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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer 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  
RENEWAL OF THE FINANCIAL SERVICES AGREEMENTS  
AND  
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



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A notice convening the SGM of CITIC Resources Holdings Limited to be held at Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 16 June 2023 at 2:45 p.m. (or such time immediately following the conclusion (or adjournment) of the annual general meeting of the Company to be held on the same day and at the same place, whichever is later) is set out on pages 89 to 91 of 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

Hong Kong, 1 June 2023

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## DEFINITIONS

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*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 provision of deposit services by the Counterparties to the Group contemplated under the Financial Services Agreements and the proposed annual caps
“associates”	has the meaning ascribed to it under 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
“CBIRC”	China Banking and Insurance Regulatory Commission
“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 framework agreement dated 8 May 2023 entered into between the Company and CITIC Bank International
“CITIC Bank PRC”	the Beijing branch of CNCB (中信銀行股份有限公司北京分行)
“CITIC Bank PRC Financial Services Agreement”	the financial services framework agreement dated 8 May 2023 entered into between the Company and CITIC Bank PRC
“CITIC Finance International”	CITIC Finance International Limited (中信財務(國際)有限公司), a wholly-owned subsidiary of CITIC Limited, and therefore a connected person of the company
“CITIC Finance International Financial Services Agreement”	the financial services framework agreement dated 8 May 2023 entered into between the Company and CITIC Finance International

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## DEFINITIONS

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“CITIC Finance PRC”	CITIC Finance Company Limited (中信財務有限公司), a subsidiary of CITIC Limited, and therefore a connected person of the Company
“CITIC Finance PRC Financial Services Agreement”	the financial services framework agreement dated 8 May 2023 entered into between the Company and CITIC Finance PRC
“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
“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, which is an indirect non-wholly owned subsidiary of CITIC Group and a connected person of the Company
“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
“Counterparties”	CITIC Bank International, CITIC Finance International, CITIC Bank PRC and CITIC Finance PRC, each a “Counterparty”
“Directors”	the directors of the Company

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## DEFINITIONS

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“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 provision of deposit services by the Counterparties to the Group contemplated thereunder and the proposed annual caps
“Existing CITIC Bank International Financial Services Agreement”	the existing financial services framework agreement dated 16 August 2021 entered into between the Company and CITIC Bank International, the details of which are set out in the announcement of the Company dated 16 August 2021 and circular of the Company dated 9 September 2021
“Existing CITIC Bank PRC Financial Services Agreement”	the existing financial services framework agreement dated 22 October 2021 entered into between the Company and CITIC Bank PRC, the details of which are set out in the announcement of the Company dated 22 October 2021
“Existing CITIC Finance International Financial Services Agreement”	the existing financial services framework agreement dated 16 August 2021 entered into between the Company and CITIC Finance International, the details of which are set out in the announcement of the Company dated 16 August 2021 and circular of the Company dated 9 September 2021
“Existing CITIC Finance PRC Financial Services Agreement”	the existing financial services framework agreement dated 22 October 2021 entered into between the Company and CITIC Finance PRC, the details of which are set out in the announcement of the Company dated 22 October 2021
“Existing Financial Services Agreements”	collectively, (i) the Existing PRC Financial Services Agreements; and (ii) the Existing International Financial Services Agreements
“Existing International Financial Services Agreements”	collectively, (i) the Existing CITIC Bank International Financial Services Agreement; and (ii) the Existing CITIC Finance International Financial Services Agreement
“Existing PRC Financial Services Agreements”	collectively, (i) the Existing CITIC Bank PRC Financial Services Agreement; and (ii) the Existing CITIC Finance PRC Financial Services Agreement
“Financial Services Agreements “	collectively, (i) the PRC Financial Services Agreement; and (ii) the International Financial Services Agreement

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## DEFINITIONS

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“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
“International Financial Services Agreements”	collectively, (i) the CITIC Bank International Financial Services Agreement; and (ii) the CITIC Finance International Financial Services Agreement
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Latest Practicable Date”	25 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PBOC”	People’s Bank of China (中國人民銀行)
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“PRC” or “China”	People’s Republic of China, which, for the purpose of this circular only, excludes Taiwan, the Hong Kong Special Administrative Region of the People’s Republic of China and Macau Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“PRC Financial Services Agreements”	collectively, (i) the CITIC Bank PRC Financial Services Agreement; and (ii) the CITIC Finance PRC Financial Services Agreement
“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 provision of deposit services by the Counterparties to the Group 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

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LETTER FROM THE BOARD

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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)

*Executive Director:*

Mr. HAO Weibao (*Chairman and  
Chief Executive Officer*)

*Non-executive Director:*

Mr. CHAN Kin

*Independent Non-executive Directors:*

Dr. FAN Ren Da, Anthony

Mr. LOOK Andrew

Mr. GAO Pei Ji

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal*

*Place of Business:*

Suites 6701-02 & 08B, 67/F  
International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

1 June 2023

*To the Shareholders*

Dear Sir/Madam,

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

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 8 May 2023 in respect of the major transactions and continuing connected transactions relating to the renewal of the Financial Services Agreements.



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## LETTER FROM THE BOARD

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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; (b) set out in the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (c) set out 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 (d) give you notice of the SGM.

### 2. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

#### FINANCIAL SERVICES AGREEMENTS

##### I) CITIC Bank International Financial Services Agreement

On 8 May 2023, 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***

8 May 2023

***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.

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## LETTER FROM THE BOARD

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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.

### ***Existing CITIC Bank International Financial Services Agreement***

The Existing CITIC Bank International Financial Services Agreement shall terminate on the Effective Date and be replaced in its entirety with the CITIC Bank International Financial Services Agreement.

### ***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 to the relevant Service Recipient by the major domestic commercial banks in Hong Kong, which are independent third parties to the Company.

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## LETTER FROM THE BOARD

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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.

### *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.

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## LETTER FROM THE BOARD

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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.

### *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.

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## LETTER FROM THE BOARD

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### ***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 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 8 May 2023, 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***

8 May 2023

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## LETTER FROM THE BOARD

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### ***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 Finance 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.

### ***Existing CITIC Finance International Financial Services Agreement***

The Existing CITIC Finance International Financial Services Agreement shall terminate on the Effective Date and be replaced in its entirety with the CITIC Finance International Financial Services Agreement.

### ***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.

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## LETTER FROM THE BOARD

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### *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 to the relevant Service Recipient by the local major domestic commercial banks in the principal place of business of such Service Recipient, which are independent third parties to the Company. 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.

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.

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## LETTER FROM THE BOARD

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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 to the relevant Service Recipient by the local major domestic commercial banks in the principal place of business of such 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 to the relevant Service Recipient by the local major domestic commercial banks in the principal place of business of such 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 to the relevant Service Recipient by the local major domestic commercial banks in the principal place of business of such 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.



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## LETTER FROM THE BOARD

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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 local major domestic commercial banks in the principal place of business of the relevant Service Recipient. The final interest rate for the credit line shall be confirmed by the loan agreement(s) to be concluded between both parties in writing.

### *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 to the relevant Service Recipient by the local major domestic commercial banks in the principal place of business of such 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.

### **III) CITIC Bank PRC Financial Services Agreement**

On 8 May 2023, the Company entered into the CITIC Bank PRC Financial Services Agreement with CITIC Bank PRC, pursuant to which CITIC Bank PRC 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, within the PRC.

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## LETTER FROM THE BOARD

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

***Date***

8 May 2023

***Parties***

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

***Duration and Effective Date***

Upon its execution by the legal representatives or authorised representatives of the Company and CITIC Bank PRC, the CITIC Bank PRC Financial Services Agreement shall become effective on the Effective Date. The CITIC Bank PRC Financial Services Agreement shall remain in force for a term of three years from the Effective Date, being the date on which the Board and the Shareholders grant their approval for the CITIC Bank PRC Financial Services Agreement (whichever is later).

***Existing CITIC Bank PRC Financial Services Agreement***

The Existing CITIC Bank PRC Financial Services Agreement shall terminate on the Effective Date and be replaced in its entirety with the CITIC Bank PRC Financial Services Agreement.

***Principal terms***

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

Pursuant to the CITIC Bank PRC Financial Services Agreement, the cooperation between the Service Recipients and CITIC Bank PRC shall be on a non-exclusive basis. The Service Recipients are entitled to decide whether they would accept the services provided by CITIC Bank PRC, and whether they would continue to maintain the relationship of financial services with CITIC Bank PRC upon expiry of the CITIC Bank PRC Financial Services Agreement, based on market rates and after taking into consideration other conditions.

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## LETTER FROM THE BOARD

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The CITIC Bank PRC Financial Services Agreement is a framework agreement only and the Service Recipients will separately negotiate and enter into specific agreements with CITIC Bank PRC in respect of each type of service referred to in the CITIC Bank PRC Financial Services Agreement.

### *Deposit services*

Pursuant to the terms and conditions of the CITIC Bank PRC Financial Services Agreement, the Service Recipients may deposit funds at CITIC Bank PRC in accordance with the principle of free deposit and withdrawal. The forms of deposits include demand deposits, call deposits, fixed deposits and negotiated deposits.

The interest rates on RMB deposits placed by any Service Recipient at CITIC Bank PRC are floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the PBOC. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the reference interest rate as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided to the relevant Service Recipient by other financial institutions in the PRC, which are independent third parties to the Company. The final interest rate shall be confirmed by both parties in writing or by way of emails between authorised email addresses.

CITIC Bank PRC shall safeguard the safety of the Service Recipients' deposits. Subject to the terms of the definitive business agreements for such deposits, CITIC Bank PRC shall pay the funds in full and on a timely basis as and when the relevant Service Recipient makes any request for funds.

### *Credit services*

CITIC Bank PRC shall provide any Service Recipient with comprehensive credit services in accordance with the relevant Service Recipient's operation and development needs and subject to compliance with the relevant requirements of the PBOC and CBIRC and the internal risk management system and approval procedures of CITIC Bank PRC. The relevant Service Recipient may use the comprehensive credit services provided by CITIC Bank PRC to proceed with various financial services, including but not limited to, loans, trade financing, bill discounting, bill acceptance, guarantee, letter of credit, letter of guarantee, sale and settlement of spot foreign exchange, financial leasing and other forms of financing business.

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## LETTER FROM THE BOARD

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The interest rate of the RMB loans and trade financing provided by CITIC Bank PRC for any Service Recipient shall be determined by the parties with reference to the loan prime rate (LPR) published by the National Interbank Funding Center with the authority of the PBOC. The actual interest rate shall in principle be not higher than the interest rate of same-grade loans of the same term offered by the other financial institutions in the PRC to the relevant Service Recipient.

The interest rate of the foreign currency loans and trade financing provided by CITIC Bank PRC for any Service Recipient shall be determined with reference to the international interbank lending rate. The actual interest rate shall be agreed by both parties and in principle shall be not higher than the interest rate of same-grade loans of the same term and in the same currency offered by the other financial institutions in the PRC to the relevant Service Recipient. The final interest rate shall be confirmed in writing by both parties by way of loan agreement.

The comprehensive credit services to be provided by CITIC Bank PRC under the CITIC Bank PRC Financial Services Agreement shall not be secured by the assets of the Company and/or its subsidiaries.

### *Settlement services*

As and when any Service Recipient has applied to open a settlement account at CITIC Bank PRC, CITIC Bank PRC shall process the relevant procedures on a timely basis and open a settlement account for the relevant Service Recipient.

CITIC Bank PRC 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 PRC 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 other financial institutions in the PRC to the relevant Service Recipient. CITIC Bank PRC shall endeavour to offer favourable terms for settlement fee to the Services Recipients. If CITIC Bank PRC is unable to offer favourable terms for settlement fee, the Service Recipients may engage other financial institutions to provide the relevant financial services.

CITIC Bank PRC shall ensure the safe operations of the network for funds settlement, safeguarding the security of funds and controlling the risks of assets and liabilities in order to fulfil the payment needs of the Service Recipients.

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## LETTER FROM THE BOARD

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### *Other financial services*

CITIC Bank PRC shall provide any Service Recipient with collection and payment services (including cash management services), manage the bank accounts required by the Service Recipients for their daily operations, and revert to the Service Recipients with business statistics within an appropriate timeframe.

CITIC Bank PRC shall provide any Service Recipient with other financial services within its scope of business in accordance with its instructions and requirements. Both parties shall negotiate and enter into definitive agreements before CITIC Bank PRC provides other financial services to any Service Recipient.

The relevant service fees charged by CITIC Bank PRC for the provision of other financial services shall comply with the relevant requirements (if any) in the charging standards of CBIRC for the same type of financial services, and such fee standards shall not be higher than the similar business fee standards offered by other financial institutions in the PRC.

#### **IV) CITIC Finance PRC Financial Services Agreement**

On 8 May 2023, the Company entered into the CITIC Finance PRC Financial Services Agreement with CITIC Finance PRC, pursuant to which CITIC Finance PRC 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, within the PRC.

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

#### ***Date***

8 May 2023

#### ***Parties***

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

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## LETTER FROM THE BOARD

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### ***Duration and Effective Date***

Upon its execution by the legal representatives or authorised representatives of the Company and CITIC Finance PRC, the CITIC Finance PRC Financial Services Agreement shall become effective on the Effective Date. The CITIC Finance PRC Financial Services Agreement shall remain in force for a term of three years from the Effective Date, being the date on which the Board and the Shareholders grant their approval for the CITIC Finance PRC Financial Services Agreement (whichever is later).

### ***Existing CITIC Finance PRC Financial Services Agreement***

The Existing CITIC Finance PRC Financial Services Agreement shall terminate on the Effective Date and be replaced in its entirety with the CITIC Finance PRC Financial Services Agreement.

### ***Principal terms***

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

Pursuant to the CITIC Finance PRC Financial Services Agreement, the cooperation between the Service Recipients and CITIC Finance PRC shall be on a non-exclusive basis. The Service Recipients are entitled to decide whether they would accept the services provided by CITIC Finance PRC, and whether they would continue to maintain the relationship of financial services with CITIC Finance PRC upon expiry of the CITIC Finance PRC Financial Services Agreement, based on market rates and after taking into consideration other conditions.

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

### ***Deposit services***

Pursuant to the terms and conditions of the CITIC Finance PRC Financial Services Agreement, the Service Recipients may deposit funds at CITIC Finance PRC in accordance with the principle of free deposit and withdrawal. The forms of deposits include demand deposits, call deposits, fixed deposits and negotiated deposits.

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## LETTER FROM THE BOARD

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The interest rates on RMB deposits placed by any Service Recipient at CITIC Finance PRC are floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the PBOC. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the other pricing basis recognised internationally or domestically as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided to the relevant Service Recipient by other financial institutions in the PRC, which are independent third parties to the Company. The final interest rate shall be confirmed by both parties in writing or by way of emails between authorised email addresses.

CITIC Finance PRC shall safeguard the security of the Service Recipients' deposits. CITIC Finance PRC shall pay the funds in full and on a timely basis as and when the relevant Service Recipient makes any request for funds.

### *Credit services*

CITIC Finance PRC shall provide any Service Recipient with comprehensive credit services in accordance with the relevant Service Recipient's operation and development needs and subject to compliance with the applicable laws and regulations. The relevant Service Recipient may use the comprehensive credit services provided by CITIC Finance PRC to proceed with various financial services, including but not limited to, loans, trade financing, bill discounting, bill acceptance, guarantee, letter of credit, letter of guarantee, sale and settlement of spot foreign exchange, financial leasing and other forms of financing business.

The interest rate of the RMB loans and trade financing provided by CITIC Finance PRC for any Service Recipient shall be determined by the parties with reference to the loan prime rate (LPR) published by the National Interbank Funding Center under the authority of the PBOC. The actual interest rate shall in principle be not higher than the interest rate of same-grade loans of the same term offered by the other financial institutions in the PRC to the relevant Service Recipient.

The interest rate of the foreign currency loans and trade financing provided by CITIC Finance PRC for any Service Recipient shall be determined with reference to the international interbank lending rate. The actual interest rate shall be agreed by both parties and in principle shall be not higher than the interest rate of same-grade loans of the same term and in the same currency offered by the other financial institutions in the PRC to the relevant Service Recipient. The final interest rate shall be confirmed in writing by both parties by way of loan agreement.

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## LETTER FROM THE BOARD

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The comprehensive credit services to be provided by CITIC Finance PRC under the CITIC Finance PRC Financial Services Agreement shall not be secured by the assets of the Company and/or its subsidiaries.

### *Settlement services*

As and when any Service Recipient has applied to open a settlement account at CITIC Finance PRC, CITIC Finance PRC shall process the relevant procedures on a timely basis and open a settlement account for the relevant Service Recipient.

CITIC Finance PRC 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 PRC 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 other financial institutions in the PRC to the relevant Service Recipient. CITIC Finance PRC shall offer favourable terms for settlement fee to the Services Recipients.

CITIC Finance PRC shall ensure the safe operations of the network for funds settlement, safeguarding the security of funds and controlling the risks of assets and liabilities in order to fulfil the payment needs of the Service Recipients.

### *Other financial services*

CITIC Finance PRC shall provide any Service Recipient with collection and payment services (including cash management services), manage the bank accounts required by the Service Recipients for their daily operations, and revert to the Service Recipients with business statistics within an appropriate timeframe.

CITIC Finance PRC shall provide any Service Recipient with other financial services within its scope of business (including but not limited to financial and financing advisory, credit verification and related consulting and agency services, and entrustment loans) in accordance with its instructions and requirements. Both parties shall negotiate and enter into definitive agreements before CITIC Finance PRC provides other financial services to any Service Recipient.

The relevant service fees charged by CITIC Finance PRC for the provision of other financial services shall comply with the relevant requirements (if any) in the charging standards of CBIRC for the same type of financial services, and such fee standards shall not be higher than the similar business fee standards offered by other financial institutions in the PRC.



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## LETTER FROM THE BOARD

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### HISTORICAL TRANSACTION AMOUNTS AND ORIGINAL ANNUAL CAPS

#### 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 (i) CITIC Bank International and CITIC Finance International (including the interests accrued thereon) and (ii) CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon) for each of the three years ended 31 December 2022 and the period from 1 January to 24 May 2023:

	For the year ended 31 December			For the period from 1 January to 24 May
	2020	2021	2022	2023
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\$93.00 million <i>(Note 1&amp;2)</i>	HK\$559.90 million <i>(Note 1&amp;3)</i>	HK\$1,180.9 million <i>(Note 1)</i>	HK\$1,187.2 million <i>(Note 1)</i>
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon)	HK\$5.61 million <u><i>(Note 1&amp;4)</i></u>	HK\$3.50 million <u><i>(Note 1&amp;5)</i></u>	HK\$10.00 million <u><i>(Note 1)</i></u>	HK\$7.2 million <u><i>(Note 1)</i></u>
Total:	HK\$98.61 million <u><u><i>(Note 1)</i></u></u>	HK\$563.40 million <u><u><i>(Note 1)</i></u></u>	HK\$1,190.9 million <u><u><i>(Note 1)</i></u></u>	HK\$1,194.4 million <u><u><i>(Note 1)</i></u></u>

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## LETTER FROM THE BOARD

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*Note 1:* The cash deposits of the Group were denominated in multiple currencies (i.e. HKD, RMB, USD, Australian dollars, Kazakhstani Tenge, Euro and Indonesian Rupiahs) and the equivalent amount in HKD is calculated based on the prevailing exchange rate at the relevant time for illustrative purpose only.

*Note 2:* For the aggregate amount of maximum daily balance of deposits placed and maintained by the Group with CITIC Bank International and CITIC Finance International (including interests accrued thereon) and further details thereof for the year ended 31 December 2020, please refer to the announcement of the Company dated 5 May 2021.

*Note 3:* As the highest of the Percentage Ratio in respect of the deposit services provided by CITIC Bank International and CITIC Finance International to the Group for the period from 1 January 2021 to 29 September 2021 (i.e. prior to the effective date of the Existing International Financial Services Agreements) was below the de minimis threshold under Rule 14A.76 of the Listing Rules, the transactions contemplated thereunder were fully exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

*Note 4:* For the aggregate amount of maximum daily balance of deposits placed and maintained by the Group with CITIC Bank PRC and CITIC Finance PRC (including interests accrued thereon) and further details thereof for the year ended 31 December 2020, please refer to the announcements of the Company dated 5 May 2021 and 22 October 2021.

*Note 5:* As the highest of the Percentage Ratio in respect of the deposit services provided by CITIC Bank PRC and CITIC Finance PRC to the Group for period from 1 January 2021 to 21 October 2021 (i.e. prior to the effective date of the Existing PRC Financial Services Agreements) was below the de minimis threshold under Rule 14A.76 of the Listing Rules, the transactions contemplated thereunder were fully exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The table below sets forth the original annual caps in respect of the aggregate amount of daily maximum balance of deposits placed and maintained by the Group with (i) CITIC Bank International and CITIC Finance International (including the interests accrued thereon) and (ii) CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon) for each of the four years ending 31 December 2023:

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
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)	N/A	Equivalent to HK\$1,200 million (Note 6)	Equivalent to HK\$1,200 million	Equivalent to HK\$1,200 million
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon)	<u>N/A</u>	<u>Equivalent to HK\$105 million (Note 7)</u>	<u>Equivalent to HK\$105 million</u>	<u>Equivalent to HK\$105 million</u>
<b>Total:</b>	<u><u>N/A</u></u>	<u><u>Equivalent to HK\$1,305 million</u></u>	<u><u>Equivalent to HK\$1,305 million</u></u>	<u><u>Equivalent to HK\$1,305 million</u></u>

*Note 6:* The relevant original annual cap is for the period from the effective date of the Existing International Financial Services Agreements, i.e. 30 September 2021 to 31 December 2021.

*Note 7:* The relevant original annual cap is for the period from the effective date of the Existing PRC Financial Services Agreements, i.e. 22 October 2021 to 31 December 2021.

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## LETTER FROM THE BOARD

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### **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 and 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 2022 were HK\$54,661, HK\$350 and HK\$940, respectively.

The historical figures for the aggregate amount of service fees paid by the Group to CITIC Bank PRC and CITIC Finance PRC for the provision of settlement services and other financial services, in aggregate, for the three years ended 31 December 2022 were approximately HK\$728, HK\$268 and HK\$653, respectively.

### **Credit services**

The Group did not have any outstanding loan amount (including interests accrued thereon) from CITIC Finance International or CITIC Bank International for the year ended 31 December 2020.

Subsequent to the year ended 31 December 2020, in March 2021, the Company and CITIC Finance International entered into an unsecured 3-year term loan facility agreement in a total facility amount of US\$150 million. This loan was fully prepaid on 29 December 2022.

In June 2021, the Company and CITIC Bank International entered into an unsecured 3-year committed credit facility agreement in a total facility amount of US\$200 million. As at 31 December 2022, the outstanding balance of this loan was US\$170 million.

In December 2022, the Company and CITIC Finance International entered into an unsecured 3-year revolving loan facility in a total facility amount of US\$150 million. As at 31 December 2022, the outstanding balance of this loan was US\$150 million.

For the year ended 31 December 2021 and 2022, the maximum outstanding loan amount (including interests accrued thereon) provided by CITIC Finance International and CITIC Bank International to the Group, in aggregate, were US\$350 million and US\$320 million, respectively.

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## LETTER FROM THE BOARD

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As these loan transactions entered into between CITIC Finance International or CITIC Bank International and the Group were on normal commercial terms or better, and without granting any security over the Group's assets in respect of the 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.

The Group did not have any outstanding loan amount (including interests accrued thereon) from CITIC Bank PRC or CITIC Finance PRC for the three years ended 31 December 2022.

The Group did not conduct any bill acceptance, bill discounting, guarantee, financial leasing and other forms of credit services with any of the Counterparties for the three years ended 31 December 2022.

### **ANNUAL CAPS**

#### **Deposit services**

The table below set forth the (i) original annual caps in respect of the aggregate amount of daily maximum balance of deposits to be placed and maintained by the Group with (a) CITIC Bank International and CITIC Finance International under the Existing International Financial Services Agreements (including the interests accrued thereon) and (b) CITIC Bank PRC and CITIC Finance PRC under the Existing PRC Financial Services Agreements (including the interests accrued thereon); and (ii) 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 Counterparties under the Financial Services Agreements.

As the nature of services to be provided by the Counterparties 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 Counterparties (including the interests accrued thereon) for the term of the Financial Services Agreements have been aggregated.

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## LETTER FROM THE BOARD

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### Original annual caps under the Existing Financial Services Agreements

	For the year ending 31 December 2023	For the nine months ending 30 September 2024
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\$1,200 million <i>(Note 8)</i>	HK\$1,200 million <i>(Note 8)</i>
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon)	Equivalent to HK\$105 million <u><i>(Note 8)</i></u>	Equivalent to HK\$105 million <u><i>(Note 8)</i></u>
<b>Total:</b>	HK\$1,305 <u>million</u>	HK\$1,305 <u>million</u>

### Proposed annual caps under the Financial Services Agreements

	From the Effective Date to 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the period from 1 January to 15 June 2026
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties (including the interests accrued thereon)	HK\$2,000 million <u><i>(Note 8)</i></u>	HK\$2,000 million <u><i>(Note 8)</i></u>	HK\$2,000 million <u><i>(Note 8)</i></u>	HK\$2,000 million <u><i>(Note 8)</i></u>

*Note 8:* The cash deposits of the Group to be placed with the Counterparties may be denominated in multiple currencies.

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## LETTER FROM THE BOARD

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In determining the above proposed annual caps of the deposit services, the Company has taken into account:

- (1) the expected aggregate cash and deposits balances of the Group for the term of the Financial Services Agreements, which is expected to remain at a level above the proposed annual caps, after taking into account (i) the actual amount of cash and deposits balances of the Group as at 31 December 2022 of approximately HK\$2,130.20 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 amounts of daily maximum balance of deposits placed and maintained by the Group with (i) CITIC Bank International and CITIC Finance International under the Existing International Financial Services Agreements and (ii) the Counterparties under the Existing Financial Services Agreements (including the interests accrued thereon) for the year ended 31 December 2022 were approximately HK\$1,180.9 million and HK\$1,190.9 million, representing approximately 98.4% and 91.3%, respectively, of the relevant original annual caps for the same year. The Company has strictly implemented the internal control measures as set out in the announcements of the Company dated 16 August 2021 and 22 October 2021 in respect of the Existing International Financial Services Agreements and the Existing PRC Financial Services Agreements, respectively, to monitor the aggregate amount of daily maximum deposits balance (including the interests accrued thereon) placed and maintained with the Counterparties in order to achieve the maximum utilization of the annual caps when the interest rates provided by the Counterparties are more favorable than those provided by other independent banks or financial institutions while at the same time ensuring the annual caps would not be exceeded. The idle funds of the Company, save for those placed and maintained by the Group with the Counterparties under the Existing Financial Services Agreements to the extent allowed under the annual cap(s), were placed and maintained by the Group with other independent commercial banks. The actual aggregate cash and deposits balances that were maintained by the Group with other independent commercial banks as at 31 December 2022 was approximately HK\$962 million, representing approximately 45% of the cash and deposits balances of the Group as at the same date. As such, taking into account the historical transaction amount under the Existing Financial Services Agreements for the year ended 31 December 2022 (i.e. HK\$1,190.9 million) and the amount of cash and deposits balances maintained by the Group with other independent commercial banks as at the same date (i.e. HK\$962 million), the Company considers that the proposed annual caps of HK\$2,000 million under the Financial Services Agreements are reasonable in light of its increasing cash and deposits balances and provide the flexibility to the Company to choose the most appropriate bank or financial institution to deposit the idle funds after comparing the terms they offer;

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## LETTER FROM THE BOARD

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- (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 the Counterparties on the basis that (i) the interest rates offered by the Counterparties to the Group are potentially more favourable than those offered by the other major commercial banks and/or financial institutions in the principal place of business of the relevant Service Recipient; and (ii) the deposit services from the Counterparties 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 the Counterparties will be substantially higher than the historical transaction amounts in the previous years; and
- (4) the strategies for treasury management of the Group, taking into account the business development plans and the financial needs of the Group, and 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 the Counterparties as compared with the other major commercial banks and/or financial institutions in the principal place of business of the relevant Service Recipient. As part of the strategies for treasury management of the Group, whether the Group will deposit any idle funds with the Counterparties or the independent banks and/or financial institutions depends on the comparison of the terms they offer, including interest rates and consideration of other factors as set out in the section headed "Internal Control Measures for the Financial Services Agreements" in this circular. By increasing the annual cap(s) in respect of the aggregate amount of daily maximum balance of deposits that can be placed and maintained by the Group with the Counterparties, this maximises its choices and combinations in respect of the amount of the idle funds that the Company may deposit with the Counterparties and/or independent banks or financial institutions. Accordingly, through the aforesaid internal control measures, the diversification of the Group's portfolio of its principal banks and/or financial institutions will be facilitated.

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.



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## LETTER FROM THE BOARD

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### **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 the Counterparties, 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 commercial banks or the other financial institutions in the principal place of business of the relevant Service Recipient. 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 the Counterparties to the Group under the respective Financial Services Agreements may exceed the de minimis threshold under Rule 14.76 of the Listing Rules.

### **Credit services**

The credit services under the International 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 International Financial Services Agreements are on normal commercial terms or better, and no security is expected to be granted by the Group over its assets in respect of such credit services, 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.

The credit services under the PRC Financial Services Agreements involve the provision of financial assistance by CITIC Bank PRC and CITIC Finance PRC to the Group. As the credit services to be provided under the PRC 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 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.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES FOR THE FINANCIAL SERVICES AGREEMENTS

The financial services (including the deposit services) to be provided by the Counterparties 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 the Counterparties 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 the Counterparties, the Planning and Finance Department of the Company will obtain two to three quotations from major domestic commercial banks in the principal place of business of the relevant Service Recipient who are independent third parties to determine the prevailing interest rate(s), service fee(s) and other terms being offered by those institutions in the ordinary course of business for comparable deposits or other financial services of similar nature during the same period. Such reference interest rate(s) or service fee(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 or other types of financial 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 or procure any other types of financial services from any banks or financial institutions. If the Company is aware that the deposit interest rate offered or service fee charged by any Counterparty is less favourable than that offered or charged by major domestic commercial banks in the principal place of business of the relevant Service Recipient for the deposit or other financial services of the same type and term, the Group will not maintain deposits or procure such financial services with the Counterparty, or it will negotiate with the Counterparty to re-determine the interest rate or the service fee.

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## LETTER FROM THE BOARD

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- (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 the Counterparties 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.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENTS

The Board has been closely monitoring the demands for deposit services of the Group and it noticed that, as of 30 April 2023, the maximum aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties (including the interests accrued thereon) has reached approximately HK\$1,188.63 million, representing approximately 91% of the aggregate original annual cap for the year ending 31 December 2023 under the Existing Financial Services Agreements. With the strengthening of the Group's operating results and assets position, including the increase in cash and cash equivalent, in 2022, its deposit amount is expected to increase and so will the deposit interest. For details of the Groups financial information, please refer to the annual results announcement and the annual report of the Company for the year ended 31 December 2022 published on 29 March 2023 and 28 April 2023, respectively. As such, the maximum aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties (including the interests accrued thereon) may exceed the previous estimations. The Board is however closely managing the aggregate amount of the daily maximum balance of deposits placed and maintained by the Group with the Counterparties under the Existing Financial Services Agreements (including the interests accrued thereon) so that it will not exceed the original annual cap for the year ending 31 December 2023 before and as at the date of the SGM. In addition, to streamline all agreements entered into between the Group and members of the CITIC Group in respect of the financial services, the Company and each of the Counterparties agreed to (i) terminate the Existing Financial Services Agreements; and (ii) enter into the Financial Services Agreements to replace the Existing Financial Services Agreements in its entirety and set new annual caps for the deposit services under the Financial Services Agreements.

The transactions contemplated under the Financial Services Agreements will enable the Company to strengthen its centralized fund management through adopting the unified internal control measures in selecting the appropriate banks and/or financial institutions based on the comparison between the terms they offer and other relevant considerations and thereby allow its subsidiaries to allocate funds more efficiently with the enhanced choices of banks and/or financial institutions available to the Group, including the Counterparties and the independent banks and/or financial institutions. The Company expects that it is beneficial to utilise the financial services from the Counterparties under the Financial Services Agreements for the following reasons:

- (1) each of CITIC Bank International and CITIC Bank PRC is regarded as a reputable, well-established, licensed, and legitimate financial institution in Hong Kong and PRC, respectively, that is no different than other third party banks and financial institutions;

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## LETTER FROM THE BOARD

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- (2) each of CITIC Finance International and CITIC Finance PRC is a member of the CITIC Group established in Hong Kong and PRC, respectively. CITIC Finance International principally engages in the provision of treasury management services to other member companies of the CITIC Group and CITIC Finance PRC principally engages in the business of accepting deposits, providing loans, and loan agency services, internal transfer and settlement and corresponding planning, finance services and financing consulting for member companies;
- (3) each of the Counterparties will be able to serve the business and financial needs of the Group;
- (4) the terms (including the interest rates and bank charges) offered by or available from the Counterparties 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 commercial banks and/or financial institutions in the principal place of business of the respective Service Recipient for similar services;
- (5) the interest rates offered by the Counterparties on cash deposits are competitive in the market and are expected to allow the Company to maximise interest return;
- (6) the service fees and charges levied by the Counterparties on financial services are competitive and cost-effective;
- (7) the counter-party risks, credit risks and concentration risks arising from cash depository and foreign exchange transactions with the Counterparties are relatively lower compared with other third party banks and financial institutions. CITIC Bank International and CITIC Bank PRC are both licensed banks. CITIC Finance PRC is regulated by CBIRC. CITIC Finance International, as a wholly-owned subsidiary of CITIC Limited, is managed by CITIC Limited with reference to the regulatory standards for the banking industry and financial institutions. Both CITIC Finance International and CITIC Finance PRC are backed up by their parent company by way of undertaking to provide liquidity support or increase capital contribution in the event of payment difficulties, thereby enhancing the safety of funds of the Group deposited with them. Further, the Planning and Finance Department of the Company will monitor the amount of daily outstanding balance of deposits placed by the Group with the Counterparties on a daily basis and the financial indicators, such as the capital adequacy ratio, provision coverage and liquidity ratio, of the Counterparties on a semi-annual basis. As the terms of the deposits maintained with the Counterparties are expected to be relatively short, ranging from several days to no more than 3 months, in the event that the Company discovers that any Counterparty fails to comply with any regulatory requirement or maintain the

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## LETTER FROM THE BOARD

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financial indicators at certain levels, which may have a material adverse impact on the Group's financial or operational positions, or otherwise delays in repayment of principal or interests when they become due, the Group will be able to take proper and appropriate measures in a timely manner to protect its deposits, including early withdrawal of deposits or discontinuation of further deposits placed with the relevant Counterparty. The Financial Services Agreements provide the Group the flexibility to choose from the Counterparties or the independent banks and/or financial institutions based on the comparison between the terms they offer and other relevant considerations as set out in the section headed "Internal Control Measures for the Financial Services Agreements" in this circular and the counter-party risk, credit risk and concentration risk will be assessed by the Company in such selection process; and

- (8) 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 contemplated under the Financial Services Agreements 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. Hao Weibao, being an executive Director and the chairman of the Board, is also a vice chairman and general manager of CITIC Metal Group Limited (中信金屬集團有限公司), a subsidiary of CITIC Group 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.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

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 the Shares in issue. CITIC Group is the controlling shareholder of the Company. Each of the Counterparties, being a subsidiary of CITIC Group, is a connected person 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 and CITIC Finance PRC to the Group also constitutes the provision of financial assistance by the Group to CITIC Finance International and CITIC Finance PRC under Rule 14.04(1)(e) of the Listing Rules.

Because CITIC Group is the controlling shareholder of the Company, therefore Keentech, CA and Fortune Class 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 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 each of the Counterparties, 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 (ii) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As all the applicable Percentage Ratios in respect of the service fees expected to be payable to the Counterparties, 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; 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.

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## LETTER FROM THE BOARD

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The credit services under the Financial Services Agreements involve the provision of financial assistance by the Counterparties 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 or is expected to be granted by the Group over its assets in respect of such credit services, 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.

### 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), and the sale of aluminium ingots in Australia. The crude oil segment is engaged in the operation of oilfields and the sale of crude oil in Kazakhstan, Indonesia and the PRC. The import and export of commodities segment is engaged in the import of other commodity products and manufactured goods. 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 an indirect non-wholly owned subsidiary of CNCB 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 a wholly-owned subsidiary of CNCB.

#### **CITIC Finance International**

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

#### **CITIC Bank PRC**

CITIC Bank PRC is the Beijing branch of CNCB and its principal businesses include the provision of banking services in the PRC.

#### **CITIC Finance PRC**

CITIC Finance PRC is a non-bank financial institution established in the PRC with the approval of the CBIRC. CITIC Finance PRC is a subsidiary of CITIC Limited, and its principal businesses include accepting deposits, providing loans, and loan agency services, internal transfer and settlement and corresponding planning, finance services and financing consulting for member companies.



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## LETTER FROM THE BOARD

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### 3. SGM AND VOTING BY POLL

A notice convening the SGM at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the respective Financial Services Agreements, the provision of deposit services contemplated thereunder and the proposed annual caps is set out on pages 89 to 91 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, save as disclosed in the section 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 resolutions 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 41 to 42 of this circular which contains its recommendation to the Independent Shareholders; and
- (b) the letter from the Independent Financial Adviser set out on pages 43 to 71 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having considered the terms of the provision of deposit services by the Counterparties to the Group contemplated under the Financial Services Agreements, and taken into account the advice of the Independent Financial Adviser, considers that the provision of deposit services by the Counterparties to the Group contemplated 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, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions approving the Financial Services Agreements, the provision of deposit services by the Counterparties to the Group contemplated thereunder 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, the provision of deposit services by the Counterparties to the Group contemplated thereunder and the proposed annual caps at the SGM.

### 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**  
**Hao Weibao**  
*Chairman*



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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1205)

1 June 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTIONS AND  
CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF THE FINANCIAL SERVICES AGREEMENTS**

We refer to the circular of the Company dated 1 June 2023 (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 the provision of deposit services by the Counterparties to the Group contemplated 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 43 to 71 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 6 to 40 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.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the provision of deposit services by the Counterparties to the Group contemplated 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 provision of deposit services by the Counterparties to the Group contemplated 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 are set out in the notice convening the SGM, to approve the Financial Services Agreements, the provision of deposit services by the Counterparties to the Group contemplated thereunder and the proposed annual caps.

Yours faithfully,

For and on behalf of

*the Independent Board Committee*

**Dr. FAN Ren Da, Anthony**

**Mr. GAO Pei Ji**

**Mr. LOOK Andrew**

*Independent Non-executive Directors*

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## LETTER FROM ASIAN CAPITAL

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*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*

1 June 2023

Dear Sirs,

### **MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF 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 new annual caps for the deposit services under the Financial Services Agreements (the “**Proposed Deposit Services Annual Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 1 June 2023 (the “**Circular**”), of which this letter forms part. Capitalized terms used herein shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

On 8 May 2023, the Company entered into (i) the International Financial Services Agreements with each of CITIC Bank International and CITIC Finance International; and (ii) the PRC Financial Services Agreements with each of CITIC Bank PRC and CITIC Finance PRC, pursuant to which each of the Counterparties 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, for a term of three years commencing from the Effective Date.

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## LETTER FROM ASIAN CAPITAL

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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 the Shares in issue. As CITIC Group is the controlling shareholder of the Company, each of the Counterparties, being a subsidiary of CITIC Group, is a connected person of the Company. As such, the transactions contemplated under the Financial Services Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Furthermore, the provision of deposit services by CITIC Finance International and CITIC Finance PRC to the Group also constitutes the provision of financial assistance by the Group to CITIC Finance International and CITIC Finance PRC under Rule 14.04(1)(e) of the Listing Rules.

As the highest applicable Percentage Ratio based on the aggregate amounts of the maximum daily balance of deposits (including the interests accrued thereon) to be placed and maintained by the Group with each of the Counterparties under the Financial Services Agreements is 25% or more, the deposit services under the 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 (ii) major transactions subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. 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 Deposit Services Annual Caps) 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 Deposit Services Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the 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.

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## LETTER FROM ASIAN CAPITAL

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### OUR INDEPENDENCE

In the last two years and up to the Latest Practicable Date, we only acted as the independent financial adviser to the independent board committee and the independent shareholders of (i) the Company regarding the Existing International Financial Services Agreements and the annual caps for the deposit services contemplated thereunder as mentioned in the circular of the Company dated 9 September 2021; and (ii) CITIC Telecom International Holdings Limited (“**CITIC Telecom**”), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1883) and as at 31 December 2022, owned as to approximately 57.73% by CITIC Limited, in respect of its discloseable and continuing connected transactions as mentioned in the circular of CITIC Telecom dated 9 December 2022 (collectively the “**Past Appointments**”). Our present appointment is independent of the Past Appointments. Apart from the normal professional fees for our services to the Company and CITIC Telecom in connection with the engagements described above as well as this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees and benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence.

As at the Latest Practicable Date, there were no relationships or interests between us and the Company, the Counterparties, 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 and the Proposed Deposit Services Annual Caps.

### 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 Existing Financial Services Agreements; (ii) the Financial Services Agreements; (iii) the announcement of the Company dated 8 May 2023 in relation to the Transactions; (iv) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (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.

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## LETTER FROM ASIAN CAPITAL

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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, 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 that 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.

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 the Proposed Deposit Services Annual Caps, 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.



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## LETTER FROM ASIAN CAPITAL

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### 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) and the sale of aluminium ingots in Australia. The crude oil segment involves the operation of oilfields and is engaged in the sale of crude oil in Kazakhstan, Indonesia and the PRC. The import and export of commodities segment is engaged in the import of other commodity products and manufactured goods. The coal segment is engaged in the operation of coal mines and the sale of coal in Australia.

##### *Financial performance of the Group*

Set out below is the summary of the financial information of the Group for the three years ended 31 December 2020, 2021 and 2022 as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report:

	For the year ended 31 December		
	2020	2021	2022
	HK\$ million	HK\$ million	HK\$ million
	(audited)	(audited)	(audited)
Revenue	2,850.1	4,349.4	5,866.2
Segment Revenue			
Aluminium smelting	836.4	1,257.1	1,356.3
Crude oil	807.5	1,348.2	1,854.2
Import and export of commodities	805.8	1,003.4	1,287.0
Coal	400.4	740.7	1,368.7
Other income, gains and losses, net	402.7	188.5	175.0
Interest income	16.4	18.6	42.5
(Loss)/profit before taxation	(261.8)	1,336.3	1,875.3
(Loss)/profit for the year	(360.5)	1,114.1	1,400.1

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**LETTER FROM ASIAN CAPITAL**

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	As at 31 December		
	2020	2021	2022
	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)
Total assets	12,275.3	12,703.7	12,439.6
Time deposit	65.5	88.8	103.0
Cash and deposits	2,314.3	1,925.6	2,130.2
Pledged deposits	41.7	–	–
Trade receivables	412.7	704.9	297.4
Total liabilities	6,508.0	5,780.4	4,673.9
Net asset	5,767.3	6,923.3	7,765.7

With reference to the 2021 Annual Report, the revenue of the Group increased from approximately HK\$2,850.1 million for the year ended 31 December 2020 (“FY2020”) to approximately HK\$4,349.4 million for the year ended 31 December 2021 (“FY2021”), representing an increase of approximately 52.6%. Such increase was mainly due to the combined effects of (i) the recovery of the global economy and commodity markets for the demand of crude oil; and (ii) an increase of up to approximately 69.6% and approximately 64.1% in the average crude Dated Brent and Platts Dubai crude oil prices in comparing with FY2020. The Group recorded a turnaround from a loss of approximately HK\$360.5 million for FY2020 to a net profit of approximately HK\$1,114.1 million for FY2021. Such an increase was mainly due to a significant improvement in operating results of the oil business of the Group, including a substantial share of profit of HK\$306.3 million from the Group investment in Karazhanbas oilfield when comparing with a record of share of loss of HK\$279.9 million of last year. The improvement in operating results, from the oil business of the Group as a whole was mainly attributable to an increase in average realised crude oil price and stringent ongoing costs control during the year. The Group’s cash and deposits decreased from approximately HK\$2,314.3 million as at 31 December 2020 to approximately HK\$1,925.6 million as at 31 December 2021, representing a decrease of approximately 16.8%.

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## LETTER FROM ASIAN CAPITAL

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As disclosed in the 2022 Annual Report, the Group recorded a revenue and profit for the year of approximately HK\$5,866.2 million and HK\$1,400.1 million for the year ended 31 December 2022 (“FY2022”), respectively, representing a year-on-year increase of approximately 34.9% and 20.4%, respectively. Such increase was mainly due to the combined effect of improvements in operating results (i) of the oil and gas business of the Group, including a substantial share of profit of approximately HK\$320.1 million from the Group’s investment in Karahanbas oil field and a profit attributable to ordinary shareholders of the Company with approximately HK\$593.5 million (FY2021: HK\$424.8 million) from the Group’s investment in HainanYuedong Block, China; and (ii) of the Group’s coal segment in FY2022, mainly due to an increase in the average selling price of coal as compared to FY2021, as well as the recording of a significant fair value gain of approximately HK\$96.1 million on derivative financial instruments of electricity hedging agreements in Australia. The Group’s cash and deposits further increased from approximately HK\$1,925.6 million as at 31 December 2021 to approximately HK\$2,130.2 million as at 31 December 2022, representing an increase of approximately 10.6%. Looking forward, the Group aims to maintain its cash and deposits and undrawn banking facilities at a reasonable level of approximately HK\$1,815.1 million to meet its debt repayment and capital expenditures in the year ending 31 December 2023.

### ***Information of CITIC Bank International***

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

### ***Information of CITIC Finance International***

CITIC Finance International is a wholly-owned subsidiary of CITIC Limited incorporated 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.

### ***Information of CITIC Bank PRC***

CITIC Bank PRC is the Beijing Branch of CNCB. CNCB is a national commercial bank and a joint stock limited company incorporated in PRC regulated by CBIRC, 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, which in turn is an indirect non-wholly owned subsidiary of CITIC Group.

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## LETTER FROM ASIAN CAPITAL

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### *Information of CITIC Finance PRC*

CITIC Finance PRC is a subsidiary of CITIC Limited which principally engages in the business of accepting deposits, providing loans and loan agency services, internal transfer and settlement and corresponding planning, finance services and financing consulting to member companies of the CITIC Group.

CITIC Finance PRC, as a non-banking financial institution providing financial services to the Group, shall comply with the regulations of applicable laws, provisions and requirements of CBIRC, which include the Administrative Measures for Enterprise Group Finance Companies (企業集團財務公司管理辦法)(the “**Administrative Measures**”). Based on the Administrative Measures, CITIC Finance PRC shall meet the following requirements:

- (a) The registered capital is no less than RMB100 million;
- (b) the capital adequacy ratio (資本充足率) is not less than 10%;
- (c) the balance of the inter-bank borrowing funds (拆入資金比例) shall not exceed the total capital;
- (d) the balance of guarantees (擔保比例) shall not exceed the total capital;
- (e) the ratio of investments to total capital (投資與資本總額的比例) shall not be more than 70%; and
- (f) the self-owned fixed assets to total capital ratio (自有固定資產比例) shall not be more than 20%.

To the best knowledge of the Company, CITIC Finance PRC is in compliance with the applicable requirements as set out in the Administrative Measures.

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## LETTER FROM ASIAN CAPITAL

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### 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:

#### *D) CITIC Bank International Financial Services Agreement*

##### *Date*

8 May 2023

##### *Parties*

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

##### *Principal terms*

The CITIC Bank International Financial Services Agreement is a non-exclusive framework agreement 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.

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 to the relevant Service Recipient by the major domestic commercial banks in Hong Kong, which are independent third parties to the Company.

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.

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## LETTER FROM ASIAN CAPITAL

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### *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.

## **II) *CITIC Finance International Financial Services Agreement***

### *Date*

8 May 2023

### *Parties*

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

### *Principal terms*

The CITIC Finance International Financial Services Agreement is a non-exclusive framework agreement 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.

The actual interest rate on deposits 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 to the relevant Service Recipient by the local major domestic commercial banks in the principal place of business of such Service Recipient, which are independent third parties to the Company. The final interest rate for conducting business shall be confirmed via email with the authorized email addresses of both parties.

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## LETTER FROM ASIAN CAPITAL

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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. According to the CITIC Finance International Financial Services Agreement, in the event of a liquidity crisis of CITIC Finance International, in the process of debt repayment, the Service Recipients' deposits shall take precedence over other general unsecured claims.

### *Duration and Effective Date*

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.

### **III) CITIC Bank PRC Financial Services Agreement**

#### *Date*

8 May 2023

#### *Parties*

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

#### *Principal terms*

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

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## LETTER FROM ASIAN CAPITAL

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The interest rates on RMB deposits provided by CITIC Bank PRC for any Service Recipient shall be floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the PBOC. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the reference interest rate as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided to the relevant Service Recipient by other financial institutions in the PRC, which are independent third parties to the Company. The final interest rate shall be confirmed by both parties in writing or by way of emails between authorized email addresses.

CITIC Bank PRC shall safeguard the safety of the Service Recipients' deposits. Subject to the terms of the definitive business agreements for such deposits, CITIC Bank PRC shall pay the funds in full and on a timely basis as and when the relevant Service Recipient makes any request for funds.

### *Duration and Effective Date*

Upon its execution by the legal representatives or authorized representatives of the Company and CITIC Bank PRC, the CITIC Bank PRC Financial Services Agreement shall become effective on the Effective Date. The CITIC Bank PRC Financial Services Agreement shall remain in force for a term of three years from the Effective Date, being the date on which the Board and the Independent Shareholders grant their approval for the CITIC Bank PRC Financial Services Agreement (whichever is later).

### **IV) CITIC Finance PRC Financial Services Agreement**

#### *Date*

8 May 2023

#### *Parties*

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



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## LETTER FROM ASIAN CAPITAL

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### *Principal terms*

The CITIC Finance PRC Financial Services Agreement is a non-exclusive framework agreement 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 interest rates on RMB deposits provided by CITIC Finance International for any Service Recipient are floating interest rates that will be determined with reference to the RMB benchmark deposit interest rates published by the PBOC. The interest rates of foreign currency deposits are floating interest rates that will be determined with reference to LIBOR (or the other pricing basis recognized internationally or domestically as agreed by both parties in writing). The actual interest rates shall be agreed by both parties and in principle shall be not lower than the interest rate applicable to the same-grade deposit of the same term provided to the relevant Service Recipient by other financial institutions in the PRC, which are independent third parties to the Company. The final interest rate shall be confirmed by both parties in writing or by way of emails between authorized email addresses.

CITIC Finance PRC shall safeguard the security of the Service Recipients' deposits. CITIC Finance PRC shall pay the funds in full and on a timely basis as and when the relevant Service Recipient makes any request for funds.

### *Duration and Effective Date*

Upon its execution by the legal representatives or authorized representatives of the Company and CITIC Finance PRC, the CITIC Finance PRC Financial Services Agreement shall become effective on the Effective Date. The CITIC Finance PRC Financial Services Agreement shall remain in force for a term of three years from the Effective Date, being the date on which the Board and the Shareholders grant their approval for the CITIC Finance PRC Financial Services Agreement (whichever is later).

### **3. Annual Caps**

The Transactions are subject to the Proposed Deposit Services Annual Caps, representing the aggregate daily maximum balance of deposits to be placed and maintained by the Group with the Counterparties (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.

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## LETTER FROM ASIAN CAPITAL

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As the nature of deposit services to be provided by the Counterparties under the Financial Services Agreements are similar, the proposed annual caps for such deposit services are aggregated. The original annual caps in respect of the deposit services under the Existing Financial Services Agreements and the Proposed Deposit Services Annual Caps are as follows:

### *Proposed Deposit Services Annual Caps*

	From the Effective Date to 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025	For the period from 1 January to 15 June 2026
<b>Original Annual Caps under the Existing Financial Services Agreements (Note 1)</b>				
Original annual caps in respect of the deposit services under the Existing International Financial Services Agreements	HK\$1,200 million (Note 2,3)	HK\$1,200 million (Note 2,4)	N/A	N/A
Original annual caps in respect of the deposit services under the Existing PRC Financial Services Agreements	Equivalent to HK\$105.0 million (Note 3)	Equivalent to HK\$105.0 million (Note 5)	N/A	N/A
<b>Proposed Deposit Services Annual Caps</b>				
Aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties (including interests accrued thereon)	HK\$2,000 million (Note 2)	HK\$2,000 million (Note 2)	HK\$2,000 million (Note 2)	HK\$2,000 million (Note 2)

**Notes:**

- 1 Please refer to the paragraph headed “Historical Transaction Amounts” of this letter below for the respective original annual caps in respect of the deposit services under the Existing Financial Services Agreements for the period from the respective effective dates to 31 December 2023, which will be superseded by the Proposed Deposit Services Annual Caps from the Effective Date upon the Financial Services Agreements and the Proposed Deposit Services Annual Caps being approved by the Independent Shareholders.
- 2 The cash deposits of the Group to be placed and maintained with the Counterparties may be denominated in multiple currencies.

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## LETTER FROM ASIAN CAPITAL

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- 3 These are the original annual caps for the year ending 31 December 2023 under the Existing Financial Services Agreements which will be superseded by the Proposed Deposit Services Annual Caps from the Effective Date upon the Financial Services Agreements and the Proposed Deposit Services Annual Caps being approved by the Independent Shareholders.
- 4 For the period from 1 January 2024 to 30 September 2024.
- 5 For the period from 1 January 2024 to 21 October 2024.

### *The Existing Financial Services Agreements*

The Company entered into (i) the Existing International Financial Services Agreements with CITIC Bank International and CITIC Finance International, respectively, on 16 August 2021; and (ii) the Existing PRC Financial Services Agreements with CITIC Bank PRC and CITIC Finance PRC, respectively, on 22 October 2021 for, *inter alia*, the provision of deposit services from the Counterparties to the Service Recipients. As each of the Existing International Financial Services Agreements and the Existing PRC Financial Services Agreements constitutes continuing connected transactions (as having the meaning ascribed to it in accordance with the Listing Rules), the daily maximum balance of deposits placed and maintained by the Group with the Counterparties under the Existing International Financial Services Agreements and the Existing PRC Financial Services Agreements were subject to the respective annual caps proposed and approved in accordance with the Listing Rules.

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## LETTER FROM ASIAN CAPITAL

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### *Historical Transaction Amounts*

The table below sets forth the historical aggregate amount of the daily maximum balance of deposits placed and maintained by the Group with (i) CITIC Bank International and CITIC Finance International (including the interests accrued thereon) and (ii) CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon) for each of the three years ended 31 December 2020, 2021 and 2022 and the period from 1 January 2023 to 24 May 2023:

	For the year ended 31 December			For the period from 1 January 2023 to 24 May 2023
	2020	2021	2022	2023
<b>I) The Existing International</b>				
<b>Financial Services Agreements</b>				
Historical 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\$93.0 million <i>(Note 2, 3)</i>	HK\$559.9 million <i>(Note 2, 3)</i>	HK\$1,180.9 million <i>(Note 2, 3)</i>	HK\$1,187.2 million <i>(Note 2, 3)</i>
Original annual caps in respect of the deposit services under the Existing International Financial Services Agreements <i>(Note 1)</i>				
	N/A	HK\$1,200.0 million <i>(Note 4)</i>	HK\$1,200.0 million	HK\$1,200.0 million <i>(Note 5)</i>
Utilization rate of the original annual caps under the Existing International Financial Services Agreements				
	N/A	Approximately 46.66%	Approximately 98.33%	Approximately 98.93%
<b>II) The Existing PRC Financial Services Agreements</b>				
Historical aggregate amount of daily maximum balance of deposits placed and maintained by the Group with CITIC Bank PRC and CITIC Finance PRC (including the interests accrued thereon)				
	HK\$5.6 million <i>(Note 2, 3)</i>	HK\$3.5 million <i>(Note 2, 3)</i>	HK\$10.0 million <i>(Note 2, 3)</i>	HK\$7.2 million <i>(Note 2, 3)</i>
Original annual caps in respect of the deposit services under the Existing PRC Financial Services Agreements <i>(Note 1)</i>				
	N/A	Equivalent to HK\$105.0 million <i>(Note 4)</i>	Equivalent to HK\$105.0 million	Equivalent to HK\$105.0 million
Utilization rate of the original annual caps under the Existing PRC Financial Services Agreements				
	N/A	Approximately 3.33%	Approximately 9.52%	Approximately 6.86%

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## LETTER FROM ASIAN CAPITAL

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	For the year ended 31 December			For the period from 1 January 2023 to 24 May 2023
	2020	2021	2022	2023
<b>Total aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties</b>	HK\$98.6	HK\$563.4	HK\$1,190.9	HK\$1,194.4
	million	million	million	million
Total aggregate	<u>(Note 2, 3)</u>	<u>(Note 2, 3)</u>	<u>(Note 2, 3)</u>	<u>(Note 2, 3)</u>

*Notes:*

- 1 Please refer to the paragraph headed “Annual Caps” of this letter above for the respective original annual caps in respect of the deposit services under the Existing Financial Services Agreements for the period from 1 January 2023 to the third anniversary from the respective effective dates of the Existing Financial Services Agreements.
- 2 The cash deposits of the Group were denominated in multiple currencies (i.e. HKD, RMB, USD, Australian Dollars, Kazakhstani Tenge, Euro and Indonesian Rupiahs) and the equivalent amount in HKD is calculated based on the prevailing exchange rate at the relevant time for illustrative purpose only.
- 3 Round off to 1 decimal place.
- 4 For the period from the effective date of the respective Existing Financial Services Agreements to 31 December 2021.
- 5 The annual cap for the financial year ending 31 December 2023.

In determining the Proposed Deposit Services Annual Caps, the Company has made reference to:

- (1) the expected aggregate cash and deposits balances of the Group for the term of the Financial Services Agreements, which is expected to remain at a level above the Proposed Deposit Services Annual Caps, after taking into account (i) the amount of cash and deposits balances of the Group as at 31 December 2022 of approximately HK\$2,130.20 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;

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## LETTER FROM ASIAN CAPITAL

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- (2) The aggregate amounts of daily maximum balance of deposits placed and maintained by the Group with (i) CITIC Bank International and CITIC Finance International under the Existing International Financial Services Agreements and (ii) the Counterparties under the Existing Financial Services Agreements (including the interests accrued thereon) for FY2022 were approximately HK\$1,180.9 million and HK\$1,190.9 million, representing approximately 98.4% and 91.3%, respectively, of the relevant original annual caps for FY2022. The Company has strictly implemented the internal control measures as set out in the announcements of the Company dated 16 August 2021 and 22 October 2021 in respect of the Existing International Financial Services Agreements and the Existing PRC Financial Services Agreements, respectively, to monitor the aggregate amount of daily maximum deposits balance (including the interests accrued thereon) placed and maintained with the Counterparties in order to achieve the maximum utilization of the annual caps when the interest rates provided by the Counterparties are more favorable than those provided by other independent banks or financial institutions while at the same time ensuring the annual caps would not be exceeded. The idle funds of the Company, save for those placed and maintained by the Group with the Counterparties under the Existing Financial Services Agreements to the extent allowed under the annual cap(s), were placed and maintained by the Group with other independent commercial banks. The actual aggregate cash and deposits balances that were maintained by the Group with other independent commercial banks as at 31 December 2022 was approximately HK\$962 million, representing approximately 45% of the cash and deposits balances of the Group as at the same date. As such, taking into account the historical transaction amount under the Existing Financial Services Agreements for FY2022 (i.e. HK\$1,190.9 million) and the amount of cash and deposits balances maintained by the Group with other independent commercial banks as at the same date (i.e. HK\$962 million), the Company considers that the proposed annual caps of HK\$2,000 million under the Financial Services Agreements are reasonable in light of its increasing cash and deposits balances and provide the flexibility to the Company to choose the most appropriate bank or financial institution to deposit the idle funds after comparing the terms they offer;

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## LETTER FROM ASIAN CAPITAL

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- (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 the Counterparties on the basis that (i) the interest rates offered by the Counterparties to the Group are potentially more favourable than those offered by the other major commercial banks and/or financial institutions in the principal place of business of the relevant Service Recipient; and (ii) the deposit services from the Counterparties 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 the Counterparties will be substantially higher than the historical transaction amounts in the previous years; and
- (4) the strategies for treasury management of the Group, taking into account the business development plans and the financial needs of the Group, and 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 the Counterparties as compared with the other major commercial banks and/or financial institutions in the principal place of business of the relevant Service Recipient. As part of the strategies for treasury management of the Group, whether the Group will deposit any idle funds with the Counterparties or the independent banks and/or financial institutions depends on the comparison of the terms they offer, including interest rates and consideration of other factors as set out in the section headed "Internal Control Measures for the Financial Services Agreements" in "The Letter from the Board" of the Circular. By increasing the annual cap(s) in respect of the aggregate amount of daily maximum balance of deposits that can be placed and maintained by the Group with the Counterparties, this maximizes the choices and combinations in respect of the amount of the idle funds that the Company may deposit with the Counterparties and/or independent banks or financial institutions. Accordingly, through the aforesaid internal control measures, the diversification of the Group's portfolio of its principal banks and/or financial institutions will be facilitated.

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## LETTER FROM ASIAN CAPITAL

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In assessing the fairness and reasonableness of the Proposed Deposit Services Annual Caps, we have considered the following major factors:

- (1) According to the above table in relation to the historical transaction amounts, we noted that (i) the utilization rates of the original annual caps under the Existing PRC Financial Services Agreements were approximately 3.33% and 9.52% for the two years ended 31 December 2021 and 2022, respectively; and (ii) the utilization rates of the original annual caps under the Existing International Financial Services Agreements were approximately 46.66% and 98.33% for the two years ended 31 December 2021 and 2022, respectively. The original annual caps for the deposit services under the Existing International Financial Services Agreements, which accounted for over 90% of the annual caps under the Existing Financial Services Agreements, were almost fully utilised.
- (2) As of 30 April 2023, the maximum aggregate amount of daily maximum balance of deposits placed and maintained by the Group with the Counterparties (including the interest accrued thereon) has reached approximately HK\$1,188.6 million, and the maximum aggregate utilization rate of the annual caps under the Existing Financial Services Agreements was approximately 91.08% as at 30 April 2023.
- (3) We have obtained and reviewed the cashflow forecast of the Group prepared by the Management. We have reviewed and discussed with the Management the relevant assumptions used in the cashflow forecast. As advised by the Management, the cash flow 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, which is in line with the business cycle of the Group (provided that there is no material change to the operations of the Group); (ii) the cycle of net cash outflow from the Group's financing activities will be stable; and (iii) there will be no material capital expenditure during such period. Based on the cashflow forecast, it is expected that the cash position of the Group will remain at a level above the Proposed Deposit Services Annual Caps during the term of the Financial Services Agreements. The high level of cash balance would indicate a possible increase in demand by the Group for deposit services to be provided by the Counterparties and/or other commercial banks/financial institutions.



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## LETTER FROM ASIAN CAPITAL

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- (4) Having considered that (i) the interest rates offered 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 provided will enable the Group to enhance its cash management efficiency and better facilitate its treasury activities, there will likely be an increase in the Group's demand for deposit services from the Counterparties, which in turn justifies the significant increase in the Proposed Deposit Services Annual Caps as compared to the historical transaction amount. As advised by the Management, the fluctuation of utilization of the annual caps under the Existing Financial Services Agreements during the term of the Existing Financial Services Agreements was partially attributable to the ability of the Group to obtain more favourable deposit rates from independent third party licensed banks from time to time.
- (5) The interest income of the Group increased from HK\$16.4 million in FY2020 to HK\$18.6 million in FY2021, and further increased by 128.5% to HK\$42.5 million in FY2022. As advised by the Management, the increase in interest income was driven by the interest rate hike in the credit market, thus providing a greater incentive to the Group to manage its idle cash by short term deposits. The Management expects the demand for deposits services of the Group will remain at a high level provided that the interest rate maintains at the current level or above, which justifies the significant increase in the Proposed Deposit Services Annual Caps as compared to the historical transaction amount.
- (6) The actual aggregate cash and deposits balances that were maintained by the Group with other independent commercial banks as at 30 April 2023 of approximately HK\$749.4 million, representing 40% of the cash deposits of the Group as at the same date. The Management will review and compare the terms and interest rates offered by independent third parties to the Group and determine whether to place the deposits with the Counterparties or other domestic commercial banks or financial institutions.
- (7) The treasury management strategies of the Group, taking into account the business development plans and the financial needs of the Group.

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## LETTER FROM ASIAN CAPITAL

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- (8) The diversification of the 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 the Counterparties and/or other commercial banks/financial institutions. As advised by the Management, the Management expects to maintain the internal control measures embedded within the Group's treasury policy of diversifying the Group's portfolio of its principal bankers and/or financial institutions to safeguard the Group from excessive credit, counterparty and/or concentration risks.
- (9) As advised by the Management, the Group may from time to time opt not to deposit all its available cash with the Counterparties 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 Deposit Services Annual Caps with reference to the overall bank balance of the Group, which was approximately HK\$2,130.2 million as at 31 December 2022, 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.

Based on the above, the Proposed Deposit Services Annual Caps for the deposit services under the Financial Services Agreements (i) will provide the Group with greater flexibility in managing its treasury activities and the Group will be able to improve the return on its funds through higher interest income when the interest rates offered by the Counterparties are more favourable than those offered by other commercial banks/financial institutions; and (ii) are reasonable and fair and in the interest of the Company and the Shareholders as a whole.

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

The Company expects that it will be beneficial for the Group to utilize the financial services from the Counterparties under the Financial Services Agreements due to the following reasons:

- (1) each of CITIC Bank International and CITIC Bank PRC is regarded as a reputable, well-established, licensed, and legitimate financial institution in Hong Kong and PRC, respectively, that is no different than other third party banks and financial institutions;

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## LETTER FROM ASIAN CAPITAL

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- (2) each of CITIC Finance International and CITIC Finance PRC is a member of the CITIC Group established in Hong Kong and PRC, respectively. CITIC Finance International principally engages in the provision of treasury management services to other member companies of the CITIC Group and CITIC Finance PRC principally engages in the business of accepting deposits, providing loans, and loan agency services, internal transfer and settlement and corresponding planning, finance services and financing consulting for member companies;
- (3) each of the Counterparties will be able to serve the business and financial needs of the Group;
- (4) the terms (including the interest rates and bank charges) offered by or available from the Counterparties 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 commercial banks and/or financial institutions in the principal place of business of the relevant Service Recipient for similar services;
- (5) the interest rates offered by the Counterparties on cash deposits are competitive in the market and are expected to allow the Company to maximise interest return;
- (6) the service fees and charges levied by the Counterparties on financial services are competitive and cost-effective;

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## LETTER FROM ASIAN CAPITAL

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- (7) the counter-party risks, credit risks and concentration risks arising from cash depository and foreign exchange transactions with the Counterparties are relatively lower compared with other third party banks and financial institutions. CITIC Bank International and CITIC Bank PRC are both licensed banks. CITIC Finance PRC is regulated by the CBIRC. CITIC Finance International, as a wholly-owned subsidiary of CITIC Limited, is managed by CITIC Limited with reference to the regulatory standards for the banking industry and financial institutions. Both CITIC Finance International and CITIC Finance PRC are backed up by their parent company by way of undertaking to provide liquid support or increase capital contribution in the event of payment difficulties, thereby enhancing the safety of funds of the Group deposited with them. Further, the Planning and Finance Department of the Company will monitor the amount of daily outstanding balance of deposits placed by the Group with the Counterparties on a daily basis and the financial indicators, such as the capital adequacy ratio, provision coverage and liquidity ratio, of the Counterparties on a semi-annual basis. As the terms of the deposits maintained with the Counterparties are expected to be relatively short, ranging from several days to no more than three months, in the event that the Company discovers that any Counterparty fails to comply with any regulatory requirement or maintain the financial indicators at certain levels, which may have a material adverse impact on the Group's financial or operational positions, or otherwise delays in repayment of principal or interests when they become due, the Group will be able to take proper and appropriate measures in a timely manner to protect its deposits, including early withdrawal of deposits or discontinuation of further deposits placed with the relevant Counterparty. The Financial Services Agreements provide the Group the flexibility to choose from the Counterparties or the independent banks and/or financial institutions based on the comparison between the terms they offer and other relevant considerations as set out in the section headed "Internal Control Measures for the Financial Services Agreements" in "The Letter from the Board" of the Circular and the counter-party risk, credit risk and concentration risk will be assessed by the Company in such selection process; and
- (8) the diversification of the Group's portfolio of its principal bankers and/or financial institutions during the term of the Financial Services Agreements.

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## LETTER FROM ASIAN CAPITAL

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### *Deposit Services*

As discussed with the Management, pursuant to the Financial Services Agreements, the deposit interest rates offered by the Counterparties will be equally or more favourable than those offered by other commercial banks or financial institutions in the principal place of business of the relevant Service Recipient. As the Financial Services Agreements do not preclude the Group from depositing with other major commercial 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 with the Counterparties.

We have reviewed the Existing Financial Services Agreements previously entered into 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. We have also reviewed and noted that the terms under the Existing Financial Services Agreements in relation to the deposit services are similar to that of the Financial Services Agreements.

Having considered that (i) the deposit interest rates offered by the Counterparties to the Group will be equally or more favourable to the Group than those offered by major commercial banks in the principal place of business of the relevant Service Recipient; (ii) the utilization of the deposits services from the Counterparties, other major commercial banks and/or financial institution are in the ordinary course of the treasury management of the Group for generating returns on idle resources of the Group over a short-term and part of the overall risk management function; (iii) CNBC (and its branch CITIC Bank PRC) is a reputable and licensed commercial bank in the PRC regulated by the CBIRC with an investment grade credit rating; (iii) 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; (iv) CITIC Finance PRC is a non-banking financial institution in the PRC regulated by the CBIRC; (v) 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; (vi) the deposit services under the Financial Services Agreements are on a non-exclusive basis and the Group may use deposit services provided 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; (vii) 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 institution; and (viii) the Directors consider the counterparty risk of the Counterparties to be relatively low comparing to other third parties banks and financial institutions, we concur with

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## LETTER FROM ASIAN CAPITAL

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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 deposit services under 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 the following measures in monitoring the usage of deposit services by members of the Group provided by the Counterparties under the Financial Services Agreements:

- (1) To ensure that the interest rates and other terms offered by the Counterparties 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 the Counterparties, the Planning and Finance Department of the Company shall obtain two to three quotations from major domestic commercial banks in the principal place of business of the relevant Service Recipient 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) shall 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 shall 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 any Counterparty is less favourable than that offered by other major domestic commercial banks in the principal place of business of the Service Recipient for the deposit of the same type and term, the Group will not maintain deposits with the Counterparty, or it will negotiate with the Counterparty to re-determine the interest rate;

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## LETTER FROM ASIAN CAPITAL

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- (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 the Counterparties 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; and
- (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.

Furthermore, the Company will also adopt the following measures to monitor and mitigate the credit risks and/or concentration risks arising from the transactions under the Financial Services Agreements:

- (1) the Planning and Finance department will monitor the amount of daily outstanding balance of deposits placed by the Group with the Counterparty on a daily basis; and
- (2) given that CNBC (and its branch CITIC Bank PRC) and CITIC Bank International are both licensed banks while CITIC Finance PRC is regulated by the CBIRC, the Planning and Finance department will closely monitor any enforcement news published and report to the Management if necessary.

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## LETTER FROM ASIAN CAPITAL

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We have been given to understand that the Management considers the interest rate a crucial factor when determining whether to place deposits with the Counterparties 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, comparable quotations for deposits of similar nature shall be obtained by the Planning and Finance Department of the Company from two to three major commercial banks or financial institutions with which the relevant member of the Group has established business relationship. These quotations will then be compared against the rates offered by the Counterparties prior to making any deposits under the Financial Services Agreements. Deposit services provided by the Counterparties will only be utilised when the interest rates offered are more favourable than those offered by other domestic commercial banks and/or financial institutions. 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 (1) reviewed the summary of interest-bearing deposits (the “**Reviewed Deposits**”) placed and maintained by the Group with the Counterparties in the twelve-month period immediately preceding the date of the Financial Services Agreements (the “**Review Period**”) provided by the Management and (2) randomly selected and reviewed over half of the Reviewed Deposits (which in our view is a fair and representative selection of the Reviewed Deposits) and the written interest rate quotations obtained from independent third party major domestic commercial banks for the purpose of ascertaining the relevant reference interest rate(s) for the said Reviewed Deposits. As advised by the Management, the Company will usually obtain benchmark interest rates quotations in accordance with the aforementioned internal control measures which will then be taken as reference when deciding whether to use the relevant deposit services with the Counterparties. It was noted that the interest rates offered by the Counterparties to the Group were no less favourable than the interest rates offered by comparable commercial banks and financial institutions for similar type of deposits at all material times during the term of the Existing Financial Services Agreements.

### **RECOMMENDATION**

Having considered the principal factors and reasons as stated 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 Deposit Services Annual Caps are fair and reasonable insofar as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.



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**LETTER FROM ASIAN CAPITAL**

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Accordingly, we recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Transactions and the Proposed Deposit Services 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 2020, 2021 and 2022 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) Annual report of the Company for the year ended 31 December 2022 published on 28 April 2023 (pages 58 to 156)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700633.pdf>
- (b) Annual report of the Company for the year ended 31 December 2021 published on 21 April 2022 (pages 55 to 156)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100455.pdf>
- (c) 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>

**2. INDEBTEDNESS**

As at 30 April 2023, 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	
– unsecured and unguaranteed	1,006,720
Other borrowings	
– unsecured and unguaranteed	1,170,000
Lease liabilities	<u>53,369</u>
	<u><u>2,230,089</u></u>

As at 30 April 2023, the Group had the following contingent liabilities:

- (i) In April 2020, Weihai City Commercial Bank Co., Ltd. (“**Weihai**”) commenced three claims (the “**Claims**”) in the Shandong High People’s Court against, amongst others, a wholly-owned subsidiary of the Company, CA Commodity Trading Pty Ltd (“**CACT**”). The Claims relate to three letters of credit amounting to US\$28,400,000 issued in favour of CACT as payment for the sale by CACT to Qingdao Decheng Minerals Co., Ltd. of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. Weihai arranged for the issuance of the letter of credits as payment on behalf of Decheng and it has subsequently disputed the authenticity of the warehouse receipts for the aluminium stored at the bonded warehouses at Qingdao Port.

In December 2020, the Shandong High People’s Court ruled that CACT is not liable for Weihai’s losses as there was no evidence of any intention to commit fraud on the part of CACT (the “**First Instance Judgement**”). Weihai subsequently submitted an appeal to the Supreme Court of the People’s Republic of China (“**SPC**”), appealing against the decision of the Shandong High People’s Court.

In December 2022, the SPC held that the Shandong High People’s Court did not clearly ascertain the facts of the Claims based on the evidence made available; the SPC has therefore ordered that the First Instance Judgement be rescinded and the cases be remanded to the Shandong High People’s Court for a retrial.

CACT has been informed that the cases have been relisted at the Shandong High People’s Court for hearing at a date to be determined later. CACT notified the Board that the Claims by Weihai are without merit and groundless. CACT has engaged legal counsel in Mainland China to defend the Claims and any new trial accordingly.

As at the Latest Practicable Date, CACT has not been informed of the date for the hearing.

For details, please refer to the announcements of the Company dated 1 September 2020, 7 January 2021, 21 May 2021 and 27 February 2023.

Save as aforesaid and apart from dividend payables and normal trade payables in the ordinary course of business, as at 30 April 2023, 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 date of this circular, the Company has obtained the relevant letter as required under rule 14.66(12) of the Listing Rules.

### 4. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

#### Business Review

##### *Operating environment and results*

In 2022, the global energy and resource industry underwent drastic changes, and the landscape of energy and resource production, trading and supply-demand structure developed over decades was reshaped, and the operating environment faced by the Group was exceptionally complex and severe. Firstly, the intensified international geopolitical conflicts affected related resource countries. Meanwhile, the geographical balance of energy supply and demand in the world was broken and commodity prices fluctuated dramatically. Secondly, the global industrial and supply chains were severely impacted, which caused obstacles to the production and operation of the energy and resource industry. In addition, as the global financial market entered a new cycle of US dollar interest rate hikes and inflation spread across the world, the operation of the Group was under great pressure of cost increase and the Group's resource and energy businesses suffered at various degrees.

The Group addressed the challenges posed by the external business environment while maintaining stability and made substantive efforts to ensure safe and stable production and operation. The Group focused on the sustainable development of the Company and adhered to the bottom-line thinking. The management has adopted effective management measures to manage adverse effects and the Group has optimized its investment and expenses, and maintained stability of the employees. It also promoted the application of new technologies and techniques, strengthened safety investigations and reduced its debt level. In addition, the Group continuously builds its long-term competitive advantage by improving the overall management standard of the Company, promoting the refined management of production processes, optimizing operational arrangements, improving efficiency, strengthening costs control and enhancing the Group's risk resilience.

On the other hand, in 2022, prices of oil, aluminium and coal fluctuated sharply at high levels. Brent oil price averaged US\$100.9 per barrel for the year, increasing by approximately 42.4% year-on-year. LME aluminum ingot price averaged US\$2,858.1 per tonne for the year, increasing by 4.3% year-on-year. Coal price averaged US\$286.5 per tonne for the year, increasing by 114% year-on-year. The above commodity prices were generally favourable to the improvement of the Group's economic benefits.

Driven by the increase in commodity prices and the measures taken by the Group to address the challenging external business environment, and thanks to the efforts of all staff, the Group successfully accomplished its production and operation targets in 2022 with its operating results hitting a record high.

In 2022, the Group achieved revenue of approximately HK\$5,866.2 million, representing a year-on-year increase of approximately 34.9%; and recorded net profit attributable to ordinary shareholders of the Company of approximately HK\$1,335.5 million, representing a year-on-year increase of approximately 21.0%. As at 31 December 2022, the Group's total assets amounted to approximately HK\$12,439.6 million, and net assets attributable to ordinary shareholders of the Company were approximately HK\$7,745.4 million. The debt ratio and interest-bearing debt ratio dropped to approximately 37.6% and 25.0%, respectively. The return on net assets reached approximately 18.0%. The Company proposes to pay a final dividend for the year ended 31 December 2022 of HK6.00 cents per ordinary share (2021: HK4.50 cents).

### ***Oil and gas business***

In 2022, the Group's oil and gas business division weathered the political turmoil in Kazakhstan and the impact from COVID-19 pandemic. It seized the opportunity to enjoy favourable oil prices and planned production arrangements in advance. The Group explored and realised development potential through scientifically introducing various reserves and production enhancement measures, improving safety management system, promoting application of new processes and new technologies, optimizing the management of various production segments, thus enhancing the output and operating efficiency of the oil and gas business. In 2022, the Group's oil and gas business achieved operation output of 17,961,000 barrels and working interest output of 9,663,000 barrels, representing an increase of approximately 1.6% and 1.6%, respectively when compared to 2021. The oil and gas business achieved annual revenue of approximately HK\$1,854.2 million, representing an increase of approximately 37.5% year-on-year, and contributed net profit attributable to ordinary shareholders of the Company of approximately HK\$611.8 million.

- In respect of the KBM (i.e. JSC Karazhanbasmunai) oilfield, with the joint efforts of the shareholders from both China and Kazakhstan, the Group successfully took active measures to stabilize the workforce and resumed normal production at the oilfield in an orderly manner, despite the political turmoil in Kazakhstan. At the same time, the Group actively promoted the integrated governance of the first and third layers in the East Zone and the PTV2 layer in the Central Zone, and promoted the techniques of dissection, injection distribution, segment plugging and high-temperature plugging on a large scale to achieve stability while increasing production. The Group promoted the rolling exploration and expansion of the submerged mountain reservoir and the re-evaluation of the reservoir in the West Binhai Zone to continuously increase the recoverable reserves, and strengthened the production and operation management of the oilfield, making significant progress in core indicators such as production uptime of oil wells, maintenance-free period and operating time. In 2022, the KBM oilfield achieved working interest output of approximately 7,154,000 barrels and contributed profit attributable to ordinary shareholders of the Company of approximately HK\$320.1 million, representing a year-on-year increase of approximately 4.5%.
- In respect of the Yuedong oilfield, the Group made steady adjustments to development plan, and the drilling operation of new wells in D platform has commenced successfully, achieving continuous progress in production. With increasing exploration and development efforts, the Group successfully drilled the first appraisal well in the Hainan Block in 2022, securing important exploration and appraisal results and expanding reserve scale of the new block. With enhanced technological innovation efforts, the Group developed a number of applicable technologies and processes represented by thermal recovery with water plugging and composite throughput, effectively slowing down the decline rate of old wells. By continuously establishing a long-term cost reduction and efficiency improvement mechanism, refining energy consumption management and strengthening control over the operating process, operating cost was reduced. In 2022, the Yuedong oilfield achieved working interest output of approximately 2,340,000 barrels and contributed net profit attributable to ordinary shareholders of the Company of approximately HK\$593.5 million, representing a year-on-year increase of approximately 39.7%.

- In respect of the Seram oilfield in Indonesia, the Group actively promoted the Lofin-2 gas trial, explored commercial sales channels of natural gas and sought new growth points of operation benefits, striving to realize better value of the oilfield. The Group also strengthened the dynamic management of oil wells, conducted studies on the distribution of residual oil and sought for replacement potential. In 2022, the Seram oilfield achieved working interest output of approximately 170,000 barrels, and net profit attributable to ordinary shareholders of the Company of approximately HK\$18.3 million, representing a year-on-year decrease of approximately 52.8%.

### ***Non-oil-and-gas businesses***

In 2022, taking advantage of the favorable market environment and proactively engaging in management and shareholders affairs of joint venture projects including the Portland Aluminium Smelter and CMJV (i.e. Coppabella and Moorvale coal mines joint venture), the Group urged the project operators to optimize their operation modes, increase production capacity and reduce costs. At the same time, benefiting from the increase in coal price and the fair value gain on derivative financial instruments under the Australian Power Hedging Agreement, the non-oil-and-gas businesses made a significant financial contribution to the Group. In 2022, the Group's non-oil-and-gas businesses contributed net profit attributable to ordinary shareholders of the Company of approximately HK\$705.2 million, representing a year-on-year increase of approximately 12.6%. Such increase was mainly attributable to the increases in coal price and the considerable increase in Australia group companies' net profit of approximately 71.3%, or approximately HK\$257.8 million.

- In respect of the aluminium smelting business, the Company strived to absorb the pressure of rising costs resulted from inflation. In 2022, the average selling price of aluminium increased by 4.3% and the sales volume of aluminum smelting at the Portland Aluminium Smelter was approximately 61,000 tonnes, representing an increase of approximately 3.5% year-on-year while the Australian Power Hedging Agreement realised a fair value gain of approximately HK\$96.1 million. The aluminium smelting business recorded an increase in revenue by approximately 7.9% year-on-year. However, due to the increases in production costs such as electricity and employee's remuneration, the aluminium smelting business achieved a net profit attributable to ordinary shareholders of the Company of approximately HK\$164.7 million, representing a decline of approximately 37.4% year-on-year.

- In respect of the investment in AWC (i.e. Alumina Limited), as a result of the increase in production costs, the Group's profit attributable to AWC under the equity method decreased significantly compared to that in last year. In 2022, AWC paid dividends of HK\$152.3 million (2021: HK\$137.1 million) to the Group. As at the end of December 2022, the market capitalisation of AWC was approximately US\$287.2 million (at the end of 2021: US\$377.4 million) at the closing price as at the end of December 2022, which was approximately US\$75.6 million below the carrying amounts of investment.
- In respect of the coal business, in 2022, the average realized selling price of coal by CMJV was approximately US\$286.5 per tonne, representing an increase of 1.1 times year-on-year. The coal business achieved a net profit attributable to ordinary shareholders of the Company of approximately HK\$454.5 million, representing an increase of approximately 361.7% year-on-year.
- In respect of the import and export trading, in the fourth quarter of 2022, the Group gradually suspended its steel trading operations in Australia and delivered the last shipment in November 2022. The Group is proactively communicating with its customers and collecting account receivables. As at the Latest Practicable Date, there was no material obstacle in the collection of trade receivables. In 2022, the Group recorded a steel import trade volume of approximately 108,000 tonnes, with a net loss attributable to ordinary shareholders of the Company from steel trading operations of approximately HK\$27.7 million (2021: net gain of HK\$18.4 million).

### Outlook

Opportunities and challenges will coexist in 2023. There is still no sign of easing for the Russia-Ukraine conflict. International geopolitics is undergoing profound changes. Commodity prices have displayed a downward trend, while global industrial chains and supply chains remain very fragile. However, positive factors are also emerging. The recovery of the world's major economies is relatively strong, including the economic recovery of China in the post-pandemic era, which brings about rising demands that will provide strong support for the stability of global supply chains. Meanwhile, carbon emission reduction and the application of green energy are gaining increasing attention, and the future of new energy development is becoming more and more assured.



In 2023, the Group will continue to adhere to its three core objectives of “mitigating risks, improving quality and efficiency, and optimizing management”. The Group will uphold a bottom-line mindset, strengthen the integrated management of risk, compliance and internal control, improve its risk prevention and control capabilities, and plan ahead to develop advanced schemes to address risks and challenges proactively. The Group will continue to explore its operational potential, optimize production processes, refine management measures, deepen reforms and reinforce innovation, and strive to achieve a steady increase in production. The Group will also continue to optimize the management system in line with the characteristics of its business in a standardized, scientific, modern and systematic manner, improve work efficiency, enhance incentive mechanisms, build competitive advantages and achieve continuous improvement in corporate value.

In the operation and management of its existing assets, the Group will adhere to the concept of green and low-carbon development in the whole process and endeavour to save energy and reduce emissions. In the meantime, the Group will strive to explore the business opportunities in the areas of new energy and new materials. The Group will conduct research and explore new development directions around green energy and metal mineral resources. The Group is committed to promoting the low-carbon and green development of the resources and energy industries, with a view to providing reliable energy and materials to society and bringing greater returns to shareholders while achieving high-quality and sustainable development of the Company.

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

The entering into of 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 each of the Counterparties 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 commercial banks and/or other financial institutions in the principal place of business of the relevant Service Recipient, it is currently anticipated that the return of the surplus funds will be enhanced due to the possibly higher deposit interests from the Counterparties. As such, the deposit services under the Financial Services Agreements are expected to have positive impacts on the Group’s earnings. However, as the annual interest income generated from such deposit services is expected to only account for an immaterial portion of the Company’s profits, assets and liabilities, the Company anticipates that the use of deposit services (together with other financial services) under the Financial Services Agreements will not have any material effect on the earnings, assets and liabilities of the Group.

Furthermore, the Group can concentrate idle funds within the Group through the capital pool of the Counterparties, 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. Chan Kin (“Mr. Chan”)	Interest of controlled corporation	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	Beneficial owner	–

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	Interest of controlled corporation	4,675,605,697 <sup>(1)</sup>	59.50
CITIC Limited	Interest of controlled corporation	4,675,605,697 <sup>(2)</sup>	59.50
CITIC Corporation Limited	Interest of controlled corporation	4,675,605,697 <sup>(3)</sup>	59.50
CITIC Projects Management (HK) Limited	Interest of controlled corporation	3,895,083,904 <sup>(4)</sup>	49.57
Keentech	Beneficial owner	3,895,083,904 <sup>(5)</sup>	49.57
CA	Beneficial owner	750,413,793 <sup>(6)</sup>	9.55
Argyle Street Management Holdings Limited	Interest of controlled corporation	786,558,488 <sup>(7)</sup>	10.01
Argyle Street Management Limited	Interest of controlled corporation	786,558,488 <sup>(8)</sup>	10.01
ASM Connaught House General Partner Limited	Interest of controlled corporation	786,558,488 <sup>(9)</sup>	10.01
ASM Connaught House General Partner II Limited	Interest of controlled corporation	786,558,488 <sup>(10)</sup>	10.01
ASM Connaught House Fund LP	Interest of controlled corporation	786,558,488 <sup>(11)</sup>	10.01
ASM Connaught House Fund II LP	Interest of controlled corporation	786,558,488 <sup>(12)</sup>	10.01

Name	Capacity/Nature of Interest	Number of Shares	Percentage of the total issued share capital of the Company
ASM Connaught House (Master) Fund II LP	Interest of controlled corporation	786,558,488 <sup>(13)</sup>	10.01
Sea Cove Limited	Interest of controlled corporation	786,558,488 <sup>(14)</sup>	10.01
TIHT Investment Holdings III Pte. Ltd.	Beneficial owner	786,558,488 <sup>(15)</sup>	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 had confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2022, 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 2022, 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 of the Latest Practicable Date, the following director of the Company was considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules as set out below:

<b>Name of Director</b>	<b>Entity whose business is considered to compete or likely to compete with the business of the Group</b>	<b>Description of business of the entity which is considered to compete or likely to compete with the business of the Group</b>	<b>Nature of interest of the Director in the Entity</b>
Mr. Hao Weibao	CITIC Metal Group Limited (中信金屬集團有限公司)	Commodity Trading and Mining	Vice chairman and general manager

As the Board is independent of the board of the above-mentioned entity and the above director of the Company cannot control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of this entity.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates (as defined under the Listing Rules) 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

Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) filed claims against CA Commodity Trading Pty Ltd, an indirectly wholly-owned subsidiary of the Company, the details of which were disclosed in the announcements of the Company dated 1 September 2020, 7 January 2021, 21 May 2021 and 27 February 2023. As at the Latest Practicable Date, there was no update in relation to such claims.

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.

## 10. EXPERT AND CONSENT

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

<b>Name</b>	<b>Qualifications</b>
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 2022 (being the date to 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, there was no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or any of its subsidiaries which are or may be material.

**12. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Wat Chi Ping Issac. He became a qualified solicitor in Hong Kong and in England and Wales in November 1998 and March 1999, respectively. He has over 23 years of legal and compliance experience from private practice in law firms as well as serving as company counsels in renowned multinational companies and Chinese Central Government-owned enterprises.
- (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) Unless otherwise stated, all references to times and dates in this circular refer to Hong Kong times and dates.

**13. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents are available on display on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at <http://resources.citic/> for the period of 14 days from the date of this circular:

- (a) the CITIC Bank International Financial Services Agreement;
- (b) the CITIC Finance International Financial Services Agreement;
- (c) the CITIC Bank PRC Financial Services Agreement;
- (d) the CITIC Finance PRC 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; and
- (h) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

## 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 Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, 16 June 2023 at 2:45 p.m. (or such time immediately following the conclusion (or adjournment) of the annual general meeting of the Company to be held on the same day and at the same place, whichever is later) 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 Group 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 1 June 2023, 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 Group 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 1 June 2023, be and are hereby confirmed, ratified and approved.”

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## NOTICE OF SPECIAL GENERAL MEETING

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3. “**THAT**, the CITIC Bank PRC 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 PRC to the Group pursuant to the CITIC Bank PRC Financial Services Agreement subject to the annual caps as more particularly described in the circular of the Company dated 1 June 2023, be and are hereby confirmed, ratified and approved.”
4. “**THAT**, the CITIC Finance PRC 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 PRC to the Group pursuant to the CITIC Finance PRC Financial Services Agreement subject to the annual caps as more particularly described in the circular of the Company dated 1 June 2023, be and are hereby confirmed, ratified and approved.”

By Order of the Board  
**CITIC Resources Holdings Limited**  
**Hao Weibao**  
*Chairman*

Hong Kong, 1 June 2023

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

*Notes:*

1. For details of the deposits services provided under the CITIC Bank International Financial Services Agreement, the CITIC Finance International Financial Services Agreement, the CITIC Bank PRC Financial Services Agreement and the CITIC Finance PRC Financial Services Agreement, please refer to the Company’s announcement dated 8 May 2023 and the circular of the Company dated 1 June 2023 (the “**Circular**”). Unless otherwise defined, capitalized terms used in this notice shall have the same meaning as defined in the Circular.
2. The register of members of the Company will not be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the Special General Meeting. However, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable and not later than 4:30 p.m. on Monday, 12 June 2023.

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## NOTICE OF SPECIAL GENERAL MEETING

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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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

*As at the date hereof, Mr. Hao Weibao is an executive director of the Company; Mr. Chan Kin is a non-executive director of the Company; and Dr. Fan Ren Da, Anthony, Mr. Gao Pei Ji and Mr. Look Andrew are independent non-executive directors of the Company.*