iron ore business of CACT, such sales are expected to be promoted and developed and to continue beyond 31 December 2009. CACT proposes to extend the term of the Cooperation Agreement with CITIC Metal by one year to 31 December 2010 and to be permitted to enter into of further iron ore sales with CITIC Metal during such period subject to the New Iron Ore Transactions Cap set out below.

Sale of iron ore by CACT to CITIC Metal during the year ending 31 December 2010 will be conducted in accordance with the terms of the Cooperation Agreement subject to an annual cap of US\$1,200,000,000 (HK\$9,360,000,000).

### **BASIS OF CALCULATION OF REVISED IRON ORE TRANSACTIONS CAPS AND NEW IRON ORE TRANSACTIONS CAP**

The Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap are determined by reference to historical iron ore sales between CACT and CITIC Metal over the last four years, potential future sales of iron ore by CACT to CITIC Metal, an assumed sustained demand for iron ore particularly in the PRC market for the three years ending 31 December 2010, the current and prospective price of iron ore generally, associated costs and the ability of CACT to source and secure iron ore supplies in the market at competitive prices.

### **REASONS AND BENEFITS FOR IRON ORE TRADING WITH CITIC METAL**

The sale of iron ore by CACT was introduced in 2004 as a new business line for CATL and whilst negligible at the start, sales of iron ore have since increased and improved year on year. For the year ended 31 December 2007, sales of iron ore accounted for 50% of CATL's total revenue and 35% of CATL's total net profit. The sale of iron ore by CACT to CITIC Metal is a principal factor in CATL's successful establishment of an iron ore trading business. The PRC market is currently still the world's largest iron ore market and CITIC Metal has been instrumental in helping CACT increase export volumes of iron ore to the PRC since 2004. The iron ore trading business is an important business line for CATL and makes the largest contribution to CATL's revenue and net profit which benefits the Company and Shareholders as a whole.



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## LETTER FROM THE BOARD

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Your attention is also drawn to the letter from the Independent Board Committee set out on pages 11 to 12 of this circular and the letter from the Independent Financial Adviser set out on pages 13 to 22 of this circular.

### **INFORMATION ON THE COMPANY**

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

### **INFORMATION ON CATL AND CACT**

CATL is an indirect non-wholly owned subsidiary of the Company, which operates in Australia and is listed on the ASX. It is an international trading company with an emphasis on trade between Australia and the PRC. It is a significant exporter of bulk commodities, focusing on base metals and mineral resources, including alumina, aluminium ingots, iron ore and steel, and imports into Australia manufactured products such as tyres and wheels, batteries, steel and aluminium products.

CACT is a direct wholly-owned subsidiary of CATL.

### **INFORMATION ON CITIC METAL**

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

### **CLASSIFICATION AS CONTINUING CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS**

CA and Keentech are each substantial shareholders of the Company holding an aggregate of 52.12% of the issued share capital of the Company as at the Latest Practicable Date and are wholly-owned subsidiaries of CITIC Group. CITIC Metal is also a wholly-owned subsidiary of CITIC Group. Accordingly, CITIC Metal is a connected person of the Company and the sale of iron ore by CACT to CITIC Metal constitutes continuing connected transactions of the Company under the Listing Rules.

The Revised Iron Ore Transactions Caps exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules. Therefore, the sale of iron ore by CACT to CITIC Metal up to 31 December 2009 subject to the Revised Iron Ore Transactions Caps is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

The extension of the Cooperation Agreement to 31 December 2010 and the entering into of further iron ore sales by CACT with CITIC Metal during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap, which exceeds 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules, are also subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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### **SPECIAL GENERAL MEETING**

The Special General Meeting will be convened for the purpose of asking Independent Shareholders to approve the entering into of iron ore sales by CACT with CITIC Metal up to 31 December 2009 subject to the Revised Iron Ore Transactions Caps and the extension of the Cooperation Agreement by one year to 31 December 2010 and the entering into of further iron ore sales by CACT with CITIC Metal during such period subject to the New Iron Ore Transactions Cap. A notice convening the Special General Meeting is set out on pages 32 to 33 of this circular.

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the Special General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon 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 Special General Meeting (or any adjournment thereof). 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.

Pursuant to the Listing Rules, voting at the Special General Meeting will be conducted by way of a poll. As CITIC Metal is an associate of CA and Keentech, each of whom is 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 Special General Meeting. An announcement will be made by the Company following conclusion of the Special General Meeting to inform Shareholders of the results of the poll vote in respect of the matters put to Independent Shareholders at the Special General Meeting.

### **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
- (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.

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## LETTER FROM THE BOARD

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A demand by a 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 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 and on a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share of which he is the holder (but so that no amount paid or credited as paid 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 and Mr. Tsang Link Carl, Brian, has been formed to consider and make its recommendation to Independent Shareholders in respect of the resolutions to approve the entering into of iron ore sales by CACT to CITIC Metal up to 31 December 2009 subject to the Revised Iron Ore Transactions Caps, the extension of the Cooperation Agreement by one year to 31 December 2010 and the entering into of further iron ore sales by CACT with CITIC Metal during such period subject to the New Iron Ore Transactions Cap, and whether they are fair and reasonable so far as 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 Board Committee set out on pages 11 to 12 of this circular which contains its recommendation to Independent Shareholders as to voting at the Special General Meeting.

### **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 Independent Shareholders as to whether the entering into of iron ore sales by CACT to CITIC Metal up to 31 December 2009 subject to the Revised Iron Ore Transactions Caps, the extension of the Cooperation Agreement by one year to 31 December 2010 and the entering into of further iron ore sales by CACT with CITIC Metal during such period subject to the New Iron Ore Transactions Cap are fair and reasonable so far as 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 13 to 22 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders as to voting at the Special General Meeting.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider sales of iron ore by CACT to CITIC Metal in accordance with the Cooperation Agreement for the two years ending 31 December 2009 subject to the Revised Iron Ore Transactions Caps to be fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

The Directors also consider the extension of the Cooperation Agreement to 31 December 2010 and the entering into of further iron ore sales with CITIC Metal in accordance with the Cooperation Agreement during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap to be on normal commercial terms and fair and reasonable so far as Independent Shareholders are concerned 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 Special General Meeting set out on pages 32 to 33 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that sales of iron ore by CACT to CITIC Metal in accordance with the Cooperation Agreement for the two years ending 31 December 2009 subject to the Revised Iron Ore Transactions Caps, the extension of the Cooperation Agreement by one year to 31 December 2010 and the entering into of further iron ore sales with CITIC Metal during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap to be fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

### 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  
**Sun Xinguo**  
*Chief Executive Officer*



**CITIC RESOURCES HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

10 June 2008

*To Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS WITH  
CITIC METAL COMPANY LIMITED**

**REVISED ANNUAL CAPS FOR EXISTING IRON ORE TRANSACTIONS,  
EXTENSION OF COOPERATION AGREEMENT  
AND  
NEW IRON ORE 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 formed to advise you as to whether, in our opinion:

- (a) sales of iron ore by CACT to CITIC Metal in accordance with the Cooperation Agreement for the two years ending 31 December 2009 subject to the Revised Iron Ore Transactions Caps; and
- (b) the extension of the Cooperation Agreement to 31 December 2010 and the entering into of further iron ore sales with CITIC Metal in accordance with the Cooperation Agreement during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap

are fair and reasonable so far as 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 Independent Financial Adviser to advise us and 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 13 to 22 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the principal terms and basis upon which CACT trades and sells iron ore to CITIC Metal, the reasons for entering into of iron ore sales with CITIC Metal and the extension of the Cooperation Agreement, we are of the opinion that:

- (a) sales of iron ore by CACT to CITIC Metal in accordance with the Cooperation Agreement for the two years ending 31 December 2009 subject to the Revised Iron Ore Transactions Caps; and
- (b) the extension of the Cooperation Agreement to 31 December 2010 and the entering into of further iron ore sales with CITIC Metal in accordance with the Cooperation Agreement during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap

are fair and reasonable so far as 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 Special General Meeting, which are set out in the notice convening the Special General Meeting.

Due to personal reasons, Mr. Ngai Man, an independent non-executive Director, has not been able to participate in the review of the matters described in this letter and has, therefore, not been a member of the Independent Board Committee.

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

**Fan Ren Da, Anthony**

**Tsang Link Carl, Brian**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out their opinion regarding the continuing connected transactions between CACT and CITIC Metal, which has been prepared for the purpose of inclusion in this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

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

10 June 2008

*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 WITH CITIC METAL COMPANY LIMITED**

#### **REVISED ANNUAL CAPS FOR EXISTING IRON ORE TRANSACTIONS, EXTENSION OF COOPERATION AGREEMENT AND NEW IRON ORE TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Revised Iron Ore Transactions Caps, the New Iron Ore Transactions and the New Iron Ore Transactions Cap, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 10 June 2008 (the “**Circular**”), of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Reference is made to the announcement and circular of the Company dated 13 April 2007 and 7 May 2007 respectively, wherein the Board announced that CACT engages in the sale of iron ore to CITIC Metal on a recurring or ongoing basis. CACT is a direct wholly-owned subsidiary of CATL which, in turn, is an indirect non-wholly owned subsidiary of the Company and is listed on the ASX. CA and Keentech are each substantial shareholders of the Company holding an aggregate of 52.12% of the issued share capital of the Company as at the Latest Practicable Date and are wholly-owned subsidiaries of CITIC Group. CITIC Metal is also a wholly-owned subsidiary of CITIC Group and therefore a connected person of the Company. Accordingly, iron ore sales between CACT and CITIC Metal constitute continuing connected transactions of the Company under the Listing Rules.

At the 2007 SGM, the Independent Shareholders approved the Cooperation Agreement which facilitates iron ore sales by CACT to CITIC Metal during the three years ending 31 December 2009 subject to the Existing Iron Ore Transactions Caps. However, since the 2007 SGM, iron ore prices and costs associated with CACT's trading of iron ore such as freight and insurance charges have increased significantly with iron ore prices having increased by over 75% and freight charges by over 20% since the beginning of 2008. These increases will have an impact on the aggregate value of iron ore sales between CACT and CITIC Metal and as a result are expected to lead to annual revenue from such sales for the two years ending 31 December 2009 exceeding the applicable Existing Iron Ore Transactions Caps. The Company proposes to increase the annual caps relating to the sale of iron ore by CACT to CITIC Metal for the two years ending 31 December 2009 to the Revised Iron Ore Transactions Caps.

Furthermore, the Cooperation Agreement is a three year contract which expires on 31 December 2009. As the sale of iron ore by CACT to CITIC Metal is an important contributor to the iron ore business of CACT, such sales are expected to be promoted and developed and to continue beyond 31 December 2009. CACT proposes to extend the term of the Cooperation Agreement by one year to 31 December 2010 and to enter into of further iron ore sales with CITIC Metal during such period subject to the New Iron Ore Transactions Cap.

As the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap exceed 2.5% of each of the relevant percentage ratios applicable to continuing connected transactions under the Listing Rules, iron ore sales by CACT to CITIC Metal subject to the Revised Iron Ore Transactions Caps and iron ore sales by CACT to CITIC Metal subject to the New Iron Ore Transactions Cap constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

The Independent Board Committee, comprising Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian, two of the three independent non-executive Directors, has been established to make a recommendation to the Independent Shareholders as to (i) whether iron ore sales by CACT to CITIC Metal subject to the Revised Iron Ore Transactions Caps and iron ore sales by CACT to CITIC Metal subject to the New Iron Ore Transactions Cap are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the extension of the Cooperation Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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vote in respect of the resolutions to be proposed at the Special General Meeting to approve (a) iron ore sales by CACT to CITIC Metal during the two years ending 31 December 2009 subject to the Revised Iron Ore Transactions Caps and (b) the extension of the Cooperation Agreement by one year to 31 December 2010 and iron ore sales by CACT to CITIC Metal during the year ending 31 December 2010 subject to the New Iron Ore Transactions Cap. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 in all material respects at the time they were made and continue to be true in all material respects 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 they are not aware of any other material facts relating to the Cooperation Agreement and iron ore sales subject to the Existing Iron Ore Transactions Caps, the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap having been withheld 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 arriving at our opinion in respect of the extension of the Cooperation Agreement and iron ore sales subject to the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap, we have taken into account the following principal factors and reasons:

#### **Background of the Group**

The Company is a diversified energy and natural resources investment holding company and has 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, iron ore and steel; and imports into Australia manufactured products such as tyres and wheels, batteries, steel and aluminium products.

CACT is a direct wholly-owned subsidiary of CATL and engages in the trading and sale of iron ore and accesses the PRC market by selling iron ore to CITIC Metal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Background of CITIC Metal

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

### Reasons for the revision of the Existing Iron Ore Transactions Caps and the extension of Cooperation Agreement

Over the three years ended 31 December 2006, CACT had traded and sold iron ore to CITIC Metal pursuant to a series of separate transactions negotiated each time on an arm's length basis. As mentioned above, CACT engages in the sale of iron ore to CITIC Metal on a recurring or ongoing basis. At the 2007 SGM, the Independent Shareholders approved the Cooperation Agreement which facilitates iron ore sales by CACT to CITIC Metal for the three years ending 31 December 2009 subject to the Existing Iron Ore Transactions Caps.

As stated in the "Letter from the Board" in the Circular, the sale of iron ore by CACT was introduced in 2004 as a new business line for CATL and whilst negligible at the start, sales of iron ore have since increased and improved year on year. The following table shows the volume of iron ore exported to the PRC/Chinese steel mills by CACT during the past four financial years ended 31 December 2007 with reference to the respective annual reports:

	2004	2005	Increase from 2004	2006	Decrease from 2005	2007	Increase from 2006
Volume of iron ore exported to the PRC/Chinese steel mills (in million tons)	1.3	3.5	169.2%	2.7	(22.9)%	4.1	51.9%
Sales revenue generated by exporting the iron ore to the PRC/Chinese steel mills (in A\$ million)	116.6	282.1	141.9%	238.5	(15.5)%	446.4	87.2%
(equivalent to HK\$ million)	762.6	1,844.9	141.9%	1,559.8	(15.5)%	2,919.7	87.2%

According to the annual report of CATL for the year ended 31 December 2007, iron ore exports to the PRC grew to a record 4.1 million tons in 2007, yielding a pre-tax profit of A\$6.3 million (HK\$41.5 million), which represents an increase of almost five times from the preceding year, replacing the alumina trading business line as the largest contributor to CATL's final operating results. The increase in trading volume was substantially due to iron ore exports to the PRC market with sales of iron ore by CACT to CITIC Metal being instrumental in facilitating such increase.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that sales of iron ore accounted for 50% and 35% of CATL's total revenue and net profit respectively for the year ended 31 December 2007 and that there is an established period of cooperation between CACT and CITIC Metal, the Directors are of the view that (a) the sale of iron ore by CACT to CITIC Metal is a principal factor in CATL's successful establishment of an iron ore trading business; and (b) the relevant continuing connected transactions under the Cooperation Agreement are consistent with the Group's ordinary and usual course of business and the related strategy. The PRC market is currently the world's largest iron ore market and CITIC Metal has been instrumental in helping CACT increase export volumes of iron ore to the PRC since 2004. The iron ore trading business is an important business line for CATL and makes the largest contribution to CATL's revenue and net profit, which in turn benefits the Company and the Shareholders as a whole.

As mentioned in the "Letter from the Board" of the Circular, since the 2007 SGM, iron ore prices and costs associated with CACT's trading of iron ore such as freight and insurance charges have increased significantly with iron ore prices having increased by over 75% and freight charges by over 20% since the beginning of 2008. These increases will have an impact on the aggregate value of iron ore sales between CACT and CITIC Metal and as a result are expected to lead to annual revenue from such sales for the two years ending 31 December 2009 exceeding the applicable Existing Iron Ore Transactions Caps.

In order for the Group to continue to maintain the mutual and well-established relationship with CITIC Metal, it is important that the Group is able to accommodate more sales demand/increased sales value from CITIC Metal. On this basis, we believe that the extension of the Cooperation Agreement and continued iron ore sales subject to the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap are therefore necessary to facilitate this and are in the interests of the Group and fair and reasonable to the Shareholders as a whole.

Further, with reference to the annual report of the Company for the year ended 31 December 2007, the import and export of commodities business segment generated sales revenue of HK\$5,873.6 million, which represents 58.7% of the total revenue of the Group during the year. The following table shows a breakdown of segmental revenue and net profit/(loss) before tax for 2007 and a comparison with 2006:

	Total	Exports				Imports
		Alumina	<i>Iron ore</i>	Steel	Others	
Revenue in 2007 ( <i>in HK\$ million</i> )	5,873.6	663.8	<b>2,919.7</b>	786.9	4.2	1,499.0
Revenue in 2006 ( <i>in HK\$ million</i> )	4,405.8	1,070.8	<b>1,471.9</b>	922.4	57.0	883.7
Increase/(decrease) from 2006	33%	(38)%	<b>98%</b>	(15)%	(93)%	70%
Net profit/(loss) before tax in 2007 ( <i>in HK\$ million</i> )	118.3	35.7	<b>41.5</b>	8.2	(1.9)	34.8
Net profit before tax in 2006 ( <i>in HK\$ million</i> )	79.3	43.3	<b>7.6</b>	2.6	0.6	25.2
Increase/(decrease) from 2006	49%	(18)%	<b>446%</b>	215%	N/A	38%

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From the above table, we have noted that exports of iron ore accounted for 49.7% and 35.1% respectively of the revenue and net profit before tax of the Group's import and export of commodities business segment in 2007 and makes the largest contribution amongst all of the commodities traded by the Group. It also showed the fastest growth in terms of revenue and net profit before tax when compared with that in 2006.

In view of the aforesaid, the Company proposes to increase the annual caps relating to the sale of iron ore between CACT and CITIC Metal for the two years ending 31 December 2009 to the Revised Iron Ore Transactions Caps and extend the duration of the Cooperation Agreement by one year to 31 December 2010 and to permit CACT to enter into of further iron ore sales with CITIC Metal during such period subject to the New Iron Ore Transactions Cap in order to facilitate the Group's iron ore business growth.

### **Principal terms of the Cooperation Agreement and its extension**

The Cooperation Agreement provides a framework for and promotes iron ore trading between CACT and CITIC Metal. Its principal terms are as follows:

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

The Cooperation Agreement is a three year contract which expires on 31 December 2009. As the sale of iron ore by CACT to CITIC Metal is an important contributor to the iron ore business of CACT, such sales are expected to be promoted and developed and to continue beyond 31 December 2009. CACT proposes to extend the term of the Cooperation Agreement with CITIC Metal by one year to 31 December 2010 and to be permitted to enter into of further iron ore sales with CITIC Metal during such period subject to the New Iron Ore Transactions Cap.

We noted that sale of iron ore by CACT to CITIC Metal for the year ending 31 December 2010 will be conducted in accordance with the terms of the Cooperation Agreement. The Directors have also advised that the terms of sale of iron ore will generally be no more favourable to CITIC Metal than terms available to other customers who are independent third parties. They are on normal commercial terms and have been and will continue to be negotiated on an arm's length basis.

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We have reviewed, on a sampling basis, the iron ore sales records of the Group for the period starting from 1 January 2007, the effective date of the Cooperation Agreement, and made comparisons between (i) CACT's sales transactions with CITIC Metal and (ii) CACT's sales transactions with other customers who are independent third parties, and noted that transactions conducted with CITIC Metal and with independent third parties were made at comparable prices.

Having considered the above, we are of the view that iron ore sales between CACT and CITIC Metal as contemplated under the Cooperation Agreement are conducted on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, the extension of the Cooperation Agreement is in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned.

### **The Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap**

As stated in the sub-paragraph headed "Reasons for the revision of the Existing Iron Ore Transactions Caps and the extension of Cooperation Agreement" in this letter, the Company proposes to increase the annual caps relating to the sale of iron ore between CACT and CITIC Metal for the two years ending 31 December 2009 to the Revised Iron Ore Transactions Caps and extend the duration of the Cooperation Agreement by one year to 31 December 2010 and to permit CACT to enter into of further iron ore sales with CITIC Metal during such period subject to the New Iron Ore Transactions Cap. The table below sets out the Existing Iron Ore Transactions Caps, the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap:

	2007	2008	For the year ended/ending 31 December		2009	2010	Increase from 2009
			Increase from 2007	Increase from 2008			
Existing Iron Ore Transactions Caps (in US\$ million)	330.0	380.0	15.1%		420.0	10.5%	N/A
(equivalent to HK\$ million)	2,574.0	2,964.0	15.1%		3,276.0	10.5%	N/A
Actual amount/Revised Iron Ore Transactions Caps/New Iron Ore Transactions Cap (in US\$ million)	246.1	750.0	204.8%		1,050.0	40.0%	1,200.0
(equivalent to HK\$ million)	1,919.4	5,850.0	204.8%		8,190.0	40.0%	9,360.0

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As mentioned in the “Letter from the Board” of the Circular, the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap are determined by reference to (i) the historical iron ore sales between CACT and CITIC Metal over the last four years, (ii) potential future sales of iron ore by CACT to CITIC Metal, (iii) an assumed sustained demand for iron ore particularly in the PRC market for the three years ending 31 December 2010, (iv) the current and prospective price of iron ore generally, and (v) associated costs and the ability of CACT to source and secure iron ore supplies in the market at competitive prices.

To assess the basis of determining the Revised Iron Ore Transactions Caps/New Iron Ore Transactions Cap, we have reviewed the historical figures of the revenue generated by CACT’s iron ore sales to CITIC Metal for the four financial years ended 31 December 2007, which are set out as follows:

	<b>Historical transaction amounts for the years ended 31 December</b>						
	<b>2004</b>	<b>2005</b>	<b>Increase from 2004</b>	<b>2006</b>	<b>Increase from 2005</b>	<b>2007</b>	<b>Increase from 2006</b>
Sales revenue generated by selling the iron ore to CITIC Metal <i>(in US\$ million)</i> (Note)	55.2	150.1	171.9%	187.3	24.8%	246.1	31.4%
<i>(equivalent to HK\$ million)</i>	430.6	1,170.8	171.9%	1,460.9	24.8%	1,919.4	31.4%

Note: The above figures are for indication purpose only. Amounts have been translated at the exchange rate of A\$1=US\$0.84 and/or HK\$6.54.

The following sets out the basic factors we have taken into consideration in assessing the fairness and reasonableness of the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap:

- from the above tables, we note that the revenue generated by CACT’s iron ore sales to CITIC Metal has been increasing significantly over the four financial years ended 31 December 2007 with a compound annual growth rate (“CAGR”) of 64.6% while the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap have assumed a comparable CAGR of 69.6% from 2007 to 2010;
- with reference to the annual report of the Company for the year ended 31 December 2007, exports of iron ore generated sales revenue of HK\$2,919.7 million, representing a significant increase of 98% over that of the preceding year;
- total revenue derived from sales of iron ore for the four months ended 30 April 2008 was approximately US\$157.0 million (HK\$1,224.6 million), representing 41.3% and 20.9% of the Existing Iron Ore Transactions Cap and the Revised Iron Ore Transactions Cap respectively for the full year ending 31 December 2008;

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- according to the Company's interim reports for each of the six months ended 30 June 2006 and 2007, the Group's overall sales value attributable to iron ore exports for the first half of each of the two years ended 31 December 2007 accounted for 37.4% and 46.6% of its respective total revenue of HK\$1,471.9 million and HK\$2,919.7 million;
- as stated in the "Letter from the Board" set out in the Circular, since the 2007 SGM, iron ore prices and costs associated with CACT's trading of iron ore such as freight and insurance charges have increased significantly with iron ore prices having increased by over 75% and freight charges by over 20% since the beginning of 2008;
- the appreciation of the Australian dollar by nearly 10% against the US dollar since December 2007 partly contributed to the increase in revenue generated from the iron ore sales by CACT to CITIC Metal;
- according to the website of 中華人民共和國國家統計局 (The National Bureau of Statistics of China), the production price index in April 2008 has increased by 8.1% over that of the corresponding period in the previous fiscal year; and
- driven by rapid urbanization and many large infrastructure projects, China's steel needs have soared which in turn has boosted the demand for iron ore as the basic component for steel. China imports almost half of the world's seaborne iron ore, making it the largest consumer of iron ore in the world. According to 中國鋼鐵工業協會 (China Iron and Steel Association), world iron ore seaborne trade in 2007 amounted to 805 million tons, of which 383 million tons was shipped to China, representing an increase of 17.4% year on year. In respect of pricing, the soaring spot prices of iron ore in 2007 have pushed up the term prices of iron ore for 2008.

Based on the data and financial information set out above, we are of the view that the proposed percentage increase of annual caps to the Revised Iron Ore Transactions Caps by 204.8% in 2008 and 40.0% in 2009 when compared with the Group's historical transaction records in 2007, though considerable, are appropriate, fair and reasonable due to the rapid increase in the sales prices and costs associated with CACT's iron ore trading. Moreover, the Directors believe that the iron ore business operation of CACT, which has developed rapidly since commencing business in 2004, is expected to experience steadier growth in 2010 and thereafter.

In light of the above, we consider that the basis of determining the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap is appropriate, fair and reasonable so far as the Company and the Shareholders, including the Independent Shareholders, are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the extension of the Cooperation Agreement and iron ore sales subject to the Revised Iron Ore Transactions Caps and the New Iron Ore Transactions Cap are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting to approve (i) iron ore sales by CACT to CITIC Metal during the two years ending 31 December 2009 subject to the Revised Iron Ore Transactions Caps and (ii) the extension of the Cooperation Agreement by one year to 31 December 2010 and iron ore sales by CACT to CITIC Metal during such period subject to the New Iron Ore Transactions Cap.

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

**Helen Zee**  
*Managing Director*

**Eric Lee**  
*Deputy Managing 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 (other than Mr. Ngai Man) 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\$262,894,219.05 divided into 5,257,884,381 Shares.

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 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. Kong Dan	Directly beneficially owned	—	20,000,000	0.38
Mr. Mi Zengxin	Directly beneficially owned	—	10,000,000	0.19
Mr. Shou Xuancheng	Directly beneficially owned	7,000,000	—	0.13
Mr. Sun Xinguo	Directly beneficially owned	7,500,000	—	0.14
Ms. Li So Mui	Directly beneficially owned	1,000,000	4,000,000	0.10
Mr. Qiu Yiyong	Directly beneficially owned	8,500,000	—	0.16
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.19
Mr. Zhang Jijing	Family	28,000 <sup>(1)</sup>	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.19
Mr. Ma Ting Hung	Directly beneficially owned	111,966,000	—	2.13

Note:

- (1) 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.

*Long positions in share options of the Company*

Name of director	Number of options directly beneficially owned
Mr. Kong Dan	20,000,000
Mr. Mi Zengxin	10,000,000
Ms. Li So Mui	4,000,000
Mr. Zeng Chen	10,000,000
Mr. Zhang Jijing	10,000,000
	54,000,000

*Interests in 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. Kong Dan	CITIC International Financial Holdings Limited	Associated corporation	Share options	4,800,000	Directly beneficially owned	0.08
Mr. Zeng Chen	CATL	Subsidiary	Ordinary shares	385,402 <sup>(1)</sup>	Family	0.45

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 businesses of the Group taken as a whole; and

- (iv) none of the Directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**(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 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 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 as long positions	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	2,740,594,381 <sup>(1)</sup>	52.12
CITIC Projects Management (HK) Limited	Corporate	1,990,180,588 <sup>(2)</sup>	37.85
Keentech Group Limited	Corporate	1,990,180,588 <sup>(3)</sup>	37.85
CITIC Australia Pty Limited	Corporate	750,413,793 <sup>(4)</sup>	14.27
Temasek Holdings (Private) Limited	Corporate	587,450,000 <sup>(5)</sup>	11.17
Temasek Capital (Private) Limited	Corporate	385,450,000 <sup>(6)</sup>	7.33
Seletar Investments Pte. Ltd.	Corporate	385,450,000 <sup>(7)</sup>	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	385,450,000 <sup>(8)</sup>	7.33

Notes:

- (1) The figure represents an attributable interest of CITIC Group through its interest in CITIC Projects Management (HK) Limited (“**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 Temasek Holdings (Private) Limited (“**Temasek Holdings**”) through its interest in Temasek Capital (Private) Limited (“**Temasek Capital**”) and its indirect interest in Ellington Investments Pte. Ltd. which holds 202,000,000 Shares (being 3.84% of the total issued share capital of the Company). Temasek Holdings is a company incorporated in Singapore.
- (6) The figure represents an attributable interest of Temasek Capital through its interest in Seletar Investments Pte. Ltd. (“**Seletar**”). Temasek Capital, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Holdings.
- (7) The figure represents an attributable interest of Seletar through its interest in Baytree Investments (Mauritius) Pte. Ltd. (“**Baytree**”). Seletar, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Temasek Capital.
- (8) Baytree, a company incorporated in Mauritius, is a direct wholly-owned subsidiary of Seletar.

(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 <sup>(1)</sup>	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 (the “**Guangdong High Court**”).

In August 2003, certain members of the Plaintiff’s management team were sentenced to imprisonment for creating forged documents, including those presented by them in relation to the Claim. Despite this, the Guangdong High Court 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 a further appeal to the State Supreme Court requesting the withdrawal of the Second Judgment and a decision that Dongguan Xinlian was not liable to the Plaintiff in respect of the Second Judgment. In December 2004, the Guangdong High Court overturned the Second Judgment and issued a decision that it would re-hear the case.

In December 2005, the Guangdong High Court 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. Although the Guangdong High Court acknowledged the criminal liabilities of certain members of the Plaintiff’s management team (including forging the contracts connected to the Claim), the Guangdong High Court 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 to the State Supreme Court 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.

In November 2006, the Supreme People's Procuratorate of the PRC confirmed the grounds of the petition and filed the protest with the State Supreme Court for retrial. In February 2007, the State Supreme Court issued a written civil ruling to retry the case. The hearing was set for October 2007 but the Plaintiff did not attend. A new date for the hearing has not been fixed at the Latest Practicable Date.

In March 2007, the Group's legal advisers re-confirmed the conflicts and discrepancies with regard to the Second Judgment and the Third Judgment.

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 31 December 2007.

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) In September 2005, Thomas de Shazo ("**de Shazo**") filed a summons and complaint in the Southern District of Texas in the United States District Court against CITIC Canada Petroleum Limited, Ecolo Investments Limited, Aequitas Energy, S.A., Novomundo Trading Ltd., Hashim Djojohadikusumo, Philip Hirschler and Patrick O'Mara. De Shazo is claiming an amount of US\$200,000,000 (HK\$1,560,000,000) and an additional punitive damage. The United States Federal Court dismissed de Shazo's claim in March 2007 and de Shazo appealed in April 2007. Oral argument in respect of the appeal was heard by the United States Court of Appeals in March 2008. The United States Court of Appeals affirmed the dismissal of de Shazo's claim on 29 May 2008. De Shazo has until 12 June 2008 to file a motion for rehearing.

The Directors believe that there are no grounds for such claim to succeed.

- (c) (i) During 2007, the books and records of JSC Karazhanbasmunai ("**KBM**") were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002-2006. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of HK\$15,818,000 (244,790,000 Tenge) and penalty of HK\$6,335,000 (98,032,000 Tenge).

In May 2008, KBM received a revised claim from Courts of Astana city to pay additional tax of HK\$14,278,000 (220,952,000 Tenge) and penalty of HK\$6,335,000 (98,032,000 Tenge). KBM recently sent an appeal to the Supreme Court of the Republic of Kazakhstan.

- (ii) In 2007, the books of KBM have also been audited by the Kazakhstan tax authorities with regard to the calculation and accrual of excess profits tax for the years 2002-2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of HK\$761,292,000 (11,781,577,000 Tenge), fines of HK\$380,646,000 (5,890,789,000 Tenge) and penalty of HK\$445,278,000 (6,891,013,000 Tenge).

On 11 March 2008, KBM has appealed against the excess profits tax claims to the Courts of Astana city. The outcome of this appeal remains uncertain as of the Latest Practicable Date.

## **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 2007, 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 corporation licensed 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, direct or indirect, in any asset which has been since 31 December 2007, 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 Tricor 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 30 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 17 years' experience in the accounting field.
- (d) All references to times and dates in this circular refer to Hong Kong times and dates.
- (e) 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 the office of the Company at Suites 3001-3006, 30/F, One Pacific Place, 88 Queensway, Hong Kong for the period of 14 days from the date of this circular:

- (a) the memorandum of association of the Company and the Bye-laws;
- (b) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 13 to 22 of this circular;
- (c) the consent letter of the Independent Financial Adviser referred to under the section headed "Expert" above;
- (d) CACT's standard sale agreement for the sale of iron ore; and
- (e) the Cooperation Agreement.

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## NOTICE OF SPECIAL GENERAL MEETING

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### CITIC RESOURCES HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

(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, Mont Blanc Room, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Friday, 27 June 2008 at 3:30 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** sales of iron ore by CITIC Australia Commodity Trading Pty. Ltd. (“**CACT**”) to CITIC Metal Company Limited (“**CITIC Metal**”) for the two years ending 31 December 2009 in accordance with the terms of the cooperation agreement dated 5 April 2007 (the “**Cooperation Agreement**”) and made between CACT and CITIC Metal subject to the increased annual caps defined as the Revised Iron Ore Transactions Caps in the circular issued by the Company on 10 June 2008 be and are hereby approved.”

##### Resolution No.2

- (b) “**THAT** the extension of the term of the Cooperation Agreement (as defined in Resolution No.1 of this notice) by one year to 31 December 2010 and the entering into of iron ore sales by CITIC Australia Commodity Trading Pty. Ltd. with CITIC Metal Company Limited during the year ending 31 December 2010 in accordance with the terms of the Cooperation Agreement subject to the annual cap defined as the New Iron Ore Transactions Cap in the circular issued by the Company on 10 June 2008 be and are hereby approved.”

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

Dated: 10 June 2008, Hong Kong

*Head Office and  
Principal Place of Business in Hong Kong:*  
Suites 3001-3006  
30/F, One Pacific Place  
88 Queensway  
Hong Kong

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## NOTICE OF SPECIAL GENERAL MEETING

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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 instead of him. 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, a form of proxy, together with any 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 returned to the head office and principal place of business of the Company 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). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjourned meeting if you so wish.
- (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. Kong Dan; Mr. Mi Zengxin; Mr. Shou Xuancheng; Mr. Sun Xinguo; Ms. Li So Mui; Mr. Qiu Yiyong; Mr. Zeng Chen and Mr. Zhang Jijing, the non-executive directors are Mr. Ma Ting Hung and Mr. Wong Kim Yin, and the independent non-executive directors are Mr. Fan Ren Da, Anthony; Mr. Ngai Man and Mr. Tsang Link Carl, Brian.*