
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, 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 to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

MAJOR TRANSACTION DISPOSAL OF LISTED SECURITIES

Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

The Disposals have been approved by written shareholders’ approval, pursuant to Rule 14.44 of the Listing Rules in lieu of general meeting of the Company. This circular is being despatched to the Shareholders for information only.

Hong Kong, 24 December 2020

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“Bye-laws”	the bye-laws of the Company, as amended, supplemented or modified from time to time
“China”	the People’s Republic of China
“CITIC Dameng”	CITIC Dameng Holdings Limited, a company incorporated in Bermuda with limited liability and is listed on the Main Board of the Stock Exchange (Stock Code: 1091). CITIC Dameng is an associated company of the Group, and the Group is the single largest shareholder of CITIC Dameng
“Company”	CITIC Resources Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“COVID-19”	Coronavirus disease 2019
“Dameng Group Company(ies)”	CITIC Dameng and/or any subsidiary of CITIC Dameng
“Directors”	the directors of the Company
“Disposals”	the disposal of the Target Shares according to SPA I and the disposal of the Target Shares according to SPA II collectively
“Group”	the Company and its subsidiaries
“Highkeen” or the “Vendor”	Highkeen Resources Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly owned by the Company

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	Purchaser I and Purchaser II collectively
“Purchaser I”	Youfu Investment Co., Ltd (優福投資有限公司)
“Purchaser II”	Fengxiang Investment Co., Ltd (豐翔投資有限公司)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	holders of Shares
“SPAs”	SPA I and SPA II collectively
“SPA I”	the sale and purchase agreement entered into between Vendor and Purchaser I on 29 October 2020 in respect of the sale and purchase of 994,260,000 shares of CITIC Dameng
“SPA II”	the sale and purchase agreement entered into between Vendor and Purchaser II on 29 October 2020 in respect of the sale and purchase of 184,740,000 shares of CITIC Dameng
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Share(s)”	Target Share(s) under SPA I and Target Shares under SPA II collectively

DEFINITIONS

- “Target Shares under SPA I” a total of 994,260,000 shares of CITIC Dameng, representing approximately 29.00% of the total issued share capital of CITIC Dameng as at the date of this circular
- “Target Shares under SPA II” a total of 184,740,000 shares of CITIC Dameng, representing approximately 5.39% of the total issued share capital of CITIC Dameng as at the date of this circular
- “%” per cent.

LETTER FROM THE BOARD



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

(incorporated in Bermuda with limited liability)

(Stock Code: 1205)

Executive Directors:

Mr. SUN Yufeng (*Chairman*)

Mr. SUO Zhengang

(Vice Chairman and Chief Executive Officer)

Mr. SUN Yang (*Vice Chairman*)

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Mr. CHAN Kin

Head Office and

Principal Place of Business:

Suites 6701-02 & 08B, 67/F

International Commerce Centre

1 Austin Road West, Kowloon

Hong Kong

Independent Non-executive Directors:

Mr. FAN Ren Da, Anthony

Mr. GAO Pei Ji

Mr. LOOK Andrew

24 December 2020

To Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF LISTED SECURITIES

INTRODUCTION

On 29 October 2020, the Company, through one of its subsidiaries, entered into the SPAs with the Purchasers for the disposal of an aggregate of 1,179,000,000 Target Shares, representing approximately 34.39% of the issued share capital of CITIC Dameng as at the date of this circular, at a sale price of HK\$0.92 per Target Share for a total gross consideration of approximately HK\$1,084,680,000.

The purpose of this circular is to provide you with further details regarding, amongst other things, the Disposals.

LETTER FROM THE BOARD

The principal terms of the SPAs are set out below:

SPA I

On 29 October 2020 (after trading hours), Highkeen, a subsidiary of the Company, as the Vendor, has entered into the SPA I with the Purchaser I for the sale and purchase of 994,260,000 shares of CITIC Dameng.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, both the Purchaser I and its ultimate beneficial owner Mr. Sun Mingwen (孫明文) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

1. Transfer Subject

The transfer subject includes an aggregate of 994,260,000 shares of CITIC Dameng, representing approximately 29.00% of the issued share capital of CITIC Dameng as at the date of this circular, and all rights attributable to such shares on the date on which the SPA I is executed or thereafter, free from any encumbrances whatsoever.

2. Consideration

Under the terms of the SPA I, the initial purchase price per share of the Target Shares under the SPA I shall be HK\$0.92 per share, with the initial purchase price per share not lower than the net asset value of shares of CITIC Dameng as determined by its financial statements as at 30 September 2019. Accordingly, the initial purchase price of each Target Share under the SPA I shall be HK\$0.92. A mechanism of "purchase price adjustment", in the event that the share price of CITIC Dameng fluctuates on the date of execution of the SPA I, was established between the Vendor and the Purchaser I. As such mechanism was not triggered, the Vendor and the Purchaser I agreed that the final purchase price of each Target Share under the SPA I shall be HK\$0.92.

The consideration of HK\$914,719,200 under the SPA I shall be paid by the Purchaser I by way of cash in the following manner:

- (a) a deposit of HK\$90,000,000 (the "**Deposit Amount**") was paid on 24 April 2020;
- (b) HK\$824,719,200 (the "**Escrow Amount**"), being the consideration under the SPA I less the Deposit Amount, shall be deposited in full into the escrow account (the "**Escrow Account**") on or before 14 December 2020; and
- (c) the consideration of HK\$914,719,200 held in the Escrow Account shall be released to a bank account designed by Vendor upon Completion Date (as defined below).

LETTER FROM THE BOARD

3. Conditions Precedent

3.1 The prerequisite of the completion of the SPA I (the “**Completion**”) is that each of the following condition precedent has to be satisfied (or waived by both parties upon written consent) during the Completion Period (as defined below):

- (i) the Vendor obtaining the formal approvals from its board and at the shareholders’ meeting in respect of the transfer of the Target Shares under the SPA I and the execution and performance of the SPA I; and
- (ii) shareholders of CITIC Dameng passing a special resolution to approve the change of name of CITIC Dameng at the extraordinary general meeting.

3.2 Non-fulfilment of the conditions precedent

In the event that any of the conditions precedent has not been fulfilled (or waived by both parties upon written consent) during the Completion Period, the Vendor is entitled to issue a written notice to the Purchaser I in order to terminate the transfer of the Target Shares under the SPA I as well as the SPA I, and such terminations shall take effect immediately.

4. Completion

The Completion Period

The completion period refers to the two (2) months following the date on which the Vendor issues a written notice to the Purchaser I informing an initial internal approval from the Vendor group for the transfer under the SPA I. In view the Purchaser I confirmed its receipt of the abovementioned notice issued by the Vendor on 27 October 2020, the completion period for the transfer under the SPA I shall be between 27 October 2020 and 26 December 2020 (the “**Completion Period**”).

The Completion Date

The date of completion (the “**Completion Date**”) shall be 17 December 2020 or any other date which the Purchaser I and the Vendor otherwise agree in writing on which the shares of CITIC Dameng can be traded on the Stock Exchange (a “**Trading Day**”) within the Completion Period.

LETTER FROM THE BOARD

5. Post-Completion Undertaking

The Purchaser I agrees and undertakes to the Vendor that:

- (i) the Purchaser I will (and will procure its securities dealer to) take all necessary acts (including all acts reasonably requested by the Vendor and/or its securities dealer) to assist the Vendor and its securities dealer in effecting the registration of the transfer of the Target Shares under the SPA I with the Central Clearing and Settlement System in Hong Kong on the Completion Date and until the completion of the registration.
- (ii) the Purchaser I will (and will procure each Dameng Group Company to) use its best efforts, within three (3) months following the Completion, to complete the change of names of the Dameng Group Companies so that the name of each Dameng Group Company will no longer carries the name or logo of “中信” or “CITIC”, and ensure that each Dameng Group Company no longer uses any CITIC trademark thereafter.
- (iii) During the period from the Completion Date to the date on which the aforementioned name change is effected, the Purchaser I will (and will procure each Dameng Group Company to) use the CITIC trademark only in ways it is accustomed to before the Completion Date, and only for those having commercial purposes before the Completion Date (the “**Permitted Scope of Uses**”), and not use or dispose of the CITIC trademark in any way beyond the Permitted Scope of Uses.
- (iv) If the Purchaser I breaches sections (ii) and/or (iii) of the above post-completion undertakings, it shall (and shall procure each Dameng Group Company), upon request of the Vendor to (a) complete the change of names as soon as possible and cease the relevant trademark infringement immediately, and (b) pay a penalty of HK\$10 million (10,000,000) to the Vendor or, under the terms of the SPA I, compensate the Vendor in accordance with the terms of the SPA I for all economic losses suffered by the Vendor and/or its related parties due to the breach, whichever is the higher. For the avoidance of doubt, (1) the penalty paid by the Purchaser I according to (b) of this section shall, under no circumstance, limit, affect or diminish other compensation to which the Vendor and/or its related parties are entitled according to this section; and (2) the penalty paid by the Purchaser I according to (b) of this section shall, under no circumstances, limit, affect or diminish the obligations the Purchaser I shall perform according to (a) of this section.
- (v) the Purchaser I will (and will procure each Dameng Group Company to) perform its relevant duties as stipulated in its letter of undertaking regarding the arrangement of the business and employees of CITIC Dameng and its controlled subsidiaries in respect of the period of one year from the date of signing of the SPA I.

LETTER FROM THE BOARD

- (vi) the Purchaser I shall not (and shall procure shareholders and de facto controller of the Purchaser I not to) directly or indirectly, sell, transfer or assign the beneficial title of any Target Shares under the SPA I to the following persons or entities, encumber in favour of the following persons or entities the beneficial title of any Target Shares under the SPA I, or otherwise dispose of the beneficial title of any Target Shares under the SPA I, or agree or undertake to do so:
- (a) any person who is a director or member of senior management of CITIC Dameng on the Completion Date or during the twelve (12) months before the Completion Date, including his or her close associates (as defined under the Listing Rules); or
 - (b) any of Guangxi Jinmeng Manganese Limited Company (廣西金孟錳業有限公司), Dushan Jinmeng Manganese Limited Company (獨山金孟錳業有限公司), Qinzhou City Jincheng Manganese Limited Company (欽州市金鋅錳業有限公司) or its related parties.

SUPPLEMENTAL AGREEMENT TO SPA I

On 14 December 2020 (after trading hours), Highkeen, a subsidiary of the Company, as the Vendor, has entered into a supplemental agreement to the SPA I with Purchaser I, pursuant to which the parties have agreed, among others:

1. to extend the Completion Period under the SPA I to 15 January 2021;
2. to amend the Completion Date under the SPA I to, (1) whichever is earlier, (i) 31 December 2020; or (ii) the Business Day following the date when an escrow amount of HK\$824,719,200 (the “**Second Escrow Amount**”) is fully deposited into an escrow account by the Purchaser I, or (2) any other date within the Completion Period which the Purchaser I and the Vendor may agree in writing and on which the shares of CITIC Dameng can be traded on the Stock Exchange;
3. to extend the date of payment of the Second Escrow Amount to 29 December 2020 or before; and
4. that the Vendor agrees not to exercise its right of recourse under the SPA I for any breach of the agreement by the Purchaser I, if the Second Escrow Amount is deposited into the escrow account by the Purchaser I not later than 29 December 2020 and the Completion takes place not later than 15 January 2021.

Save for those specifically amended and supplemented by the Supplemental Agreement, all other terms and conditions of the SPA I shall remain unchanged and shall continue to be in full force and effect.

LETTER FROM THE BOARD

SPA II

On 29 October 2020 (after trading hours), Highkeen, a subsidiary of the Company, as the Vendor, has entered into the SPA II with the Purchaser II for the sale and purchase of 184,740,000 shares of CITIC Dameng.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, both the Purchaser II and its ultimate beneficial owner Mr. Ma Xuedong (馬雪東) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

1. Transfer Subject

The transfer subject includes an aggregate of 184,740,000 shares of CITIC Dameng, representing approximately 5.39% of the issued share capital of CITIC Dameng as at the date of this circular, and all rights attributable to such shares on the date on which the SPA II is executed or thereafter, free from any encumbrances whatsoever.

2. Consideration

Under the terms of the SPA II, the initial purchase price per share of the Target Shares under the SPA II shall be HK\$0.92 per share, with the initial purchase price per share not lower than the net asset value of shares of CITIC Dameng as determined by its financial statements as at 30 September 2019. Accordingly, the initial purchase price of each Target Share under the SPA II shall be HK\$0.92. A mechanism of "purchase price adjustment", in the event that the share price of CITIC Dameng fluctuates on the date of execution of the SPA II, was established between the Vendor and the Purchaser II. As such mechanism was not triggered, the Vendor and the Purchaser II agreed that the final purchase price of each Target Share under the SPA II shall be HK\$0.92.

The consideration of HK\$169,960,800 under the SPA II shall be paid by the Purchaser II by way of cash in the following manner:

- (a) a deposit of HK\$10,000,000 (the "**Deposit Amount**") was paid on 24 April 2020;
- (b) HK\$159,960,800 (the "**Escrow Amount**"), being the consideration under the SPA II less the Deposit Amount, shall be deposited in full into the escrow account (the "**Escrow Account**") on or before 14 December 2020; and
- (c) the consideration of HK\$169,960,800 held in the Escrow Account shall be released to a bank account designed by Vendor upon Completion Date (as defined below).

LETTER FROM THE BOARD

3. Conditions Precedent

3.1 The prerequisite of the completion of the SPA II (the “**Completion**”) is that each of the following condition precedent has to be satisfied (or waived by both parties upon written consent) during the Completion Period (as defined below):

- (i) the Vendor obtaining the formal approvals from its board and at the shareholders’ meeting in respect of the transfer of the Target Shares under the SPA II and the execution and performance of the SPA II; and
- (ii) shareholders of CITIC Dameng passing a special resolution to approve the change of name of CITIC Dameng at the extraordinary general meeting.

3.2 Non-fulfilment of the conditions precedent

In the event that any of the conditions precedent has not been fulfilled (or waived by both parties upon written consent) during the Completion Period, the Vendor is entitled to issue a written notice to the Purchaser II in order to terminate the transfer of the Target Shares under the SPA II as well as the SPA II, and such terminations shall take effect immediately.

4. Completion

The Completion Period

The completion period refers to the two (2) months following the date on which the Vendor issues a written notice to the Purchaser II informing an initial internal approval from the Vendor group for the transfer under the SPA II. In view the Purchaser II confirmed its receipt of the abovementioned notice issued by the Vendor on 27 October 2020, the completion period for the transfer under the SPA II shall be between 27 October 2020 and 26 December 2020 (the “**Completion Period**”).

The Completion Date

The date of completion (the “**Completion Date**”) shall be 17 December 2020 or any other date which the Purchaser II and the Vendor otherwise agree in writing on which the shares of CITIC Dameng can be traded on the Stock Exchange (a “**Trading Day**”) within the Completion Period.

LETTER FROM THE BOARD

5. Post-Completion Undertaking

The Purchaser II agrees and undertakes to the Vendor that:

- (i) the Purchaser II will (and will procure its securities dealer to) take all necessary acts (including all acts reasonably requested by the Vendor and/or its securities dealer) to assist the Vendor and its securities dealer in effecting the registration of the transfer of the Target Shares under the SPA II with the Central Clearing and Settlement System in Hong Kong on the Completion Date and until the completion of the registration.
- (ii) the Purchaser II will (and will procure each Dameng Group Company to) use its best efforts, within three (3) months following the Completion, to complete the change of names of the Dameng Group Companies so that the name of each Dameng Group Company will no longer carries the name or logo of “中信” or “CITIC”, and ensure that each Dameng Group Company no longer uses any CITIC trademark thereafter.
- (iii) During the period from the Completion Date to the date on which the aforementioned name change is effected, the Purchaser II will (and will procure each Dameng Group Company to) use the CITIC trademark only in ways it is accustomed to before the Completion Date, and only for those having commercial purposes before the Completion Date (the “**Permitted Scope of Uses**”), and not use or dispose of the CITIC trademark in any way beyond the Permitted Scope of Uses.
- (iv) If the Purchaser II breaches sections (ii) and/or (iii) of the above post-completion undertakings, it shall (and shall procure each Dameng Group Company), upon request of the Vendor to (a) complete the change of names as soon as possible and cease the relevant trademark infringement immediately, and (b) pay a penalty of HK\$10 million (10,000,000) to the Vendor or, under the terms of the SPA II, compensate the Vendor in accordance with the terms of the SPA II for all economic losses suffered by the Vendor and/or its related parties due to the breach, whichever is the higher. For the avoidance of doubt, (1) the penalty paid by the Purchaser II according to (b) of this section shall, under no circumstance, limit, affect or diminish other compensation to which the Vendor and/or its related parties are entitled according to this section; and (2) the penalty paid by the Purchaser II according to (b) of this section; shall, under no circumstances, limit, affect or diminish the obligations the Purchaser II shall perform according to (a) of this section.

LETTER FROM THE BOARD

- (v) the Purchaser II shall not (and shall procure shareholders and de facto controller of the Purchaser II not to) directly or indirectly, sell, transfer or assign the beneficial title of any Target Shares under the SPA II to the following persons or entities, encumber in favour of the following persons or entities the beneficial title of any Target Shares under the SPA II, or otherwise dispose of the beneficial title of any Target Shares under the SPA II, or agree or undertake to do so:
 - (a) any person who is a director or member of senior management of CITIC Dameng on the Completion Date or during the twelve (12) months before the Completion Date, including his or her close associates (as defined under the Listing Rules); or
 - (b) any of Guangxi Jinmeng Manganese Limited Company (廣西金孟錳業有限公司), Dushan Jinmeng Manganese Limited Company (獨山金孟錳業有限公司), Qinzhou City Jincheng Manganese Limited Company (欽州市金鋅錳業有限公司) or its related parties.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The long-lasting of outbreak of the COVID-19 since end of January 2020 led to a large variety of anti-epidemic measures, including full or partial lockdown such as restriction of road and air travel, suspension of schooling and work from home arrangements, implemented by countries around the globe. Global energy demands including crude oil had plummeted since the beginning of 2020. The global economy recovery is likely to be uncertain and slow as recent COVID-19 re-emerging threatens to disrupt the operation of businesses and reduce consumer spending.

As per our interim report for the period ended 30 June 2020 (the “**Period**”), in comparing to the same period of last year, the average Dated Brent and Platts Dubai crude oil prices slump by 40% and 38% to US\$39.8 per barrel and US\$40.6 per barrel, respectively. Revenue of the Group dropped by 32% year-on-year and two out of four business segments recorded segment losses in the Period. The Group recorded a loss attributable to shareholders of HK\$430,809,000 in the Period as comparing to a net profit attributable to shareholders of HK\$381,095,000 in the same period of last year.

Taking into consideration of the aforesaid and the terms of the SPAs were determined after arm’s length negotiations among the Company, Purchaser I and Purchaser II thereto, the Directors consider that the terms of the Disposals are in the interest of the Company and the Shareholders as a whole.

Upon completion of the Disposals, an unaudited gain before tax on the Disposals in consolidated income statement of the Company might partially naturalize the negative financial performance of the Company as above stated and the proceeds from the Disposals can replenish the cash flow of the Company.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSALS AND INTENDED USE OF PROCEEDS

Upon completion of the Disposals, CITIC Dameng will cease to be an associate of the Vendor and the Vendor will cease to hold directly any interest in CITIC Dameng. Subject to and upon the completion of the Disposals, the Group is expected to recognise an estimated unaudited gain before tax on the Disposals in its consolidated income statement of approximately HK\$26,400,000 arising from the Disposals, which is calculated as the difference between (i) the Consideration and (ii) the aggregate of (a) the estimated unaudited net asset value of the Target Company as an investment in associate accounted for using the equity method as at 31 October 2020; (b) reversal of accumulated share of other comprehensive income of CITIC Dameng; and (c) the estimated expenses and stamp duty in connection with the Disposals.

The actual amount of gain arising from the Disposals to be recognised by the Group will be subject to final audit by the Company's auditors and will be assessed after the completion of the Disposals.

The Directors expect that a net proceed of approximately HK\$1,056,000,000 from the Disposals after deducting the expenses directly attributable thereto will be used for replenishment of general working capital of the Group, including payment for servicing loan interests, operating expenditure (including but not limited to repair and maintenance of production facilities in oil fields, equipment transportation cost, oil field equipment and vehicle rentals, offices and warehouses rentals, health safety and environmental compliance expenditures) and dividend, if any.

INFORMATION ON THE COMPANY

The Company is a diversified energy and natural resources investment holding company. Through its subsidiaries, the Company principally engages in and has interests in aluminium smelting, coal, import and export of commodities, oil exploration as well as development and production businesses, and it has interests in manganese and bauxite mining and alumina refining businesses.

INFORMATION ON HIGHKEEN

Highkeen is a company incorporated under the laws of the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and the direct shareholder of CITIC Dameng.

INFORMATION ON CITIC DAMENG

CITIC Dameng is a company incorporated under the laws of Bermuda Islands with limited liability and is listed on the Stock Exchange (Stock Code: HK.01091).

As disclosed in the annual report of CITIC Dameng for the year ended 31 December 2019, CITIC Dameng is an investment holding company, and its principal activities are manganese mining and ore processing in the PRC and Gabon and downstream processing operations in the PRC, as well as trading of manganese ores, manganese alloy and related raw materials.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF CITIC DAMENG

Pursuant to the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, the audited consolidated financial results of CITIC Dameng for the years ended 31 December 2019 and 31 December 2018 are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	(217,166)	343,985
Profit after taxation	(233,998)	336,855

As at 31 December 2019 and 31 December 2018, the audited consolidated net assets of CITIC Dameng were HK\$2,838,426,000 and HK\$3,166,483,000 respectively.

INFORMATION ON PURCHASER I

Purchaser I is a company incorporated under the laws of the British Virgin Islands with limited liability. It is primarily engaged in investment holding business.

INFORMATION ON PURCHASER II

Purchaser II is a company incorporated under the laws of the British Virgin Islands with limited liability. It is primarily engaged in investment business in Hong Kong's stock market.

Based on the information provided by the Purchaser I and the Purchaser II, nothing came to the Directors' attention that caused them to believe that the Purchaser I and the Purchaser II act in a concert party relationship.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Disposals under SPA I and SPA II are required to be aggregated. As one or more of the applicable percentage ratios in respect of the Disposals calculated under Rule 14.07 of the Listing Rules exceeds 25% but is less than 75%, the Disposals constitute a major transaction of the Company, and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Disposals. Thus, if the Company were to convene a general meeting to approve the Disposals, no Shareholder is required to abstain from voting on the resolutions in relation to the Disposals.

LETTER FROM THE BOARD

In relation to written approval in lieu of holding a general meeting in respect of the Disposals, the Company obtained the shareholders' approval from CITIC Australia Pty Limited and Keentech Group Limited (a closely allied group of Shareholders which hold 750,413,793 Shares and 3,895,083,904 Shares or approximately 9.55% and 49.57% of the total issued share capital of the Company as at the date of the written approval by CITIC Australia Pty Limited and Keentech Group Limited and the Latest Practicable Date respectively).

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

1. AUDITED FINANCIAL STATEMENTS OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019, as well as the six month ended 30 June 2020 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>):

- Interim report of the Company for the six months ended 30 June 2020 (pages 1 to 21)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0831/2020083100531.pdf>
- Annual report of the Company for the financial year ended 31 December 2019 (pages 47 to 157)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0401/2020040101983.pdf>
- Annual report of the Company for the financial year ended 31 December 2018 (pages 47 to 154)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/lt20190412815.pdf>
- Annual report of the Company for the financial year ended 31 December 2017 (pages 47 to 142)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0329/lt201803291101.pdf>

2. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcements of the Company dated 22 May 2020 and 28 May 2020 (the “**Announcements**”). The Announcements stated that the Group was expected to record a loss for the six months ending 30 June 2020, as compared to a net profit attributable to the equity shareholders of the Company of HK\$362,051,000 million for the six months ended 30 June 2019. The expected loss would be mainly attributable to a significant fall in average selling price of crude oil sold by the Group in the first four months of 2020, comparing to the same period of crude oil sold last year, which was in turn resulted from the outbreak of the COVID-19.

Reference is also made to the financial review of the interim report for the six months period ended 30 June 2020 of the Company published on 31 August 2020. The long-lasting of outbreak of the COVID-19 since end of January 2020 led to a large variety of anti-epidemic measures, including full or partial lockdown such as restriction of road and air travel, suspension of schooling and work from home arrangements, implemented by countries around the globe. Global energy demands including crude oil had plummeted since the beginning of 2020. The global economy recovery is likely to be bumpy and slow as recent COVID-19 re-emerge at the beginning of July 2020 threatens to disrupt the operation of businesses and reduce consumer spending. In comparing to the same period of last year, the average Dated Brent and Platts Dubai crude oil prices slump by 40% and 38% to US\$39.8 per barrel and US\$40.6 per barrel, respectively. Revenue of the Group dropped by 32% year-on-year and two out of four business segments recorded segment losses and recorded a loss attributable to shareholders of HK\$430,809,000 for the six months period ended 30 June 2020.

Reference is further made to the profit warning announcement of the Company dated 7 December 2020 (the “**Announcement**”). The Announcement stated that a loss attributable to the shareholders for the year ending 31 December 2020 was expected as compared to a profit attributable to the shareholders of an approximately HK\$600,293,000 for the year ended 31 December 2019. The Board estimated that the Group will record a decrease in revenue for the year ending 31 December 2020 of an approximately 18% year-on-year as compared with the year ended 31 December 2019. The loss would be mainly due to the nonstop COVID-19 since its outbreak by the end of January 2020. Corresponding anti-pandemic measures, including worldwide partial lockdown of human flows, suspension of schooling and work from home arrangements, have been implemented resulting in a significant reduction in demand for fuel since then. Shrinking in demand of fuel led to collapsing demand in crude oil. Besides, the metal commodities market was sluggish also due to the outbreak of the COVID-19. Both the crude oil and metal business, being the core performance drivers of the Group, are expected to record significant loss for the year ending 31 December 2020.

Saved as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. INDEBTEDNESS

At the close of business on 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the date of this circular, the bank and other borrowings of the Group comprise the following:

	<i>HK\$ '000</i>
Bank borrowings	895,431
Other borrowing	3,900,000
Lease liabilities	77,828
	<hr/>
	4,873,259
	<hr/>

For a summary of the Group’s contingent liabilities, please refer to *Section 4. LITIGATIONS in Appendix II GENERAL INFORMATION*.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as of 31 October 2020, 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.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing available financial resources, including the internally generated funds, the available borrowing facilities and the net proceeds from the Disposals, the Group has sufficient working capital for its businesses for at least the next 12 months from the date of this circular in the absence of unforeseen material circumstances.

5. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

Since the beginning of 2020, economic activities around the globe have contracted abruptly is a result of the rapid spread of the COVID-19 pandemic. International prices of bulk commodities have plummeted, leading to great uncertainty in their business prospects. The prices of those bulk commodities related to the Company's major businesses (crude oil, aluminium smelting and coal) declined sharply year-on-year. At the beginning of the year, crude oil prices fell to historical lows of the last two decades after a "one-two punch" of the COVID-19 outbreak followed by the oil price war led by Saudi Arabia and Russia. The Organization of the Petroleum Exporting Countries has begun to implement large-scale production cuts from May, while the COVID-19 pandemic has shown signs of subsiding in some parts of the world. Supply and demand in the market have gradually returned to equilibrium, with oil prices bouncing back to above US\$40 per barrel in the third quarter of this year.

Crude oil

Facing with turbulent market environment, the Group fully optimized and adjusted its workload, shrank capital investment and operating costs and reduced cash outflow. In order to cope with low oil prices, the Group activated emergency plans and worked hard on several fronts, including reduction of operating costs using technology, reduction of procurement and service costs, as well as optimization of the crude oil sales mechanism.

During the 6-month ended 30 June 2020 (the "**Period**"), a drop in crude oil prices and sales volume led to a sharp decrease in the segment results compared with the same period last year.

Metal

The metal market was sluggish due to the impact of the pandemic. During the Period, the sales volume and selling prices of the products of our Portland Aluminium Smelter joint venture in Australia declined. Though the cost of raw materials decreased, such decrease was not enough to offset the effect of the drop in selling prices. The segment results of Aluminium smelting recorded an increase in loss in the Period compared with the same period of last year.

During the Period, the Group's share of profit in Alumina Limited using the equity method decreased significantly compared with the same period in 2019 due to drop in alumina prices.

During the Period, due to the pandemic, the average selling prices of manganese ore and manganese products in China fell, which had a significant adverse impact on the operation of the manganese industry. As a result, the operating result of CITIC Dameng decreased compared with the same period of last year. Such a decrease, coupled with CITIC Dameng's one-off extraordinary non-cash loss arising from the deemed disposal of its equity interest in an associate, and then offset against gain on bargain purchase arising from the further acquisition of equity interests in a joint venture, led to the Group's share of loss of CITIC Dameng during the Period.

Coal

The sales prices and sales volume of the coal segment dropped significantly during the Period, compared with the same period of last year due to market factors. Together with an increase in the cost of sales per tonne resulting from a higher stripping ratio led to a significant decrease in the results of this segment during the Period when compared with the same period of last year.

Import and export

During the Period, the Group's segment of import and export of commodities was affected by macro environmental factors, with a sharp decline in both its sales volume and selling prices. In addition, the depreciation of the Australian dollar against the United States dollar led to a contraction in the gross profit of import and export business. Consequently, the results of this segment decreased significantly compared with the same period last year.

Looking ahead

The market outlook remains largely uncertain and volatile. In recent years, the international political and economic landscapes have undergoing drastic changes. The risk of political conflicts has intensified. The demand and supply chain have been impacted by non-economic factors. The COVID-19 pandemic has cast a further doubt on the momentum of the world economy growth. However, with the hope of the wide application of COVID-19 vaccine by the first quarter of next year, coupled with gradual lifting of lockdown around the world, it is expected that the economy will gradually recover next year. The Group has been dynamically adjusting its work plans in responding to changes in the external environment and international oil price trends.

Looking ahead, the prevention and control of the pandemic remain the priority of the Group's operation. We will use all our resources to safeguard the health and safety of our employees, strive to overcome the impact of the pandemic, ensure stable production and smooth operation, and do everything we can to contribute to the pandemic prevention in those communities where ours project are located.

The Group will also implement more stringent cost control, adopt a more prudent approach to investment decision-making and cash flow management and endeavour to achieve its production and operation goals as well as mid-term and long-term sustainable development goals.

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 not contained in this circular, 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. FURTHER INFORMATION ABOUT THE COMPANY

The Company was incorporated in Bermuda on 18 July 1997. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Share capital:

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

Authorised share capital:

HK\$500,000,000 divided into 10,000,000,000 Shares

Share capital issued as fully-paid:

HK\$392,886,357.45 divided into 7,857,727,149 Shares

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

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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 of HK\$0.05 each held	Number of underlying shares pursuant to share options	Percentage of the total issued share capital of the Company
Mr. Sun Yang	Directly beneficially owned	4,000	—	—
Mr. Chan Kin (“ Mr. Chan ”)	Corporate	786,558,488*	—	10.01

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

Long positions in shares and underlying shares of associated corporations of the Company

Name of Director	Name of associated corporation	Shares/ equity derivatives	Number of shares/ equity derivatives held	Nature of interest	Percentage of the total issued share capital of the associated corporation
Mr. Gao Pei Ji	CITIC Limited	Ordinary shares	20,000	Directly beneficially owned	—

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

- (i) none of the Directors or chief executive of the Company had an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors or their respective associates was materially interested in any subsisting contract or arrangement which is significant in relation to the businesses of the Group taken as a whole; and
- (iii) none of the Directors or their respective associates had any interest in a business apart from the businesses of the Group which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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.

4. LITIGATIONS

- (i) In July 2019, Shengli Oilfield KEER Engineering and Construction Co., Ltd (“**KEER**”) commenced a joint legal claim action with a general contractor of Tincy Group Energy Resources Limited (“**Tincy Group**”), 90% of which is indirectly owned by the Company (the “**Shengli Oilfield Claim**”). Pursuant to the Shengli Oilfield Claim, KEER was seeking a compensation from Tincy Group of RMB30,928,000 (HK\$35,876,000) in respect of loss of construction contract and relevant warranty plus interest. Certain bank amount of RMB35,000,000 (HK\$40,586,000) has been frozen as a blockade fund by the Dalian Maritime Court. The general contractor applied to withdraw its legal claim from the Shengli Oilfield Claim to the Dalian Maritime Court. The general contractor was requested as a third party by the Dalian Maritime Court to participate in the litigation. Dalian Maritime Court hearings were done.

As at the Latest Practicable Date, no decision or judgement has been issued by the Dalian Maritime Court.

- (ii) In 2019, The Department of Ecology, Kazakhstan (the “**EC Department**”) completed an environmental inspection on JSC Karazhanbasmunai (“**KBM**”, 50% of the issued voting shares of which is owned by the Group) in respect of the placement of industrial waste in the landfill without appropriate environmental permit for the five years from 2015 to 2019 and the industrial waste has to be recycled within 3 years. As a result, the Kazakhstan tax authorities issued tax assessments of Kazakhstani Tenge 19,878,050,000 on KBM in 2020, translating to the Group’s share of approximately HK\$172,300,000. KBM made an appeal to the Court of Nur-Sultan requesting cancel the tax assessments.

KBM paid the tax for the placement of industrial waste in the landfill each quarter for five years from 2015 to 2019. Neither the EC Department nor any other legal act requires reapply for an environmental permit in the case of non-recycling of industrial waste within 3 years.

KBM appealed to the Court of Nur-Sultan requesting to rescind the tax assessments, but the Court of Nur-Sultan decided against KBM on 17 August 2020. KBM lodged an appeal to the Specialized Judicial Board of the Supreme Court and the Specialized Judicial Board of the Supreme Court issued a judgement in favour of KBM on 15 October 2020.

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

It is alleged that the Claims relate to three letters of credit (“**L/Cs**”) issued in favour of CACT as payment for the sale by CACT to a Qingdao Decheng Minerals Co., Ltd. (青島德誠礦業有限公司) (“**Decheng**”) of certain quantity of aluminium stored at bonded warehouses at Qingdao Port, China in 2014. Weihai, which arranged for issuance of the L/Cs as payment on behalf of Decheng, disputes the authenticity of certain warehouse receipts for aluminium stored at the bonded warehouses at Qingdao Port. Having failed in its request to both the Shandong Middle People’s Court and the Shandong High People’s Court in China for an order to stop payment to CACT pursuant to the L/Cs, Weihai is seeking payment from CACT. The sums claimed by Weihai under the L/Cs respectively are: (i) RMB78,701,000 (HK\$86,571,000) plus interest and costs; (ii) RMB71,639,000 (HK\$78,803,000) plus interest and costs, and (iii) RMB52,923,000 (HK\$58,215,000) plus interest and costs, totalling at RMB203,263,000 (HK\$223,589,000) plus interest and costs. CACT refutes the Claims and has notified the Board that the Claims are without merit and the purported legal action by Weihai are wrongful. CACT has engaged local counsel in China to defend the Claims. The first hearing of the Claims was attended by CACT’s local counsel in China on 8 September 2020 per the Public Notice. CACT has been awaiting further instruction by Shandong High People’s Court.

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

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other litigation or claims of material importance which were pending or threaten against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL CONTRACTS

There has been no material contract entered into by members of the Group within the two years preceding the Latest Practicable Date.

7. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The Secretary of the Company is Mr. Wong Wai Kwok. He holds a Master Degree of Business Law from Monash University, Master Degree of Business Administration from Deakin University, Master Degree of Professional Accounting from Monash University and Bachelor Degree of Science from The University of New South Wales. He has over 27 years of financial, accounting and auditing experience.
- (c) Unless otherwise stated, all references to times and dates in this circular refer to Hong Kong times and dates.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Suites 6701-02 & 08B, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for the period of 14 days from the date of this circular:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the Company's annual reports for the years ended 31 December 2017, 2018 and 2019 respectively;
- (c) the Company's interim report for the six months ended 30 June 2020; and
- (d) this circular.