CITIC RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Website: www.citicresources.com
(Stock Code: 1205)

ANNOUNCEMENT OF ANNUAL RESULTS
For the year ended 31 December 2003

FINANCIAL RESULTS

The board of directors (the "Directors") of CITIC Resources Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2003.

Consolidated Profit and Loss Account

	Notes	2003 HK$'000	2002 HK$'000
TURNOVER	3	**24,535**	24,003
Cost of sales		**(40,911)**	(28,535)
Gross loss		**(16,376)**	(4,532)
Other revenue and gains	3	**14,080**	20,613
Selling and distribution costs		**(462)**	(989)
Administrative expenses		**(18,199)**	(20,209)
Other operating expenses		**(30,877)**	(10,100)
LOSS FROM OPERATING ACTIVITIES	4	**(51,834)**	(15,217)
Finance costs	5	**(171)**	–
LOSS BEFORE TAX		**(52,005)**	(15,217)
Tax	6	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		**(52,005)**	(15,217)
LOSS PER SHARE	7		
Basic		**HK(1.58 cents)**	HK(0.56 cent)
Diluted		**N/A**	N/A

Notes:

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The accounting policies adopted for current year are consistent with those used in the Group's financial statements for the year ended 31 December 2002, except for the adoption of the revised SSAP 12 "Income taxes" which is effective for the first time for the current year's financial statements.

2. **SEGMENT INFORMATION**

No analyses for business and geographical segments for the year ended 31 December 2003 are presented as over 90% of the Group's revenue, assets and liabilities were derived from the manufacture and sale of plywood conducted in or located in the People's Republic of China ("PRC") during the year.

3. **TURNOVER, OTHER REVENUE AND GAINS**

Turnover represents the net invoiced value of goods sold during the year, after allowances for returns and trade discounts, and excludes intra-group transactions.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2003 HK$'000	2002 HK$'000
Turnover		
Sale of goods	**24,535**	24,003
Other revenue and gains		
Sale of scraps	**249**	49
Interest income	**13,273**	12,409
Exchange gains arising from bank deposits denominated in New Zealand dollars, net	–	6,945
Waiver of an amount due to a former director	–	1,135
Others	**558**	75
	14,080	20,613
Total revenue and gains	**38,615**	44,616

4. **LOSS FROM OPERATING ACTIVITIES**

The Group's loss from operating activities is arrived at after charging/(crediting):

	2003 HK$'000	2002 HK$'000
Cost of inventories sold *	**40,911**	28,535
Depreciation	**12,971**	3,575
Loss on disposal/write-off of fixed assets **	**713**	6,722
Provision for impairment of fixed assets **	**4,502**	–
Exchange gains arising from principal activities, net	**(93)**	(8)
Professional fees incurred in relation to aborted investment projects (note) **	**25,662**	–

* The cost of inventories sold for the year ended 31 December 2003 includes HK$12,225,000 (2002: HK$3,423,000), relating to direct staff costs, operating lease rentals and depreciation. These are also included in the respective total amounts disclosed separately above for each of these types of expenses for the year.

** These amounts are included in "Other operating expenses" in the consolidated profit and loss account.

Note: The amount included professional fees incurred for financial and legal advice in connection with the Group's proposed acquisition of certain assets in New Zealand which was subsequently aborted.

5. **FINANCE COSTS**

	2003 HK$'000	2002 HK$'000
Interest expense on bank loans	**171**	–
Interest income over the Group's deposit of HK$1,000 million pledged against the Notes *	–	(6,078)
Interest expense on the Notes *	–	6,078
	171	–

* In the prior year, interest income earned from the Group's deposit of HK$1,000 million was directly paid to Keentech Group Limited ("Keentech") by the bank for the settlement of accrued interest on the redeemable floating rate convertible loan notes (the "Notes") of HK$1,000 million issued to Keentech. The Notes were fully converted into shares during 2002.

6. **TAX**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

For the year ended 31 December 2003, the tax rate applicable to a subsidiary established and operating in the PRC is 33%, however no provision for tax has been made for the year as this subsidiary did not generate any assessable profits arising in the PRC during the year.

SSAP 12 (revised) was adopted during the year. There were no material effects on the Group's deferred tax assets or liabilities as at 31 December 2002. Accordingly, no prior year adjustment is included in the financial statements.

7. **LOSS PER SHARE**

The calculation of the basic loss per share is based on the consolidated net loss attributable to shareholders of the Company for the year of HK$52,005,000 (2002: HK$15,217,000) and the weighted average of 3,296,470,588 (2002: 2,738,162,772) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2003 has not been presented because no dilutive events existed during the year.

A diluted loss per share amount for the year ended 31 December 2002 has not been presented as the effect of the potential ordinary shares arising from the conversion of the Notes would have been anti-dilutive.

8. **DIVIDEND**

No interim dividend was paid during the year and the prior year. The Directors do not recommend the payment of any dividend in respect of the year (2002: Nil).

BUSINESS REVIEW AND OUTLOOK

The past year has been challenging for the Group. The operating environment continued to be difficult as the plywood and timber products industry slowed down and as pricing competition intensified. The outbreak of the viral infection SARS in the second quarter of the year added to difficulties as it hindered traveling and the routine functioning of business.

Attempts to overcome the difficult environment – including the full completion of a new veneer production line intended to enhance efficiency and to broaden the scope and the quality of the Group's products – have failed to lift performance.

While the overall performance of the Group in 2003 has been disappointing, the Directors remain confident of the future. A review of the Group's business strategy by the Directors, which began in 2002, has been completed.

The principal activities of the Group have been the manufacture and sale of plywood. This narrow business scope has been unable to create value for shareholders. The results for 2003 have been disappointing and the Directors concluded that a new business focus and market positioning is needed.

Golden opportunities in the broader commodities and energy sector are being created by China's fast economic growth. The galloping 7-9% average growth of the Chinese economy – especially over the past three years when the rest of the world was languishing with GDP increases of a few percent – has dramatically boosted domestic demand for virtually all raw materials and has revved up energy consumption.

This burgeoning demand from China is reflected in the recent spiraling world prices for a wide range of commodities. The Directors believe that the interests of the Group would be best served by diversifying its business and reducing its reliance on the manufacture and sale of plywood as its principal activities.

The vision is to position the Group as the integrated provider of key commodities and strategic natural resources to China, starting with base metals and crude oil. The strategy is to set up an unified business platform ranging from production to delivery of the commodities and resources of which China is currently a net importer – from upstream operations to mid-stream processing to retail distribution of the final products.

The Group has already been making and looking at cross-border acquisitions to increase its exposure to well-established and profitable operations in the commodities and energy industries. The first step was taken in the first quarter of this year with the acquisition of a number of interests in Australia (the "Acquisition"). These include interests in the Portland Aluminium Smelter, one of the most efficient aluminium smelters in the world, and the Coppabella and Moorvale coal mines which is one of only five producers of low-volatile "Pulverized Coal Injection" coal in Australia.

The Acquisition also provides the Group with interests in three listed companies in Australia: Macarthur Coal which mines coal, Aztec Resources which is principally in mineral exploration and CITIC Australia Trading, a well-established commodities trading house.

This is just the beginning. Going forward, the Group intends to acquire or forge alliances with the leading players in the international commodities and natural resources industries while leveraging both on the unique position of its major shareholders in the Chinese business world as well as on its own proven ability to navigate the complex pathways that often impede the foreign player hoping to penetrate the Chinese market.

The Group is financially sound – able and well-positioned to implement and support this new strategy. It has a strong cash position and it is able to leverage on the support of its major shareholders. As the business develops, the strategy is to target the other markets of Asia and build up the Group as the strategic platform for commodities and energy in the region.

The Group is entering a new and exciting chapter in its history. With a new strategy in place, the Directors look forward to a much better set of results in the year ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Group had, excluding the pledged bank deposits, cash balance of HK$1,100.2 million. On the other hand, the Group had bank loans of HK$20.7 million, of which HK$13.7 million was secured by the Group's pledged bank deposits of HK$20.4 million and the corporate guarantee provided by the parent company of the subsidiary which borrowed such bank loan. The gearing ratio of the Group was 4.8%.

The exposure to foreign exchange rate fluctuations of the Group was not significant as it derived its revenue mainly in Renminbi. However, the Acquisition may create new exposures in foreign exchange to the Group. Currently, those newly acquired Australian companies are adopting a specific hedging policy to cope with the exposures in foreign exchange, interest rate and commodity price fluctuation, which allows them to set off the foreign exchange liabilities against the sales that were denominated in foreign currency. So far, the hedging policy has been proved effective.

In February 2004, the Group completed a placing and subscription of 270,000,000 shares of the Company, resulting that the Group's ability to make investments and acquisitions was enhanced by a total cash consideration, before expenses, of about HK$391.5 million. In March 2004, the consideration of US$139.5 million (about HK$1,088.1 million) paid for the Acquisition was satisfied through the allotment and issue of new shares of the Company and that the cash resources of the Group was kept intact. Those Australian companies have been predominantly self sustaining in terms of cashflow requirements. As a whole, the Directors are of the view that there is sufficient cash to satisfy the working capital needs and other financing requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2003, the Group had around 500 full time employees, including the management and administrative staff and the production workers. Most of them station in the PRC while the remaining in Hong Kong.

The employees' remuneration, promotion and salary increment are assessed based on individual's performance, professional and working experience and are referred to the prevailing industry practice. Rent-free quarters are provided to the PRC employees. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CHANGE IN DIRECTORATE

On 1 April 2004, Mr. Mi Zengxin (age 53) and Mr. Zeng Chen (age 40) were appointed as executive directors of the Company. Both Mr. Mi and Mr. Zeng are not entitled to receive any fee from the Company. On the same day, Mr. Tian Yuchuan resigned as the executive director.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

PUBLICATION OF ANNUAL REPORT

The 2003 Annual Report containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the respective website of The Stock Exchange of Hong Kong Limited and the Company in due course.

On behalf of the Board
Peter Kwok Viem
Chairman

Hong Kong, 15 April 2004

As at the date hereof, the board of directors of the Company is comprised of ten directors, of whom eight are executive directors, namely, Mr. Kwok Viem, Peter, Mr. Ma Ting Hung, Ms. Li So Mui, Mr. Mi Zengxin, Mr. Qiu Yiyong, Mr. Sun Xinguo, Mr. Zeng Chen and Mr. Zhang Jijing, and two are non-executive directors, namely Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian.