
IMPORTANT

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If you have sold or transferred all your shares in CITIC Resources Holdings Limited, you should at once hand this circular 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.

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CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

POTENTIAL DISCLOSEABLE TRANSACTION AND PARTIALLY EXEMPT CONNECTED TRANSACTION

PROPOSED PRIVATISATION OF CITIC AUSTRALIA TRADING LIMITED

A letter from the board of directors of CITIC Resources Holdings Limited containing information on this potential discloseable transaction and partially exempt connected transaction is set out on pages 4 to 11 of this circular.

21 November 2008

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DEFINITIONS

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

“associates”	has the meaning given to it in the Listing Rules
“ASX”	the Australian Securities Exchange
“Board”	the board of Directors
“CATL ”	CITIC Australia Trading Limited, a company incorporated in the State of Victoria, Australia with limited liability, the shares of which are listed on the ASX
“CATL Minority Share(s)”	CATL Shares other than those held or controlled by CRA
“CATL Minority Shareholders”	CATL Shareholders other than CRA
“CATL Shareholders”	holders of CATL Shares
“CATL Shares”	ordinary share(s) in the share capital of CATL
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning given to it in the Listing Rules
“CRA”	CITIC Resources Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent CATL Directors”	Mr. Roger Marshall and Mr. Bruce Foy, being the independent non-executive directors of CATL

DEFINITIONS

“Latest Practicable Date”	19 November 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Proposal Date”	being 3 November 2008, the date on which CRA submitted to the Independent CATL Directors a formal proposal in respect of the Proposed CATL Capital Return
“Proposed CATL Capital Return”	the proposal by CRA in relation to the reduction in the share capital of CATL by way of a selective capital reduction of the CATL Minority Shares in accordance with the Australian Corporations Act 2001 (Cth)
“Relevant Directors”	Mr. Zeng Chen, Mr. Roger Marshall and Mr. Guo Tinghu, being directors of CATL and also CATL Minority Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Special Resolution”	a resolution that has been passed by at least 75% of the votes cast by persons entitled to vote in respect of the resolution
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it in the Listing Rules
“A\$”	Australian dollars, the lawful currency of Australia

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Tenge”	Tenge, the lawful currency of the Republic of Kazakhstan
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this circular, amounts in A\$, Tenge and US\$ have been converted into HK\$ or vice versa at the rates of A\$1=HK\$5.2, Tenge 1=HK\$0.0648 and US\$1=HK\$7.8 respectively for illustration purposes only. No representation is made that any amounts in A\$, HK\$, Tenge or US\$ have been or could have been or can be converted at the aforementioned rates or at any other rates or at all.

LETTER FROM THE BOARD



CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

Executive Directors:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-executive Directors:

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

Head Office and

Principal Place of Business:

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

Independent Non-executive Directors:

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

21 November 2008

To Shareholders

Dear Sir or Madam,

POTENTIAL DISCLOSEABLE TRANSACTION AND PARTIALLY EXEMPT CONNECTED TRANSACTION

PROPOSED PRIVATISATION OF CITIC AUSTRALIA TRADING LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 3 November 2008 in relation to the proposed privatisation of CATL.

LETTER FROM THE BOARD

On 3 November 2008, CRA submitted to the Independent CATL Directors a formal proposal in relation to the privatisation of CATL by way of a selective reduction in CATL's share capital through the cancellation of the CATL Minority Shares at a price of A\$0.75 per CATL Minority Share, representing A\$15.1 million (HK\$78.5 million) in aggregate. The Independent CATL Directors are responsible for assessing and advising the CATL Minority Shareholders in respect of the Proposed CATL Capital Return.

The Proposed CATL Capital Return will require, amongst other things, the approval of a Special Resolution of the CATL Minority Shareholders present at a duly convened meeting of the CATL Minority Shareholders.

TERMS OF THE PROPOSED CATL CAPITAL RETURN

Principal terms

The principal terms of the Proposed CATL Capital Return are as follows:

- (a) all CATL Minority Shareholders will receive a total consideration of A\$0.75 (HK\$3.90) per CATL Minority Share, A\$0.17 (HK\$0.88) of which will be treated as a return of capital and A\$0.58 (HK\$3.02) of which as a fully franked dividend. Accordingly, A\$0.17 per CATL Minority Share will be debited to CATL's share capital account and A\$0.58 per CATL Minority Share will be debited to CATL's retained earnings account; and
- (b) CATL will cancel all the CATL Minority Shares on or around 20 January 2009.

The consideration of A\$0.75 per CATL Minority Share was determined by reference to a number of factors including CATL's historic and current trading prices on the ASX, its net asset value, historic and projected future earnings and current and anticipated commodities market conditions.

The aggregate consideration of A\$15.1 million payable by CATL in respect of the Proposed CATL Capital Return will be financed from the Group's existing working capital.

Conditions precedent

The Proposed CATL Capital Return is subject to and conditional upon the following:

- (a) receipt by CATL of an independent expert's report confirming that the Proposed CATL Capital Return is fair and reasonable;
- (b) receipt by CATL of a satisfactory "Class Ruling" from the Australian Taxation Office; and
- (c) approval by:
 - (i) a Special Resolution passed at a general meeting of the CATL Shareholders, with no votes being cast against the resolution by the CATL Minority Shareholders; and
 - (ii) a Special Resolution passed at a separate meeting of the CATL Minority Shareholders.

LETTER FROM THE BOARD

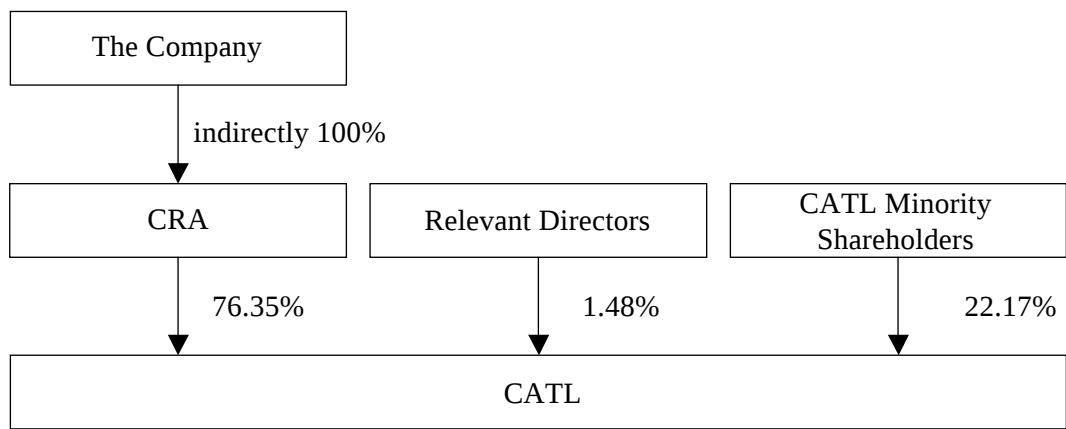
The Directors (including the independent non-executive Directors) believe that the terms of the Proposed CATL Capital Return are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Shareholders should note that the completion of the Proposed CATL Capital Return is subject to the conditions set out above being satisfied. There is, therefore, no assurance that the Proposed CATL Capital Return will proceed or become effective. Shareholders should exercise caution when dealing in Shares and other securities of the Company.

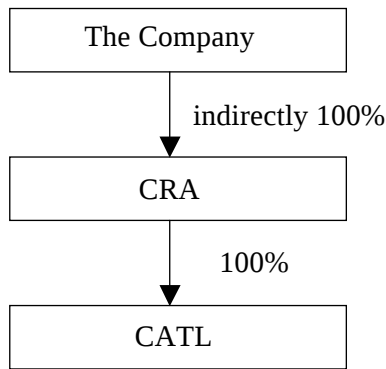
SHAREHOLDING STRUCTURE OF CATL

Set out below are simplified charts showing the Company’s shareholding in CATL as at the Proposal Date and, assuming completion of the Proposed CATL Capital Return, on completion of the Proposed CATL Capital Return:

Existing shareholding structure of CATL:



Shareholding structure of CATL immediately after completion of the Proposed CATL Capital Return:



LETTER FROM THE BOARD

As at the Proposal Date, there were 85,164,970 CATL Shares in issue, of which 65,025,000 CATL Shares, representing 76.35% of all CATL Shares in issue, were held by CRA, an indirect wholly-owned subsidiary of the Company. The remaining 20,139,970 CATL Shares, representing 23.65% of all CATL Shares in issue, were held by the CATL Minority Shareholders.

As at the Proposal Date, there were 1,263,402 CATL Shares held by the Relevant Directors, which represents 1.48% of all CATL Shares in issue and 6.27% of the CATL Minority Shares. The number of CATL Shares held by each Relevant Director is as follows:

	Number of CATL Shares	% of total issued CATL Shares	% of total CATL Minority Shares
Mr. Zeng Chen	385,402	0.45	1.91
Mr. Roger Marshall	600,000	0.70	2.98
Mr. Guo Tinghu	278,000	0.33	1.38

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, none of the CATL Minority Shareholders, other than the Relevant Directors, are connected persons of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED CATL CAPITAL RETURN AND PRIVATISATION

Assuming completion of the Proposed CATL Capital Return and resulting privatisation and de-listing of CATL, CATL will become an indirect wholly-owned unlisted subsidiary of the Company. The Directors believe this will allow CATL to operate and compete more effectively with its competitors and provide CATL with greater management flexibility to conduct its business more efficiently.

CATL is a trading company engaged in the import and export of commodities such as iron ore and alumina, operating in a fast moving and highly competitive market. CATL's own position as a public listed company, in certain cases, requires CATL to disclose on a more frequent basis and on a greater scale information about CATL's business from which commercially sensitive information such as trading prices, volumes, customers and suppliers can be derived which places CATL at a distinct business disadvantage to its competitors who operate on an unlisted platform; exposes CATL unnecessarily to a greater potential risk of loss of business and/or substantial prejudice to its negotiating position and thereby adversely affecting the manner in which it is able to transact business as effectively absent such factors. Given the nature of the market in which CATL operates, CATL's continuing listing on the ASX is not conducive to its business and the Directors believe it is in the interests of the Company and Shareholders to remove CATL from these additional requirements which are not faced by CATL's competitors generally.

LETTER FROM THE BOARD

Moreover, CATL has not raised any funds through the equity or debt capital markets since its listing on the ASX in June 2002 and has relied solely on bank borrowings and financing supported by guarantees from CRA, at no charge to CATL. CRA is CATL's immediate parent and an indirect wholly-owned subsidiary of the Company. CATL does not see any material change to the manner in which it will continue to finance its business and operations and, therefore, the fees and costs associated with CATL's continued separate listing on the ASX also do not justify the benefits of continuing its listing on the ASX. These fees and costs (and management time) will be saved as a result of CATL no longer being listed on the ASX.

Additionally, CATL's operations require significant levels of working capital which, at present, are heavily reliant upon CRA's trade finance facility guarantee. CRA provides its trade finance facility guarantee at no charge to CATL.

In the current economic climate, it is becoming difficult for companies to raise capital for their operations (and furthermore, cost of funding (if it can be obtained) is higher). These factors are relevant to CATL's ability to raise funds for its operations.

In light of the current financial and economic conditions, CRA's financial guarantee for CATL's trade finance facility is being reviewed by CRA and CRA has advised CATL that this guarantee may be terminated by CRA if the Proposed CATL Capital Return is not implemented. If CRA withdraws its financial guarantee, CATL will have to meet the cost of credit support for its trading activities itself or pay an appropriate market based fee to CRA for the guarantee facility if a replacement credit support cannot be obtained.

It is CRA's current intention, should the Proposed CATL Capital Return not be implemented, to either withdraw its guarantee or to restructure the basis on which the guarantee is provided by CRA so that CATL itself bears the full cost of its trade finance facilities.

FINANCIAL EFFECTS OF THE PROPOSED CATL CAPITAL RETURN

The key financial impact of the Proposed CATL Capital Return on CATL is a reduction equal to the aggregate cash amount payable to the CATL Minority Shareholders in respect of the Proposed CATL Capital Return in the balance of CATL's working capital and an equivalent reduction in the balance of CATL's shareholders' funds. Set out in Appendix I is a table showing CATL's consolidated statement of financial position as at 30 June 2008 on a pro-forma basis assuming: (i) CATL has 85,164,970 CATL Shares in issue; (ii) 20,139,970 CATL Shares are cancelled; and (iii) that the aggregate payment for the cancellation of the CATL Minority Shares of A\$15.1 million (HK\$78.5 million) has been financed through its working capital.

CATL will have sufficient funds to meet its obligations in respect of the Proposed CATL Capital Return whilst retaining adequate funds to pay its creditors. As at 30 June 2008, CATL had unaudited consolidated total assets of A\$232.1 million (HK\$1,206.9 million), net assets of A\$37.5 million (HK\$195.0 million) and total liabilities of A\$194.5 million (HK\$1,011.4 million). Assuming completion of the Proposed CATL Capital Return, CATL will return A\$15.1 million (HK\$78.5 million) in cash to the CATL Minority Shareholders reducing CATL's net assets to A\$22.4 million (HK\$116.5 million).

LETTER FROM THE BOARD

The Directors believe that the Proposed CATL Capital Return will not have a material adverse effect on the earnings and net asset value of the Group.

WITHDRAWAL OF CATL SHARES FROM LISTING ON THE ASX

In the event of completion of the Proposed CATL Capital Return, CATL will become an indirect wholly-owned subsidiary of the Company and an application will be made to withdraw the CATL Shares from listing on the ASX.

INFORMATION ON THE COMPANY

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

For the financial year ended 31 December 2007, the consolidated profits before and after taxation of the Group amounted to HK\$731.0 million and HK\$521.4 million respectively and the consolidated net assets of the Group as at 31 December 2007 were HK\$7,159.6 million.

For the six months ended 30 June 2008, the unaudited consolidated profits before and after taxation of the Group amounted to HK\$1,342.7 million and HK\$738.4 million respectively and the unaudited consolidated net assets of the Group as at 30 June 2008 were HK\$8,176.8 million.

INFORMATION ON CATL

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

For the financial year ended 31 December 2007, the consolidated profits before and after taxation of CATL amounted to A\$17.3 million (HK\$90.0 million) and A\$12.4 million (HK\$64.5 million) respectively and the consolidated net assets of CATL as at 31 December 2007 were A\$34.4 million (HK\$178.9 million).

For the six months ended 30 June 2008, the unaudited consolidated profits before and after taxation of CATL amounted to A\$11.6 million (HK\$60.3 million) and A\$8.5 million (HK\$44.2 million) respectively and the unaudited consolidated net assets of CATL as at 30 June 2008 were A\$37.5 million (HK\$195.0 million).

LETTER FROM THE BOARD

BUSINESS OUTLOOK FOR CATL

CATL is facing an unprecedented and challenging operating environment and it is difficult to predict what the longer term business outlook might hold for CATL. There are a number of significant factors at play that create an uncertain environment and outlook for CATL.

Both the developed and developing global economies are expected to experience substantially slower economic growth or recession over the next 12 to 24 months with the result that this slowing in growth, including the PRC economy, will result in potentially lower trade volumes which will diminish the opportunities available for CATL. The reduced liquidity arising from the current global credit crisis and the resulting increased price for debt will also likely adversely impact CATL going forward. The recent volatility in the Australian currency has been unparalleled and it is not possible to predict when the currency is likely to stabilise. This currency volatility adds significantly to the risks being confronted by CATL.

Furthermore, CATL's two main export products (iron ore and alumina) face particularly challenging outlooks. Steel mills and aluminium smelters (to which CATL supplies iron ore and alumina, respectively) have indicated that production going forward is likely to decline as a result of the current economic climate. These factors have a direct effect upon demand for iron ore and alumina which in turn are likely to impact upon CATL's future sales volume and profit margin.

Notwithstanding the strong financial performance in the year to 31 December 2007 and the first six months of 2008, CATL's near to medium term earnings-outlook is likely to be adversely affected by the trading conditions created by the current economic downturn. The global credit crisis continues to place CATL's bulk commodity trading model under pressure:

- the margins CATL achieves risk being eroded due to rising financing costs, deteriorating economic conditions and slowing regional economic growth and spot commodity prices; and
- the profitability of CATL's import businesses are expected to be reduced by the falling US\$:A\$ exchange rate and rising costs of production in the PRC.

CATL is continuing discussions with Mount Gibson Iron Limited ("**Mount Gibson**") in relation to a number of issues arising under the iron ore off-take agreement between the two parties. In light of, among other factors, the recent unusual market conditions, CATL and Mount Gibson have made alternative arrangements for the short term. There can be no assurance that CATL will reach a mutually acceptable position with Mount Gibson in the longer term with the potential for adverse impact to CATL. At this point in time, it is not possible to estimate the level of any such adverse impact. CATL expects that the profitability of its iron ore trading business will reduce from its 2008 half-year results.

In relation to alumina trading, the outlook is also deteriorating. Not only are traded volumes expected to decline, the current outlook for LME aluminium prices (the benchmark price against which alumina prices are typically set) has experienced a sharp decline in recent months with a corresponding erosion of trading margins for CATL over the near and medium term.

LETTER FROM THE BOARD

In relation to steel, tyres and battery imports, CATL expects its trading operations to encounter increasing pressure in an environment of a decreasing US\$:A\$ exchange rate over the near and medium term.

CRA's financial support for CATL in the form of the financial guarantee for CATL's trade finance facility is under review and may be terminated due to current financial conditions. If the financial guarantee by CRA is withdrawn, CATL will have to meet the cost of credit support for its trading activities itself or pay an appropriate market based fee to CRA for the guarantee facility if a replacement credit support cannot be obtained.

IMPLICATIONS UNDER THE LISTING RULES

If the Proposed CATL Capital Return proceeds to completion, it will constitute a discloseable transaction for the Company under the Listing Rules. In addition, 1,263,402 CATL Shares are held by the Relevant Directors representing 1.48% of all CATL Shares in issue and 6.27% of the CATL Minority Shares. Mr. Zeng Chen is a Director and a director of CATL. Mr. Roger Marshall and Mr. Guo Tinghu are directors of CATL and therefore connected persons. The Proposed CATL Capital Return in respect of the CATL Minority Shares held by the Relevant Directors will, on an aggregated basis, constitute a partially exempt connected transaction for the Company under the Listing Rules. Therefore, the Proposed CATL Capital Return is subject to the reporting and announcement requirements of the Listing Rules.

OPINION OF THE BOARD

The Directors are of the opinion that the Proposed CATL Capital Return and the privatisation of CATL are fair and reasonable 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 Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
CITIC Resources Holdings Limited
Sun Xinguo
Chief Executive Officer

APPENDIX I**PRO-FORMA FINANCIAL INFORMATION
RELATING TO CATL**

The table below sets out CATL's consolidated statement of financial position as at 30 June 2008 on a pro-forma basis assuming: (i) CATL has 85,164,970 CATL Shares in issue; (ii) 20,139,970 CATL Shares are cancelled; and (iii) that the aggregate payment for the cancellation of CATL Minority Shares of A\$15.1 million has been financed through its working capital.

Pro-forma balance sheet of CATL as at 30 June 2008

	A\$'000
Current Assets	
Cash assets	6,355
Receivables	196,214
Inventories	26,002
Derivative financial instruments	1,160
Other	662
	<u>230,393</u>
Non-current Assets	
Property, plant and equipment	835
Deferred tax assets	846
	<u>1,681</u>
Total Assets	<u>232,074</u>
Current Liabilities	
Payables	42,411
Borrowing	165,067
Current tax liabilities	883
Provisions	962
Other	264
	<u>209,587</u>
Non-current Liabilities	
Provisions	56
	<u>56</u>
Total Liabilities	<u>209,643</u>
Net Assets	<u>22,431</u>
Equity	
Share capital	4,710
Reserves	868
Reserves - Selective Capital Reduction	(11,681)
Retained profits	28,534
Total Equity	<u>22,431</u>

As at the Latest Practicable Date, CATL had 85,164,970 CATL Shares in issue, 20,139,970 of which are CATL Minority Shares. Assuming the Proposed CATL Capital Return is implemented, the issued share capital of CATL would be reduced by a total of A\$3,423,795 by returning A\$0.17 per CATL Minority Share to the CATL Minority Shareholders. CATL's reserves would be reduced by a total of A\$11,681,183 by returning A\$0.58 per CATL Minority Share to the CATL Minority Shareholders. CATL's current liabilities will increase by A\$15,104,978 as a result of paying the CATL Minority Shareholders from its working capital.

1. RESPONSIBILITY STATEMENT

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

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

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

2. FURTHER INFORMATION ABOUT THE COMPANY

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

Share capital:

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

Authorised share capital: HK\$500,000,000 divided into 10,000,000,000 Shares

Share capital issued as fully paid: HK\$302,328,351.90 divided into 6,046,567,038 Shares

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

3. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, 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. Shou Xuancheng	Directly beneficially owned	8,300,000	—	0.14
Mr. Sun Xinguo	Directly beneficially owned	8,825,000	—	0.15
Ms. Li So Mui	Directly beneficially owned	1,150,000	4,000,000	0.09
Mr. Qiu Yiyong	Directly beneficially owned	8,500,000	—	0.14
Mr. Zeng Chen	Directly beneficially owned	—	10,000,000	0.17
Mr. Zhang Jijing	Family	28,000 ⁽¹⁾	—	—
Mr. Zhang Jijing	Directly beneficially owned	—	10,000,000	0.17

Note:

- (1) The Shares disclosed above are held by the spouse of Mr. Zhang Jijing. Accordingly, Mr. Zhang Jijing is deemed to be interested in the 28,000 Shares.

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

Name of Director	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Number of shares/ equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Kong Dan	CITIC International Financial Holdings Limited	Associated corporation	Share options	4,800,000	Directly beneficially owned	0.08
Mr. Zeng Chen	CITIC Australia Trading Limited	Subsidiary	Ordinary shares	385,402 ⁽¹⁾	Family	0.45

Note:

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

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

- (i) none of the Directors or chief executive of the Company had an interest or a short position in the shares, 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 the 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	3,266,416,123 ⁽¹⁾	54.02
CITIC Projects Management (HK) Limited	Corporate	2,516,002,330 ⁽²⁾	41.61
Keentech Group Limited	Corporate	2,516,002,330 ⁽³⁾	41.61
CITIC Australia Pty Limited	Corporate	750,413,793 ⁽⁴⁾	12.41
Temasek Holdings (Private) Limited	Corporate	693,776,341 ⁽⁵⁾	11.47
Temasek Capital (Private) Limited	Corporate	443,267,500 ⁽⁶⁾	7.33
Seletar Investments Pte. Ltd.	Corporate	443,267,500 ⁽⁷⁾	7.33
Baytree Investments (Mauritius) Pte. Ltd.	Corporate	443,267,500 ⁽⁸⁾	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 CITIC Australia Pty Limited (“**CA**”). CITIC Group is a company established in the PRC.
- (2) The figure represents an attributable interest of CITIC Projects through its interest in Keentech Group Limited (“**Keentech**”). CITIC Projects, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Group.
- (3) Keentech, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC Projects.
- (4) CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Group.
- (5) The figure represents an attributable interest of Temasek Holdings (Private) Limited (“**Temasek Holdings**”) through its interest in Temasek Capital (Private) Limited (“**Temasek Capital**”) and 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
CITIC United Asia Investments Limited ⁽¹⁾	CITIC Dameng Holdings Limited	20

Note:

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

4. LITIGATION

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

- (a) In January 1999, Dongguan Xinlian Wood Products Company Limited (“**Dongguan Xinlian**”), a wholly-owned subsidiary of the Company held through Wing Lam (International) Timber Limited (“**Wing Lam**”), received a writ of summons (the “**Claim**”) from China Foreign Trade Development Company (the “**Plaintiff**”) claiming US\$6,362,000 (HK\$49,624,000) and related interest in respect of six re-export contracts purported to have been entered into by Dongguan Xinlian prior to it becoming a Group subsidiary. A judgment (the “**First Judgment**”) was issued by the Shenzhen Intermediate People’s Court in February 2000 against Dongguan Xinlian for a sum of US\$3,448,000 (HK\$26,894,000). In response, Dongguan Xinlian filed an appeal against the First Judgment with the People’s High Court of Guangdong Province (the “**Guangdong High Court**”).

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

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

As advised by the Group’s legal advisers, there were a number of conflicts and discrepancies with regard to the Second Judgment and the Third Judgment. The Second Judgment and the Third Judgment were not supported by valid evidence. Although the Guangdong High Court acknowledged the criminal liabilities of certain members of the Plaintiff’s management team (including forging the contracts connected to the Claim), the Guangdong High Court did not, contrary to normal legal procedures, take these factors into account when it gave the Third Judgment.

In February 2006, Dongguan Xinlian commenced an appeal process to the State Supreme Court against the Third Judgment. In the meantime, the Shenzhen Intermediate People’s Court has frozen the assets and machinery of Dongguan Xinlian and the Group has also taken steps to apply for a suspension of the auction of the assets and machinery of Dongguan Xinlian.

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

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

The ex-shareholders of Wing Lam (the "**Ex-shareholders**") have given an undertaking to indemnify the Group against all monetary losses that may arise from the Claim up to HK\$11,862,000, being the outstanding other loans from the Ex-shareholders as at 30 June 2008.

In light of the indemnity from the Ex-shareholders and the advice of the Group's legal advisers, the Directors believe that the outcome of the Claim will not have a material adverse impact on the financial results of the Group.

- (b) (i) During 2007, the books and records of KBM were audited by the Kazakhstan tax authorities with regard to the calculation and accrual of withholding tax from the source of payment for the years 2002-2006. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of 244,790,000 Tenge (HK\$15,862,000) and penalty of 98,032,000 Tenge (HK\$6,352,000).

In May 2008, KBM received a revised claim from Courts of Astana City to pay additional tax of 220,952,000 Tenge (HK\$14,318,000) and penalty of 98,032,000 Tenge (HK\$6,352,000). On 2 June 2008, KBM sent an appeal to the Supreme Court. No response has been received from the Supreme Court as of the Latest Practicable Date.

- (ii) During 2007, the books and records of KBM were also audited by the Kazakhstan tax authorities with regard to the calculation and accrual of excess profit tax for the years 2002-2004. As a result, KBM received a claim from the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan to pay additional tax of 11,781,577,000 Tenge (HK\$763,446,000), fines of 5,890,789,000 Tenge (HK\$381,723,000) and penalty of 6,891,013,000 Tenge (HK\$446,538,000).

On 11 March 2008, KBM appealed to the Courts of Astana City against the excess profit tax claims. On 1 August 2008, KBM received the first instance decision from the Courts of Astana City requiring KBM to pay additional tax of 221,765,000 Tenge (HK\$14,370,000), fines of 747,390,000 Tenge (HK\$48,431,000) and penalty of 1,090,955,000 Tenge (HK\$70,694,000).

On 15 August 2008, KBM appealed to the Supreme Court against the first instance decision of the Courts of Astana City. On 16 September 2008, KBM received the second decision from the Civil Board of the Supreme Court requiring KBM to pay additional tax of 11,493,180,000 Tenge (HK\$744,758,000), fines of 10,271,454,000 Tenge (HK\$665,590,000) and penalty of 5,746,590,000 Tenge (HK\$372,379,000).

On 30 September 2008, KBM appealed to the Supervisory Board of the Supreme Court against the second decision of the Civil Board. No decision by the Supervisory Board has been issued as of the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up.

6. 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 had any interest, direct or indirect, in any asset which has since 31 December 2007, 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. 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 30 years' experience in the accounting and banking field.
- (c) The qualified accountant of the Company is Mr. Chung Ka Fai, Alan. He is an associate member of the Australian Society of Certified Practising Accountants. Prior to joining the Company, he worked for various multinational companies. Mr. Chung has over 17 years' experience in the accounting field.
- (d) All references to times and dates in this circular refer to Hong Kong times and dates.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.