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 2004

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 (collectively the "Group") for the year ended 31 December 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December
Audited
HK$'000

	Notes	2004	2003
TURNOVER	4	**3,610,791**	24,535
Cost of sales		**(3,360,106)**	(40,911)
Gross profit/(loss)		**250,685**	(16,376)
Other revenue and gains	4	**49,689**	14,080
Selling and distribution costs		**(12,047)**	(462)
Administrative expenses		**(80,970)**	(18,199)
Other operating expenses		**(40,269)**	(30,877)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	**167,088**	(51,834)
Finance costs	6	**(50,169)**	(171)
PROFIT/(LOSS) BEFORE TAX		**116,919**	(52,005)
Tax	7	**(64,426)**	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**52,493**	(52,005)
Minority interests		**(2,631)**	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		**49,862**	(52,005)
EARNINGS/(LOSS) PER SHARE	8		
Basic		**HK1.22 cents**	HK(1.58 cents)
Diluted		**N/A**	N/A

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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.

2. **Impact of recently issued Hong Kong financial reporting standards ("HKFRS")**

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. **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 fertiliser, 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;

(c) the coal segment comprises the operation of coal mining and sale;

(d) the crude oil segment represents the operation of Dagang Oilfield and sale of crude oil; and

(e) the others segment comprises the supply of plywood mainly for use in the manufacture of furniture and fixtures and for refurbishment and other operating activities of the Group.

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

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 analyses for business and geographical segments for the year ended 31 December 2003 were 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 that year.

Business segments

The following tables present revenue and results information for the Group's business segments for the year ended 31 December 2004.

Year ended 31 December 2004 Audited HK$'000	**Aluminium smelter**	**Import and export of commodities**	**Coal**	**Crude oil**	**Others**	**Consolidated**
Segment revenue:						
Sales to external customers	857,072	2,590,321	127,552	24,448	11,398	3,610,791
Other revenue	10,262	8,646	4,406	–	85	23,399
	867,334	2,598,967	131,958	24,448	11,483	3,634,190
Segment results	146,534	29,786	24,486	7,706	(31,291)	177,221
Interest income and unallocated gains						26,290
Unallocated expenses						(36,423)
Profit from operating activities						167,088
Finance costs	(21,090)	(15,519)	(1,749)	–	(310)	(38,668)
Unallocated finance costs						(11,501)
Profit before tax						116,919
Tax						(64,426)
Profit before minority interests						52,493
Minority interests						(2,631)
Net profit attributable to shareholders						49,862

4. Turnover, other revenue and gains

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

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

	2004 **HK$'000**	2003 HK$'000
Turnover		
Sale of goods		
Aluminium smelter	**857,072**	–
Import and export of commodities	**2,590,321**	–
Coal	**127,552**	–
Crude oil	**24,448**	–
Others	**11,398**	24,535
	3,610,791	24,535
Other revenue and gains		
Interest income	**25,743**	13,273
Handling service fee	**8,653**	–
Dividend income from listed investments	**4,405**	–
Gains on trading of forward contracts, net	**8,397**	–
Sales of scraps	**1,944**	249
Others	**547**	558
	49,689	14,080
Total revenue and gains	**3,660,480**	38,615

5. 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 *	**3,360,106**	40,911
Depreciation	**56,642**	12,971
Amortisation of Electricity Supply Agreement	**46,720**	–
Amortisation of goodwill	**4,356**	–
Minimum lease payments under operating leases on land and buildings	**5,060**	3,010
Auditors' remuneration	**2,728**	430
Staff costs (including directors' remuneration)		
Wages and salaries	**29,886**	9,198
Pension scheme contributions	**114**	106
Provision for long service payments	**2,479**	–
	32,479	9,304
Loss on disposal/write-off of fixed assets **	**5,166**	713
Provision for impairment of fixed assets **	**–**	4,502
Additional provision for long service payments	**1,853**	–
Exchange losses/(gains), net **	**26,825**	(93)
Professional fees incurred in relation to aborted investment projects **	**–**	25,662

* Cost of inventories sold for the year ended 31 December 2004 included an amount of HK$98,931,000 (2003: HK$12,225,000), which comprised direct staff costs, operating lease rentals and depreciation. Such amount has also been included in the respective expenses items disclosed above.

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

6. **Finance costs**

	2004 **HK$'000**	2003 HK$'000
Interest expense on bank and other loans repayable:		
Within one year	**19,363**	171
In the second to fifth years, inclusive	**626**	–
Beyond five years	**29,822**	–
	49,811	171
Other finance charges	**358**	–
	50,169	171

7. **Tax**

	2004 **HK$'000**	2003 HK$'000
Current:		
Hong Kong	**–**	–
Elsewhere	**49,032**	–
	49,032	–
Deferred	**15,394**	–
Total tax change for the year	**64,426**	–

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2003: Nil). The statutory tax rate of Hong Kong profits tax is 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

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.

Provision for Australian income tax has been made at the statutory rate of 30% for the year ended 31 December 2004 on the estimated assessable profits arising in Australia during the year.

For the year ended 31 December 2004, 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.

8. **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 year of HK$49,862,000 (2003: loss of HK$52,005,000) and the weighted average of 4,098,421,973 (2003: 3,296,470,588) ordinary shares in issue during the year.

The diluted earnings/(loss) per share amounts for the years ended 31 December 2003 and 2004 have not been presented because no dilutive events existed during the years.

9. **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 (2003: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group recorded a consolidated turnover of HK$3,610.8 million for the year, representing a substantial increase as compared to HK$24.5 million in 2003. It achieved a turnaround in its financial performance by recording a net profit of HK$49.9 million, as compared to a net loss of HK$52.0 million in 2003. This financial result is encouraging and principally follows the decision taken by the Directors to adopt a business strategy to diversify the Group's activities.

In 2004, the Group took the first steps in expanding its business focus and diversifying from its previous narrow base in the plywood industry. We made major acquisitions to re-position ourselves as an integrated provider of key energy resources and commodities of which China is a net importer.

Significant in terms of strategic positioning has been the Group's entry into China's petroleum market and related sectors in 2004. Initial entry was marked by the Group's acquisition of a participating interest in the development and production of petroleum at the Dagang Oilfield which is located about 125 miles south-east of Beijing. The acquisition was completed in October 2004 and commercial production is expected to begin in 2006.

In January 2005, the Group took the next big step in establishing its presence in petroleum and petroleum-related sectors in China by acquiring a majority stake in a joint venture with ChevronTexaco Corporation. The joint venture already operates 45 Caltex-branded service stations in Macau and in the Guangdong and Fujian provinces of China. The venture aims to further develop this regional network in southern China and explore development possibilities in the Yangtze river delta. The acquisition was approved by shareholders in March 2005 and, subject to regulatory approval, is expected to close in the first half of 2005.

While the surge in global oil prices over the past year has been timely for such acquisitions, the decisions were based on longer-term considerations and the opportunities which the Directors believe will be generated by the demand in the China market for energy resources in the coming years.

The Directors expect China's rapid industrialisation to continue to generate significant demand for energy and hard commodities. Despite the normal fluctuations of economic cycles, China's growth is likely to remain high in comparison to the steadier but lower rates typical of more mature economies.

Also important to the Group's business development has been its acquisition in the first quarter of 2004 of interests in aluminium smelting, commodities trading, coal mining and minerals exploration.

All these acquisitions have helped to extend the Group's business portfolio and contributed to the Group's encouraging performance for 2004. These acquisitions have also introduced world-class expertise to and exposure to profitable global businesses amongst the Group's operations and underline synergies with the Group's parent, CITIC Beijing, which has opened doors to opportunities not easily accessible to less dominant players.

Going forward, the Group's strategy will be to continue to seek investment opportunities both inside and outside China in line with its goal of becoming an integrated provider of key energy resources and commodities of which China is a net importer. Where necessary, the Group will look to partnerships with global industry players.

As the Group moves into the next phase of this new and exciting turn in its history, the Directors look forward to continued improvement in shareholder value in the years ahead.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2004, the Group had a cash balance of HK$1,606.8 million.

The Group had outstanding borrowings of HK$2,074.3 million, which comprised secured bank loans of HK$748.2 million, unsecured bank loans of HK$907.5 million and unsecured other loans of HK$418.6 million. The secured bank loans were secured by the interest in the Portland Aluminium Smelter joint venture, interest in the Coppabella and Moorvale coal mines joint venture and the Group's corporate guarantees.

Of the total outstanding borrowings, HK$987.5 million was repayable within one year. The gearing ratio of the Group was 43.6%.

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 net proceeds from the issue of the new shares have 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) for the acquisition of the interests in Australia (the "Australian Interests"). The cash position of the Group was therefore not affected by the acquisition. Those companies holding the Australian Interests have been predominantly self sustaining in terms of cashflow requirements.

In October 2004, the Company paid US$21.2 million (about HK$165.4 million) to acquire the entire issued share capital of Richfirst Holdings Limited ("Richfirst") and the benefit of a shareholder's loan advanced by CITIC Group to Richfirst. A term loan facility will be arranged to part fund the budgeted expenditure required for the development of the oilfield.

The Group has exposure to fluctuations in exchange rates, interest rates and commodity prices. Currently, those companies holding the Australian Interests are adopting a specific hedging policy to cope with the fluctuations. So far, the hedging policy has proved effective.

The Directors are of the opinion that after taking into the account the aforesaid term loan facility, the existing available borrowing facilities and the internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

EMPOLYEES AND REMUNERATION POLICIES

At 31 December 2004, the Group had around 120 full time employees, including the management and administrative staff and production workers. Most 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. It operates a defined contribution retirement benefits scheme (the "RB Scheme") under the superannuation legislation of the Australian government for those employees who are eligible to participate in Australia.

Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme and the RB Scheme are held separately from those of the Group in an independently administered fund. The Group's contributions as an employer vest fully with the employees when contributed into the MPF Scheme and the RB Scheme.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the year in review with the required standards as set out in the Model Code.

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.

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 to 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 three independent non-executive directors of the Company.

BOARD OF DIRECTORS

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. Chan Mo Po, Paul; Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian.

PUBLICATION OF ANNUAL REPORT

The 2004 Annual Report containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules (in force prior to 31 March 2004, which remain applicable to results announcement in respect of the accounting periods commencing before 1 July 2004 under the transitional arrangements) 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, 19 April 2005

Please also refer to the published version of this announcement in The Standard.