CITIC RESOURCES HOLDINGS LIMITED

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

FINANCIAL RESULTS

The board of directors (the "Directors") of CITIC Resources Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2004 (the "Period").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Six months ended 30 June
Unaudited
HK$'000

	Notes	2004	2003
TURNOVER		**1,135,871**	7,116
Cost of sales		**(1,067,154)**	(11,408)
Gross profit/(loss)		**68,717**	(4,292)
Other revenue and gains		**9,664**	7,740
Selling and distribution costs		**(7,179)**	(193)
Administrative expenses		**(19,329)**	(9,495)
Other operating expenses		**(9,330)**	(187)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	**42,543**	(6,427)
Finance costs	4	**(12,927)**	(46)
PROFIT/(LOSS) BEFORE TAX		**29,616**	(6,473)
Tax	5	**(25,289)**	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**4,327**	(6,473)
Minority interests		**(894)**	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		**3,433**	(6,473)
EARNINGS/(LOSS) PER SHARE	6		
Basic		**HK0.09 cents**	HK(0.20 cent)
Diluted		**N/A**	N/A

Notes:

1. **Basis of preparation**

   These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice 25 "Interim Financial Reporting", accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for the periodic remeasurement of certain assets. The accounting policies adopted are consistent with those used in the Group's audited financial statements for the year ended 31 December 2003.

   These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee with the management of the Company.

2. **Segment information**

   Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

   The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

   (a) the aluminium smelter segment comprises the operation of the Portland Aluminium Smelter and sale of finished products;

   (b) the import and export of commodities segment represents import of various commodity products such as fertilizer, iron ore, aluminium ingot and alumina and export of other commodities and manufactured goods such as vehicle and industrial batteries, tyres, alloy wheels and various metals such as steel and aluminium extrusion products; and

   (c) the coal exploration segment comprises the operation of coal mining, exploration and sale.

   In determining the Group's geographical segments, revenues are attributed to the segments based on the location of operations.

   No analysis for geographical segments for the Period is presented as over 90% of the Group's revenue and results were derived from its operations in Australia during the Period.

   Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

   No analysis for business and geographical segments for the six months ended 30 June 2003 is presented as over 90% of the Group's revenue and results were derived from the manufacture and sale of plywood conducted in or located in the People's Republic of China ("PRC") during the period.

   Business segments

   The following tables present revenue and results information for the Group's business segments for the Period.

Six months ended 30 June 2004 Unaudited HK$'000	Aluminium smelter segment	Import and export of commodities segment	Coal exploration segment	Consolidated
Segment revenue:				
Sales to external customers	265,250	828,298	35,680	1,129,228
Other revenue	682	2,203	172	3,057
	265,932	830,501	35,852	1,132,285
Segment results	62,995	9,282	4,960	77,237
Interest income and unallocated revenue				13,250
Unallocated expenses				(47,944)
Profit from operating activities				42,543
Segment finance costs:				
Finance costs	(6,135)	(2,992)	(489)	(9,616)
Unallocated amounts				(3,311)
Profit before tax				29,616
Tax				(25,289)
Profit before minority interests				4,327
Minority interests				(894)
Net profit attributable to shareholders				3,433

3. **Profit/(loss) from operating activities**

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

	2004 HK$'000	2003 HK$'000
Cost of inventories sold *	**1,067,154**	11,408
Depreciation	**16,839**	5,871
Amortisation of electricity supply agreement in relation to Portland Aluminium Smelter	**13,702**	–
Amortisation of goodwill	**2,832**	–
Minimum lease payments under operating leases on leasehold land and buildings	**3,264**	1,521
Staff cost (excluding directors' remuneration):		
wages and salaries	**8,202**	2,328
pension scheme contributions	**675**	52
	8,877	2,380
Loss on disposal of fixed assets, net	**3,105**	163
Loss/(gain) on foreign exchange, net	**(3,985)**	100
Gain on trading of forward contracts, net	**(3,299)**	–

   * The costs of inventories sold for the Period include the balances of depreciation, which are also disclosed separately above for the Period.

4. **Finance costs**

	Group 2004 HK$'000	2003 HK$'000
Interest expenses on bank loans	**12,648**	46
Lease charges	**145**	–
Other finance charges	**134**	–
	12,927	46

5. **Tax**

	Group 2004 HK$'000	2003 HK$'000
PRC:		
Hong Kong	**–**	–
Elsewhere	**–**	–
Overseas	**9,430**	–
Deferred tax charge	**15,859**	–
	25,289	–

   No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (June 2003: Nil). The statutory tax rate of Hong Kong profits tax is 17.5% (June 2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. 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 Period, 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 Period as this subsidiary did not generate any assessable profits arising in the PRC during the Period.

   During the Period, the tax rate applicable to subsidiaries established and operating in Australia is 30%. Provision for Australian income tax has been made on the estimated assessable profits arising in Australia for the Period.

6. **Earnings/(loss) per share**

   The calculation of the basic earnings/(loss) per share is based on the consolidated net profit attributable to shareholders of the Company for the Period of HK$3,433,000 (June 2003: net loss of HK$6,473,000) and the weighted average of 3,877,588,879 (June 2003: 3,296,470,588) ordinary shares in issue during the Period.

   A diluted earnings/(loss) per share amount for the six months ended 30 June 2004 and 2003 respectively has not been presented because no dilutive events existed during these periods.

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the Period (June 2003: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group has achieved a turnaround in its financial performance for the Period by recording a net profit of HK$3.4 million (June 2003: net loss of HK$6.5 million).

This financial result is encouraging and supports the decision undertaken by the Directors to diversify the Group's business activities and reduce its reliance on the manufacture and sale of plywood.

The stated strategy of the Directors is to position the Group as an integrated provider of key commodities and strategic natural resources to the PRC market, starting with base metals and crude oil. In this regard, significant steps have been taken recently by the Group.

In March 2004, the Group completed the acquisition of a number of interests in the natural resources and commodities sectors in Australia (the "Australian Interests"), which provides the Group with exposure to established and profitable operations in the commodities and energy industries in Australia. It also provides the Group with interests in three companies listed on the Australian Stock Exchange. Today, the Group is involved in aluminium smelting, commodities trading, coal mining and mineral exploration which have helped drive the Group's positive financial performance for the Period.

As recently approved by shareholders of the Company, the Group expects to complete in October 2004 the acquisition of a 40% participating interest in the Kongnan Block within the Dagang Oilfield, PRC, which is anticipated to generate positive cash flows for the Group in the future. This acquisition will extend the Group's business portfolio in line with its stated business strategy and provide the Group with an exposure to the development, production and sale of oil, another important natural resource for the PRC market.

The Directors expect to continue with its strategy to establish a unified business platform ranging from production to delivery of commodities and resources of which the PRC is currently a net importer – from upstream operations to mid-stream processing and to distribution of the final products. The Group will make appropriate investments as and when suitable opportunities arise.

The Group is financially sound, able and well positioned to sustain its business strategy through its strong cash position and the support of its major shareholders. CITIC Group has designated the Company as the principal holding company for its entire group's business in the natural resources sector.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 30 June 2004, the Group had, excluding the pledged bank deposits, a cash balance of HK$1,769.1 million.

The Group had outstanding borrowings of HK$1,494.7 million, which comprised secured bank loans of HK$812.2 million, unsecured bank loans of HK$241.6 million and unsecured other loans of HK$440.9 million. The bank loans of HK$812.2 million were secured by the Group's pledged bank deposits of HK$20.5 million and corporate guarantees.

Of the total outstanding borrowings, HK$323.4 million was repayable within one year. The gearing ratio of the Group was 44.2%.

As a result of the completion of the acquisition of the Australian Interests in March 2004, the Group has an exposure to foreign exchange rate fluctuations. Currently, those companies holding the Australian Interests are adopting a specific hedging policy to cope with the foreign exchange, interest rate and commodity price fluctuations, which allows them to set off the foreign exchange liabilities against the sales that were denominated in foreign currencies. So far, the hedging policy has been proved effective.

In February 2004, the Company completed a placing and subscription of 270,000,000 new shares for a total cash consideration, before expenses, of about HK$391.5 million. The proceeds from the issue of the new shares has enhanced the Group's ability to make investments and acquisitions.

In March 2004, the Company issued 750,413,793 new shares in satisfaction of the payment of the consideration of US$139.5 million (about HK$1,088.1 million) in respect of the acquisition of the Australian Interests. Therefore, the cash resources of the Group were not affected by the acquisition. Those companies holding the Australian Interests have been predominantly self sustaining in terms of cashflow requirements.

As a whole, the Directors are of the view that after taking into the account the Group's internal resources and available borrowing facilities, the Group has sufficient resources to meet its foreseeable working capital requirements.

CONTINGENT LIABILITIES

As at the balance sheet date, the Group had the following material contingent liabilities:

	30 June 2004 Unaudited HK$'000	31 December 2003 Audited HK$'000
Guarantee given by bank in relation to mining tenements of service contracts	**17,002**	–
Other guarantee and contingencies	**5,529**	–
Irrevocable letter of credit which has been discounted by the issuing bank with full recourse to CITIC Resources Australia Pty Limited	**2,928**	–
	25,459	–

EMPOLYEES AND REMUNERATION POLICIES

At 30 June 2004, the Group had around 150 full time employees, including the management and administrative staff and production workers. Most of them are employed in the PRC and Australia while the remainder are employed in Hong Kong.

The employees' remuneration, promotion and salary increment are assessed based on an individual's performance, professional and working experience and by reference to prevailing market practice and standards. 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 Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme.

In Australia, the Group operates a defined contribution retirement benefits scheme (the "RB Scheme") under the superannuation legislation of the Australian government, for all of its employees in Australia. Contributions are made based on a percentage of the employee's basic salaries. The Group's contributions as an employer vest fully with the employees when contributed to the RB 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 Period.

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 Listing Rules throughout the Period, 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.

PUBLICATION OF INTERIM REPORT

This 2004 Interim Report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules (in force prior to 31 March 2004 and applicable to this announcement under the transitional arrangement) will be published on the respective websites 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, 17 September 2004

As at the date hereof, the executive directors of the Company are 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 the independent non-executive directors are Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian