
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or registered institution in securities, 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(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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中信資源控股有限公司 CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FINANCIAL SERVICES AGREEMENTS AND (2) NOTICE OF SPECIAL GENERAL MEETING

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



A notice convening the Special General Meeting of CITIC Resources Holdings Limited to be held at Conference Room, Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Thursday, 30 September 2021 at 9:30 a.m. is set out on pages 58 to 60 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.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent and control the spreading of the coronavirus disease 2019 (COVID-19), precautionary measures will be implemented at the Special General Meeting, including but not limited to:

1. compulsory temperature screening/checks;
2. submission of health and travel declaration forms;
3. wearing of surgical face mask; and
4. no provision of refreshments or drinks and no distribution of corporate gifts.

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the Special General Meeting venue, at the absolute discretion of the Company as permitted by law.

In light of the continuing risks posed by the COVID-19 and as part of the Company's control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to consider appointing the Chairman of the Special General Meeting as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the Special General Meeting, instead of attending the Special General Meeting in person.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Asian Capital” or “Independent Financial Adviser”	Asian Capital Limited (卓亞融資有限公司), a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the deposit services under the Financial Services Agreements (including the relevant proposed annual caps)
“associates”	has the meaning ascribed to it in Chapter 14A of the Listing Rules
“Board”	the board of Directors
“CA”	CITIC Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
“CITIC Bank International”	China CITIC Bank International Limited (中信銀行(國際)有限公司), an indirect non-wholly owned subsidiary of CNCB, and therefore a connected person of the Company
“CITIC Bank International Financial Services Agreement”	the financial services agreement dated 16 August 2021 entered into between the Company and CITIC Bank International
“CITIC Finance International”	CITIC Finance International Limited, a wholly-owned subsidiary of CITIC Limited, and therefore a connected person of the Company
“CITIC Finance International Financial Services Agreement”	the financial services agreement dated 16 August 2021 entered into between the Company and CITIC Finance International
“CITIC Group”	中國中信集團有限公司 (CITIC Group Corporation), a state-owned enterprise under the PRC Ministry of Finance, and the controlling shareholder of the Company
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 267) and a subsidiary of CITIC Group

DEFINITIONS

“CNCB”	China CITIC Bank Corporation Limited (中信銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares and A shares are listed on the Main Board of the Stock Exchange (stock code: 998) and the Shanghai Stock Exchange (stock code: 601998), respectively, and is a subsidiary of 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 (stock code: 1205)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Effective Date”	the effective date of the respective Financial Services Agreements, being the date on which the Independent Shareholders grant their approval at the SGM for the respective Financial Services Agreements, the transactions contemplated thereunder and the proposed annual caps
“Financial Services Agreements”	collectively, (i) the CITIC Bank International Financial Services Agreement; and (ii) the CITIC Finance International Financial Services Agreement
“Fortune Class”	Fortune Class Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Group” or “Service Recipients”	the Company and its subsidiaries from time to time
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, and each of them does not have any material interest in the transactions contemplated under the Financial Services Agreements
“Independent Shareholders”	Shareholders other than Keentech, CA and Fortune Class and their associates
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability

DEFINITIONS

“Latest Practicable Date”	3 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“PRC” or “China”	People’s Republic of China, for the purpose of this circular only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve, among others, the Financial Services Agreements, the transactions contemplated thereunder, and the proposed annual caps
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



中信資源控股有限公司
CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

Executive Directors:

Mr. SUN Yufeng (*Chairman*)

Mr. SUO Zhengang

(Vice Chairman and Chief Executive Officer)

Mr. SUN Yang (*Vice Chairman*)

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Mr. CHAN Kin

Head Office and Principal

Place of Business:

Suites 6701-02 & 08B, 67/F

International Commerce Centre

1 Austin Road West, Kowloon

Hong Kong

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony

Mr. GAO Pei Ji

Mr. LOOK Andrew

9 September 2021

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE
FINANCIAL SERVICES AGREEMENTS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 16 August 2021 in respect of the major transactions and continuing connected transactions relating to the Financial Services Agreements.

LETTER FROM THE BOARD

The purpose of this circular is to (a) provide you with information in respect of the resolutions to be proposed at the SGM for the Financial Services Agreements; and (b) set out in the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders the matters set out in (a) above, and the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser; and (c) give you notice of the SGM.

2. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

I) CITIC Bank International Financial Services Agreements

On 16 August 2021, the Company entered into the CITIC Bank International Financial Services Agreement with CITIC Bank International, pursuant to which CITIC Bank International agreed to provide financial services, including but not limited to deposit services to the Service Recipients, which comprise the Company and its subsidiaries from time to time.

The material terms of the CITIC Bank International Financial Services Agreement are set out as follows:

Date

16 August 2021

Parties

- (1) the Company; and
- (2) CITIC Bank International

Duration and Effective Date

The CITIC Bank International Financial Services Agreement shall become effective on the Effective Date, on which the Independent Shareholders grant their approval at the SGM in respect of the CITIC Bank International Financial Services Agreement and the transactions contemplated thereunder. The CITIC Bank International Financial Services Agreement shall remain in force for a term of three years from the Effective Date. Upon expiry of the term of the CITIC Bank International Financial Services Agreement, subject to compliance with applicable requirements under the Listing Rules, the CITIC Bank International Financial Services Agreement may be renewed by the Company and CITIC Bank International in writing on similar terms and conditions, or on other terms and conditions as may be mutually agreed by the parties.

LETTER FROM THE BOARD

Principal terms

The financial services proposed to be provided by CITIC Bank International to the Service Recipients include deposit services, settlement services, collection and payment services, credit services, and other financial services.

Pursuant to the CITIC Bank International Financial Services Agreement, the cooperation between the Service Recipients and CITIC Bank International shall be on a non-exclusive basis. The Service Recipients have the right to choose the services provided by CITIC Bank International and/or any other financial institutions.

The CITIC Bank International Financial Services Agreement is a framework agreement only and the Service Recipients will separately negotiate and enter into specific agreements with CITIC Bank International in respect of each service referred to in the CITIC Bank International Financial Services Agreement. Both parties may consider and refer to the principles of the CITIC Bank International Financial Services Agreement to negotiate and determine the terms of the final and definitive agreement(s).

Deposit services

Pursuant to the terms and conditions of the CITIC Bank International Financial Services Agreement, CITIC Bank International shall provide deposit services for any Service Recipients.

The actual interest rate on deposits provided by CITIC Bank International for any Service Recipient shall be agreed by both parties and no Service Recipients shall be obliged to engage CITIC Bank International for deposit services if such interest rate is lower than the interest rate applicable to the same-grade deposit services provided by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

CITIC Bank International shall safeguard the safety of the Service Recipients' deposit, and shall pay the funds in accordance with the instructions of the relevant Service Recipient in full (after deducting all the usual administrative, maintenance, transactional and service fees, charges, commissions, expenses and other costs of CITIC Bank International in relation to the deposit) and at such time in accordance with and subject to all relevant terms and conditions (including the general terms and conditions of CITIC Bank International and any specific or other terms and conditions as applicable to deposit services), procedures, rules and policies provided and/or stipulated by CITIC Bank International for such deposit.

LETTER FROM THE BOARD

Settlement services

CITIC Bank International acknowledged and confirmed that, as and when any Service Recipient has applied to open a settlement account at CITIC Bank International, CITIC Bank International shall as soon as practicable process the account opening procedures and open a settlement account for the relevant Service Recipient if such Service Recipient fulfils all the criteria for opening a settlement account to the satisfaction of CITIC Bank International.

CITIC Bank International shall provide any Service Recipient with settlement services in accordance with the relevant Service Recipient's instructions for payment or collection, and ancillary services related to settlement services.

CITIC Bank International shall provide any Service Recipient with the above settlement services for the settlement fee in accordance with the charging standards agreed by both parties, and no Service Recipients shall be obliged to engage or continue to engage CITIC Bank International for settlement services if the fees charged are higher than the similar service fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient. CITIC Bank International reserves the right to charge any Service Recipient the relevant services fees in accordance with the charging standards agreed by both parties, provided that no Service Recipient shall be obliged to engage or continue to engage CITIC Bank International if the service fees charged are higher than the similar service fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

Collection and payment services

Pursuant to the terms and conditions of the CITIC Bank International Financial Services Agreement, CITIC Bank International shall provide any Service Recipient with collection and payment services, including but not limited to overseas collection and payment services, relevant cash management services, management of the Service Recipient's bank accounts for its regular business operations, trading of foreign exchanges in accordance with such Service Recipient's instructions.

In exchange for the provision of collection and payment services by CITIC Bank International to any Service Recipient, the relevant service fees, commissions, expenses and other costs shall be charged in accordance with the charging standards agreed by both parties, and no Service Recipients shall be obliged to engage or continue to engage CITIC Bank International for collection or payment services if the fees charged are higher than the similar fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

LETTER FROM THE BOARD

Credit services

Pursuant to the terms and conditions of the CITIC Bank International Financial Services Agreement, CITIC Bank International shall provide any Service Recipient with comprehensive credit services in accordance with the relevant Service Recipient's operation and development needs, and the relevant Service Recipient may use the comprehensive credit provided by CITIC Bank International to proceed with various financial services, including but not limited to, loans, bill acceptance, bill discounting, guarantee, financial leasing and other forms of financial services.

The interest rate of the credit line provided by CITIC Bank International for any Service Recipient shall be determined by the parties after taking into account the current loan benchmark interest rate and the conditions of the funds market, and no Service Recipient shall be obliged to accept the credit line if such interest rate is higher than the interest rate of similar credit line offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

Other financial services

Pursuant to the terms and conditions of the CITIC Bank International Financial Services Agreement, CITIC Bank International shall provide any Service Recipient with other financial services within its scope of business. The relevant service fees shall be charged in accordance with the charging standards agreed by both parties, and no Service Recipient shall be obliged to engage or continue to engage CITIC Bank International for other financial services if the fees charged are higher than the similar business fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

Other terms

The prerequisite for the provision of all kinds of financial services by CITIC Bank International to the Service Recipients is that the Company shall continue to be a subsidiary of CITIC Group. If the Company ceases to be a subsidiary of CITIC Group, whether due to issue of new securities, equity transfer, merger or any other reasons, all financial services provided by CITIC Bank International to the Service Recipients thereunder shall, at the same time when the Company ceases to be a subsidiary of CITIC Group, be terminated or adjusted pursuant to applicable laws and any relevant procedures, rules and policies provided or stipulated by CITIC Bank International, and the Company should, and should procure the Service Recipients to, consent to and comply with all relevant procedures, rules and policies provided or stipulated by CITIC Bank International necessary, relevant or desirable for the continuation or adjustment of such financial services and (if applicable) should execute necessary and relevant legal documents. Notwithstanding anything under the CITIC Bank International Financial

LETTER FROM THE BOARD

Services Agreement, CITIC Bank International, the Company and the Service Recipients shall each be responsible for their own compliance with the requirements under relevant laws and regulations (including but not limited to the Listing Rules), as applicable, and shall each bear all their own costs arising therefrom. CITIC Bank International shall, under no circumstances, be liable to the Company or any Service Recipients for any actions, demands, claims, proceedings, liabilities, losses, damage, charges, costs (including legal costs on a full indemnity basis), expenses or fees which may be brought or preferred against the Company or such Service Recipients or sustained, suffered or incurred by the Company or such Service Recipients arising out of or in connection with the CITIC Bank International Financial Services Agreement.

II) CITIC Finance International Financial Services Agreement

On 16 August 2021, the Company entered into the CITIC Finance International Financial Services Agreement with CITIC Finance International, pursuant to which CITIC Finance International agreed to provide financial services, including but not limited to deposit services to the Service Recipients, which comprise the Company and its subsidiaries from time to time.

The material terms of the CITIC Finance International Financial Services Agreement are set out as follows:

Date

16 August 2021

Parties

- (1) the Company; and
- (2) CITIC Finance International

Duration and Effective Date

Upon the execution by the Company and CITIC Finance International, the CITIC Finance International Financial Services Agreement shall become effective on the Effective Date, on which the Independent Shareholders grant their approval at the SGM in respect of the CITIC Finance International Financial Services Agreement and the transactions contemplated thereunder. The CITIC Finance International Financial Services Agreement shall remain in force for a term of three years from the Effective Date.

Upon expiry of the term of the CITIC Finance International Financial Services Agreement, subject to compliance with applicable requirements under the Listing Rules, the CITIC Finance International Financial Services Agreement may be renewed by the Company and CITIC Finance International in writing on similar terms and conditions, or on other terms and conditions as may be mutually agreed by the parties.

LETTER FROM THE BOARD

Principal terms

The financial services proposed to be provided by CITIC Finance International to the Service Recipients include deposit services, settlement services, collection and payment services, credit services, and other financial services.

Pursuant to the CITIC Finance International Financial Services Agreement, the cooperation between the Service Recipients and CITIC Finance International shall be on a non-exclusive basis. The Service Recipients have the right to choose the services provided by CITIC Finance International and/or any other financial institutions.

The CITIC Finance International Financial Services Agreement is a framework agreement only and the Service Recipients will separately negotiate and enter into specific agreements with CITIC Finance International, in respect of each service referred to in the CITIC Finance International Financial Services Agreement, provided that such specific agreements shall be consistent with the principles and terms of the CITIC Finance International Financial Services Agreement.

Deposit services

Pursuant to the terms and conditions of the CITIC Finance International Financial Services Agreement, CITIC Finance International shall provide deposit services for any Service Recipients.

The actual interest rate provided by CITIC Finance International for any Service Recipient shall be agreed by both parties, and such interest rate shall not be lower than the interest rate applicable to the same-grade deposit services provided by the major domestic commercial banks in Hong Kong to the relevant Service Recipient. The final interest rate for conducting business shall be confirmed via email with the authorized email addresses of both parties.

CITIC Finance International shall safeguard the safety of the Service Recipients' deposit, and shall pay the funds in full and on time in accordance with the instructions of the relevant Service Recipient. The Service Recipients will not be penalized for withdrawing/using the funds in the deposit account without giving any notification. If CITIC Finance International has a liquidity crisis, in the process of debt repayment, the Service Recipients' deposits shall take precedence over other general unsecured claims.

Settlement services

CITIC Finance International acknowledged and confirmed that, as and when any Service Recipient has applied to open a settlement account at CITIC Finance International, CITIC Finance International shall promptly process the account opening procedures and open a settlement account for the relevant Service Recipient if such Service Recipient fulfils all the criteria for opening a settlement account to the satisfaction of CITIC Finance International.

LETTER FROM THE BOARD

CITIC Finance International shall provide any Service Recipient with settlement services in accordance with the relevant Service Recipient's instructions for payment or collection, and ancillary services related to settlement services.

CITIC Finance International shall provide any Service Recipient with the above settlement services for a settlement fee in accordance with the charging standards agreed by both parties, and the fees charged shall not be higher than the similar service fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient. CITIC Finance International reserves the right to charge any Service Recipient the relevant services fees in accordance with the charging standards agreed by both parties, provided that the service fees charged shall not be higher than the similar service fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

If any Service Recipient cancels the account opened at CITIC Finance International, all services in relation to such account provided by CITIC Finance International to the Service Recipient under the CITIC Finance International Financial Services Agreement shall be automatically terminated.

Collection and payment services

CITIC Finance International shall provide any Service Recipient with collection and payment services, including but not limited to overseas collection and payment services, relevant cash management services, management of such Service Recipient's bank accounts for its regular business operations, trading of foreign exchanges in accordance with such Service Recipient's instructions.

In exchange for the provision of collection and payment services by CITIC Finance International to any Service Recipient, the relevant service fees, commissions, expenses and other costs shall be charged in accordance with the charging standards agreed by both parties, and the fees charged shall not be higher than the similar fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient.

Credit services

CITIC Finance International shall provide any Service Recipient with comprehensive credit services in accordance with the relevant Service Recipient's operation and development needs, and the relevant Service Recipient may use the comprehensive credit provided by CITIC Finance International to proceed with various financial services, including but not limited to, loans, bill acceptance, bill discounting, guarantee, financial leasing and other forms of financial services.

The interest rate of the credit line provided by CITIC Finance International for any Service Recipient shall be negotiated by the parties in accordance with the current loan benchmark interest rate and the conditions of the funds market. Under the same conditions, the interest rate shall not be higher than the interest rate of similar credit line offered by the major domestic commercial banks in Hong Kong. The final interest rate for the credit line shall be confirmed by the loan agreement(s) to be concluded between both parties in writing.

LETTER FROM THE BOARD

Other financial services

CITIC Finance International shall provide any Service Recipient with other financial services within its scope of business. The relevant service fees shall be charged in accordance with the charging standards agreed by both parties. Under the same conditions, the fees charged shall not be higher than the similar business fee standards offered by the major domestic commercial banks in Hong Kong to the relevant Service Recipient. The final fee shall be confirmed by the specific service agreement(s) to be concluded between both parties in writing.

Other terms

The prerequisite for the provision of all kinds of financial services by CITIC Finance International to the Service Recipients is that the Company shall continue to be a subsidiary of CITIC Group. If the Company ceases to be a subsidiary of CITIC Group, whether due to issue of new securities, equity transfer, merger or any other reasons, all financial services provided by CITIC Finance International to the Service Recipients thereunder shall, at the same time when the Company ceases to a subsidiary of CITIC Group, be terminated or adjusted pursuant to applicable laws, and the Service Recipients should consent to and comply with all relevant procedures, rules and policies provided or stipulated by CITIC Finance International necessary for the continuation or adjustment of such financial services and (if applicable) should execute necessary and relevant legal documents.

Annual Caps

Deposit services

As the nature of services to be provided by CITIC Bank International and CITIC Finance International under the Financial Services Agreements are similar, the proposed annual caps in respect of the aggregate amount of daily maximum balance of deposits to be placed and maintained by the Group with the CITIC Bank International and CITIC Finance International (including the interests accrued thereon) for the term of the Financial Services Agreements have been aggregated and are as follows:

	From the Effective Date to 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	From the nine months ending 30 September 2024
Aggregate amount of daily maximum balance of deposits to be placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including interests accrued thereon)	Equivalent to HK\$1.2 billion (Note 1)	Equivalent to HK\$1.2 billion (Note 1)	Equivalent to HK\$1.2 billion (Note 1)	Equivalent to HK\$1.2 billion (Note 1)

Note 1: The cash deposits of the Group to be placed with CITIC Bank International and CITIC Finance International may be denominated in multiple currencies.

LETTER FROM THE BOARD

In determining the above proposed annual caps of the deposit services, the Company has considered:

- (1) the expected aggregate cash and deposits balances of the Group for each financial year-end during the term of the Financial Services Agreements, which will remain at a level above the proposed annual caps, after taking into account (i) the amount of cash and cash equivalents and deposits balances as at 30 June 2021 of approximately HK\$1,505,671,706; (ii) the expected net increase in cash inflow to the Group to be generated during the term of the Financial Services Agreements; and (iii) the projected interest income of the Group during the term of the Financial Services Agreements;
- (2) the actual aggregate cash and deposits balances that were maintained by the Group with other independent commercial banks as at 30 June 2021 of approximately HK\$1,505,133,125, representing 99.96% of the cash and cash equivalents and deposits balances of the Group as at the same date;
- (3) the expected net increase in cash inflow to the Group during the term of the Financial Services Agreements, which is likely to lead to an increase in the Group's demand for deposit services from CITIC Bank International and/or CITIC Finance International on the basis that (i) the interest rates offered by CITIC Bank International and/or CITIC Finance International to the Group are potentially more favourable than those offered by the other major domestic commercial banks and/or financial institutions; and (ii) the deposit services from CITIC Bank International and/or CITIC Finance International will enable the Group to enhance its cash management efficiency and better facilitate its treasury activities. Accordingly, it is expected that the aggregate amount of cash deposits to be placed and maintained by the Group with CITIC Bank International and/or CITIC Finance International will be substantially higher than the historical transaction amounts in the previous years;
- (4) the strategies for treasury management of the Group, taking into account the business development plans and the financial needs of the Group; and
- (5) the diversification of Group's portfolio of its principal bankers and/or financial institutions after its assessment of the counterparty risk and credit risk to conduct transactions with CITIC Bank International and/or CITIC Finance International as compared with the other major domestic commercial banks and/or financial institutions.

Based on the above factors, the Directors consider that the proposed annual caps of the deposit services are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Settlement services, collection and payment services, and other financial services

The Company expects that all of the applicable Percentage Ratios in respect of the service fees payable by the Group to CITIC Bank International and CITIC Finance International, in aggregate, for each of the settlement services, collection and payment services, and other financial services under the Financial Services Agreements, on an annual basis, are less than 0.1% and therefore fall below the de minimis threshold under Rule 14A.76 of the Listing Rules. Such services to be provided to the Group shall be on normal commercial terms or on terms that are no less favourable than those offered by the major domestic banks in Hong Kong. Accordingly, each of the settlement services, collection and payment services, and other financial services under the Financial Services Agreements are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the applicable reporting, annual review, announcement and Independent Shareholders' approval requirements of the Listing Rules if the service fees for the settlement services, collection and payment services, and/or other financial services to be provided by CITIC Bank International and/or CITIC Finance International to the Group under the respective Financial Services Agreements may exceed the de minimis threshold under Rule 14A.76 of the Listing Rules.

Credit services

The credit services under the Financial Services Agreements involve the provision of financial assistance by CITIC Bank International and CITIC Finance International to the Group. As the credit services to be provided under the Financial Services Agreements are on normal commercial terms or better, and no security will be granted by the Group over its assets in respect of such credit services, therefore the credit services are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules. No annual caps are therefore set for such credit services.

LETTER FROM THE BOARD

Historical Transaction Amounts

Deposit services

The table below sets forth the historical aggregate amount of the daily maximum balance of deposits placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon) for each of the three years ended 31 December 2020:

	For the year ended 31 December		
	2018	2019	2020
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon)	HK\$140,000,000 <i>(Note 2)</i>	HK\$155,000,000 <i>(Note 2)</i>	HK\$93,000,000 <i>(Note 2)</i>

Note 2: The cash deposits of the Group were denominated in multiple currencies (i.e. HKD, RMB and USD) and the equivalent amount in HKD is calculated based on the prevailing exchange rates (RMB:HKD and USD:HKD) at the relevant time for illustrative purpose only.

Settlement services, collection and payment services, and other financial services

The historical figures for the aggregate amount of service fees paid by the Group to CITIC Bank International or CITIC Finance International for the provision of settlement services, collection and payment services, and other financial services, in aggregate, for the three years ended 31 December 2020 were HK\$63,688, HK\$49,670 and HK\$54,661, respectively.

Credit services

The Group did not have any outstanding loan amount (including interests accrued thereon) from CITIC Bank International or CITIC Finance International for the three years ended 31 December 2020. Subsequent to the year ended 31 December 2020, the Company and CITIC Finance International entered into an unsecured 3-year term loan facility agreement in a total facility amount of US\$150,000,000 in March 2021. The Company and CITIC Bank International entered into an unsecured 3-year term loan facility agreement in a total facility amount of US\$200,000,000 in June 2021. For the six months ended 30 June 2021, the maximum outstanding loan amount (including interests accrued thereon) provided by CITIC Finance International and CITIC Bank International to the Group, in aggregate, was US\$350,632,117. As these loan transactions entered by CITIC Finance International and by CITIC Bank International to the Group were on normal commercial terms or better, and without granting any security over the Group's assets in respect of the term loan facilities, the loan transactions are fully exempt from reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

The Group did not conduct any bill acceptance, bill discounting, guarantee, financial leasing and other forms of credit services with CITIC Bank International or CITIC Finance International for the three years ended 31 December 2020.

Internal control measures for the Financial Services Agreements

The financial services (including the deposit services) to be provided by CITIC Bank International and CITIC Finance International to the Group under the Financial Services Agreements shall be on a non-exclusive basis. The Company will implement the following internal control measures to ensure that the transactions contemplated under the Financial Services Agreements are on normal commercial terms and do not exceed the annual caps:

- (1) To ensure that the interest rates and other terms offered by CITIC Bank International and CITIC Finance International under the Financial Services Agreements will be fair and reasonable and on normal commercial terms, prior to placing cash deposits at or procuring other types of financial services from CITIC Bank International and CITIC Finance International, the Planning and Finance Department of the Company will obtain at least three quotations from major domestic commercial banks in Hong Kong who are independent third parties to determine the prevailing interest rate(s) and other terms being offered by those institutions in the ordinary course of business for comparable deposits of similar nature during the same period. Such reference interest rate(s) will then be reviewed and approved by the management of the Company in accordance with its internal approval processes and procedures prior to entering into each individual specific agreement for the deposit services. The Company may also take into account factors, including, among other things, quality of services, safety of deposits, reputation of financial institutions, and history of cooperation in making decisions to place deposits with any banks or financial institutions. If the Company is aware that the deposit interest rate offered by CITIC Bank International or CITIC Finance International is less favourable than that offered by major domestic commercial banks in Hong Kong for the deposit of the same type and term, the Group will not maintain deposits with CITIC Bank International or CITIC Finance International, or it will negotiate with CITIC Bank International or CITIC Finance International to re-determine the interest rate.

LETTER FROM THE BOARD

- (2) To ensure that the transactions contemplated under the Financial Services Agreements do not exceed the annual cap(s), the Planning and Finance Department of the Company shall monitor the aggregate amount of daily maximum deposits balance (including interests accrued thereon) to be maintained by the Group with CITIC Bank International and CITIC Finance International on a daily basis, and prepare continuing connected transaction reports on a monthly basis in respect of the status of compliance with the annual caps and utilisation of the annual caps under the Financial Services Agreements for the consideration of the Company's audit committee. In the event that the amount of transactions incurred or to be incurred under the Financial Services Agreements is expected to reach or exceed the relevant annual cap(s), the Planning and Finance Department of the Company will follow up forthwith by reporting and making a proposal to the management of the Company, and in case any revision of the annual cap(s) is required, it will report the particulars to the Board and a Board meeting will be convened for considering the relevant matters to ensure compliance with the requirements under the Listing Rules.
- (3) The auditors of the Company will conduct annual review on the transactions contemplated under the Financial Services Agreements in relation to the pricing policy and annual caps in accordance with the Listing Rules. The independent non-executive Directors will also provide annual confirmations in the annual reports of the Company in respect of the transactions contemplated under the Financial Services Agreements to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

Reasons for and benefits of entering into the Financial Services Agreements

The transactions contemplated under the Financial Services Agreements will enable the Company to strengthen its centralized fund management and thereby allows its subsidiaries to allocate funds more efficiently. The Company expects that it is beneficial to utilise the financial services from CITIC Bank International and CITIC Finance International under the Financial Services Agreements for the following reasons:

- (a) CITIC Bank International is regarded as a reputable, well-established, licensed, and legitimate financial institution in Hong Kong that is no different than other third party banks and financial institutions;
- (b) CITIC Finance International is a wholly-owned subsidiary of CITIC Limited established in Hong Kong, which acts as the intra-group treasury centre of the CITIC Group and is principally engaged in the provision of treasury management services to other member companies of the CITIC Group;
- (c) CITIC Bank International and CITIC Finance International will be able to service the business and financial needs of the Group;

LETTER FROM THE BOARD

- (d) the terms (including the interest rates and bank charges) offered by or available from CITIC Bank International and CITIC Finance International with respect to the Financial Services Agreements are on normal commercial terms, which are expected to be at prevailing market rates that are not less favourable than the terms offered or available to the Service Recipients from major domestic banks in Hong Kong for similar services;
- (e) the interest rates offered by CITIC Bank International and CITIC Finance International on cash deposits are competitive in the market and are expected to allow the Company to maximise interest return;
- (f) the service fees and charges levied by CITIC Bank International and CITIC Finance International on financial services are competitive and cost-effective;
- (g) the counter-party risks and credit risks arising from cash depository and foreign exchange transactions with CITIC Bank International and CITIC Finance International are relatively lower compared with other third party banks and financial institutions; and
- (h) the diversification of the Group's portfolio of its principal bankers and/or financial institutions during the term of the Financial Services Agreements.

The Board is of the view that all such transactions are fair and reasonable, concluded on arm's length basis in the ordinary and usual course of business, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, Mr. Suo Zhengang, being an executive Director, is also a non-executive director of CA and, therefore, has abstained from voting at the Board meeting for approving the transactions contemplated under the Financial Services Agreements, and the proposed annual caps. Save as disclosed herein, no other Director has a material interest in the Financial Services Agreements and is therefore required to abstain from voting at the Board meeting.

Listing Rules Implications

CITIC Group, through its interest in CITIC Limited's wholly-owned subsidiaries Keentech, CA and Fortune Class, controls 4,675,605,697 Shares representing 59.50% of all the Shares in issue as at the Latest Practicable Date. CITIC Group is the controlling shareholder of the Company. CITIC Bank International and CITIC Finance International, being subsidiaries of CITIC Group, are connected persons of the Company. As such, the transactions contemplated under the Financial Services Agreements would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, the provision of deposit services by CITIC Finance International to the Group also constitutes the provision of financial assistance by the Group to CITIC Finance International under Rule 14.04(1)(e) of the Listing Rules.

LETTER FROM THE BOARD

Because CITIC Group is the controlling shareholder of the Company, therefore Keentech, CA and Fortune Class and their respective close associates are required to abstain from voting at the SGM. As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, save as disclosed herein, no other Shareholder has any material interest in the transactions contemplated under the Financial Services Agreements and is required to abstain from voting on relevant resolutions at the SGM.

Based on the aggregate maximum daily balance of deposits (including the interests accrued thereon) to be placed and maintained by the Group with CITIC Bank International and CITIC Finance International, as the highest of the applicable Percentage Ratios in respect of the deposit services under the Financial Services Agreements is 25% or more but less than 100%, the deposit services under Financial Services Agreements constitute (i) non-exempt continuing connected transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and/or (ii) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest of the applicable Percentage Ratios in respect of the service fees expected to be payable to CITIC Bank International and CITIC Finance International, in aggregate, for each of the settlement services, collection and payment services, and other financial services under Financial Services Agreements, on an annual basis, are less than 0.1% and therefore fall below the de minimis threshold under Rule 14A.76 of the Listing Rules; and the terms of such services are on normal commercial terms or better, the settlement services, collection and payment services, and other financial services are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The credit services under the Financial Services Agreements involve the provision of financial assistance by CITIC Bank International and CITIC Finance International to the Group. As the credit services to be provided under the Financial Services Agreements are on normal commercial terms or better, and no security will be granted by the Group over its assets in respect of such credit services, therefore the credit services are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

Information on the Relevant Parties

The Company

The Company is an investment holding company mainly engaged in the exploration and sale of natural resources. Along with subsidiaries, the Company operates its business through four segments. The aluminium smelting segment is engaged in the operation of the Portland Aluminium Smelter (PAS), which sources alumina and produces aluminium ingots in Australia. The crude oil segment is engaged in the operation of oilfields and the sale of oil in Indonesia and the PRC. The import and export of commodities segment is engaged in the export of various commodity products, such as aluminium ingots and alumina. It is also involved in the import of other commodity products and manufactured goods, such as steel, and vehicle and industrial batteries and tyres in Australia. The coal segment is engaged in the operation of coal mines and the sale of coal in Australia.

CITIC Bank International

CITIC Bank International is a limited company incorporated in Hong Kong and a licensed bank in Hong Kong. CITIC Bank International is owned as to 75% by CITIC International Financial Holdings Limited, which in turn is an indirect non-wholly-owned subsidiary of CNCB.

CITIC Finance International

CITIC Finance International is a wholly-owned subsidiary of CITIC Limited established in Hong Kong, which acts as the intra-group treasury centre of the CITIC Group and is principally engaged in the provision of treasury management services to other member companies of the CITIC Group.

3. SGM AND VOTING BY POLL

A notice convening the SGM at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the respective Financial Services Agreements and the provision of deposit services contemplated thereunder is set out on pages 58 to 60 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjourned meeting thereof) should you so wish.

LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, save as disclosed in the paragraph headed “Listing Rules Implications” above, no other Shareholder has any material interest in the transactions contemplated under the Financial Services Agreements and is required to abstain from voting on the relevant resolutions at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the SGM shall be voted by poll in accordance with the Listing Rules and the bye-laws of the Company. An announcement will be made by the Company following conclusion of the SGM in accordance with Rule 13.39(5) of the Listing Rules to inform Shareholders of the poll results in respect of the resolution put to the Independent Shareholders at the SGM.

4. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains its recommendation to the Independent Shareholders; and
- (b) the letter from the Independent Financial Adviser set out on pages 25 to 41 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the Financial Services Agreements, and taken into account the advice of the Independent Financial Adviser, considers that these agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms thereof, together with the proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions approving the Financial Services Agreements and the proposed annual caps at the SGM.

Taking into account the letter from the Independent Board Committee and all factors stated above as a whole, the Directors are of the view that the Financial Services Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms, and that the terms thereof, including the proposed annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the resolutions approving the Financial Services Agreements and the proposed annual caps at the SGM.

LETTER FROM THE BOARD

5. FURTHER INFORMATION

Your attention is also drawn to the financial information set out in Appendix I and the general information set out in Appendix II to this circular.

Yours faithfully,
For and on behalf of the Board
CITIC Resources Holdings Limited
Sun Yufeng
Chairman



中信資源控股有限公司
CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

9 September 2021

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE
FINANCIAL SERVICES AGREEMENTS**

We refer to the circular of the Company dated 9 September 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the provision of deposit services under the Financial Services Agreements and the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned. Asian Capital has been appointed as the Independent Financial Adviser to advise you and ourselves in this regard. Details of their advice, together with the principal factors that have been taken into consideration in giving such advice, are set out in its letter set out on pages 25 to 41 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 4 to 22 of the Circular, the financial information of the Group set out in Appendix I to the Circular and the general information set out in Appendix II to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the provision of deposit services under the Financial Services Agreements and the proposed annual caps, and taken into account the advice of the Independent Financial Adviser, we consider that the deposit services under the Financial Services Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the terms thereof, together with the proposed annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the resolutions to be proposed at the SGM, which is set out in the notice convening the SGM, to approve the provision of deposit services under the Financial Services Agreements and the proposed annual caps.

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

Mr. FAN Ren Da, Anthony **Mr. GAO Pei Ji** **Mr. Look Andrew**
Independent Non-executive Directors

LETTER FROM ASIAN CAPITAL

The following is the letter of advice from the Independent Financial Adviser, Asian Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



ASIAN CAPITAL LIMITED
Suite 1405-09
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

*To: the Independent Board Committee and the Independent Shareholders of
CITIC Resources Holdings Limited*

9 September 2021

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEPOSIT SERVICES CONTEMPLATED UNDER THE FINANCIAL SERVICES AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the deposit services contemplated under the Financial Services Agreements (the “**Transactions**”) and the Proposed Annual Caps (as defined below), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company issued to the Shareholders dated 9 September 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

On 16 August 2021, the Company entered into the Financial Services Agreements with CITIC Bank International and CITIC Finance International, respectively, for the provision of financial services, including but not limited to deposit services, to the Service Recipients, which comprise the Company and its subsidiaries.

As at the Latest Practicable Date, CITIC Group, through its interest in CITIC Limited’s wholly-owned subsidiaries Keentech, CA and Fortune Class, controls 4,675,605,697 Shares, representing 59.50% of all Shares in issue. CITIC Group is thus the controlling shareholder of the Company and a connected person of the Company. Since both CITIC Finance International and CITIC Bank International are subsidiaries of CITIC Group, the Transactions would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM ASIAN CAPITAL

Among the services contemplated under the Financial Services Agreements, one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the deposit services to be offered exceed 25% and as a result, the deposit services under the Financial Services Agreements constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the aggregate service fees expected to be payable to CITIC Bank International and CITIC Finance International by the Group for each of the settlement services, collection and payment services, and other financial services under Financial Services Agreements on an annual basis are less than 0.1%, such transactions are fully exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

As the credit services to be provided by CITIC Bank International and CITIC Finance International to the Group under the Financial Services Agreements are on normal commercial terms or better, and no security will be granted by the Group over its assets in respect of such credit services, the credit services under the Financial Services Agreements are fully exempt from reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Ren Da Anthony, Mr. Gao Pei Ji and Mr. Look Andrew, has been established for the purpose of making recommendation to the Independent Shareholders as to whether the Transactions (including the Proposed Annual Caps (as defined below)) are on normal commercial terms, fair and reasonable, and in the ordinary and usual course of business of the Group and in the interest of the Company and Shareholders as a whole. We, Asian Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the last two years, there were no engagements between us and the Company. As at the Latest Practicable Date, there were no relationships or interests between us and the Company, CITIC Bank International and CITIC Finance International, their respective subsidiaries and close associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser in respect of the Transactions.

LETTER FROM ASIAN CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, *inter alia*, (i) the Financial Services Agreements; (ii) the announcement of the Company dated 16 August 2021 in relation to the Transactions; (iii) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iv) the interim results of the Company for the six months ended 30 June 2021 (the “**2021 Interim Results**”); (v) supporting documents relating to the internal control measures implemented by the Company; (vi) other information as set out in the Circular; and (vii) relevant market data and information available from public sources.

We have also relied on (i) our discussions with the Directors and the senior management of the Company (collectively, the “**Management**”); (ii) our research on market data; and (iii) statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the Management. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us are true and accurate at the time they were made and continue to be accurate as at the Latest Practicable Date.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have also assumed that all statements of opinion made by the Management in the Circular were reasonably made after due enquiries and careful consideration.

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

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company as set out in the Circular, nor have we conducted an independent investigation into the business affairs, internal control or assets and liabilities of the Group or any of the other parties involved in the Transactions. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM ASIAN CAPITAL

Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments or changes (including any material change in market, economic conditions, counterparty risks and the Novel Coronavirus (“COVID-19”) pandemic) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:—

1. Background information of the parties to the Transactions

Information of the Group

The Company is an investment holding company, along with its subsidiaries, mainly engaged in the exploration and sale of natural resources. It operates four main business segments, namely, the aluminium smelting segment, the crude oil segment, the import and export of commodities segment and the coal segment. The aluminium smelting segment involves the operation of the Portland Aluminium Smelter (PAS), which sources alumina and produces aluminium ingots in Australia. The crude oil segment involves the operation of oilfields and is engaged in the sale of oil in Indonesia and the PRC. The Company exports and imports various commodity products, such as aluminium ingots, coal, iron ore, alumina and copper and other manufactured goods. The coal segment involves the operation of coal mines and the sale of coal in Australia.

LETTER FROM ASIAN CAPITAL

Financial performance of the Group

Set out below is the summary of the financial information of the Group for the two years ended 31 December 2019 and 2020 and for the six months ended 30 June 2020 and 2021 as extracted from the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Results:

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	3,425.5	2,850.1	1235.6	1,703.9
<i>Aluminium smelting</i>	1,033.3	836.4	387.6	566.7
<i>Crude oil</i>	1,006.7	807.5	220.3	557.5
<i>Import & export of commodities</i>	742.4	805.8	329.1	320.3
<i>Coal</i>	643.1	400.4	298.6	259.4
Profit/(loss) before taxation	631.3	(261.8)	(421.4)	489.7
Profit/(loss) for the year/period	631.1	(360.5)	(430.1)	447.5
	As at 31 December		As at 30 June	
	2019	2020	2021	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	
Total assets	12,668.0	12,275.3	11,800.4	
<i>Cash and cash equivalents</i>	1,595.4	2,314.3	1,384.4	
<i>Trade receivables</i>	374.8	412.7	453.7	
Total liabilities	6,475.3	6,508.0	5,576.7	
Net asset	6,192.7	5,767.3	6,223.7	

LETTER FROM ASIAN CAPITAL

With reference to the 2020 Annual Report, the revenue of the Group dropped from approximately HK\$3,425.5 million for the year ended 31 December 2019 (“**FY2019**”) to approximately HK\$2,850.1 million for the year ended 31 December 2020 (“**FY2020**”), representing a decrease of approximately 16.8%. Such decrease was mainly due to the combined effects of (i) the adverse effect caused by the long-lasting outbreak of the COVID-19 pandemic; (ii) a fall in the demand of crude oil; and (iii) a fall in the average selling price and sale volume in the aluminium smelting, crude oil and coal segments. The profit for the year of the Group decreased substantially from approximately HK\$631.1 million for FY2019 to a net loss of approximately HK\$360.5 million for FY2020. Such a decrease was mainly due to (i) a substantial share of loss of a joint venture of HK\$279.9 million from the Group’s investment in Karazhanbas oilfield as a result of the decrease in crude oil price and sale volume of crude oil, as compared to a share of profit of HK\$615.1 million recorded for FY2019 and (ii) the segment losses recorded in both the aluminium smelting and the coal segments due to the fall in average selling prices and sale volume of both commodities. The Group’s cash and cash equivalents increased from approximately HK\$1,595.4 million as at 31 December 2019 to approximately HK\$2,314.3 million as at 31 December 2020, representing an increase of approximately 45.1%.

As disclosed in the 2021 Interim Results, the Group recorded a profit for the year of approximately HK\$447.5 million for the six months ended 30 June 2021 (“**1H 2021**”) as compared to a loss of approximately HK\$430.1 million for the six months ended 30 June 2020 (“**1H 2020**”). Such turnaround was mainly due to the combined effects of (i) an increase in the crude oil prices leading to a significant improvement in operating results of the crude oil segment of the Group including a substantial share of profit of HK\$172.8 million from the Group’s investment in Karazhanbas oilfield; (ii) an increase in the average selling price of aluminium leading to a significant improvement in the aluminium smelting segment of the Group; and (iii) a reduction of finance cost of the Group due to successful refinancing of the Group’s loan at a significantly lower finance cost and debt reduction with loan prepayment by utilizing internal sources of fund in 1H2021 as well as monetary policies globally retaining an easing mode. The Group maintained strong liquidity with undrawn bank facilities of HK\$1,997.6 million and had cash and cash equivalents of HK\$1,384.4 million as at 30 June 2021.

Information of CITIC Bank International

CITIC Bank International is a limited company incorporated in Hong Kong and a licensed bank in Hong Kong. CITIC Bank International is owned as to 75% by CITIC International Financial Holdings Limited, which in turn is an indirect non-wholly owned subsidiary of China CITIC Bank Corporation Limited.

LETTER FROM ASIAN CAPITAL

Information of CITIC Finance International

CITIC Finance International is a wholly-owned subsidiary of CITIC Limited established in Hong Kong, which acts as the intragroup treasury centre of the CITIC Group and is principally engaged in the provision of treasury management services to other member companies of the CITIC Group.

2. Principal terms of the deposit services under the Financial Services Agreements

The principal terms of the deposit services under the Financial Services Agreements are set out below:

I) CITIC Bank International Financial Services Agreement

Date

16 August 2021

Parties

- (1) the Company; and
- (2) CITIC Bank International

Principal terms

The CITIC Bank International Financial Services Agreement is a non-exclusive framework agreement entered into between CITIC Bank International and the Company. Pursuant to the CITIC Bank International Financial Services Agreement, CITIC Bank International shall provide, *inter alia*, deposit services, to the Service Recipients, which comprise the Company and its subsidiaries.

The actual deposit interest rate offered by CITIC Bank International for any Service Recipient shall be determined by CITIC Bank International from time to time. No Service Recipients shall be obliged to engage CITIC Bank International for deposit services if such interest rate is lower than the interest rate applicable to the same-grade deposit services provided by major domestic commercial banks in Hong Kong to the relevant Service Recipient.

LETTER FROM ASIAN CAPITAL

CITIC Bank International shall safeguard the safety of the Service Recipients' deposit, and shall pay the funds in accordance with the instructions of the relevant Service Recipient in full (after deducting all the usual administrative, maintenance, transactional and service fees, charges, commissions, expenses and other costs of CITIC Bank International in relation to the deposit) and at such time in accordance with and subject to all relevant terms and conditions (including the general terms and conditions of CITIC Bank International and any specific or other terms and conditions as applicable to deposit services), procedures, rules and policies provided and/or stipulated by CITIC Bank International for such deposit.

Term of the CITIC Bank International Financial Services Agreement

Subject to the approval of the Independent Shareholders at the SGM, the CITIC Bank International Financial Services Agreement shall become effective for a term of three years from the Effective Date.

II) CITIC Finance International Financial Services Agreement

Date

16 August 2021

Parties

- (1) the Company; and
- (2) CITIC Finance International

Principal terms

The CITIC Finance International Financial Services Agreement is a non-exclusive framework agreement entered into between CITIC Finance International and the Company. Pursuant to the CITIC Finance International Financial Services Agreement, CITIC Finance International shall provide, *inter alia*, deposit services, to the Service Recipients, which comprise the Company and its subsidiaries.

The actual deposit interest rate offered by CITIC Finance International for any Service Recipient shall be agreed by both parties, and such interest rate shall not be lower than the interest rate applicable to the same-grade deposit services provided by major domestic commercial banks in Hong Kong to the relevant Service Recipient.

LETTER FROM ASIAN CAPITAL

CITIC Finance International shall safeguard the safety of the Service Recipients' deposit, and shall pay the funds in full and on time in accordance with the instructions of the relevant Service Recipient and subject to the terms and conditions of the CITIC Finance International Financial Services Agreement. The Service Recipients will not be penalised for withdrawing/using the funds in the deposit account without giving any prior notification.

Duration and Effective Date

Subject to the approval of the Independent Shareholders at the SGM, the CITIC Finance International Financial Services Agreement shall become effective for a term of three years from the Effective Date.

3. Proposed Annual Caps

The Transactions are subject to the proposed annual caps (the “**Proposed Annual Caps**”), representing the aggregate daily maximum deposit balance to be placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon) during the term of the Financial Services Agreements as stated in the ‘Letter from the Board’ contained in the Circular.

As the nature of deposit services to be provided by CITIC Bank International and CITIC Finance International under the Financial Services Agreements are similar, the Proposed Annual Caps for the deposit services are aggregated and are as follow:

	From the Effective Date to 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the nine months ending 30 September 2024
Aggregate daily maximum deposit balance to be placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including interests accrued thereon)	Equivalent to HK\$1.2 billion	Equivalent to HK\$1.2 billion	Equivalent to HK\$1.2 billion	Equivalent to HK\$1.2 billion

Note: The cash deposits of the Group to be placed with CITIC Bank International and CITIC Finance International may be denominated in multiple currencies.

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In determining the above Proposed Annual Caps, the Company has considered the following factors:

- (1) the expected aggregate cash and deposits balances of the Group for each financial year-end during the term of the Financial Services Agreements, which will remain at a level above the Proposed Annual Caps, taking into account of (i) the amount of cash and cash equivalents and deposits balances as at 30 June 2021 of approximately HK\$1,505.7 million; (ii) the expected net increase in cash inflow to the Group to be generated during the term of the Financial Services Agreements; and (iii) the projected interest income of the Group during the term of the Financial Services Agreements;
- (2) the aggregate cash and deposits balances that were maintained by the Group with other independent commercial banks as at 30 June 2021 of approximately HK\$1,505.1 million, representing 99.96% of the cash and cash equivalents and deposits balances of the Group as at the same date;
- (3) the expected net increase in cash inflow to the Group during the term of the Financial Services Agreements, which is likely to lead to an increase in the Group's demand for deposit services from CITIC Bank International and/or CITIC Finance International on the basis that (i) the interest rates offered by CITIC Bank International and/or CITIC Finance International to the Group are potentially more favourable than those offered by other major domestic commercial banks and/or financial institutions; and (ii) the deposit services from CITIC Bank International and/or CITIC Finance International will enable the Group to enhance its cash management efficiency and better facilitate its treasury activities;
- (4) the treasury management strategies of the Group, taking into account the business development plans and the financial needs of the Group; and
- (5) the diversification of Group's portfolio of its principal bankers and/or financial institutions after its assessment of the counterparty risk and credit risk to conduct transactions with CITIC Bank International and/or CITIC Finance International as compared with other major domestic commercial banks and/or financial institutions.

LETTER FROM ASIAN CAPITAL

Historical Transaction Amounts

The table below sets forth the historical aggregate maximum daily deposit placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon) for each of the three years ended 31 December 2020:

	For the year ended 31 December		
	2018	2019	2020
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including the interests accrued thereon)	HK\$140,000,000 (Note)	HK\$155,000,000 (Note)	HK\$93,000,000 (Note)

Note: The cash deposits of the Group were denominated in multiple currencies (i.e. HKD, RMB and USD) and the equivalent amount in HKD is calculated based on the prevailing exchange rates (RMB:HKD and USD:HKD) at the relevant times for illustrative purpose only.

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Management regarding the principal assumptions and basis adopted. We have been given to understand that the Management considers the interest rate a crucial factor when determining whether deposits should be placed with CITIC Bank International or CITIC Finance International or other domestic commercial banks or financial institutions. Based on the internal control measures put in place for the purpose of the Financial Services Agreements, at least three independent comparable quotations for deposits of similar nature would be obtained by the Company from other domestic commercial banks. These quotations will then be compared against the rates offered by CITIC Bank International and CITIC Finance International prior to making any deposits under the Financial Services Agreements. Deposit services provided by CITIC Bank International and/or CITIC Finance International can only be utilised when the interest rates offered are more favourable than those offered by other domestic commercial banks and/or financial institutions.

As advised by the Management, the Group may from time to time opt not to deposit all its available cash with CITIC Bank International and/or CITIC Finance International for the purpose of better risk management and to maintain business relationships with other banks and financial institutions. However, the Company considers it reasonable to determine the Proposed Annual Caps with reference to the overall bank balance of the Group, and to cover the daily bank balance of Group in order to account for any unexpected fluctuations in bank balances, particularly given the current volatile economic conditions.

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The Proposed Annual Caps represent a significant increase as compared to the historical transaction amount. In order to assess the fairness and reasonableness of such increase, we have reviewed the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Results and noted that (i) the Group had cash and bank balance of approximately HK\$1,384.4 million as at 30 June 2021; and (ii) the Group had trade receivables (which would be converted into cash if such receivables were settled) of approximately HK\$453.7 million as at 30 June 2021. The sum of the aforesaid two items amounted to approximately HK\$1,838.1 million as at 30 June 2021, which is greater than the value of the Proposed Annual Caps for the deposit services. The high level of bank balance would indicate a possible increase in demand by the Group for deposit services to be provided by CITIC Bank International and/or CITIC Finance International and/or other commercial banks/financial institutions.

We further noted the Group's profit for the period turned around, from a loss of approximately HK\$430.1 million in 1H2020 to a profit of approximately HK\$447.5 million in 1H2021 primarily due to (i) an increase in the crude oil prices leading to a significant improvement in operating results of the crude oil segment of the Group; (ii) an increase in the average selling price of aluminium leading to a significant improvement in the aluminium smelting segment of the Group; (iii) the share of investment return in a joint venture turned around from a loss in 1H2020 to a profit in 1H2021; and (iv) a reduction of finance cost of the Group and debt by utilising internal sources of fund in 1H2021, indicating an expected growth in the business operation of the Group. To support the growing scale of business operation, we understand from the Management that it is expected that there will be an increase in future capital expenditure as part of the business development plan of the Group which may affect the future cash position of the Group. As such, we have obtained and reviewed a cash flow forecast prepared by the Management for whole three-year term of the Financial Services Agreements. We have reviewed and discussed with the Management the relevant assumptions used in the cashflow forecast. As advised by the Management, the cashflow forecast was prepared on the major assumptions that throughout the forecast period, (i) there will be a positive operating cash inflow from the Group's operating activities provided that the Brent oil price continues to increase; (ii) net cash outflow from the Group's financing activities will be stable; and (iii) the Group will continue its capital expenditure in oilfield exploration and drilling projects and such projects will generate cash inflows to the Group. Based on the cash flow forecast provided by the Management, the Company is expected to record a net cash inflow to the Group during the expected term of the Financial Services Agreements. Accordingly, the Management expects the cash position of the Group to remain at a level above the Proposed Annual Caps during the term of the Financial Services Agreements.

Based on the above, we concur with the Directors' view that the Proposed Annual Caps for the deposit services will provide the Group with greater flexibility in managing its treasury activities and will be able to improve the return on its funds through higher interest income when the interest rates offered by CITIC Bank International and/or CITIC Finance International are more favourable than those offered by other domestic commercial banks/financial institutions in Hong Kong, and therefore are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASIAN CAPITAL

4. Reasons for and benefits of entering into the Financial Services Agreements

The Transactions will enable the Company to strengthen its centralized fund management and thereby allowing its subsidiaries to allocate funds more efficiently. The Company expects that it will be beneficial for the Group to utilise the financial services from CITIC Bank International and CITIC Finance International under the Financial Services Agreements for the following reasons:

- (1) CITIC Bank International is regarded as a reputable, well-established, licensed, and legitimate financial institution in Hong Kong that is no different from other major local banks and financial institutions;
- (2) CITIC Finance International is a wholly-owned subsidiary of CITIC Limited established in Hong Kong, which acts as the intragroup treasury centre of CITIC Group and is principally engaged in the provision of treasury management services to other member companies of the CITIC Group;
- (3) CITIC Bank International and CITIC Finance International will be able to service the business and financial needs of the Group;
- (4) the terms (including interest rates and bank charges) offered by or available from CITIC Bank International and CITIC Finance International with respect to the Transactions are on normal commercial terms, which are at the prevailing market rates that are no less favourable than the terms offered or available to the Service Recipients from other major domestic banks in Hong Kong for similar services;
- (5) the interest rates offered by CITIC Bank International and CITIC Finance International on cash deposits are competitive in the market and allow the Company to maximise its interest return;
- (6) the counterparty risks and credit risks arising from cash depository transactions with CITIC Bank International and CITIC Finance International are relatively lower compared to other third parties banks and financial institutions; and
- (7) the diversification of the Group's portfolio of its principal bankers and/or financial institutions during the term of the Financial Services Agreements.

LETTER FROM ASIAN CAPITAL

Deposit Services

As discussed with the Management, pursuant to the Financial Services Agreements, the deposit interest rates offered by CITIC Bank International and CITIC Finance International to the Group will be equal or more favourable than those offered by other commercial banks in Hong Kong. As the Financial Services Agreements do not preclude the Group from depositing with other major commercial domestic banks and/or financial institutions, the Group may at its own discretion, select its financial service providers as it deems appropriate to improve the return on its funds for the benefit of the Shareholders and the Group. The Group may at its own discretion, decide the amount to be deposited and tenure of the deposit with CITIC Bank International and CITIC Finance International.

We have reviewed the financial services agreements previously entered into between the Group and CITIC Bank International/CITIC Finance International and noted that the interest rate applicable to deposit made by the Group shall not be less than the interest rate applicable to deposit service provided by other major commercial banks in Hong Kong. We have also reviewed and noted that the terms under the previous financial services agreements in relation to the deposit services are similar to that of the Financial Services Agreements.

Given that the deposit services under the Financial Services Agreements are offered to the Group on a non-exclusive basis, we have been given to understand by the Management that the following factors will be considered from time to time as to whether it would be in the best interest of the Company and its Shareholders to utilise the deposit services offered by CITIC Bank International and CITIC Finance International: (i) quality of services; (ii) interest rates competitiveness and applicable loadings (which may vary from time to time); and (iii) counterparty risks. As advised by the Management, the Group has the relevant internal control measures to monitor the abovementioned factors.

With reference to the Letter from the Board, the Directors consider the counterparty risk to be relatively low comparing to other third parties banks and financial institutions as CITIC Bank International is a licensed commercial bank regulated by the Hong Kong Monetary Authority. We also noted that CITIC Bank International has an investment grade credit rating and CITIC Finance International is a wholly-owned subsidiary of CITIC Limited (a company listed on the Stock Exchange with an investment grade credit rating and has substantial financial resources as at 30 June 2021 based on its interim results announcement dated 27 August 2021).

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Having considered that (i) the deposit interest rates offered by CITIC Bank International and CITIC Finance International to the Group will be equal or more favourable to the Group than those offered by major domestic commercial banks in Hong Kong; (ii) CITIC Bank International is a reputable and licensed commercial bank in Hong Kong regulated by the Hong Kong Monetary Authority with an investment grade credit rating; (iii) CITIC Finance International is a wholly-owned subsidiary of CITIC Limited (a company listed on the Stock Exchange with an investment grade credit rating and robust financial position) and the Group has been satisfied with its quality of services; (iv) the deposit services under the Financial Services Agreements are on a non-exclusive basis and the Group may use deposit services offered by any other commercial banks and/or financial institutions based on the interest rates and/or other criteria which are in the best interest of the Shareholders and the Group; (v) the deposit services under the Financial Services Agreements offer greater flexibility for the Group to manage its treasury activities with terms no less favourable than those offered by other major domestic commercial banks and/or financial institutions in Hong Kong; and (vi) the Directors consider the counterparty risk of CITIC Bank International and CITIC Finance International to be relatively low comparing to other third parties banks and financial institutions, we concur with the Directors' view that the terms for the deposit services pursuant to the Financial Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole.

5. Internal control measures for the Financial Services Agreements

We have reviewed the documents relating to the internal control measures/policies implemented by the Company and as advised by the Management, the Company has adopted a series of internal control measures for the continuing connected transactions of the Group:—

- the Planning and Finance department of the Company will obtain at least three quotations from major domestic commercial banks in Hong Kong who are independent third parties of the Company. The prevailing interest rate(s) and other terms being offered by those institutions in the ordinary course of business for comparable deposits of similar size, currency and tenure will then be reviewed and approved by the management of the Company prior to the entering into of each individual specific agreement for deposit services.
- The Company may also take into account factors, including, among other things, quality of services, interest rates competitiveness and applicable loadings, and counterparty risks, in making decisions regarding deposit services with any banks or financial institutions at any moment in time. If the Company is aware that the deposit interest rate offered by CITIC Bank International or CITIC Finance International is less favourable than that offered by major domestic commercial banks in Hong Kong for the deposit of the same type and term, the Group will not place deposits with CITIC Bank International or CITIC Finance International, or it will negotiate with CITIC Bank International or CITIC Finance International to better the interest rate.

LETTER FROM ASIAN CAPITAL

- the Planning and Finance department of the Company monitors the aggregate daily maximum cash deposit balances (including interests accrued thereon) to be maintained by the Group with CITIC Bank International and CITIC Finance International and prepares continuing connected transaction reports on a monthly basis in respect of the status of compliance with the annual caps and utilisation of the annual caps under the Financial Services Agreements for the consideration by the Company's audit committee.
- the Company's auditors and independent non-executive Directors will also conduct an annual review of the Transactions to ensure that the relevant amounts do not exceed the annual cap(s) and to ensure compliance with the Listing Rules requirements.
- In the event that the amount of Transactions incurred or to be incurred is expected to reach or exceed the relevant annual cap(s), the Planning and Finance department of the Company will follow up by reporting and proposing a response to the management of the Company, and in case any revision of the annual cap(s) is required, it will report the particulars to the Board and a Board meeting will be convened for considering the relevant matters to ensure compliance with the requirements under the Listing Rules.

As advised by the Management, the Group will obtain quotations relating to the deposit interest rates from major domestic commercial banks in Hong Kong prior to placing any deposit with CITIC Bank International or CITIC Finance International. The Group will then compare the interest rates offered by CITIC Bank International and CITIC Finance International against competitive quotations. Such reference interest rate(s) will then be reviewed and approved by the management of the Company prior to entering into each individual specific agreement for deposit services.

We have reviewed a summary of over 100 benchmark interest rates quotations obtained from five domestic commercial banks between July 2020 and July 2021 as provided by the Management. As advised by the Management, the Company will usually obtain benchmark interest rates quotations from at least three domestic commercial banks which will then be taken as reference when deciding whether to use the relevant deposit services with the CITIC Bank International/CITIC Finance International. It was noted that the interest rates offered by CITIC Bank International/CITIC Finance International to the Group were comparable or more favourable to the interest rates offered by major domestic commercial banks in Hong Kong for similar type of deposits at all material times.

LETTER FROM ASIAN CAPITAL

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that (i) the Financial Services Agreements have been entered into in the ordinary and usual course of business of the Company; (ii) the deposit services under the Financial Services Agreements are on normal commercial terms; and (iii) the Proposed Annual Caps are fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Board Committee advises the Independent Shareholders to vote in favour of the resolution(s) to be proposed in the SGM to approve the Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Asian Capital Limited
Joseph LAM
Executive Director

Mr. Joseph LAM is a licensed person registered with Securities and Futures Commission of Hong Kong and a responsible officer of Asian Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2018, 2019 and 2020, as well as for the six month ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://resources.citic/>):

- (a) Interim report of the Company for the six months ended 30 June 2021 published on 30 August 2021 (pages 1 to 21)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0830/2021083000701.pdf>
- (b) Annual report of the Company for the year ended 31 December 2020 published on 9 April 2021 (pages 49 to 156)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0409/2021040900964.pdf>
- (c) Annual report of the Company for the year ended 31 December 2019 published on 1 April 2020 (pages 47 to 157)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0401/2020040101983.pdf>
- (d) Annual report of the Company for the year ended 31 December 2018 published on 12 April 2019 (pages 47 to 154)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/ltn20190412815.pdf>

2. INDEBTEDNESS

As at the close of business on 31 July 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the bank and other borrowings and lease liabilities of the Group are as follows:

	<i>HK\$'000</i>
Bank borrowings	2,532,399
Other borrowings	1,170,000
Lease liabilities	79,850
	<hr/>
	3,782,249
	<hr/> <hr/>

As at 31 July 2021, the Group had the following contingent liabilities:

- (i) In July 2019, Shengli Oilfield KEER Engineering and Construction Co., Ltd (“**KEER**”) commenced a joint legal claim action with a general contractor of Tincy Group Energy Resources Limited (“**Tincy Group**”), 90% of which is indirectly owned by the Company (the “**Shengli Oilfield Claim**”). Pursuant to the Shengli Oilfield Claim, KEER was seeking a compensation from Tincy Group of RMB30,938,000 (HK\$37,206,000) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35,000,000 (HK\$42,091,000) has been frozen as a blockade fund by the Dalian Maritime Court (the “**Dalian Court**”). The general contractor applied to withdraw its legal claim from the Shengli Oilfield Claim to the Dalian Court. The general contractor was requested as a third party by the Dalian Court to participate in the litigation. Dalian Court hearings were done.

Pursuant to the civil judgement issued by the Dalian Court in December 2020, Tincy Group had to pay a compensation of RMB17,271,000 (HK\$20,770,000) plus interest of RMB1,118,000 (HK\$1,344,000) to KEER.

Based on a legal advice from its legal counsel, Tincy Group has justifiable arguments on determination of the contractual relationships amongst Tincy Group, KEER and the general contractor, any rights and obligations thereunder and judgement on compensation amount, in respect of which, Tincy Group lodged an appeal to the Dalian Court in January 2021. The appeal hearing has been held on 11 June 2021.

As at 31 July 2021, no notification had been issued by the Dalian Court in respect of the appeal.

- (ii) In May 2021, TianEnLu (Dalian) Shipping Co., Ltd (天恩璐(大連)航運有限公司) (“**TianEnLu**”) applied to the Dalian Court for a transportation fee claim against Tincy Group. Pursuant to the transportation fee claim, TianEnLu was seeking unpaid transportation fee from Tincy Group in the amount of RMB1,315,000 (HK\$1,582,000) plus interest and legal fee of RMB155,000 (HK\$186,000).

As at 31 July 2021, no decision had been issued by the Dalian Court.

- (iii) Shandong High People’s Court (山東省高級人民法院) in the PRC published a notice in the People’s Court Daily (人民法院報) on 10 April 2020, which stated that Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) (“**Weihai**”) had submitted three claims (collectively, the “**Claims**”) in the Shandong High People’s Court in the PRC against, amongst others, CA Commodity Trading Pty Ltd (formerly “**CITIC Australia Commodity Trading Pty. Ltd.**”) (“**CACT**”). CACT is an indirectly wholly-owned subsidiary of the Company incorporated in Australia and is engaged in international trading business.

It is alleged that the Claims relate to three letters of credit (“L/Cs”) issued in favour of CACT as payment for the sale by CACT to a Qingdao Decheng Minerals Co., Ltd. (青島德誠礦業有限公司) (“Decheng”) of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. CACT refutes the Claims and has engaged local counsel in China to defend the Claims accordingly. The Shandong High People’s Court has issued a first instance judgment that CACT is not liable for Weihai’s losses as there is no evidence of any intention to commit fraud on the part of CACT. However, the Shandong High People’s Court published a notice on 16 May 2021, which states that Weihai submitted an appeal to the first instance judgment. On 30 July 2021, the Shandong High People’s Court announced the appeal hearing will be held on 19 October 2021. Details of the Claims have been disclosed in the announcements of the Company dated 1 September 2020, 7 January 2021 and 21 May 2021.

As at 31 July 2021, no decision or judgement had been issued by the Shandong High People’s Court.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at 31 July 2021, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or term loans (secured, unsecured, guaranteed or otherwise), other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group’s existing available financial resources, including internally generated funds, available borrowing facilities and cash on hand, the Group has sufficient working capital for the Group’s requirements for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances. As at the Latest Practicable Date, the Company has obtained the confirmation as required under rule 14.66(12) of the Listing Rules.

4. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

Review

During the first half of 2021, the market had increasing expectations on economic recovery, buoyed by the sustained global economic recovery and wide application of COVID-19 vaccination. In addition, as economic stimulus measures have been implemented in various countries, a large amount of capital have flew into the commodity market. There were multiple factors led to the rise of oil prices. Brent crude oil prices averaged US\$65.0 per barrel in the first half of the year, representing an increase of 63.3% year-on-year. The prices of other commodities related to the Company's principal business also increased significantly. Meanwhile, the Group continued to carry out cost reduction and efficiency improvement as well as asset value enhancement work, and strived for management and technology effectiveness. As a result, the Group recorded a turnaround from loss and achieved substantial performance improvement during the first half of the year.

During the six months ended 30 June 2021, except for the coal segment recorded a comparable loss compared to the same period of last year, the results of crude oil, aluminium smelting, and import and export of commodities segments all recorded profits. During the six months ended 30 June 2021, the Group achieved revenue of HK\$1,703.9 million, representing an increase of 37.9% year-on-year; and recorded profit attributable to shareholders of HK\$427.4 million, turning from losses into profits year-on-year.

Crude oil

During the six months ended 30 June 2021, demand of the downstream is recovering as a result of gradual control of the pandemic in the world's major economies. Coupled with the steady implementation of production cut plan by the Organization of the Petroleum Exporting Countries and its allies, the crude oil market has gradually shifted from "oversupply" in 2020 to "tight-balanced". The Group seized the opportunity of rising oil prices, strived to increase production, and took advantage of the market rebound to further improve its operating results. During the first half of the year, the Group's overall production was 8,625,000 barrels (100% basis), an increase of 264,000 barrels (100% basis) compared to the same period of 2020. Among which, the Karazhanbas oilfield has made great efforts to promote the recovery of production after the production limit, and the production has gradually restored and increased slightly by 1% compared to the same period of last year. Due to the new wells of Yuedong oilfield being put into production under the development plan and effective adjustment of workload, the production of Yuedong oilfield increased significantly by 21.4% compared to the same period of last year. The production of the two oilfields has almost reached half of the expected production for the year. In the Seram block in Indonesia, as new wells will be put into operation only in the second half of the year, coupled with the natural decline of existing oil wells, the production has dropped by 10.7% compared to the same period of last year, and the production progress is slightly lagging behind. It is expected that the total production in 2021 will be approximately 17,818,000 barrels (100% basis), 238,000 barrels less than the annual production forecast in the beginning of this year, which did not take into consideration of the impact of production limit.

In terms of results, a substantial increase in revenue of the Karazhanbas oilfield was led by a significant year-on-year increase in the realised sales price. In Yuedong oilfield, the revenue doubled compared to the same period of last year as a result of an increase in both crude oil price and sales volume. According to the production arrangement of Seram block in Indonesia, the oil lifting and sales will be arranged in the second half of the year and thus there was no sales revenue in the first half of the year. Continued stringent cost control and the rebound of international oil prices have resulted in a significant increase in the performance of the Group's crude oil business segment compared to the same period last year.

Metals

During the six months ended 30 June 2021, despite a strong fundamental, the high freight rates, container shortages and shipping delays continue to plague the aluminium market. The sales volume of Portland Aluminium Smelter decreased due to the limit of shipping capacity but its revenue increased significantly supported by the rebound in aluminium prices compared to the same period of last year. In addition to the fair value gain on derivative financial instruments and net exchange gains, the segment results of Portland Aluminium Smelter recorded a turnaround from loss compared to the same period of last year.

During the six months ended 30 June 2021, the Group's share of profit in Alumina Limited using the equity method increased compared to the same period of 2020 due to the increase in alumina prices.

Coal

As the Chinese government tightened its trade policy with Australia, the selling price of coal segment dropped compared to the same period of last year. However, the overall sales volume of this segment increased significantly compared to the same period of last year as a result of the recovery of market demand, leading to an increase in revenue. Together with the flourishing results arising from the optimization of production organization as well as cost reduction and efficiency improvement measures, the cost of sales per tonne also decreased. But due to a gain on disposal of assets and a gain on deregistration of a subsidiary recorded in the same period last year, this segment thus recorded a comparable loss when compared to the same period of last year.

Import and export of commodities

During the six months ended 30 June 2021, the Group's segment of import and export of commodities was affected by the rebound in commodity prices, and the selling prices increased significantly compared to the same period of last year. Coupled with the consolidation and expansion of the Group's iron ore export agency business and the disposal of the auto parts business at the end of 2020, the overall operational efficiency and profitability were greatly improved, the results of this segment thus recorded a significant increase in profit when compared with the same period of last year.

Outlook

Currently, the spread of the pandemic around the globe continues, and it is still severe in certain overseas locations where the Group operates its business. While maintaining strict epidemic prevention and control measures, the Group has also gradually popularized vaccination in accordance with government guidelines. As at 30 June 2021, the Group had maintained “zero confirmed cases” at all oilfield operation sites, and Chinese employees in the Group’s overseas business locations have almost been fully vaccinated. During the second half of the year, the Group will strive to overcome the impact of the pandemic, maintain the health and safety of employees, and ensure the smooth operation of both production and operations.

Looking ahead, the Organization of the Petroleum Exporting Countries and other major oil producing countries have eased the measures to limit production due to the increase in oil prices, in which the United States of America, a major consuming country of crude oil, also wishes for lower oil prices to control inflation. However, the rise of variants of COVID-19 virus added to the uncertainty of economic recovery and the growth of crude oil demand. On one hand, based on its work experience in 2020, the Group will further solidify the long term mechanism of cost reduction and efficiency improvement, continuously cultivate the potential of cost reduction, improve the company’s overall risk resistance ability and profitability, and take the opportunity of market recovery to further improve operating performance. On the other hand, we will strengthen our refined management, continuously promote management improvement and institutional reform, increase management efficiency and improve scientific decision-making level, and continue to strive for technology effectiveness. We will maintain and improve oilfield reserves by conducting reservoir research as well as launching and applying new technologies and new technics, so as to enhance the sustainable value of our existing assets. Meanwhile, we will also carry out research work in new fields and new projects, and strive to explore a new direction for the Company’s business development.

5. EFFECTS ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

The entering into the Financial Services Agreements served the purpose of strengthening the centralized fund management of the Group, which could enhance the capital usage efficiency and improve the overall operational standards of corporate funds. Given that the interest rates offered by CITIC Bank International or CITIC Finance International (as the case may be) to the Group in respect of deposit services shall not be less than those for the same type of deposit as may be offered to the Group by the major domestic commercial banks in Hong Kong, it is currently anticipated that the return of the surplus funds will be enhanced due to the possibly higher deposit interests from CITIC Bank International and CITIC Finance International. As such, the deposit services under the Financial Services Agreements are expected to have positive impacts on the Group’s earnings.

Furthermore, the Group can concentrate idle funds within the Group through the capital pool of CITIC Bank International and CITIC Finance International, which is expected to save financial costs, reduce the dependence of the Group on external financing, and decrease the overall gearing of the Group to a certain extent.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm 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 matters the omission of which would make any statement herein or this circular misleading.

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

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

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 which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, and which have been notified to the Company and the Stock Exchange are as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary Shares	Number of underlying Shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Sun Yang	Directly beneficially owned	4,000	—	—
Mr. Chan Kin (“ Mr. Chan ”)	Corporate	786,558,488*	—	10.01

* The figure represents an attributable interest of Mr. Chan through his interest in Argyle Street Management Holdings Limited (“**ASM Holdings**”). Mr. Chan is a significant shareholder of ASM Holdings.

Long positions in shares and underlying shares of 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. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

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

Save as disclosed herein and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in 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.

3. DISCLOSURE OF INTEREST 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 or was deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Division 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 of the Company carrying rights to vote in all circumstances at general meetings of the Company are as follows:

Name	Capacity/Nature of Interest	Number of Shares	Percentage of the total issued share capital of the Company
CITIC Group	Corporate	4,675,605,697 ⁽¹⁾	59.50
CITIC Limited	Corporate	4,675,605,697 ⁽²⁾	59.50
CITIC Corporation Limited	Corporate	4,675,605,697 ⁽³⁾	59.50
CITIC Projects Management (HK) Limited	Corporate	3,895,083,904 ⁽⁴⁾	49.57
Keentech	Corporate	3,895,083,904 ⁽⁵⁾	49.57
CA	Corporate	750,413,793 ⁽⁶⁾	9.55
ASM Holdings	Corporate	786,558,488 ⁽⁷⁾	10.01
Argyle Street Management Limited	Corporate	786,558,488 ⁽⁸⁾	10.01
ASM Connaught House General Partner Limited	Corporate	786,558,488 ⁽⁹⁾	10.01
ASM Connaught House General Partner II Limited	Corporate	786,558,488 ⁽¹⁰⁾	10.01
ASM Connaught House Fund LP	Corporate	786,558,488 ⁽¹¹⁾	10.01
ASM Connaught House Fund II LP	Corporate	786,558,488 ⁽¹²⁾	10.01
ASM Connaught House (Master) Fund II LP	Corporate	786,558,488 ⁽¹³⁾	10.01
Sea Cove Limited	Corporate	786,558,488 ⁽¹⁴⁾	10.01
TIHT Investment Holdings III Pte. Ltd.	Corporate	786,558,488 ⁽¹⁵⁾	10.01

Notes:

1. The figure represents an attributable interest of CITIC Group through its interest in CITIC Limited. CITIC Group is a company established in the PRC.
2. The figure represents an attributable interest of CITIC Limited through its interest in CITIC Corporation Limited (“**CITIC Corporation**”). CITIC Limited, a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 267), is owned as to 32.53% by CITIC Polaris Limited (“**CITIC Polaris**”) and 25.60% by CITIC Glory Limited (“**CITIC Glory**”). CITIC Polaris and CITIC Glory, companies incorporated in the British Virgin Islands (the “**BVI**”), are direct wholly-owned subsidiaries of CITIC Group.
3. The figure represents an attributable interest of CITIC Corporation through its interest in CITIC Projects Management (HK) Limited (“**CITIC Projects**”), CA and Fortune Class . Fortune Class holds 30,108,000 shares representing 0.38% of the total issued share capital of the Company. CITIC Corporation, a company established in the PRC, is a direct wholly-owned subsidiary of CITIC Limited. Fortune Class, a company incorporated in the BVI, is an indirect wholly-owned subsidiary of CITIC Corporation.
4. The figure represents an attributable interest of CITIC Projects through its interest in Keentech. CITIC Projects, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Corporation.
5. Keentech, a company incorporated in the BVI, is a direct wholly-owned subsidiary of CITIC Projects.
6. CA, a company incorporated in Australia, is a direct wholly-owned subsidiary of CITIC Corporation.
7. The figure represents an attributable interest of ASM Holdings through its interest in Argyle Street Management Limited (“**ASM Limited**”), ASM Connaught House General Partner Limited (“**ASM General Partner**”) and ASM Connaught House General Partner II Limited (“**ASM General Partner II**”). ASM Holdings is a company incorporated in the BVI.
8. The figure represents an attributable interest of ASM Limited through its control of, by virtue of its position as investment manager of, ASM Connaught House Fund LP (“**ASM Fund LP**”), ASM Connaught House Fund II LP (“**ASM Fund II**”) and ASM Connaught House (Master) Fund II LP (“**ASM (Master) Fund II**”). ASM Limited, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Holdings.
9. The figure represents an attributable interest of ASM General Partner through its role as general partner of ASM Fund LP. ASM General Partner, a company incorporated in the Cayman Islands, is a direct wholly-owned subsidiary of ASM Holdings.
10. The figure represents an attributable interest of ASM General Partner II through its role as general partner in ASM Fund II and ASM (Master) Fund II.
11. The figure represents an attributable interest of ASM Fund LP through its interest in Albany Road Limited (“**Albany**”). Albany, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM Fund LP.
12. The figure represents an attributable interest of ASM Fund II through its interest in ASM (Master) Fund II.
13. The figure represents an attributable interest of ASM (Master) Fund II through its interest in Caroline Hill Limited (“**Caroline**”). Caroline, a company incorporated in the BVI, is a direct wholly-owned subsidiary of ASM (Master) Fund II.

14. The figure represents an attributable interest of Sea Cove Limited (“**Sea Cove**”) through its interest in TIHT Investment Holdings III Pte. Ltd. (“**TIHT**”). Sea Cove, a company incorporated in the BVI, is owned as to more than one-third of the total issued share capital by Caroline and more than one-third of the total issued share capital by Albany.
15. TIHT, a company incorporated in Singapore, is a direct wholly-owned subsidiary of Sea Cove.
16. The information in the above table is based on information publicly available to the Company as at the Latest Practicable Date.
17. The numbers in the above table have been subject to rounding adjustments. Any discrepancies in the numbers are due to roundings.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, other than service contracts expiring or terminable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

6. DIRECTORS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS’ INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

8. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had interest in any business apart from the Group’s businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. LITIGATION *(Note 1)*

(i) In July 2019, Shengli Oilfield KEER Engineering and Construction Co., Ltd (“**KEER**”) commenced a joint legal claim action with a general contractor of Tincy Group Energy Resources Limited (“**Tincy Group**”), 90% of which is indirectly owned by the Company (the “**Shengli Oilfield Claim**”). Pursuant to the Shengli Oilfield Claim, KEER was seeking a compensation from Tincy Group of RMB30,938,000 (HK\$37,206,000) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35,000,000 (HK\$42,091,000) has been frozen as a blockade fund by the Dalian Maritime Court. The general contractor applied to withdraw its legal claim from the Shengli Oilfield Claim to the Dalian Maritime Court (the “**Dalian Court**”). The general contractor was requested as a third party by the Dalian Court to participate in the litigation. Dalian Court hearings were done.

Pursuant to the civil judgement issued by the Dalian Court in December 2020, Tincy Group had to pay a compensation of RMB17,271,000 (HK\$20,770,000) plus interest to KEER.

Based on a legal advice from its legal counsel, Tincy Group has justifiable arguments on determination of the contractual relationships amongst Tincy Group, KEER and the general contractor, any rights and obligations thereunder and judgement on compensation amount, in respect of which, Tincy Group lodged an appeal to Dalian Court in January 2021. The appeal hearing has been held on 11 June 2021.

As at the Latest Practicable Date, no notification had been issued by the Dalian Court in respect of the appeal.

(ii) In May 2021, TianEnlu (Dalian) Shipping Co., Ltd (天恩璐(大連)航運有限公司) (“**TianEnLu**”) applied to the Dalian Court for a transportation fee claim against Tincy Group. Pursuant to the transportation fee claim, TianEnLu was seeking unpaid transportation fee from Tincy Group in the amount of RMB1,315,000 (HK\$1,582,000) plus interest and legal fee. The claim was heard before the Dalian Court on 24 August 2021.

As at the Latest Practicable Date, no decision had been issued by the Dalian Court.

(iii) Shandong High People’s Court (山東省高級人民法院) in the PRC published a notice in the People’s Court Daily (人民法院報) on 10 April 2020, which stated that Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) (“**Weihai**”) had submitted three claims (collectively, the “**Claims**”) in the Shandong High People’s Court in the PRC against, amongst others, CA Commodity Trading Pty Ltd (formerly “CITIC Australia Commodity Trading Pty. Ltd.”) (“**CACT**”). CACT is an indirectly wholly-owned subsidiary of the Company incorporated in Australia and is engaged in international trading business.

It is alleged that the Claims relate to three letters of credit (“L/Cs”) issued in favour of CACT as payment for the sale by CACT to a Qingdao Decheng Minerals Co., Ltd. (青島德誠礦業有限公司) (“**Decheng**”) of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. CACT refutes the Claims and has engaged local counsel in China to defend the Claims accordingly. The Shandong High People’s Court has issued a first instance judgment that CACT is not liable for Weihai’s losses as there is no evidence of any intention to commit fraud on the part of CACT. However, the Shandong High People’s Court published a notice on 16 May 2021, which states that Weihai submitted an appeal to the first instance judgment. On 30 July 2021, the Shandong High People’s Court announced the appeal hearing will be held on 19 October 2021. Details of the Claims have been disclosed in the announcements of the Company dated 1 September 2020, 7 January 2021 and 21 May 2021.

As at the Latest Practicable Date, no decision or judgement had been issued by the Shandong High People’s Court.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

Note 1:

For illustrative purpose only, in respect of the figures denominated in RMB under the above paragraph headed “Litigation”, their equivalent amounts in HKD are calculated based on the exchange rate of RMB to HKD as at 31 July 2021.

10. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
Asian Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, opinion, logo and qualifications, in the form and context in which they appear.

As at the Latest Practicable Date, the above expert:

- (a) did not have any direct or indirect, interest in any assets which have been since 31 December 2020 (being the date which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) did not have any shareholding, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the sale and purchase agreement (the “**SPA I**”) dated 29 October 2020 entered into between Highkeen Resources Limited (“**Highkeen**”), a subsidiary of the Company, and Youfu Investment Co., Ltd (優福投資有限公司)(“**Youfu Investment**”) in respect the sale and purchase of 994,260,000 shares of CITIC Dameng Holdings Limited (now known as South Manganese Investment Limited) (“**CITIC Dameng**”), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (stock code: 1091) at the aggregate consideration of HK\$914,719,200, which shall be paid by Youfu Investment by way of cash in two instalments, namely a deposit of HK\$90,000,000 and an escrow amount of HK\$824,719,200;
- (b) the sale and purchase agreement dated 29 October 2020 entered into between Highkeen, a subsidiary of the Company, and Fengxiang Investment Co., Ltd (豐翔投資有限公司) (“**Fengxiang Investment**”) in respect the sale and purchase of 184,740,000 shares of CITIC Dameng at the aggregate consideration of HK\$169,960,800, which shall be paid by Fengxiang Investment by way of cash in two instalments, namely a deposit of HK\$10,000,000 and an escrow amount of HK\$159,960,800; and

- (c) the supplemental agreement to the SPA I dated 14 December 2020 entered into between Highkeen and Youfu Investment in respect of, among others, the extension of completion, the amendment of completion date, and the extension of date of payment of the escrow amount of HK\$824,719,200 from Youfu Investment to Highkeen under the SPA I.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Wong Wai Kwok. He holds a Master Degree of Business Law from Monash University, Master Degree of Business Administration from Deakin University, Master Degree of Professional Accounting from Monash University and Bachelor Degree of Science from The University of New South Wales. He has over 27 years of financial, accounting and auditing experience.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (c) The share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) Unless otherwise stated, 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.

13. 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 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for the period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "11. Material Contracts" in this appendix;
- (c) the CITIC Bank International Financial Services Agreement;
- (d) the CITIC Finance International Financial Services Agreement;

- (e) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Asian Capital” of this circular;
- (g) the written consent referred to in paragraph headed “10. Expert and Consent” in this appendix;
- (h) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;
- (i) the interim report of the Company for the six months ended 30 June 2021; and
- (j) this circular.

NOTICE OF SPECIAL GENERAL MEETING



中信資源控股有限公司 CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Special General Meeting**”) of CITIC Resources Holdings Limited (the “**Company**”) will be held at Conference Room, Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Thursday, 30 September 2021 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**, the CITIC Bank International Financial Services Agreement, a copy of which is produced to the Special General Meeting and for the purpose of identification initialed by the chairman of the Special General Meeting, and the provision of deposit services by CITIC Bank International to the Company pursuant to the CITIC Bank International Financial Services Agreement subject to the annual caps as more particularly described in the circular of the Company dated 9 September 2021, be and are hereby confirmed, ratified and approved.”
2. “**THAT**, the CITIC Finance International Financial Services Agreement, a copy of which is produced to the Special General Meeting and for the purpose of identification initialed by the chairman of the Special General Meeting, and the provision of deposit services by CITIC Finance International to the Company pursuant to the CITIC Finance International Financial Services Agreement subject to the annual caps as more particularly described in the circular of the Company dated 9 September 2021, be and are hereby confirmed, ratified and approved.”

By Order of the Board
CITIC Resources Holdings Limited
Sun Yufeng
Chairman

Hong Kong, 9 September 2021

Head Office and Principal Place of Business
Suites 6701-02 & 08B
67/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. For details of the deposits services provided under the CITIC Bank International Financial Services Agreement and the CITIC Finance International Financial Services Agreement, please refer to the Company's announcement dated 16 August 2021 and the circular of the Company dated 9 September 2021 (the "**Circular**"). Unless otherwise defined, capitalized terms used in this notice shall have the same meaning as defined in the Circular.
2. In order to determine the entitlement of shareholders of the Company to attend and vote at the Special General Meeting, the register of members of the Company will be closed from Monday, 27 September 2021 to Thursday, 30 September 2021 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the Special General Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable and not later than 4:30 p.m. on Friday, 24 September 2021.
3. Any member of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint a proxy or, if holding two or more Shares, more than one proxy 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 Special General 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.
4. A form of proxy for use at the Special General Meeting is enclosed.
5. 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 of attorney or authority, must be returned to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting (or any adjournment thereof) should you so wish.
6. If there are joint registered holders of a Share, any one of such joint holders may vote at the Special General Meeting, either in person 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 Special General Meeting in person 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.

NOTICE OF SPECIAL GENERAL MEETING

7. Precautionary measures for the Special General Meeting:

To safeguard the health and safety of shareholders of the Company and to prevent and control the spreading of the coronavirus disease 2019 (COVID-19), precautionary measures will be implemented at the Special General Meeting, including but not limited to:

1. compulsory temperature screening/checks;
2. submission of health and travel declaration forms;
3. wearing of surgical face mask; and
4. no provision of refreshments or drinks and no distribution of corporate gifts.

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the Special General Meeting venue, at the absolute discretion of the Company as permitted by law. In light of the continuing risks posed by the COVID-19 and as part of the Company's control measures to safeguard the health and safety of the Shareholders of the Company, the Company strongly encourages the shareholders to consider appointing the Chairman of the Special General Meeting as their proxy to vote as instructed by the shareholders of the Company on the relevant resolutions at the Special General Meeting, instead of attending the Special General Meeting in person.

As at the date hereof, Mr. Sun Yufeng; Mr. Suo Zhengang and Mr. Sun Yang are executive directors of the Company, Mr. Chan Kin is a non-executive director of the Company, and Mr. Fan Ren Da, Anthony; Mr. Gao Pei Ji and Mr. Look Andrew are independent non-executive directors of the Company.