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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.

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

This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. In particular, this circular is not an offer of securities for sale in Hong Kong, the United States or elsewhere. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States would be made by means of a prospectus that may be obtained from the issuer or selling security holder and that would contain detailed information about the company and management, as well as financial statements.

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## CITIC RESOURCES HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

**SUBSCRIPTION FOR SHARES IN CITIC DAMENG HOLDINGS BY GUANGXI DAMENG BVI**

**AND**

**ACQUISITION OF JVCO INTEREST BY CITIC DAMENG INVESTMENTS**

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

**OSK Capital Hong Kong Limited**

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A letter from the Independent Board Committee (as defined in this circular) containing its recommendation to Independent Shareholders (as defined in this circular) is set out on page 18 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 19 to 31 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, 10 September 2010 at 3:00 p.m. is set out on pages 38 to 40 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 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.

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS .....</b>	<b>1</b>
 <b>LETTER FROM THE BOARD</b>	
INTRODUCTION .....	7
DETAILS OF THE CDH SUBSCRIPTION .....	9
DETAILS OF THE JVCO INTEREST ACQUISITION .....	12
INFORMATION ON THE GROUP .....	14
INFORMATION ON GUANGXI DAMENG AND GUANGXI DAMENG BVI .....	14
REASONS FOR AND BENEFITS OF THE TRANSACTIONS .....	14
LISTING RULES IMPLICATIONS .....	15
SPECIAL GENERAL MEETING AND VOTING BY POLL .....	15
INDEPENDENT BOARD COMMITTEE .....	16
INDEPENDENT FINANCIAL ADVISER .....	16
RECOMMENDATION .....	16
ADDITIONAL INFORMATION .....	17
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....</b>	<b>18</b>
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER .....</b>	<b>19</b>
<b>APPENDIX – GENERAL INFORMATION .....</b>	<b>32</b>
<b>NOTICE OF SPECIAL GENERAL MEETING .....</b>	<b>38</b>

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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:*

“Apexhill”	Apexhill Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is directly wholly-owned by CITIC United Asia
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“business day(s)”	any day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9.00 am and 5.00 pm) on which banks are open for general banking business in Hong Kong
“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
“CDH Subscription”	the subscription by Guangxi Dameng BVI for, and the allotment and issue by CITIC Dameng Holdings of, the CDH Subscription Shares pursuant to the CDH Subscription Agreement
“CDH Subscription Agreement”	a share subscription agreement dated 12 August 2010 between CITIC Dameng Holdings and Guangxi Dameng BVI relating to the CDH Subscription
“CDH Subscription Conditions”	the conditions relating to the CDH Subscription described in the section “CDH Subscription Conditions” of the Letter from the Board set out in this circular
“CDH Subscription Shares”	1,460,535 new CITIC Dameng Shares
“chief executive”	has the meaning ascribed to it under the Listing Rules
“CITIC Dameng Holdings”	CITIC Dameng Holdings Limited, a company incorporated in Bermuda with limited liability and which is indirectly owned as to 80% by the Company

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## DEFINITIONS

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“CITIC Dameng Investments”	CITIC Dameng Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is directly wholly-owned by CITIC Dameng Holdings
“CITIC Dameng Shares”	shares of HK\$0.10 each in the share capital of CITIC Dameng Holdings
“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC
“CITIC United Asia”	CITIC United Asia Investments Limited, a company incorporated in Hong Kong with limited liability and which is indirectly wholly-owned by CITIC Group
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exchange Rate”	the average of the central parity exchange rates for RMB to Hong Kong dollar as announced by the People’s Bank of China for the week before the date which is two business days (as defined in the CDH Subscription Agreement) prior to the date of completion of the CDH Subscription
“Global Offering”	the offer to the public in Hong Kong for subscription, and the international placing with certain professional and institutional investors and other investors (including the preferential offer to the Qualifying Shareholders), of the CITIC Dameng Shares
“Group”	the Company and its subsidiaries
“Guangxi BOC”	中國廣西壯族自治區人民政府商務廳 (the Bureau of Commerce of the People’s Government of Guangxi Zhuang Autonomous Region of the PRC)
“Guangxi Dameng”	廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industry Co., Ltd.), a company established in the PRC with limited liability

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## DEFINITIONS

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“Guangxi Dameng BVI”	Guinan Dameng International Resources Limited, a company incorporated in the British Virgin Islands with limited liability and which is an indirect wholly-owned subsidiary of Guangxi Dameng held through Huanan Dameng Investments Limited, a direct wholly-owned subsidiary of Guangxi Dameng incorporated in Hong Kong with limited liability
“Guangxi SASAC”	中國廣西壯族自治區人民政府國有資產監督管理委員會 (the State-owned Asset Supervision and Administration Commission of the People’s Government of Guangxi Zhuang Autonomous Region of the PRC)
“Highkeen”	Highkeen Resources Limited, a company incorporated in the British Virgin Islands with limited liability and which is indirectly wholly-owned by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising of the independent non-executive Directors other than Mr. Tsang Link Carl, Brian
“Independent Financial Adviser”	OSK Capital Hong Kong Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the CDH Subscription and the JVCo Interest Acquisition
“Independent Shareholders”	Shareholders other than any connected person or any Shareholder with a material interest in the CDH Subscription and the JVCo Acquisition, as the case may be, and each of their respective associates
“JVCo”	中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited), a sino-foreign equity joint venture established in the PRC and owned as to 65.5% by CITIC Dameng Investments and as to 34.5% by Guangxi Dameng
“JVCo Interest”	the 34.5% interest in the equity of the JVCo held by Guangxi Dameng as at the date of this circular
“JVCo Interest Acquisition”	the sale and purchase of the JVCo Interest contemplated under the JVCo Interest Acquisition Agreement

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## DEFINITIONS

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“JVCo Interest Acquisition Agreement”	a transfer agreement dated 12 August 2010 between CITIC Dameng Investments and Guangxi Dameng relating to the JVCo Interest Acquisition
“JVCo Interest Acquisition Conditions”	the conditions relating to the JVCo Interest Acquisition described in the section “JVCo Interest Acquisition Conditions” of the Letter from the Board set out in this circular
“JVCo Subsidiaries”	<p>the following direct or indirect material operating subsidiaries of the JVCo:</p> <ul style="list-style-type: none"><li>– 中信大錳(廣西)礦業投資有限責任公司 (CITIC Dameng (Guangxi) Mining Investment Limited) (100% owned)</li><li>– 中信大錳田東新材料有限公司 (CITIC Dameng Tiandong New Materials Co., Ltd.) (100% owned)</li><li>– 中信大錳(天等)新材料有限公司 (CITIC Dameng (Tiandeng) New Materials Co., Ltd.) (100% owned)</li><li>– 中信大錳(崇左)新材料有限公司 (CITIC Dameng (Chongzuo) New Materials Co., Ltd.) (100% owned)</li><li>– 中信大錳北部灣(廣西)新材料有限公司 (CITIC Dameng Beibuwan (Guangxi) New Materials Co., Ltd.) (100% owned)</li><li>– 廣西斯達特錳材料有限公司 (Guangxi Start Manganese Materials Co., Ltd.) (71.17% owned)</li><li>– 廣西大新縣大寶鐵合金有限公司 (Guangxi Daxin Dabao Ferroalloy Co., Ltd.) (60% owned)</li><li>– 天等縣大錳鐵合金有限公司 (Tiandeng Dameng Ferroalloy Co., Ltd.) (60% owned)</li><li>– 中信大錳(欽州)新材料有限公司 (CITIC Dameng (Qinzhou) New Materials Co., Ltd.) (70% owned)</li><li>– Huazhou Mining Investment Limited (60% owned)</li><li>– Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (51% owned)</li></ul>

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## DEFINITIONS

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“Kazakhstan”	the Republic of Kazakhstan
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Latest Practicable Date”	24 August 2010, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC”	the People’s Republic of China and, except where the context requires and only for the purposes of this circular, references in this circular to the PRC do not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Proposed Spin-off”	the proposed spin-off of the Spin-off Business through the Global Offering and a separate listing of the CITIC Dameng Shares on the Main Board of the Stock Exchange
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on a record date to be fixed (currently proposed to exclude certain overseas Shareholders, if any, subject to compliance with the Listing Rules)
“Reorganisation”	the reorganisation of the Spin-off Group involving the CDH Subscription and the JVCo Interest Acquisition as described in the Letter from the Board set out in this circular
“Retained Group”	the Group, after excluding the Spin-off Group
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company

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## DEFINITIONS

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“Special General Meeting”	the special general meeting of Shareholders to be convened for the purposes of considering and, if thought fit, approving the CDH Subscription and the JVCo Interest Acquisition, notice of which is set out on pages 38 to 40 of this circular
“Spin-off Business”	the business of, among other things, exploration, mining and processing of manganese and the associated production and sale of manganese related products carried on by the Spin-off Group
“Spin-off Group”	CITIC Dameng Holdings and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“United States”	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
“Valuation Record Date”	31 March 2010
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“KZT”	Tenge, the lawful currency of Kazakhstan
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

*For ease of reference only, the names of the PRC established companies and entities described in this circular have been included in this circular in both Chinese and English and the English names of these companies and entities are either English translations of their respective official Chinese names or English trade names used by them. In the event of any inconsistency between the English names and their respective Chinese names, the Chinese names shall prevail.*

*For the purpose of this circular, unless otherwise specified, amounts in KZT and RMB have been converted into HK\$ or vice versa at the rates of  $KZT1 = HK\$0.052588$  and  $RMB1 = HK\$1.15$  respectively for illustration purposes only. No representation is made that any amounts in HK\$, KZT or RMB 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. SUN Xinguo  
(*President and Chief Executive Officer*)  
Ms. LI So Mui  
Mr. QIU Yiyong  
Mr. TIAN Yuchuan  
Mr. ZENG Chen

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Directors:*

Mr. KONG Dan (*Chairman*)  
Mr. MI Zengxin (*Vice-Chairman*)  
Mr. WONG Kim Yin  
Mr. ZHANG Jijing  
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

26 August 2010

*To Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**SUBSCRIPTION FOR SHARES IN CITIC DAMENG HOLDINGS BY GUANGXI DAMENG BVI  
AND**

**ACQUISITION OF JVCO INTEREST BY CITIC DAMENG INVESTMENTS**

### **INTRODUCTION**

Reference is made to the announcement of the Company of 12 August 2010.

For the purposes of the Proposed Spin-off, it is proposed that the Spin-off Group undergo a reorganisation which will, upon completion, result in (a) Guangxi Dameng, through Guangxi Dameng BVI, subscribing for and holding new shares in CITIC Dameng Holdings equivalent to, before

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## LETTER FROM THE BOARD

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completion of the Global Offering, 34.5% of the issued shares of CITIC Dameng Holdings, and (b) Guangxi Dameng transferring its 34.5% equity interest in the JVCo to CITIC Dameng Investments so that CITIC Dameng Investments holds 100% of the equity of the JVCo and the JVCo being converted into a PRC wholly foreign owned enterprise.

On 12 August 2010, Guangxi Dameng BVI entered into the CDH Subscription Agreement with CITIC Dameng Holdings, pursuant to which, Guangxi Dameng BVI will subscribe for, and CITIC Dameng Holdings will allot and issue, the CDH Subscription Shares, being 1,460,535 new CITIC Dameng Shares, at the aggregate subscription price of the Hong Kong dollar equivalent of RMB463,280,000 (HK\$532,772,000) calculated in accordance with the Exchange Rate plus HK\$16,995,000. Assuming completion of the CDH Subscription, the CDH Subscription Shares will represent 34.5% of the CITIC Dameng Shares in issue at the date of completion of the CDH Subscription.

Also on 12 August 2010, CITIC Dameng Investments entered into the JVCo Interest Acquisition Agreement pursuant to which CITIC Dameng Investments has agreed to acquire the JVCo Interest from Guangxi Dameng at a consideration of RMB463,280,000 (HK\$532,772,000). Assuming completion of the JVCo Interest Acquisition, CITIC Dameng Investments will hold 100% of the equity of the JVCo and the JVCo will become a PRC wholly foreign owned enterprise.

Each of the CDH Subscription and the JVCo Interest Acquisition is a discloseable and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

This circular serves to:

1. provide Shareholders with information in relation to, among other things, the background to, the reasons for, and the benefits and effects of, the CDH Subscription and the JVCo Interest Acquisition;
2. set out the recommendation from the Independent Board Committee to Independent Shareholders as to whether the terms of the CDH Subscription and the JVCo Interest Acquisition are fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole and advise Independent Shareholders on how to vote at the Special General Meeting in relation to the resolutions to approve the CDH Subscription and the JVCo Interest Acquisition;
3. set out a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders as to whether the terms of the CDH Subscription and the JVCo Interest Acquisition are fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; and
4. give Shareholders notice of the convening of the Special General Meeting at which ordinary resolutions will be proposed to consider and, if thought fit, approve the CDH Subscription and the JVCo Interest Acquisition, and all other transactions contemplated by the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement and all documents necessary for and/or incidental to the performance and completion of the CDH Subscription and the JVCo Interest Acquisition.

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## LETTER FROM THE BOARD

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**Shareholders and other investors should note that the completion of the CDH Subscription and the JVCo Interest Acquisition are subject to the satisfaction of the CDH Subscription Conditions and the JVCo Interest Acquisition Conditions respectively as described in this circular and, therefore, the CDH Subscription and the JVCo Interest Acquisition may or may not complete. Shareholders and other investors are therefore advised to exercise caution when dealing in the securities of the Company.**

Shareholders and other investors are also reminded that no final decision has yet been made by the Company or CITIC Dameng Holdings as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee to the Proposed Spin-off and listing of, and permission to deal in, the CITIC Dameng Shares on the Main Board of the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

**As the listing of the CITIC Dameng Shares pursuant to the Proposed Spin-off is subject to, among other things, the approval of the Listing Committee, the final decision of the Board and the board of directors of CITIC Dameng Holdings and approval of Shareholders, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

### DETAILS OF THE CDH SUBSCRIPTION

#### Terms of the CDH Subscription Agreement

*Date:*

12 August 2010

*Parties:*

- (1) CITIC Dameng Holdings; and
- (2) Guangxi Dameng BVI, an indirect wholly-owned subsidiary of Guangxi Dameng. Guangxi Dameng holds the JVCo Interest, representing a 34.5% interest in the equity of the JVCo, and is therefore a connected person of the Company under the Listing Rules. Guangxi Dameng BVI, being a subsidiary of Guangxi Dameng, is an associate of Guangxi Dameng and therefore a connected person of the Company under the Listing Rules.

#### *CDH Subscription Shares:*

Guangxi Dameng BVI shall subscribe for the CDH Subscription Shares, being 1,460,535 new CITIC Dameng Shares, which will at completion of the CDH Subscription represent 34.5% of the issued shares of CITIC Dameng Holdings as enlarged by the issue of the CDH Subscription Shares.

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## LETTER FROM THE BOARD

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### *Subscription price:*

Guangxi Dameng BVI shall pay CITIC Dameng Holdings the aggregate subscription price of the Hong Kong dollar equivalent of RMB463,280,000 (HK\$532,772,000) calculated in accordance with the Exchange Rate plus HK\$16,995,000 in cash at completion of the CDH Subscription. For illustration purposes only, this represents a subscription price of HK\$376 per CDH Subscription Share.

The RMB463,280,000 amount of the aggregate subscription price represents the valuation of the JVCo Interest as at the Valuation Record Date minus the dividends declared for the benefit of Guangxi Dameng for the period from the Valuation Record Date until the completion of the JVCo Interest Acquisition and the HK\$16,995,000 amount of the aggregate subscription price represents 34.5% of the net assets of CITIC Dameng Holdings and its subsidiaries (excluding the JVCo and the subsidiaries of the JVCo) based on the unaudited management accounts of CITIC Dameng Holdings as at the close of business on 2 August 2010 as enlarged by a capital contribution in the amount of HK\$16,995,000. The JVCo Interest as at the Valuation Record Date was, by way of cost method, valued at RMB577.3 million (HK\$663.9 million) according to the valuation carried out by 中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Limited Cooperation), an independent qualified valuer in the PRC. During the period from the Valuation Record Date up to the Latest Practicable Date, the dividends declared by the JVCo for the benefit of Guangxi Dameng amounted to RMB114.0 million (HK\$131.1 million). No further dividend will be declared by the JVCo to its shareholders during the period from the Latest Practicable Date until the completion of the CDH Subscription and the JVCo Interest Acquisition.

The net profits before taxation and extraordinary items of CITIC Dameng Holdings for the two financial years immediately preceding the CDH Subscription Agreement were HK\$431.1 million and HK\$75.3 million respectively.

The net profits after taxation and extraordinary items of CITIC Dameng Holdings for the two financial years immediately preceding the CDH Subscription Agreement were HK\$399.8 million and HK\$63.7 million respectively.

### *CDH Subscription Conditions:*

Completion of the CDH Subscription is conditional upon the satisfaction of the following conditions:

- (1) approval by Shareholders (save for those Shareholders required to abstain from voting (if any) under the Listing Rules) in a duly convened special general meeting of the Company;
- (2) permission of the Bermuda Monetary Authority for the issue of the CDH Subscription Shares by CITIC Dameng Holdings to Guangxi Dameng BVI; and
- (3) approval of the Guangxi SASAC of the CDH Subscription to the extent applicable.

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## LETTER FROM THE BOARD

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### *Post-completion Undertakings:*

Guangxi Dameng BVI shall sell the CDH Subscription Shares to CITIC Dameng Holdings at the original subscription price paid by Guangxi Dameng BVI and CITIC Dameng Holdings shall repurchase the CDH Subscription Shares from Guangxi Dameng BVI at the original subscription price paid by Guangxi Dameng BVI if the JVCo Interest Acquisition is not completed on or before such date which is six months from the completion of the CDH Subscription provided that: (i) any consideration payment under the JVCo Interest Acquisition Agreement made by CITIC Dameng Investments has been repatriated outside of the PRC and returned to CITIC Dameng Investments; and (ii) the JVCo Interest Acquisition Agreement has been terminated without any claim against either party to the JVCo Interest Acquisition Agreement.

### *Termination of the CDH Subscription Agreement:*

The CDH Subscription Agreement shall terminate if the CDH Subscription Conditions are not each fulfilled on or before 31 December 2010 or such later date as may be agreed between CITIC Dameng Holdings and Guangxi Dameng BVI and none of the parties to the CDH Subscription Agreement will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach.

### **Use of proceeds from the CDH Subscription**

The proceeds from the CDH Subscription shall be used to fund the acquisition of the JVCo Interest by CITIC Dameng Investments pursuant to the JVCo Interest Acquisition Agreement described below with the remainder, if any, to be used for general working capital of CITIC Dameng Holdings.

### **Corporate structure of CITIC Dameng Holdings immediately before and immediately after the completion of the CDH Subscription**

CITIC Dameng Holdings will continue to be an indirect non wholly-owned subsidiary of the Company following the completion of the CDH Subscription. The shareholding structure of CITIC Dameng Holdings immediately before, and immediately after, the completion of the CDH Subscription is as follows:

	<b>Immediately before the completion of the CDH Subscription: Percentage of shareholding (No. of CITIC Dameng Shares owned)</b>	<b>Immediately after the completion of the CDH Subscription: Percentage of shareholding (No. of CITIC Dameng Shares owned)</b>
<b>Highkeen</b>	80% (2,218,320 CITIC Dameng Shares)	52.4% (2,218,320 CITIC Dameng Shares)
<b>Apexhill</b>	20% (554,580 CITIC Dameng Shares)	13.1% (554,580 CITIC Dameng Shares)
<b>Guangxi Dameng BVI</b>	–	34.5% (1,460,535 CITIC Dameng Shares)
<b>Total:</b>	100% (representing 2,772,900 CITIC Dameng Shares)	100% (representing 4,233,435 CITIC Dameng Shares)

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## LETTER FROM THE BOARD

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### DETAILS OF THE JVCO INTEREST ACQUISITION

#### Terms of the JVCo Interest Acquisition Agreement

***Date:***

12 August 2010

***Parties:***

- (1) CITIC Dameng Investments; and
- (2) Guangxi Dameng. Guangxi Dameng holds the JVCo Interest, representing a 34.5% interest in the equity of the JVCo, and is therefore a connected person of the Company under the Listing Rules.

***JVCo Interest:***

CITIC Dameng Investments shall acquire the JVCo Interest from Guangxi Dameng. The JVCo Interest comprises the 34.5% interest in the equity of the JVCo which is not already owned by CITIC Dameng Investments.

***Consideration:***

CITIC Dameng Investments shall pay Guangxi Dameng the consideration of RMB463,280,000 (HK\$532,772,000) in cash. CITIC Dameng Investments will fund the acquisition of the JVCo Interest with the proceeds raised by CITIC Dameng Holdings from the CDH Subscription.

Guangxi Dameng's original purchase costs of the JVCo Interest are RMB200 million (HK\$230 million).

The consideration for the JVCo Interest was determined after arm's length negotiation and based on the valuation of the JVCo Interest as at the Valuation Record Date minus the dividends declared for the benefit of Guangxi Dameng for the period from the Valuation Record Date until the completion of the JVCo Interest Acquisition. The book value of the JVCo Interest as at 31 March 2010 was RMB429.6 million (HK\$494.0 million). The JVCo Interest as at the Valuation Record Date was, by way of cost method, valued at RMB577.3 million (HK\$663.9 million) according to the valuation carried out by 中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Limited Cooperation), an independent qualified valuer in the PRC. During the period from the Valuation Record Date up to the Latest Practicable Date, the dividends declared by the JVCo for the benefit of Guangxi Dameng amounted to RMB114.0 million (HK\$131.1 million). No further dividend will be declared by the JVCo to its shareholders during the period from the Latest Practicable Date until the completion of the CDH Subscription and the JVCo Interest Acquisition.

The net profits before taxation and extraordinary items of the JVCo for the two financial years immediately preceding the JVCo Interest Acquisition Agreement were RMB369.7 million (HK\$425.2 million) and RMB86.7 million (HK\$99.7 million) respectively.

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## LETTER FROM THE BOARD

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The net profits after taxation and extraordinary items of the JVCo for the two financial years immediately preceding the JVCo Interest Acquisition Agreement were RMB357.8 million (HK\$411.5 million) and RMB81.7 million (HK\$94.0 million) respectively.

### ***JVCo Interest Acquisition Conditions:***

Completion of the JVCo Interest Acquisition is conditional upon the satisfaction of the following conditions:

- (1) approval by Shareholders (save for those Shareholders required to abstain from voting (if any) under the Listing Rules) in a duly convened special general meeting of the Company;
- (2) the approval of the Guangxi SASAC;
- (3) the internal approvals of CITIC Dameng Investments and Guangxi Dameng pursuant to the applicable laws and regulations and their respective constitutional documents;
- (4) the completion of the CDH Subscription;
- (5) the issue of a new approval certificate by Guangxi BOC to the JVCo; and
- (6) the completion by the JVCo of the changes of registrations with the industrial and commerce authorities of the PRC which are necessary to give effect to the JVCo Interest Acquisition.

### ***Termination of the JVCo Interest Acquisition Agreement:***

The JVCo Interest Acquisition Agreement shall terminate on the occurrence of any of the following events:

- (1) the conclusion of a mutual termination agreement by CITIC Dameng Investments and Guangxi Dameng;
- (2) force majeure events which frustrate the purpose of the JVCo Interest Acquisition Agreement;
- (3) termination by any party on the failure of the other party to remedy any breach of the undertakings or obligations under the JVCo Interest Acquisition Agreement or any untrue or misleading warranties or representations made in the JVCo Interest Acquisition Agreement within 30 days from receiving a request from the party not in breach requesting for the remedy of such breach; and
- (4) the declaration of the invalidity of the JVCo Interest Acquisition Agreement by any competent courts or authorities.

### **Structure of the JVCo immediately after the completion of the JVCo Interest Acquisition**

Immediately after the completion of the JVCo Interest Acquisition, the JVCo will be 100% owned by CITIC Dameng Investments and will be a PRC wholly foreign owned enterprise. As at the Latest Practicable Date, the Company was indirectly interested in 52.4% of the equity in the JVCo through its 80% interest in CITIC Dameng Holdings which indirectly held 65.5% of the equity in the JVCo. The Company's 52.4% indirect interest in the equity of the JVCo will remain unchanged after the completion of the CDH Subscription and the JVCo Interest Acquisition.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP

The Company is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing, and oil exploration, development and production. It is intended that the Retained Group will continue to be engaged in such businesses (other than the Spin-off Business) after the Proposed Spin-off. For the financial year ended 31 December 2009, the consolidated profits before and after taxation of the Group amounted to HK\$151.3 million and HK\$148.5 million respectively and the consolidated net assets of the Group as at 31 December 2009 were HK\$9,770.0 million.

CITIC Dameng Holdings and its subsidiaries carry on the Spin-off Business. CITIC Dameng Holdings is an investment holding company and its principal asset is its current indirect 65.5% equity interest in the JVCo which it holds through its wholly-owned subsidiary, CITIC Dameng Investments.

CITIC Dameng Investments is an investment holding company. Its principal asset is its current direct 65.5% equity interest in the JVCo.

The JVCo, together with the JVCo Subsidiaries, is primarily engaged in the business of the exploration, mining and processing of manganese and the associated production and sale of manganese related products.

### INFORMATION ON GUANGXI DAMENG AND GUANGXI DAMENG BVI

Guangxi Dameng is a PRC state-owned limited liability company established under the laws of the PRC. The principal activities of Guangxi Dameng and its subsidiaries include mining, selection, refining and processing of manganese and the sale of parts for motor vehicles.

Guangxi Dameng currently holds the JVCo Interest which represents a 34.5% interest in the equity of the JVCo and is, therefore, a connected person of the Company under the Listing Rules.

Guangxi Dameng BVI is an indirect wholly-owned subsidiary of Guangxi Dameng. It is an associate of Guangxi Dameng and therefore a connected person of the Company under the Listing Rules.

### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The CDH Subscription and the JVCo Interest Acquisition are part of the Reorganisation being effected for the purposes of the Proposed Spin-off. The Directors are of the view that the terms of the CDH Subscription and the JVCo Interest Acquisition are fair and reasonable and in the interests of the Company and Shareholders as a whole irrespective of whether the Proposed Spin-off is effected or not. Assuming completion of the CDH Subscription and the JVCo Interest Acquisition, no change will occur in the Company's effective interest in the JVCo and therefore no adverse effect or detriment will occur to the Company or Shareholders as a result. However, the Company and Shareholders are expected to obtain a benefit from the CDH Subscription and the JVCo Interest Acquisition as the JVCo will become a wholly-owned subsidiary of CITIC Dameng Investments and, with Guangxi Dameng holding its interest in the JVCo through its shareholding in CITIC Dameng Holdings, the interests of Guangxi Dameng will be more similarly aligned with those of the Company and CITIC



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## LETTER FROM THE BOARD

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United Asia at the CITIC Dameng Holdings level and in relation to their respective interests in the Spin-off Group and the Spin-off Business. This will bring about a simplification in the structure of the Spin-off Group and the Directors expect it should also result in an improved operational structure. In addition, as stated in the letter from the Independent Financial Adviser, the CDH Subscription and the JVCo Interest Acquisition should allow the Company to exercise enhanced control over the voting rights of the JVCo as a result of the Company's majority control over the voting rights of CITIC Dameng Holdings. The CDH Subscription and the JVCo Interest Acquisition are not only a step towards the Proposed Spin-off but also an internal reorganisation of the Group which will achieve an improved operational structure.

No gain or loss will be recorded by the Group as a result of the CDH Subscription and the JVCo Interest Acquisition.

The Directors do not expect any material adverse effect on the Group as a result of the completion of the CDH Subscription and the JVCo Interest Acquisition.

### **LISTING RULES IMPLICATIONS**

Guangxi Dameng and Guangxi Dameng BVI are connected persons of the Company. As the percentage ratios under the applicable size tests in respect of the CDH Subscription and the JVCo Interest Acquisition are more than 5% but less than 25%, each of the CDH Subscription and the JVCo Interest Acquisition is a discloseable and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

### **SPECIAL GENERAL MEETING AND VOTING BY POLL**

The Special General Meeting will be convened for the purposes of allowing Independent Shareholders to consider and, if thought fit, approve the CDH Subscription and the JVCo Interest Acquisition. A notice convening the Special General Meeting is set out on pages 38 to 40 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 as soon as possible and in any event 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 shall be taken by poll. Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with the By-laws, at any general meeting 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.

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## LETTER FROM THE BOARD

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Keentech and CA and their respective associates are required to abstain from voting at the Special General Meeting as Apexhill, as an associate of each of Keentech and CA, currently has a direct 20% shareholding interest in CITIC Dameng Holdings. None of the Directors has a material interest in the CDH Subscription and the JVCo Interest Acquisition.

An announcement will be made by the Company following 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.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising Mr. Fan Ren Da, Anthony and Mr. Ngai Man, has been formed to consider and make its recommendation to Independent Shareholders in respect of the resolutions to approve the CDH Subscription and the JVCo Interest Acquisition and whether the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement 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 page 18 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 CDH Subscription and the JVCo Interest Acquisition and the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement 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 19 to 31 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders as to voting at the Special General Meeting.

### **RECOMMENDATION**

The Directors are of the view that the CDH Subscription and the JVCo Interest Acquisition and the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement are fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole and, accordingly, recommend Independent Shareholders to vote in favour of the ordinary resolutions to approve the CDH Subscription and the JVCo Interest Acquisition as set out in the notice of the Special General Meeting on pages 38 to 40 of this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the CDH Subscription and the JVCo Interest Acquisition and the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement are 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  
**CITIC Resources Holdings Limited**  
**Sun Xinguo**  
*Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### CITIC RESOURCES HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

26 August 2010

*To Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**SUBSCRIPTION FOR SHARES IN CITIC DAMENG HOLDINGS BY GUANGXI DAMENG BVI**

**AND**

**ACQUISITION OF JVCO INTEREST BY CITIC DAMENG INVESTMENTS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the CDH Subscription and the JVCo Interest Acquisition, details of which are set out in the “Letter from the Board” in a circular dated 26 August 2010 to Shareholders (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

OSK Capital Hong Kong Limited has been appointed to advise us and Independent Shareholders as to whether the CDH Subscription and the JVCo Interest Acquisition and the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement are fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Details of its advice are set out on pages 19 to 31 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 17 of the Circular.

Having considered the advice and recommendation of OSK Capital Hong Kong Limited, we are of the opinion that the CDH Subscription and the JVCo Interest Acquisition and the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement 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, to approve the CDH Subscription and the JVCo Interest Acquisition.

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

**FAN Ren Da, Anthony**

**NGAI Man**

*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 of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders, for the purpose of incorporation into the circular.*

**OSK Capital Hong Kong Limited**  
**僑豐融資有限公司**  
Subsidiary of OSK Investment Bank Berhad, Malaysia

11/F., Hip Shing Hong Centre,  
55 Des Voeux Road Central, Hong Kong

26 August 2010

*The Independent Board Committee and Independent Shareholders*  
CITIC Resources Holdings Limited

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

#### **SUBSCRIPTION FOR SHARES IN CITIC DAMENG HOLDINGS BY GUANGXI DAMENG BVI AND ACQUISITION OF JVCO INTEREST BY CITIC DAMENG INVESTMENTS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the CDH Subscription and the JVCo Interest Acquisition (the “**Transactions**”), details of which are set out in the circular of the Company dated 26 August 2010 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

As set out in the letter from the Board in the Circular (the “**Letter from the Board**”), on 12 August 2010, (1) CITIC Dameng Holdings and Guangxi Dameng BVI (a wholly-owned subsidiary of Guangxi Dameng) entered into the CDH Subscription Agreement in respect of the CDH Subscription, and (2) CITIC Dameng Investments and Guangxi Dameng entered into the JVCo Interest Acquisition Agreement in respect of the JVCo Interest Acquisition.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The JVCo is owned as to 34.5% by Guangxi Dameng and 65.5% by CITIC Dameng Investments which in turn is indirectly owned as to 80% by the Company. The JVCo is a subsidiary of the Company. Guangxi Dameng is a substantial shareholder of the JVCo and therefore is a connected person of the Company under the Listing Rules. Guangxi Dameng BVI is an indirect wholly-owned subsidiary of Guangxi Dameng and therefore is also a connected person of the Company under the Listing Rules. Based on the total subscription price of the Hong Kong dollar equivalent of RMB463,280,000 (HK\$532,772,000) plus HK\$16,995,000 (the “**Total Subscription Price**”) for the CDH Subscription and the consideration of RMB463,280,000 (HK\$532,772,000) (the “**Consideration**”) for the JVCo Interest Acquisition, each of the CDH Subscription and the JVCo Interest Acquisition constitutes a discloseable and connected transaction for the Company which is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors, Mr. Fan Ren Da, Anthony and Mr. Ngai Man, has been established to give advice and recommendation to Independent Shareholders in respect of the CDH Subscription and the JVCo Interest Acquisition. OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders as to whether the CDH Subscription and the JVCo Interest Acquisition and the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement are (1) fair and reasonable so far as Independent Shareholders are concerned, (2) in the interests of the Company and Shareholders as a whole, and (3) on normal commercial terms and in the ordinary and usual course of business of the Group.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular and those supplied or made available to us by the Directors and management of the Company. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, Guangxi Dameng and its associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the CDH Subscription and the JVCo Interest Acquisition, we have taken into consideration the following principal factors:

#### Background of and reasons for the Transactions

##### *Background information on the Group*

The Company is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing, and oil exploration, development and production. We understand from the Company that the Group controls the largest manganese mines in the PRC and is one of the largest manufacturers and suppliers of manganese products in the world. The Group's manganese and manganese related business (the "**Manganese Business**") is conducted through the JVCo and its subsidiaries (the "**JV Group**"). As stated in the Letter from the Board, the JVCo is owned as to 65.5% by CITIC Dameng Investments (an 80%-owned subsidiary of the Company) and 34.5% by Guangxi Dameng. The Manganese Business is one of the major business segments of the Group. For the year ended 31 December 2009 ("**FY 2009**") segment revenue of the Manganese Business accounted for 10.7% of the Group's total revenue.

Set out below are highlights of the latest audited financial results of the Group:

	For the year ended 31 December	
	2008	2009
	HK\$ million	HK\$ million
Revenue	18,761.5	19,425.4
Profit/(Loss) before tax	(4,700.8)	151.3
Profit after tax	463.4	148.5

As at 31 December 2009, the Company had audited consolidated net assets of HK\$9,770.0 million.

The significant loss before tax recorded by the Group in the year ended 31 December 2008 ("**FY 2008**") was due to a provision for impairment of property, plant and equipment of HK\$6,420.7 million which arose mainly from the Group's oil and gas properties in the Karazhanbas oilfield, Kazakhstan (the "**Kazakhstan Properties**") as a result of the adverse effect on oil prices caused by the global financial crisis which started in the second half of 2008.

Despite the loss before tax recorded by the Group, the Group recorded a profit after tax of HK\$463.4 million in FY 2008. This was because the Group was able to record a tax credit of HK\$5,164.1 million which mainly resulted from the above provision for impairment of property, plant and equipment and a change in tax rates in respect of the Group's crude oil operations in Kazakhstan pursuant to a new tax code introduced there.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated by the Company in its annual report for FY 2009, the Group's operations faced significant challenges as the global financial and economic crisis in late 2008 pushed energy and commodities prices to their lowest levels in recent years, resulting in an adverse impact on the Group's financial performance. Save for the Group's business of import and export of commodities (the "**Trading Business**"), which recorded a 37% increase in revenue, revenue of other business segments decreased in FY 2009 as compared to FY 2008, resulting in an overall marginal increase of 3.5% in the Group's revenue for FY 2009.

In spite of an overall increase in the Group's revenue in FY 2009, gross margin decreased significantly as a result of pricing pressure. With global economic conditions recovering in 2009, energy and commodities prices began to recover and the Group's businesses gradually improved. However, only certain business segments within the Group made a positive return under this challenging environment. The Group's aluminium smelting operations recorded its first ever loss, and the net profit from its coal, crude oil operations and the Manganese Business decreased significantly. This was mainly due to a combination of weak selling prices and a drop in demand. Only the Trading Business managed to record an increase in net profit in such adverse market conditions and this was mainly attributable to the expansion of business by the Group in the PRC.

The Group recorded an operating loss of HK\$295.6 million in FY 2009 before the write-back of an impairment provision. An amount of HK\$446.9 million was reversed from the previously recognised impairment loss on the Kazakhstan Properties as its estimated recoverable amounts had increased due to an increase in the oil reserves of the Karazhanbas oilfield. With this write-back, the Group recorded an overall profit before tax of HK\$151.3 million for FY 2009.

As the impact of the global financial crisis seems to be easing with governments of leading economies actively implementing policies to boost trade, the Company anticipates that demand for energy and commodities will increase as world markets stabilise and prices gradually return to a reasonable level. The Group will continue its long term goal to improve overall oil production and will seek early commencement of production at its Yuedong oilfield. The Group will continue to implement cost cutting measures with a view to improving its margins and continue to regularly review its business and explore potential investment opportunities to further expand its assets.

### *Background information on the JV Group*

The Manganese Business is operated by the JV Group and comprises the exploration, mining and processing of manganese and the associated production and sale of manganese related products. The JV Group has operations and assets in the PRC and Gabon, West Africa.

The JVCo was established in August 2005 by CITIC Dameng Investments and Guangxi Dameng. As at the date of this letter, we understand from the Company that the JVCo has a registered capital of RMB579,710,100. In FY 2009, the Group increased its equity interest in the JVCo from 48.0% to 52.4% which increased the Group's influence over the Manganese Business and reflected the Group's confidence in the Manganese Business.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Company's annual report for FY 2009, the Group, through the JV Group, controlled the largest manganese mines in the PRC, namely Guangxi Daxin Manganese Mine and Guangxi Tiandeng Manganese Mine. We understand from the Company that the JV Group holds the mining right for Guangxi Daxin Manganese Mine for up to 21 February 2035 and engages over 3,300 staff for its mining operations, including exploitation, selection and processing of manganese. We understand from the Company that the JV Group holds the mining right for Guangxi Tiandeng Manganese Mine for up to 2 December 2024 and engages over 250 staff for its mining operations, including exploitation and selection of manganese.

Set out below are highlights of the latest audited financial results of the JV Group:

	For the year ended 31 December			
	2008		2009	
	<i>RMB million</i>	<i>(HK\$ million)</i>	<i>RMB million</i>	<i>(HK\$ million)</i>
Revenue	2,762.5	3,176.9	1,924.3	2,212.9
Profit before tax	369.7	425.2	86.7	99.7
Profit after tax	357.8	411.5	81.7	94.0

As at 31 December 2009, the JV Group had audited consolidated net assets of RMB1,311.8 million (HK\$1,508.6 million).

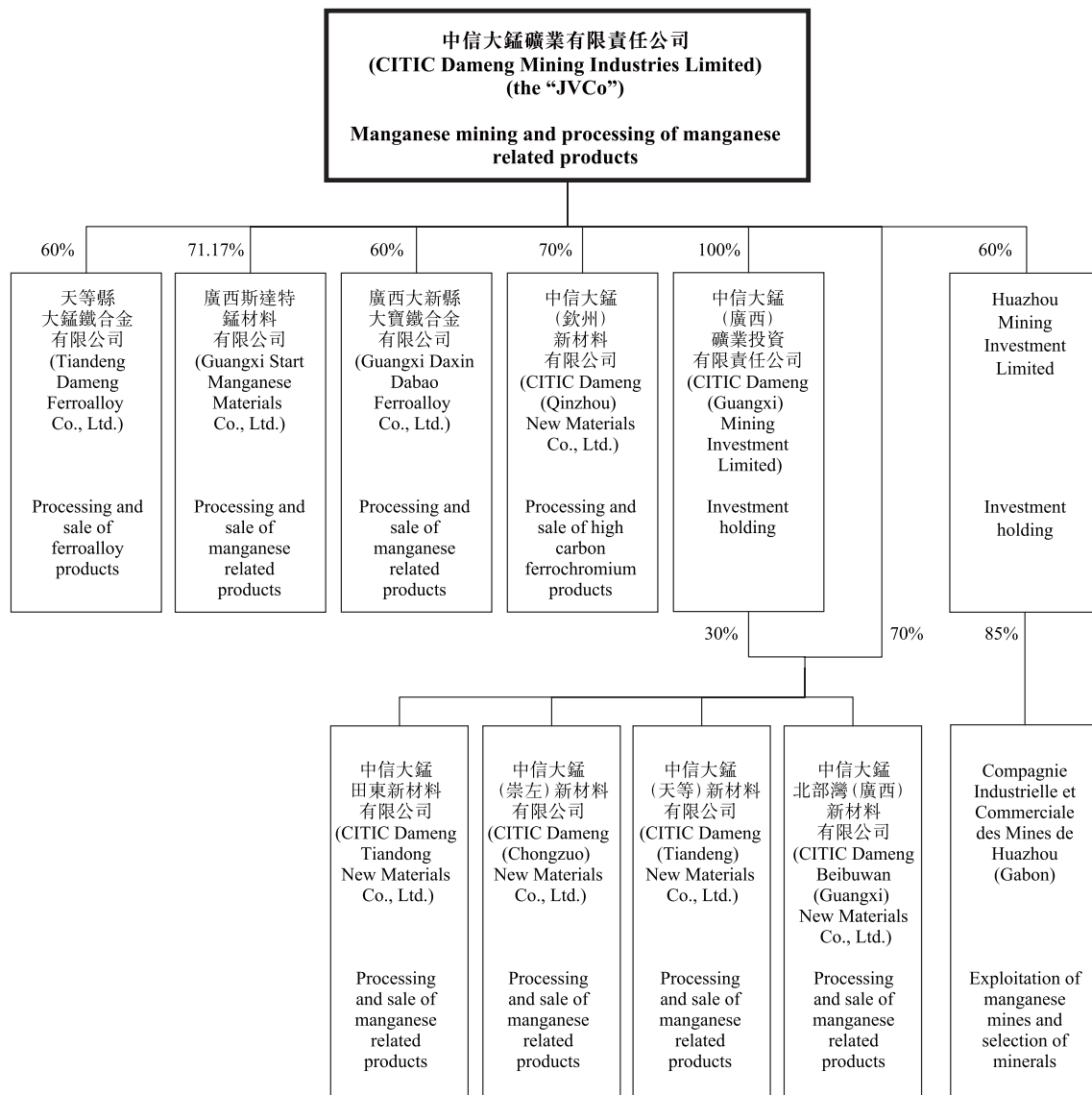
According to the valuation carried out by 中通誠資產評估有限公司 (China Tong Cheng Assets Appraisal Limited Cooperation) (the "**Appraisal Company**"), the net assets of the JV Group were valued at RMB1,673.2 million (HK\$1,924.2 million) as at 31 March 2010 (the "**Appraised NAV**").

Based on the Company's annual report for FY 2009, the Manganese Business was adversely affected in the first half of 2009 as a result of a severe contraction in demand in the steel market caused by the global financial crisis in late 2008. With a view to improving performance, the Group has tried to expand the Manganese Business's market share in the PRC and to focus on selling self-produced products. The decrease in revenue for FY 2009 was due to a reduction in selling prices and sales volume during the year. Though prices gradually increased in the second half of 2009, the average selling prices of self-produced products, mainly electrolytic manganese metal, silicomanganese alloy and high carbon ferrochromium, experienced a drastic decrease in the range of 31% to 43% during FY 2009.

The Company further stated that direct costs, such as raw materials, labour cost and electricity, did not fall in line with the selling prices of manganese products and exerted pressure on margins of the Manganese Business. As a result, the JV Group's gross profit margins suffered a decrease of around 5%. The profitability of the JV Group in FY 2009 was also adversely affected by a significant increase in finance costs, arising from the expansion of the Manganese Business in the PRC and Gabon. In addition, a provision of HK\$31.7 million net of deferred tax credit was made to the closing inventories to reflect the drop in estimated net realisable value as at 31 December 2009. As a result of the above major factors, net profit after tax of the JV Group decreased by 77.2% in FY 2009 to RMB81.7 million (HK\$94.0 million).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The corporate structure of the JVCo and its material operating subsidiaries is illustrated below:



### ***Background information on Guangxi Dameng***

Guangxi Dameng is a PRC state-owned limited liability company established under the laws of the PRC. The principal activities of Guangxi Dameng and its subsidiaries include mining, selection, refining and processing of manganese and the sale of parts for motor vehicles. Guangxi Dameng currently holds the JVCo Interest, being a 34.5% equity interest in the JVCo.

Guangxi Dameng BVI is an indirect wholly-owned subsidiary of Guangxi Dameng.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Reasons for the Transactions*

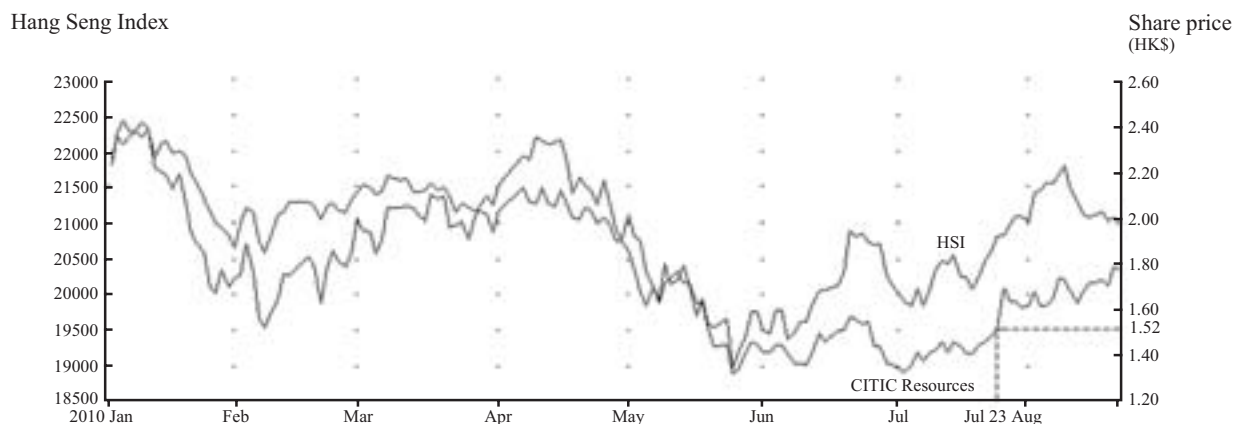
As set out in the announcement of the Company dated 23 July 2010 in relation to the Proposed Spin-off (the “**2010 Proposed Spin-off Announcement**”), the Company proposes to spin-off the Manganese Business and separately list the Spin-off Group (comprising CITIC Dameng Holdings and its subsidiaries). On 23 July 2010, CITIC Dameng Holdings submitted a further advance booking form for an application for the listing of, and permission to deal in, the CITIC Dameng Shares on the Main Board of the Stock Exchange.

The CDH Subscription and the JVCo Interest Acquisition are being effected to reorganise the Spin-off Group for the purposes of the Proposed Spin-off. Currently, CITIC Dameng Holdings wholly owns CITIC Dameng Investments which in turn holds a 65.5% shareholding interest in the JVCo. The remaining 34.5% shareholding interest in the JVCo is owned by Guangxi Dameng. As stated in the Letter from the Board, the CDH Subscription and the JVCo Interest Acquisition will make the JVCo a wholly-owned subsidiary of CITIC Dameng Holdings (via CITIC Dameng Investments) and thus simplify the structure of the Spin-off Group. The Company believes that having a streamlined structure for the Spin-off Group would enhance its control over the JV Group (the operating companies of the Manganese Business) and improve the management and operation efficiency of the JVCo. The Reorganisation will also align the interests of Guangxi Dameng with those of the Company and CITIC United Asia in relation to their respective interests in the Spin-off Group and the Manganese Business as they will all become shareholders of CITIC Dameng Holdings and will not hold any direct interests in other group companies of the Spin-off Group (including the JV Group).

The shareholding structure in relation to CITIC Dameng Holdings and the JVCo before and immediately after the Transactions are set out in the paragraph headed “Corporate structure in relation to CITIC Dameng Holdings” below.

We also believe that making the JVCo a wholly-owned subsidiary of CITIC Dameng Holdings will help enhance the Spin-off Group’s track record results and thus help enhance the valuation of the Spin-off Group. This in turn may help any fund-raising which may be carried out in connection with the Proposed Spin-off.

The closing price of the Company’s shares increased significantly from HK\$1.52 on 23 July 2010, being the date of the 2010 Proposed Spin-off Announcement, to HK\$1.70 (representing an increase of 11.8%) on 26 July 2010, being the next trading day after 23 July 2010, and to HK\$1.74 (representing an increase of 14.5%) on 23 August 2010. We believe that to a certain degree, this probably represents a positive market view on the Proposed Spin-off for the Company. We set out below the comparative performance of the Company’s shares and the Hang Seng Index since the beginning of this year.



Source: Infocast

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Major terms of the agreements

#### *CDH Subscription Agreement*

As set out in the Letter from the Board, pursuant to the CDH Subscription Agreement, Guangxi Dameng BVI will subscribe for 1,460,535 new CITIC Dameng Shares representing 34.5% of CITIC Dameng Holdings' issued share capital as enlarged by the CDH Subscription at the Total Subscription Price (equivalent to HK\$549,767,000) or HK\$376 per CDH Subscription Share. Independent Shareholders may refer to the section headed "Terms of the CDH Subscription Agreement" in the Letter from the Board for the principal terms and conditions of the CDH Subscription Agreement.

The purpose of the CDH Subscription Agreement is to introduce Guangxi Dameng BVI (an indirect wholly-owned subsidiary of Guangxi Dameng) as a shareholder of CITIC Dameng Holdings and to raise the necessary proceeds for the acquisition of the JVCo Interest held by Guangxi Dameng under the JVCo Interest Acquisition.

The Total Subscription Price comprises (1) RMB463,280,000 (HK\$532,772,000) which was determined based on the Consideration which will be funded from the proceeds of the CDH Subscription, and (2) HK\$16,995,000 (the "**Remaining Subscription Price**") which was determined with reference to the net assets of CITIC Dameng Holdings and its subsidiaries (excluding the JV Group).

Please refer to the paragraph headed "JVCo Interest Acquisition Agreement" below for the basis of determining the Consideration.

The principal asset of both CITIC Dameng Holdings and CITIC Dameng Investments is their respective indirect and direct 65.5% equity interest in the JVCo. Based on the unaudited management accounts of CITIC Dameng Holdings, excluding the equity investment in the JVCo, CITIC Dameng Holdings and its subsidiaries (excluding the JV Group) had net assets of HK\$32.3 million (the "**Remaining Net Assets**") as at 2 August 2010. The Remaining Net Assets include, among other things, cash and dividend receivable from the JVCo. We understand from the Company that no further dividend has been/will be declared by the JVCo to its shareholders (including CITIC Dameng Investments) from 3 August 2010 to completion of the JVCo Interest Acquisition. We understand from the Company that the Remaining Subscription Price represents 34.5% of the Remaining Net Assets as enlarged by the Remaining Subscription Price.

The purpose of the CDH Subscription is to (1) raise the necessary funds to pay the Consideration in respect of the JVCo Interest Acquisition, and (2) exchange Guangxi Dameng's shareholding in the JVCo for CITIC Dameng Shares whilst keeping the respective effective percentage shareholding of the Company, CITIC United Asia and Guangxi Dameng in the JVCo prior to the Transactions unchanged after completion of the Transactions. Since the net assets of CITIC Dameng Holdings comprise the equity investment in the JV Group and the Remaining Net Assets, we understand from the Company that the Total Subscription Price was fixed based on the aggregate of (1) the Consideration for the JVCo Acquisition pursuant to which the JVCo will become a wholly-owned subsidiary of CITIC Dameng Holdings (via CITIC Dameng Investments), and (2) the Remaining Subscription Price which was fixed based on 34.5% of the Remaining Net Assets as enlarged by the Remaining Subscription Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on our understanding of the rationale for the Transactions, the basis of determination of the Total Subscription Price, and the effect and benefits of the Transactions, as well as the Proposed Spin-off, we consider that the basis of determining the Total Subscription Price fair and reasonable in the circumstances.

In the event that the JVCo Interest Acquisition is not completed within six months from the completion of the CDH Subscription, Guangxi Dameng BVI has undertaken to sell the CDH Subscription Shares to CITIC Dameng Holdings at the original subscription price and CITIC Dameng Holdings has undertaken to repurchase such CDH Subscription Shares, provided that any consideration paid under the JVCo Interest Acquisition has been returned to CITIC Dameng Investments and the JVCo Interest Acquisition Agreement having been terminated. This will effectively unwind the CDH Subscription.

### *JVCo Interest Acquisition Agreement*

As set out in the Letter from the Board, under the JVCo Interest Acquisition Agreement, CITIC Dameng Investments will acquire the JVCo Interest from Guangxi Dameng at the Consideration of RMB463,280,000 (HK\$532,772,000), which will be funded from the proceeds of the CDH Subscription.

We understand that Guangxi Dameng is a state-owned enterprise in the PRC. According to the PRC laws, the sale of the JVCo Interest (a PRC state-owned asset) shall be subject to a valuation pursuant to the applicable rules and regulations in the PRC. In this regard, we understand from the Company that the Consideration was determined after arm's length negotiation with reference to the Appraised NAV based on the valuation on the JV Group performed by the Appraisal Company, an independent qualified valuer in the PRC engaged by Guangxi Dameng, of RMB1,673.2 million (HK\$1,924.2 million) as at 31 March 2010. We have discussed with the Appraisal Company and reviewed the valuation report prepared by it, and understand that the Appraised NAV was determined based on cost approach in accordance with the applicable rules, regulations and guidelines in the PRC on the bases and assumptions of, among other things, the continuance of the JV Group's present business scope and operations, compliance with applicable laws and regulations by the JV Group and no material changes in the applicable rules, regulations and government policies in the PRC. We also understand from the Appraisal Company that it has reviewed each class of assets and liabilities of the JV Group and appraised their respective fair values primarily based on their estimated realisable/market values or depreciated replacement costs. The Appraised NAV equals the aggregate appraised value of the assets less the aggregate appraised value of the liabilities of the JV Group as at 31 March 2010. We further understand from the Appraisal Company that the above cost approach is a commonly used valuation approach in appraising the value of a state-owned equity interest in accordance with the PRC laws.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Consideration of RMB463,280,000 (HK\$532,772,000) represents 34.5% of the Appraised NAV i.e. RMB577.3 million (HK\$663.9 million), less any dividends declared for the benefit of Guangxi Dameng for the period from the Valuation Record Date until the completion of the JVCo Interest Acquisition. We understand from the Company that during the period from the Valuation Record Date up to the Latest Practicable Date, dividends amounting to RMB114.0 million (HK\$131.1 million) have been declared by the JVCo for the benefit of Guangxi Dameng and no further dividends are expected to be declared by the JVCo during the period from the Latest Practicable Date until the completion of the JVCo Interest Acquisition.

The JVCo Interest Acquisition is conditional upon, among other things, the completion of the CDH Subscription. Upon completion of the JVCo Interest Acquisition, the JVCo will become a wholly-owned subsidiary of CITIC Dameng Investments. Independent Shareholders may refer to the section headed “Terms of the JVCo Interest Acquisition Agreement” in the Letter from the Board for the principal terms and conditions of the JVCo Interest Acquisition Agreement.

As the JVCo Interest is a PRC state-owned asset, the sale of the JVCo Interest (including the amount of the Consideration) is subject to the applicable laws, rules and regulations in the PRC. We understand from the Company that the Consideration was determined in accordance with the applicable PRC laws, rules and regulations, including the use of the Appraised NAV, which has been approved by Guangxi SASAC, as a reference.

As a result of the CDH Subscription and the JVCo Interest Acquisition, rather than holding a direct 34.5% interest in the JVCo, Guangxi Dameng, through Guangxi Dameng BVI (its wholly-owned subsidiary), will essentially exchange its interest in the equity of the JVCo for a 34.5% interest in CITIC Dameng Holdings and still retain an effective interest of 34.5% of the equity of the JVCo. The Company’s effective interest in the JVCo will remain at 52.4% before and after the Transactions although its interests in CITIC Dameng Holdings and CITIC Dameng Investments will be reduced to 52.4% from 80% as a result of the Transactions. The value of net assets (excluding the interest in the JVCo) of CITIC Dameng Holdings and CITIC Dameng Investments attributable to the Group will also remain unchanged as a result of the increase in the Remaining Net Assets of CITIC Dameng Holdings by the Remaining Subscription Price.

The Directors are of the view that the terms and conditions of the CDH Subscription and the JVCo Interest Acquisition are fair and reasonable so far as Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

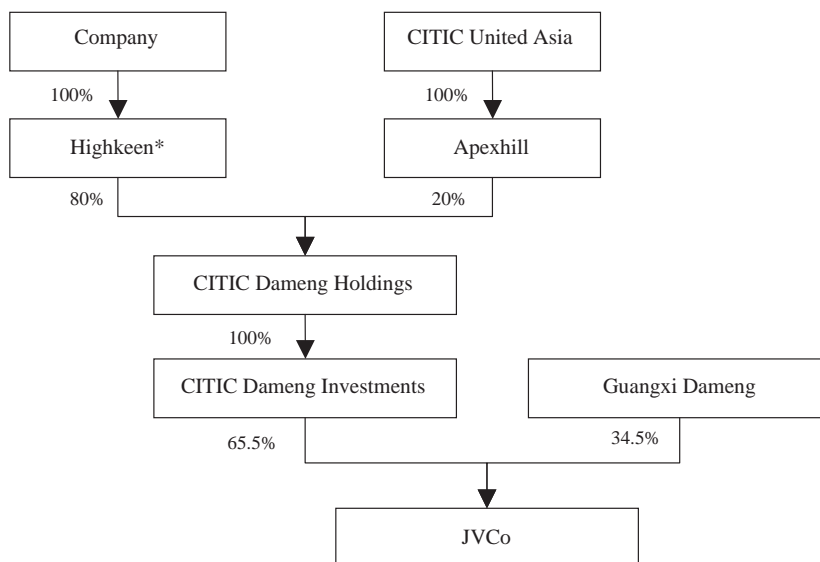
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### Effects of the Transactions

#### *Corporate structure in relation to CITIC Dameng Holdings*

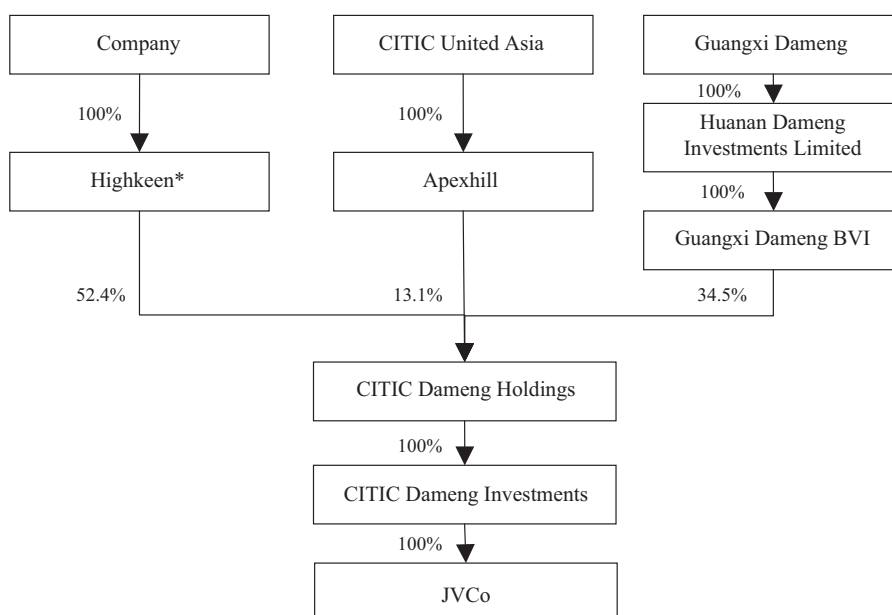
A simplified corporate structure in relation to CITIC Dameng Holdings immediately before and after the Transactions is illustrated below:

#### *Before the Transactions*



\* An indirect wholly-owned subsidiary of the Company.

#### *After the Transactions*



\* An indirect wholly-owned subsidiary of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial effects*

The Company's effective equity interest of 52.4% in the JVCo will remain the same after the Transactions. The JVCo will remain a 52.4%-owned subsidiary of the Company and its results will continue to be consolidated into the Company's consolidated financial statements after the Transactions.

Although the Company's interests in CITIC Dameng Holdings and CITIC Dameng Investments will be diluted to 52.4% from 80%, there will not be any change to the value of the net assets (excluding the interest in the JVCo) of CITIC Dameng Holdings and CITIC Dameng Investments attributable to the Group as the Remaining Net Assets will be increased by the Remaining Subscription Price. Given that (1) the equity holding in the JVCo is the principal asset of CITIC Dameng Holdings and CITIC Dameng Investments and the Company's effective interest in the JVCo will remain unchanged, (2) CITIC Dameng Holdings and CITIC Dameng Investments are investment holding companies with no business operation and the dilution of the Company's interest in CITIC Dameng Holdings and CITIC Dameng Investments will be compensated by the Remaining Subscription Price, and (3) CITIC Dameng Holdings, CITIC Dameng Investments and the JVCo will continue to be subsidiaries of the Group, it is not expected that the Transactions will have any material impact on the total assets, total liabilities and earnings of the Group, save for the expenses incurred by the Group in connection with the Transactions.

Pursuant to the terms of the CDH Subscription Agreement, the Total Subscription Price shall be equivalent to the aggregate of (1) RMB463,280,000 (HK\$532,772,000) which will be used to fund the Consideration, and (2) HK\$16,995,000. We understand from the Company that any remaining proceeds arising from the CDH Subscription will be used as general working capital for CITIC Dameng Holdings.

As stated in the Letter from the Board, no gain or loss will be recorded by the Group as a result of the CDH Subscription and the JVCo Interest Acquisition.

Furthermore, the Transactions will not have a material effect on the financial resources of the Group as the Consideration for the JVCo Interest Acquisition will be funded by the proceeds from the CDH Subscription and no gain or loss arising from the Transactions is expected to be recorded in the consolidated financial statements of the Company.

### *Voting rights*

At present, the Company, through its indirect controlling shareholding in CITIC Dameng Holdings, controls the exercise of 65.5% of the voting rights of the JVCo. After the Transactions, the Company will be able to consolidate control over the JV Group as the Company will hold a majority equity interest in CITIC Dameng Holdings which will be able to have control over the exercise of 100% of the voting rights of the JVCo.

### *Proposed Spin-off*

The CDH Subscription and the JVCo Interest Acquisition are part of an internal reorganisation of the Group being effected for the purposes of the Proposed Spin-off. As stated in the 2010 Proposed Spin-off Announcement, the Board believes that the Proposed Spin-off will be beneficial to the Group as it will (1) create CITIC Dameng Holdings as a pure-play investment opportunity as a separate entity, (2) allow the Company and CITIC Dameng Holdings to target their respective shareholder bases more effectively and improve capital allocation, (3) allow their respective management to focus more effectively on their respective businesses, (4) provide greater debt capacity for both companies, and (5) deliver greater value to shareholders of both companies.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We understand that the Transactions will help facilitate the Proposed Spin-off and may help enhance the valuation of the Spin-off Group. Having a separate listing vehicle for the Spin-off Group, the overall fund-raising ability of the Group would likely be strengthened, which would benefit the business development of the whole Group.

Shareholders should note that according to the 2010 Proposed Spin-off Announcement, upon completion of the Proposed Spin-off, the Company's interest in CITIC Dameng Holdings and consequently in the Spin-off Group will be diluted to below 50%. As such, CITIC Dameng Holdings will cease to be a subsidiary of the Company following completion of the Proposed Spin-off. Nevertheless, the Company will remain as the single largest controlling shareholder of CITIC Dameng Holdings.

Shareholders should also note that the Proposed Spin-off is still subject to many factors, including approval of the Stock Exchange, market conditions, as well as the final decision of the Board and the board of directors of CITIC Dameng Holdings. Accordingly, the Proposed Spin-off may or may not occur. However, to facilitate the Proposed Spin-off, the Reorganisation has to be carried out. Shareholders who consider the Proposed Spin-off a positive development may also consider the Transactions favourable.

The Proposed Spin-off may or may not proceed and as stated in the section headed "Major terms of the agreements" above, completion of the CDH Subscription and the JVCo Interest Acquisition are not conditional upon the Proposed Spin-off. Irrespective of the outcome of the Proposed Spin-off, the Transactions would still benefit the Company. As stated above, the Company will be able to consolidate control over the JV Group as a result of the Transactions. The JVCo will be an indirect wholly-owned subsidiary of CITIC Dameng Holdings and the Company will hold a majority equity interest in CITIC Dameng Holdings. It is believed that such strengthened control over the JV Group by the Company would improve the management and operation efficiency of the JVCo. Furthermore, as stated above, the Transactions will not have any material financial effect on the Group. Given that the Reorganisation will bring about benefits to the Company whether or not the Proposed Spin-off takes place, we consider the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement to be fair and reasonable and in the interests of the Company and Shareholders as a whole.

### CONCLUSION

Having considered the principal reasons and factors, we are of the view that the terms of the CDH Subscription Agreement and the JVCo Interest Acquisition Agreement are fair and reasonable so far as Shareholders are concerned and the CDH Subscription and the JVCo Interest Acquisition are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend that Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the Special General Meeting to approve the CDH Subscription and the JVCo Interest Acquisition.

Yours faithfully,  
For and on behalf of  
**OSK Capital Hong Kong Limited**  
**Allen Tze**  
*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 collectively and individually 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, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement 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\$302,528,351.90 divided into 6,050,567,038 Shares

Note: All of the existing issued Shares rank pari passu in all respects including as to, among 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, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are 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 are deemed or taken to have under such provisions of the SFO) or which are 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 are 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	0.33
Mr. Mi Zengxin	Directly beneficially owned	–	10,000,000	0.17
Mr. Sun Xinguo	Directly beneficially owned	5,525,000	–	0.09
Ms. Li So Mui	Directly beneficially owned	224,000	2,000,000	0.04
Mr. Zeng Chen	Directly beneficially owned	–	10,000,000	0.17
Mr. Zhang Jijing	Family	28,000 <sup>(1)</sup>	–	–
Mr. Zhang Jijing	Directly beneficially owned	–	10,000,000	0.17

Note:

- (1) The 28,000 Shares 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	Shares/equity derivatives	Number of shares/equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Tsang Link Carl, Brian	Dah Chong Hong Holdings Limited	Ordinary shares	18,000	Directly beneficially owned	–
Mr. Zhang Jijing	CITIC Pacific Limited	Share options	500,000	Directly beneficially owned	0.01

In addition to the above, one of the Directors has non-beneficial shareholding interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Mr. Zhang Jijing (“**Mr. Zhang**”) is an executive director and the managing director of CITIC Pacific Limited (“**CITIC Pacific**”) (Stock Code: 267) which is listed on the Main Board of the Stock Exchange. CITIC Pacific is engaged in a diversified range of businesses, including, but not limited to, the manufacturing of special steel, iron ore mining, property development and investment, basic infrastructure (such as energy, tunnels and communications) and marketing and distribution. Further details of the nature, scope and size of the businesses of CITIC Pacific as well as its management can be found in the latest annual report of CITIC Pacific. In the event that there are transactions between CITIC Pacific and the Company, Mr. Zhang will abstain from voting. Save as disclosed above, Mr. Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

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, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are 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 are 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	3,267,916,123 <sup>(1)</sup>	54.01
CITIC Projects Management (HK) Limited	Corporate	2,517,502,330 <sup>(2)</sup>	41.61
Keentech	Corporate	2,517,502,330 <sup>(3)</sup>	41.61
CA	Corporate	750,413,793 <sup>(4)</sup>	12.40
Temasek Holdings (Private) Limited	Corporate	693,776,341 <sup>(5)</sup>	11.47
Temasek Capital (Private) Limited	Corporate	443,267,500 <sup>(6)</sup>	7.33
Seletar Investments Pte. Ltd.	Corporate	443,267,500 <sup>(7)</sup>	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	443,267,500 <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 is a direct wholly-owned subsidiary of CITIC Projects.
- (4) CA 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 an indirect interest in Ellington Investments Pte. Ltd. (“**Ellington**”), which holds 250,508,841 shares representing 4.14% of the total issued share capital of the Company. Temasek Holdings is a company incorporated in Singapore. Ellington, a company incorporated in Singapore, is an indirect wholly-owned subsidiary of Temasek Holdings.
- (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.

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.

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

Name of shareholder	Name of subsidiary	Percentage of issued share capital
Apexhill <sup>(1)</sup>	CITIC Dameng Holdings	20

*Note:*

- <sup>(1)</sup> Apexhill is an indirect wholly-owned subsidiary of CITIC Group.

#### 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 claim 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 2007, the books and records of JSC Karazhanbasmunai (“**KBM**”) were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of value added tax (“**VAT**”) receivable for a four month period in 2006. As a result, KBM has not been refunded VAT receivable in an amount of KZT1,604,789,000 (HK\$84,393,000). In 2007 and 2008, KBM filed appeals with the Specialised Interregional Economic Court of Mangistau Oblast, Kazakhstan (the “**Economic Court**”) but decisions were made against KBM. On 8 February 2010, KBM appealed to the Supervisory Board of the Supreme Court of Kazakhstan (the “**Supervisory Board**”), but again received the same decision of the Economic Court. KBM is considering making an appeal to the General Prosecutor of Kazakhstan.
- (b) In 2009, the customs authority of Kazakhstan conducted a customs audit on KBM and issued a claim (the “**Customs Duty Claim**”) against KBM for an aggregate amount of KZT4,351,014,000 (HK\$228,811,000) and related penalties of KZT854,110,000 (HK\$44,916,000). On 19 January 2010, KBM filed an objection against the Customs Duty Claim in the Economic Court. However, on 25 March 2010, KBM received a decision not in its favour. On 9 April 2010, KBM filed an appeal to the Mangistau Oblast Court but again received an unfavourable decision. KBM is considering making an appeal to the Supervisory Board.

#### 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 2009, being the date to which the latest published audited financial statements of the Group were made up.

#### 6. 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.

#### 7. 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 since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up, been 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.

**8. EXPERT**

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:

<b>Name</b>	<b>Qualification</b>
OSK Capital Hong Kong Limited	A corporation licensed under the SFO to carry out types 1 and 6 regulated activities

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.

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 reference to its name in the form and context in which it appears.

**9. MISCELLANEOUS**

- (a) The share registrar and transfer office of the Company in Hong Kong 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 32 years' experience in the accounting and banking field.
- (c) All references to times and dates in this circular refer to Hong Kong times and dates.
- (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 are 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 from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 31 of this circular;
- (d) the CDH Subscription Agreement;
- (e) the JVCo Interest Acquisition Agreement; and
- (f) the written consent from the Independent Financial Adviser referred to under the section headed "Expert" above.

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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, 10 September 2010 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

#### **ORDINARY RESOLUTION NO. 1**

“**THAT** the entering into of a share subscription agreement between Guinan Dameng International Resources Limited (“**Guangxi Dameng BVI**”) and CITIC Dameng Holdings Limited (“**CITIC Dameng Holdings**”) on 12 August 2010 (the “**CDH Subscription Agreement**”, a copy of which is marked “A” and produced to the Meeting and signed by the chairman of the Meeting for identification purposes), pursuant to which Guangxi Dameng BVI will subscribe for, and CITIC Dameng Holdings will allot and issue, 1,460,535 shares of HK\$0.10 each in the share capital of CITIC Dameng Holdings (the “**CDH Subscription**”) at the aggregate subscription price of the Hong Kong dollar equivalent of RMB463,280,000 calculated in accordance with the average of the central parity exchange rates for Renminbi to Hong Kong dollar as announced by the People’s Bank of China for the week before the date which is two business days (as defined in the CDH Subscription Agreement) prior to the date of completion of the CDH Subscription plus HK\$16,995,000 and otherwise on the terms and subject to the conditions of the CDH Subscription Agreement, and the transactions contemplated thereby and the agreements and/or documents necessary for and/or incidental to the performance and completion of the CDH Subscription be and are hereby ratified, confirmed and approved; **AND THAT** the directors of the Company (the “**Directors**”) be and are hereby authorised on behalf of the Company to do all such acts, to enter into all such agreements, transactions and arrangements and to take all such actions in connection therewith or arising therefrom in relation to the transactions contemplated under the CDH Subscription Agreement as the Directors may consider necessary, desirable or expedient in order to give effect to the transactions contemplated under the CDH Subscription Agreement.”



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## NOTICE OF SPECIAL GENERAL MEETING

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### ORDINARY RESOLUTION NO. 2

“**THAT** the entering into of a transfer agreement between CITIC Dameng Investments Limited (“**CITIC Dameng Investments**”) and 廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industry Co., Ltd.) (“**Guangxi Dameng**”) on 12 August 2010 (the “**JVCo Interest Acquisition Agreement**”, a copy of which is marked “B” and produced to the Meeting and signed by the chairman of the Meeting for identification purposes), pursuant to which CITIC Dameng Investments has agreed to acquire the 34.5% interest in the equity of 中信大錳礦業有限責任公司 (CITIC Dameng Mining Industries Limited) held by Guangxi Dameng (the “**JVCo Interest Acquisition**”) at a consideration of RMB463,280,000 and otherwise on the terms and subject to the conditions of the JVCo Interest Acquisition Agreement, and the transactions contemplated thereby and the agreements and/or documents necessary for and/or incidental to the performance and completion of the JVCo Interest Acquisition be and are hereby ratified, confirmed and approved; **AND THAT** the Directors be and are hereby authorised on behalf of the Company to do all such acts, to enter into all such agreements, transactions and arrangements and to take all such actions in connection therewith or arising therefrom in relation to the transactions contemplated under the JVCo Interest Acquisition Agreement as the Directors may consider necessary, desirable or expedient in order to give effect to the transactions contemplated under the JVCo Interest Acquisition Agreement.”

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

Hong Kong, 26 August 2010

*Head Office and Principal Place of Business:*

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 but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (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 adjournment thereof) should 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 is 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.
- (5) In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the above ordinary resolutions will be taken by poll.

*As at the date hereof, the executive directors of the Company are Mr. Sun Xinguo; Ms. Li So Mui; Mr. Qiu Yiyong; Mr. Tian Yuchuan and Mr. Zeng Chen, the non-executive directors are Mr. Kong Dan; Mr. Mi Zengxin; Mr. Wong Kim Yin; Mr. Zhang Jijing and Ms. Yap Chwee Mein (alternate to Mr. Wong Kim Yin), and the independent non-executive directors are Mr. Fan Ren Da, Anthony; Mr. Ngai Man and Mr. Tsang Link Carl, Brian.*