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, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC Resources Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser 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.

This circular is not an offer of, nor is it intended to invite offers for, shares or other securities of CITIC Resources Holdings Limited.

CITIC RESOURCES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: www.citicresources.com

MAJOR AND CONNECTED TRANSACTION
ON-GOING CONNECTED TRANSACTIONS
RENEWAL OF GENERAL MANDATE TO ISSUE SHARES

Financial Adviser to CITIC Resources Holdings Limited

citigroup

Citigroup Global Markets Asia Limited

Independent Financial Adviser to the Independent Board Committee

SOMERLEY LIMITED

A letter from the Independent Board Committee (as defined in this circular) containing its advice to the Independent Shareholders (as defined in this circular) is set out on page 29 of this circular.

A letter from the Independent Financial Adviser (as defined in this circular) containing its opinion and advice to the Independent Board Committee is set out on pages 30 to 43 of this circular.

A notice convening a special general meeting of CITIC Resources Holdings Limited to be held at Victoria Room, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Monday, 22 March 2004 at 10:00 a.m., is set out on pages 128 to 131 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting (or any adjourned meeting thereof) should you wish to do so.

6 March 2004

CONTENTS

Unless the context otherwise requires, the following terms and expressions used in this circular shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares subject to and in accordance with the Sale and Purchase Agreements
"Acquisition Announcement"	the announcement by the Company dated 30 January 2004 relating to, amongst others, the Acquisition
"ASIC"	the Australian Securities and Investments Commission
"ASX"	the Australian Stock Exchange
"Aztec"	Aztec Resources Limited, a company incorporated in the State of Western Australia, Australia with limited liability, the shares of which are listed on the ASX
"Board"	the board of Directors
"CA Coal"	CITIC Australia Coal Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
"CA Portland"	CITIC Australia (Portland) Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
"CATL"	CITIC Australia Trading Limited, a company incorporated in the State of Victoria, Australia with limited liability, the shares of which are listed on the ASX
"CITIC Beijing"	CITIC Group (formerly known as China International Trust and Investment Corporation)
"CITIC Australia"	CITIC Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability and the vendor of the Sale Shares
"CITIC Beijing Group"	CITIC Beijing and its subsidiaries and associated companies (but excluding the Group)
"Company"	CITIC Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"connected transaction"	has the meaning ascribed thereto in the Listing Rules

"Consideration Shares"	the 750,413,793 new Shares to be allotted and issued by the Company to satisfy the aggregate purchase price of US$139,500,000 (about HK$1,088,100,000) payable under the Sale and Purchase Agreements
"controlling shareholder"	has the meaning ascribed thereto in the Listing Rules
"Coppabella and Moorvale Joint Venture"	an unified unincorporated co-operative joint venture that operates the Coppabella and Moorvale coal mines in the State of Queensland, Australia
"CP Holdings"	CITIC Portland Holdings Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
"CPS"	CITIC Portland Surety Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
"CPS Agreement"	a sale and purchase agreement dated 19 January 2004 (as amended by the Supplemental Agreement) and made between the Company, CITIC Australia, CITIC Beijing and CP Holdings relating to the sale and purchase of the CPS Shares
"CPS Shares"	the entire issued share capital of CPS
"CRA"	CITIC Resources Australia Pty Limited, a company incorporated in the State of Victoria, Australia with limited liability
"CRA Agreement"	a sale and purchase agreement dated 19 January 2004 (as amended by the Supplemental Agreement) and made between the Company, CITIC Australia and CITIC Beijing relating to the sale and purchase of the CRA Shares
"CRA Group"	CRA and its subsidiaries and companies (including CPS) that are or will become its subsidiaries following completion of the Acquisition
"CRA Shares"	the entire issued share capital of CRA
"CRH Sale Shares"	the 500,000,000 existing Shares to be sold by USI to Keentech pursuant to the USI Transfer
"Directors"	the directors of the Company, including its independent non-executive directors

"Enlarged Group"	the Group and the CRA Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"General Mandate"	the general mandate granted by the Shareholders to the Directors at the special general meeting of the Company held on 27 June 2003 to allot, issue and deal in Shares not exceeding 20% of the issued share capital of the Company as at the date of the resolution
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board (comprising Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian), which has been established by the Board for the purpose of advising the Independent Shareholders on the Acquisition
"Independent Financial Adviser"	Somerley Limited, a deemed licensed corporation under the SFO permitted to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities as defined in the SFO
"Independent Shareholders"	in relation to the approval of the Acquisition, Shareholders who do not have a material interest in the Acquisition or who are not otherwise required by the Stock Exchange to abstain from voting
"Keentech"	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CITIC Beijing
"KSPM"	99 King Street Property Management Pty Limited, a wholly-owned subsidiary of CITIC Australia
"Latest Practicable Date"	5 March 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MoU"	a memorandum of understanding dated 19 January 2004 (as amended by the Supplemental Agreement) and made between the Company, CITIC Beijing and CITIC Australia relating to, amongst others, the establishment of CRA and CPS and the Acquisition

"On-going Connected Transactions"	the on-going connected transactions described in the section headed "On-going Connected Transactions" of this circular, which will constitute continuing connected transactions for the Company
"Placing"	the placing and sale of 270,000,000 existing Shares by Citigroup Global Markets Hong Kong Futures Limited on behalf of USI as disclosed in the Placing and Subscription Announcement
"Placing and Subscription Announcement"	the announcement by the Company dated 2 February 2004 relating to the Placing and the Subscription
"Portland Joint Venture"	an unincorporated joint venture that owns and operates the Portland Aluminium Smelter in the State of Victoria, Australia
"PRC"	The People's Republic of China
"Principal Assets"	a 22.5% interest in the Portland Joint Venture, a 81% interest in CATL, a 7% interest in the Coppabella and Moorvale Joint Venture, a 13.95% interest in Macarthur Coal Limited and a 5.01% interest in Aztec
"Sale and Purchase Agreements"	the CRA Agreement and the CPS Agreement
"Sale Shares"	the CRA Shares and the CPS Shares
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme approved by Shareholders and adopted by the Company on 21 August 1997
"Shareholders"	holders of Shares from time to time
"Shares"	ordinary shares of HK$0.05 each in the share capital of the Company
"Special General Meeting"	the special general meeting of the Company to be held on 22 March 2004 and convened pursuant to the notice contained in this circular

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by USI for the Subscription Shares as disclosed in the Placing and Subscription Announcement
"Subscription Shares"	270,000,000 new Shares to be allotted and issued to USI pursuant to the Subscription
"Supplemental Agreement"	a supplemental agreement dated 30 January 2004 and made between the Company, CITIC Australia, CITIC Beijing and CP Holdings, which amends the terms of the MoU, the CRA Agreement and the CPS Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"USI"	United Star International Inc., a company incorporated in the British Virgin Islands with limited liability
"USI Transfer"	the transfer of the CRH Sale Shares from USI to Keentech pursuant to an agreement dated 19 January 2004 (as amended by a supplemental agreement dated 30 January 2004) and made between USI and Keentech as disclosed in the Acquisition Announcement
"Waiver"	a waiver from the Executive pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code on the part of CITIC Beijing, Keentech, CITIC Australia and parties acting in concert with them (as such expression is defined in the Takeovers Code) from any obligation to make a general offer for Shares not otherwise held by CITIC Beijing, Keentech, CITIC Australia and parties acting in concert with them as a result of Keentech's acquisition of the CRH Sale Shares and the issue of the Consideration Shares to CITIC Australia
"A$"	Australian dollars, the lawful currency of Australia
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America

Unless otherwise stated, amounts in A$ and US$ have been translated into HK$ at an exchange rate of A$1 to HK$6.0 and US$1 to HK$7.8 respectively for illustration purposes only.

CITIC RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:
Mr. Kwok Viem, Peter *(Chairman)*
Mr. Ma Ting Hung *(Vice Chairman)*
Ms. Li So Mui
Mr. Qiu Yiyong
Mr. Sun Xinguo
Mr. Tian Yuchuan
Mr. Zhang Jijing

Independent Non-executive Directors:
Mr. Fan Ren Da, Anthony
Mr. Tsang Link Carl, Brian

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business:
Room 2602, 26th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

6 March 2004

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
ON-GOING CONNECTED TRANSACTIONS
RENEWAL OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

The Directors are pleased to advise Shareholders that the Company has agreed conditionally to acquire CRA and CPS.

BACKGROUND

The Company has been exploring business and investment opportunities in other natural resources sectors with a view to diversifying its interests and investments from, and ceasing to rely principally on, the manufacture and sale of plywood. The Acquisition is an excellent opportunity for the Company to acquire established interests and operations in the aluminium and coal sectors and thus diversify its business into other natural resources sectors in accordance with its refocused business and investment policies.

The Acquisition coincides with the transfer of 500,000,000 existing Shares from USI to Keentech pursuant to the USI Transfer which will result in CITIC Beijing becoming the only controlling shareholder of the Company.

Completion of the Acquisition will also follow on from the recent completion of the Placing and the Subscription which has increased the Company's ability to make further investments and acquisitions in the natural resources sector.

Acquisition

The Company has agreed conditionally to purchase, and CITIC Australia has agreed conditionally to sell, 100% of the issued share capital of CRA and CPS respectively for an aggregate purchase price of US$139,500,000 (about HK$1,088,100,000) to be satisfied through the allotment and issue of 750,413,793 new Shares.

On completion of the Sale and Purchase Agreements, the Company will acquire, amongst others, the following principal interests:

(a) a 22.5% interest in the Portland Joint Venture, which owns and manages the Portland Aluminium Smelter, one of the largest aluminium smelting operations in the world;

(b) a 81% interest in CATL, a company listed on the ASX and which is engaged in commodities trading;

(c) a 7% interest in the Coppabella and Moorvale Joint Venture, which owns and operates the Coppabella and Moorvale coal mines in Queensland, Australia;

(d) a 13.95% interest in Macarthur Coal Limited, a company listed on the ASX and which is engaged in the coal mining business; and

(e) a 5.01% interest in Aztec, a company listed on the ASX and which is engaged in minerals exploration.

CITIC Beijing has agreed conditionally to guarantee the obligations of CITIC Australia under the Sale and Purchase Agreements.

Further details concerning the Acquisition are set out below.

On-going Connected Transactions

Upon completion of the Acquisition, a number of transactions between members of the CRA Group and members of the CITIC Beijing Group are expected to be entered into following completion of the Acquisition and which will constitute continuing connected transactions for the Company.

Further details relating to the On-going Connected Transactions are set out below.

Renewal of General Mandate to issue Shares

The Directors will at the Special General Meeting seek the approval of Shareholders to the grant of a further general mandate to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of such resolution plus any Shares repurchased by the Company under the authority of the repurchase mandate granted at the special general meeting of the Company on 27 June 2003.

Further details regarding the renewal of the General Mandate are set out below.

Placing and Subscription

On 2 February 2004, the Company announced that it had raised about HK$380,200,000 additional capital through the issue of 270,000,000 new Shares pursuant to the Placing and the Subscription. This additional capital increases the ability of the Company to explore and make further investments and acquisitions in the natural resources sector as and when they arise.

Further details relating to the Placing and the Subscription and its effect on the Company are set out below.

Transfer of Shares from USI to Keentech

The Company has been notified by USI and Keentech, the two current controlling shareholders of the Company, that USI has agreed conditionally to sell to Keentech 500,000,000 existing Shares. The USI Transfer, together with the issue of the Subscription Shares and the issue of the Consideration Shares pursuant to the Acquisition, will cause a change to the shareholding structure of the Company and will also result in CITIC Beijing (through Keentech and CITIC Australia) becoming the only controlling shareholder of the Company.

Further details of the USI Transfer and the effect of such transfer together with the effect of the issue of the Subscription Shares and the Consideration Shares on the shareholding structure of the Company are set out below.

Purpose of this Circular

This circular contains information relating to, amongst others, the Acquisition (and its effect on the Company), the CRA Group, the On-going Connected Transactions, the renewal of the General Mandate and the effect of the USI Transfer, the issue of the Subscription Shares and the Consideration Shares respectively on the shareholding structure of the Company.

This circular also contains a letter from the Independent Board Committee with its recommendation to the Independent Shareholders and a letter from the Independent Financial Adviser with its advice to the Independent Board Committee, both in respect of the Acquisition.

Special General Meeting

The Special General Meeting will be convened for the following purposes:

(a) Independent Shareholders (namely Shareholders other than Keentech, USI and their respective associates (as such expression is defined in the Listing Rules) will be asked to consider and, if thought fit, approve the Acquisition pursuant to the Sale and Purchase Agreements and all other matters contemplated thereunder including the issue of the Consideration Shares.

(b) Shareholders will be asked to consider and, if thought fit, approve the granting of a further general mandate to the Directors to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of such resolution plus any Shares repurchased by the Company under the authority of the repurchase mandate granted at the special general meeting of the Company held on 27 June 2003.

Notice of the Special General Meeting at which the above-mentioned matters will be considered is contained in this circular.

INTENTION OF CITIC BEIJING

It is the intention of CITIC Beijing for the Company to become the principal holding company for the businesses of CITIC Beijing and its subsidiaries in the natural resources sectors, with a focus on investment and operation mainly in forestry, base metals, energy and relevant commodities trading if the Acquisition is successfully completed. If the opportunity arises for CITIC Beijing to invest in a natural resources project, it is expected that CITIC Beijing will use the Company as the vehicle to invest in such project. CITIC Beijing aims to expand the business of the Company through organic growth and acquisitions if and when appropriate acquisition and investment opportunities arise.

THE ACQUISITION

Key Transaction Agreements

The key transaction agreements relating to the Acquisition are:

(a) the MoU;

(b) the CRA Agreement and the CPS Agreement, both of which have been entered into pursuant to the MoU; and

(c) the Supplemental Agreement which amends the terms of the MoU, the CRA Agreement and the CPS Agreement.

MoU

Date:

19 January 2004

Parties:

(1) CITIC Australia
(2) CITIC Beijing
(3) the Company

Purpose of the MoU

The MoU records the understanding and sets out the major terms of the key transaction agreements (including the CRA Agreement and the CPS Agreement) between the Company, CITIC Australia and CITIC Beijing concerning the establishment of CRA and CPS by CITIC Australia, the holding of, amongst others, the Principal Assets by CRA and CPS and the sale of CRA and CPS by CITIC Australia to the Company.

CRA Agreement

Date:

19 January 2004

Parties:

(1) CITIC Australia, as vendor
(2) CITIC Beijing, as guarantor
(3) the Company, as purchaser

Assets to be acquired under the CRA Agreement

Pursuant to the terms of the CRA Agreement, the Company has conditionally agreed to acquire 100% of the issued share capital of CRA, free from all claims, charges, liens, encumbrances and equities.

CPS Agreement

Date:

19 January 2004

Parties:

(1) CITIC Australia, as vendor
(2) CITIC Beijing, as guarantor
(3) the Company, as purchaser
(4) CP Holdings, as nominee

Assets to be acquired under the CPS Agreement

Pursuant to the terms of the CPS Agreement, the Company has conditionally agreed to acquire 100% of the issued share capital of CPS, free from all claims, charges, liens, encumbrances and equities.

Aggregate Purchase Price and Satisfaction

The aggregate purchase price for the CRA Shares and the CPS Shares payable by the Company is US$139,500,000 (about HK$1,088,100,000). This has been determined on an arm's length basis between the Company and CITIC Australia and is a price acceptable to the Company and CITIC Australia with reference to the financial performance and the strategic value of CRA, CPS and the Principal Assets.

The aggregate purchase price will be satisfied at completion of the Acquisition through the allotment and issue of the Consideration Shares to CITIC Australia or its nominee on the basis of an issue price of HK$1.45 per Consideration Share.

The aggregate purchase price (and therefore the number of Consideration Shares to be allocated) will be apportioned between the CRA Agreement and the CPS Agreement about five (5) days prior to the date of completion of the Acquisition.

The Consideration Shares represent:

(a) 22.76% of the issued share capital of the Company as at the date of the Acquisition Announcement;

(b) 21.04% of the issued share capital of the Company as at the Latest Practicable Date; and

(c) 17.38% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be issued free from all claims, charges, liens, encumbrances and equities and will, as from the date of their issue, rank equally in all respects with all Shares then in issue.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Issue Price of the Consideration Shares

The issue price of HK$1.45 per Consideration Share represents:

(a) a discount of about 10.49% to the closing price of HK$1.62 per Share quoted on the Stock Exchange on 19 January 2004, being the day on which the Sale and Purchase Agreements were entered into;

(b) a discount of about 4.61% to the closing price of HK$1.52 per Share as quoted on the Stock Exchange on 16 January 2004, being the trading day immediately preceding the date of the Sale and Purchase Agreements;

(c) a premium of about 4.32% to the average closing price of HK$1.39 per Share, being the average of the closing prices as quoted on the Stock Exchange for the thirty (30) trading days up to and including 16 January 2004;

(d) a premium of about 6.62% to the closing price of HK$1.36 per Share quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of about 293.0% to the net asset value of HK$0.369 per Share as at 30 June 2003.

Conditions relating to the CRA Agreement

Completion of the acquisition of CRA is conditional upon the following conditions, amongst others, being satisfied or waived by the Company and/or CITIC Australia (as the case may be):

(a) the Company being satisfied with the results of its due diligence investigations into CRA and its subsidiaries;

(b) all necessary approvals from Shareholders having been obtained including a resolution of the Independent Shareholders at the Special General Meeting approving, amongst others, the purchase of the CRA Shares and the issue of the relevant number of Consideration Shares to be issued pursuant to the CRA Agreement;

(c) the Listing Committee of the Stock Exchange having granted listing of, and permission to deal in, the relevant number of Consideration Shares to be issued pursuant to the CRA Agreement;

(d) if applicable, the approval of the Bermuda Monetary Authority to the issue of the relevant number of Consideration Shares pursuant to the CRA Agreement;

(e) the obtaining of any consents or approvals from any third party or government agency deemed by the Company or CITIC Australia to be necessary for the continued operation of the business of CRA and its subsidiaries and/or in connection with the transfer of the CRA Shares;

(f) the granting, in a form acceptable to the Company and CITIC Australia acting reasonably, by ASIC of an exemption from, or modification of, the application of Chapter 6 of the Corporations Act 2001 (Cth) of Australia to the Company and its associates and USI in relation to the 81% interest in CATL held by CRA (this condition precedent has no effect if USI ceases to have voting power (as defined in the Corporations Act 2001 (Cth) of Australia) of less than 20% in CATL prior to completion of the purchase of the CRA Shares by the Company);

(g) the approval of the Foreign Investment Review Board of Australia;

(h) the issue of a waiver to Keentech and parties acting in concert with it (as such expression is defined in the Takeovers Code) in a form reasonably acceptable to CITIC Beijing by the Executive waiving the obligation, if any, on the part of Keentech and parties acting in concert with it under the Takeovers Code from any requirement to make a mandatory general offer for Shares not otherwise held by Keentech and parties acting in concert with it as a result of the USI Transfer;

(i) written notice being received from the parties to the CPS Agreement that all parties to that agreement are ready, willing and able to complete that acquisition (subject only to completion occurring under the CRA Agreement) and that they will complete such acquisition (and not withdraw therefrom);

(j) execution of a lease by CRA for part of the premises at 99 King Street, Melbourne, Victoria, Australia, currently occupied by CITIC Australia on terms agreed between CITIC Beijing and the Company;

(k) CITIC Australia entering into an agreement with CRA or one of its subsidiaries for the purposes of section 721-25 of the Income Tax Assessment Act 1997 (Cth) as provided in the CRA Agreement; and

(l) completion of the USI Transfer, unless the interest of USI in the Company immediately before completion of the sale and purchase of the CRA Shares is less than 20% of the issued share capital of the Company (in which case this condition precedent will be deemed to be satisfied, provided that completion of the USI Transfer occurs at the same time as the completion of the sale and purchase of the CRA Shares).

Pursuant to the CRA Agreement, the Company has the discretion to waive all or any part of the condition set out in paragraph (a) above, otherwise conditions may only be waived with the agreement of both the Company and CITIC Australia. If the conditions are not satisfied or otherwise waived on or before the day which is 90 days after the date of the CRA Agreement, the CRA Agreement will lapse and no party shall have any claim against any other except for any antecedent breach of the CRA Agreement.

Condition (h) described above has been satisfied and details of the waiver granted by the Executive is set out in the section headed "Takeovers Code" below in this "Letter from the Board".

Instead of entering into a new lease of the premises at 99 King Street, Melbourne, Australia as required by condition (j) above, CRA shall assume the obligations and benefits of the existing lease between CITIC Australia and KSPM by entering into a deed of novation pursuant to which CRA will become the tenant under such lease. The entering into of the deed of novation shall replace and satisfy the condition described in condition (j) above.

As at the Latest Practicable Date, none of the other conditions set out above have been satisfied. The Company does not expect to waive any of the other conditions described above.

Conditions relating to the CPS Agreement

Completion of the acquisition of CPS is conditional upon the following conditions, amongst others, being satisfied or waived by the Company and/or CITIC Australia (as the case may be):

(a) the completion of the CRA Agreement in accordance with its terms;

(b) the Company being satisfied with the results of its due diligence investigations into CPS and its subsidiaries;

(c) all necessary approvals from Shareholders having been obtained including a resolution of the Independent Shareholders at the Special General Meeting approving, amongst others, the purchase of the CPS Shares and the issue of the relevant number of Consideration Shares to be issued pursuant to the CPS Agreement;

(d) the Listing Committee of the Stock Exchange having granted listing of, and permission to deal in, the relevant number of Consideration Shares to be issued pursuant to the CPS Agreement;

(e) if applicable, the approval of the Bermuda Monetary Authority to the issue of the relevant number of Consideration Shares pursuant to the CPS Agreement;

(f) the obtaining of any consents or approvals from any third party or government agency deemed by the Company or CITIC Australia to be necessary for the continued operation of the business of CPS and its subsidiaries and/or in connection with the transfer of the CPS Shares;

(g) the approval of the Foreign Investment Review Board of Australia; and

(h) CITIC Australia entering into an agreement with CPS or one of its subsidiaries for the purposes of section 721-25 of the Income Tax Assessment Act 1997 (Cth) as provided in the CPS Agreement.

Pursuant to the CPS Agreement, the Company has the discretion to waive all or any part of the condition set out in paragraph (b) above, otherwise conditions may only be waived with the agreement of both the Company and CITIC Australia. If the conditions are not satisfied or otherwise waived on or before the day which is 90 days after the date of the CPS Agreement, the CPS Agreement will lapse and no party shall have any claim against any other except for any antecedent breach of the CPS Agreement.

The Company does not expect to waive any of the conditions described above.

Termination

Both the CRA Agreement and the CPS Agreement contain provisions that allow the Company to terminate them, without any liability on its part, if certain events should occur. These events include the occurrence of a breach of the material obligations of CITIC Australia or CITIC Beijing, a substantial loss or damage suffered by CRA or CPS or their respective subsidiaries, a presentation of a petition for the winding-up or liquidation of CRA or CPS or their respective subsidiaries, a material adverse change in the opinion of the Company or a breach of the representations and warranties by CITIC Australia or CITIC Beijing, in each case pursuant to the CRA Agreement and/or the CPS Agreement, as the case may be.

Completion

Completion and all matters contemplated under the CRA Agreement will take place at the end of the calendar month being the first end of calendar month following the date on which the last applicable condition to be satisfied has been satisfied or waived (as the case may be) or such other date as the Company, CITIC Australia and CITIC Beijing may agree but in any event not later than 90 days after the date of the CRA Agreement.

Completion and all matters contemplated under the CPS Agreement will take place at the end of the calendar month being the first end of calendar month following the date on which the last applicable condition to be satisfied has been satisfied or waived (as the case may be) or such other date as the Company, CITIC Australia, CP Holdings and CITIC Beijing may agree but in any event not later than 90 days after the date of the CPS Agreement.

Supplemental Agreement

Date:

30 January 2004

Parties:

(1) CITIC Australia, as vendor
(2) CITIC Beijing, as guarantor
(3) the Company, as purchaser
(4) CP Holdings, as nominee

Purpose of the Supplemental Agreement

The Supplemental Agreement amends the terms of the MoU, the CRA Agreement and the CPS Agreement following negotiations between the Company, CITIC Australia and CITIC Beijing subsequent to the signing of the MoU, the CRA Agreement and the CPS Agreement. Under the amended terms of the MoU, the CRA Agreement and the CPS Agreement:

(a) CITIC Australia will retain an increased cash amount of A$20,000,000 (about HK$120,000,000) by way of distribution by members of the CRA Group which results in a reduction in the net asset value attributable to the assets to be acquired pursuant to the Acquisition;

(b) the aggregate purchase price payable by the Company has been reduced to US$139,500,000 (about HK$1,088,100,000); and

(c) the issue price of the Consideration Shares has been increased to HK$1.45 per Consideration Share. (The negotiations provided the Company with an opportunity to agree the increase to take into account the closing price of the Shares prior to the suspension of trading in the Shares on 19 January 2004).

The Directors believe that the amendments described above are in the best interests of the Company.

Major and Connected Transaction

The Acquisition constitutes a major transaction for the Company pursuant to Rule 14.09 of the Listing Rules.

CITIC Australia, being a wholly-owned subsidiary of CITIC Beijing, is an associate of Keentech, a substantial shareholder (as such expression is defined in the Listing Rules) of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company pursuant to Rule 14.26 of the Listing Rules.

As the Acquisition is a major and connected transaction for the Company, completion of the Acquisition will be subject to the approval of the Independent Shareholders at the Special General Meeting. Keentech, USI and their respective associates (as such expression is defined in the Listing Rules) will abstain from voting on the resolution approving the Acquisition.

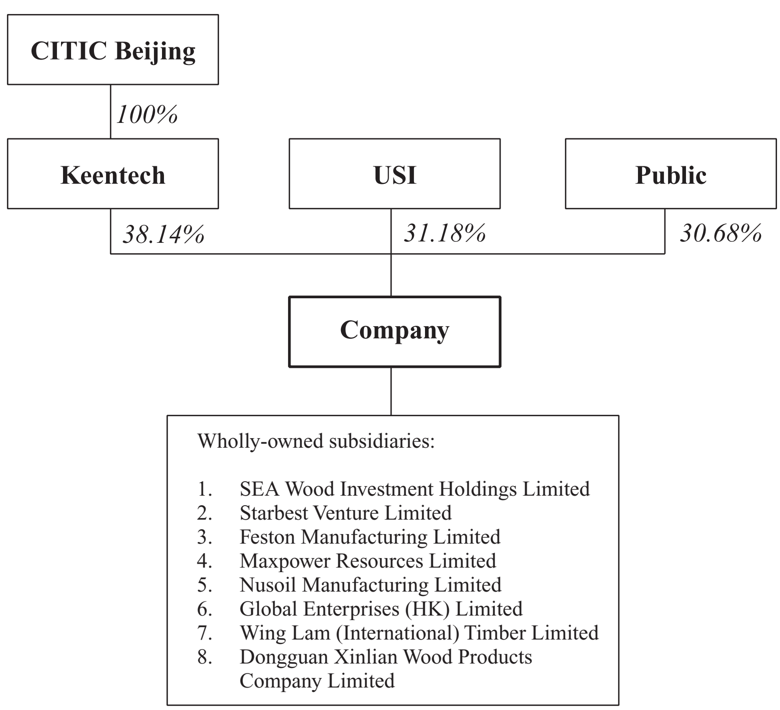
On-going Connected Transactions

Upon completion of the Acquisition, a number of transactions between members of the CRA Group and members of the CITIC Beijing Group are expected to be entered into which will constitute continuing connected transactions for the Company. Details of the On-going Connected Transactions are set out below under the section headed "On-going Connected Transactions" in this circular.

EFFECT OF ACQUISITION ON THE GROUP STRUCTURE

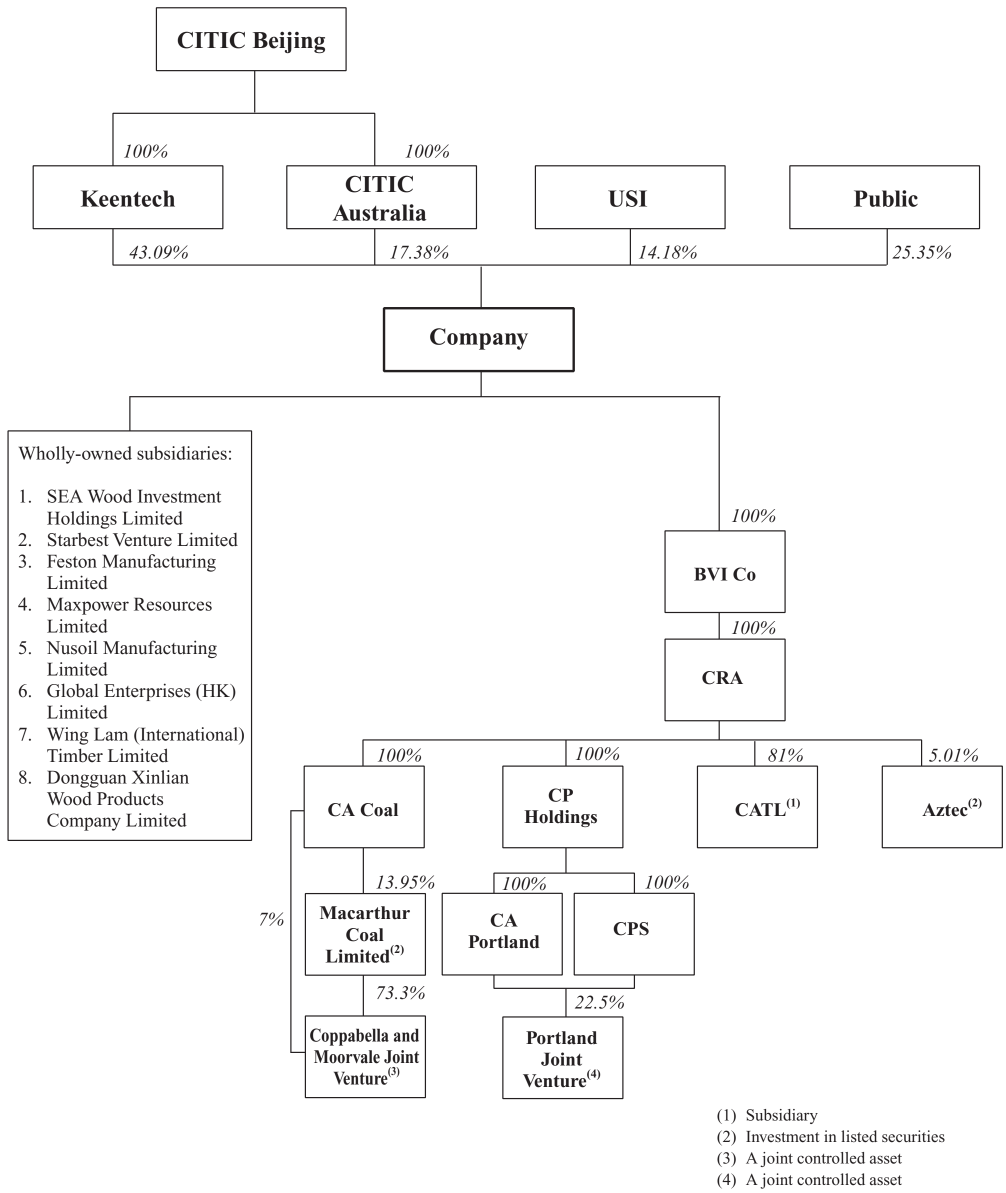
Before completion of Acquisition

Set out below is a diagram showing the existing corporate structure of the Group as at the Latest Practicable Date (which includes completion of the Placing and the issue of the Subscription Shares but is prior to completion of the USI Transfer and the Acquisition).



Following completion of the Acquisition

Set out below is a diagram showing the corporate structure (major companies only) of the Enlarged Group after completion of the USI Transfer and the Acquisition.



INFORMATION ON CRA AND CPS

Upon completion of the Sale and Purchase Agreements, CRA and CPS will become wholly-owned subsidiaries of the Company holding, amongst others, the following principal interests:

(a) a 22.5% interest in the Portland Joint Venture, which owns and manages the Portland Aluminium Smelter, one of the largest aluminium smelting operations in the world;

(b) a 81% interest in CATL, a company listed on the ASX and which is engaged in commodities trading;

(c) a 7% interest in the Coppabella and Moorvale Joint Venture, which owns and operates the Coppabella and Moorvale coal mines in Queensland, Australia;

(d) a 13.95% interest in Macarthur Coal Limited, a company listed on the ASX and which is engaged in the coal mining business; and

(e) a 5.01% interest in Aztec, a company listed on the ASX and which is engaged in minerals exploration.

Portland Joint Venture

CRA's most significant asset will be a 22.5% interest in the Portland Joint Venture, an unincorporated joint venture, which owns and operates the Portland Aluminium Smelter ("**PAS**").

The current participants in the Portland Joint Venture are Alcoa of Australia Limited ("**AAL**") (55%), Marubeni Aluminium Australia Limited (22.5%) and CITIC Australia (22.5%). Each participant in the Portland Joint Venture is responsible for its share of costs and capital in PAS and is entitled to its proportionate share of aluminium production. On completion of the Acquisition, the Company will acquire indirectly CITIC Australia's 22.5% interest in the Portland Joint Venture.

PAS is located at Point Danger, approximately 5 kilometres south of Portland in Western Victoria, Australia. PAS is managed by Alcoa Portland Aluminium Limited on behalf of the participants in the Portland Joint Venture. Alcoa Portland Aluminium Limited is a wholly-owned subsidiary of AAL.

PAS is one of the most efficient aluminium smelters in the world. It employs over 600 people, generates over A$700,000,000 (about HK$4,200,000,000) in sales each year and represents a total investment of A$1,500,000,000 (about HK$9,000,000,000).

Production at PAS commenced in late 1986, with the second potline coming on line in March 1988 and bringing total number of pots to 408. By 1990, innovations and improvements had increased its capacity from a design capacity of 300,000 tonnes per annum to 320,000 tonnes per annum. Subsequent operational improvements have further increased PAS' annual nameplate production capacity to in excess of 345,000 tonnes of high-quality primary aluminium ingot.

PAS sources all of its alumina requirements from AAL's Kwinana, Pinjarra and Wagerup refineries in Western Australia. The alumina is shipped from Western Australia to Portland port via its own vessel, the MV Portland, and transported to PAS by a 4.5 kilometre enclosed conveyor. PAS's electricity is supplied by the State Electricity Commission of Victoria, under a 30-year base power contract which expires in 2016.

PAS has adopted a vigorous programme to protect the environment. As a result, PAS is one of the cleanest and most efficient smelters in the world. PAS is developing innovative technology to process its spent pot lining which enables it to turn hazardous waste from the smelting process into harmless slag that can be used in the road making and construction industries. PAS has also achieved a reduction in solid general waste from more than 1,100 cubic metres per month in 1989 to less than 2 cubic metres per month today.

CITIC Australia's share of production from its 22.5% interest is approximately 78,000 tonnes per annum of aluminium, which it exports to key customers in the Asia Pacific region, with aluminium shipped to the PRC, Japan and South Korea and other countries. All sales are made via CITIC Australia's exclusive sales agent, CITIC Australia Commodity Trading Pty Limited, a wholly-owned subsidiary of CATL which will itself become a non wholly-owned subsidiary of the Company following completion of the Acquisition.

CATL

CATL (stock ticker: CAL.ASX) is listed on the ASX and is principally engaged in trading of commodities and merchandise with a primary focus on the Australia-PRC trade relationship. CATL's product lines which are mainly exported to the PRC include alumina (sourced principally from Australia), fertiliser (sourced from the United States of America), certain steel products such as cold rolled steel sheet in coil (sourced from various regions) and other bulk mineral commodities, which include copper and iron ore from various countries. Its main product lines imported to Australia include auto/industrial batteries, tyres and wheels (sourced principally from the PRC) and steel products (sourced principally from the PRC, South Korea and Taiwan). Based on its closing price of A$0.435 per share as at the Latest Practicable Date, CATL had a market capitalisation of A$34,924,000 (about HK$209,544,000).

The Coppabella and Moorvale Joint Venture

The Coppabella and Moorvale Joint Venture owns and operates the Coppabella coal mine and Moorvale coal mine in central Queensland, Australia. The current joint venture partners consist of Macarthur Coal Limited (73.3%), CA Coal (7%), Marubeni Corporation (7%), Nissho Iwai Corporation (7%), Kawasho Corporation (3.7%) and Nippon Steel Trading (2.0%). On completion of the Acquisition, CA Coal will become an indirect wholly-owned subsidiary of the Company.

The Coppabella and Moorvale Joint Venture is one of only five producers of low volatile "Pulverised Coal Injection" (PCI) coal in Australia. This coal is predominately sold to steel mills for use in the production of pig iron from iron ore in the blast furnace process. The Coppabella coal mine currently has a market share of approximately 35% of world seaborne low volatile coal production, of which coal is exported to Asia, Europe and Brazil.

The Coppabella coal mine life is currently approximately 13 years. The mine has 155 million tonnes of measured resources and 43 million tonnes of indicated resources. Annual sales volume is approximately 4.2 million tonnes and the mine is currently operating at full capacity to satisfy current demand.

The Moorvale coal mine commenced mining operations in December 2002, shortly after the granting of the mining lease on 5 December 2002. Development is soon to be completed. The project is capable of developing into an operating coal mine with a capacity of 1.6 million tonnes product coal. Mine life is currently approximately 8 years. Open cut measured resources of 32.7 million tonnes has been identified.

Macarthur Coal Limited

Macarthur Coal Limited (stock ticker: MCC.ASX) is an Australian resources company whose major asset is its 73.3% interest in the Coppabella and Moorvale Joint Venture. It is listed on the ASX. Based on its closing price of A$1.48 per share on the Latest Practicable Date, Macarthur Coal Limited had a market capitalisation of A$190,297,000 (about HK$1,141,782,000). CA Coal, which will become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition, holds a 13.95% interest in Macarthur Coal Limited.

Aztec Resources Limited

Aztec (stock ticker: AZR.ASX) is an Australian minerals exploration company listed on the ASX with interests in projects located in Western Australia and Queensland, Australia. The company is primarily focused on the evaluation and development of the Koolan Island iron ore project in Western Australia, Australia. Based on its closing share price of A$0.16 per share on the Latest Practicable Date, Aztec had a market capitalisation of A$45,087,000 (about HK$270,522,000). On completion of the Acquisition, the Company will acquire an indirect interest of 5.01% in Aztec.

FINANCIAL INFORMATION RELATING TO THE CRA GROUP

Financial information relating to the CRA Group is set out in Appendix I to this circular.

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

For the year ended 31 December 2002, the audited net loss attributable to the Group was HK$15,217,000 and the loss per Share was HK$0.0056. On a pro forma basis, assuming that the Acquisition had been completed on 1 January 2002 and without taking into account any effect of tax, the Group would have made a net profit of HK$83,698,000 and the profit per Share would have been HK$0.0306 (applying the same weighted average of 2,738,162,772 Shares in issue during 2002).

The Group suffered a net loss of HK$6,473,000 for the six months ended 30 June 2003.

Upon completion of the Acquisition, the Group shall, on consolidation basis, be entitled to 100% of the net earnings/loss of CRA Group. According to the prevailing accounting policy of the Group, the positive goodwill arising from the Acquisition has no immediate effect on the profit and loss account of the Group but would be recognized as an expense on a systematic basis over the remaining weighted average useful life of identifiable acquired depreciable/amortizable assets (not more than 20 years). The amount of goodwill will be determined upon completion of the Acquisition, subject to a further review of the fair value of the underlying assets of the CRA Group. The adjusted unaudited combined net tangible assets of the Enlarged Group will be adjusted by the change in fair value of the underlying assets of the CRA Group.

Using the pro forma unaudited combined net assets of the CRA Group as at 30 September 2003 and taking into account the final dividend of A$120,000,000 (about HK$720,000,000) declared on 18 January 2004 and the increased distribution of A$20,000,000 (about HK$120,000,000) to be made prior to the completion of the Acquisition, the estimated amount of goodwill is HK$402,792,000 and the corresponding annual amortization is about HK$20,140,000 if it is to be amortized over 20 years.

Net Asset Value

The unaudited consolidated net assets of the Group as at 30 June 2003 were HK$1,216,022,000. Taking into account the net proceeds of HK$380,200,000 from the issue of the Subscription Shares, the net tangible assets of the Group as at the Latest Practicable Date are HK$1,596,222,000, equivalent to HK$0.448 per Share on the basis of 3,566,470,588 Shares in issue as at the Latest Practicable Date.

As set out in section A of Appendix III to this circular, upon completion of the Acquisition, the pro forma adjusted unaudited combined net tangible assets of the Enlarged Group would be HK$1,479,030,000, equivalent to HK$0.343 per Share on the basis of 4,316,884,381 Shares in issue. This represents a drop of 7.3% and 23.4% of the net tangible assets and net asset price per Share respectively.

Pro Forma Capitalisation Table

	Unaudited consolidated net assets of the Group as at 30 June 2003 HK$'000	Net proceeds from the Placing HK$'000	Pro forma unaudited combined net assets of the CRA Group as at 30 September 2003 HK$'000	Pro forma adjusted unaudited combined net assets of the Enlarged Group upon completion of the Acquisition HK$'000
Short-term debts	9,864	–	375,684	385,548
Long-term debts	–	–	1,331,136	1,331,136
Shareholders' equity	1,216,022	380,200	1,525,308	3,121,530
Total Capitalisation	1,225,886	380,200	3,232,128	4,838,214

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is at present principally engaged in the manufacture and sale of plywood. The Group has expended considerable effort to reposition and strengthen its existing business. The wood industry, however, continues to be affected by the current economic conditions and remains a difficult operating environment for the Group. The Directors have adopted a number of measures to sustain the performance of the Group including a change in business objectives and policies.

As stated in the Group's 2002 annual report and 2003 interim report and in line with the change to the business policy and objectives of the Group, the Group has been exploring opportunities in other natural resources sectors. The Directors are of the view that it would be in the interests of the Group to diversify its business interests and investments into other natural resources to supplement the Group's existing plywood manufacturing and sale business. The Acquisition is consistent with the Group's long-term business objectives and policies and is being implemented for the purpose of enhancing the Group's long-term prospects.

As set out in Appendix I to this circular, the CRA Group generates a significant amount of profits which the Directors believe will strengthen the financial position of the Group as a whole. The Acquisition will also provide the Group with an opportunity to implement its refocused business objective and policies and assist the Group in gaining exposure to other natural resources projects in Australia.

Whilst the Group will continue to carry on its plywood manufacturing and sale business, the Group will also continue with its refocused business objective and policies as and when suitable opportunities arise.

The Directors believe that the Acquisition is in the interests of the Company.

TRANSFER OF SHARES FROM USI TO KEENTECH

The Company has been advised by USI and Keentech, the two current controlling shareholders of the Company, that USI has conditionally agreed to sell the CRH Sale Shares to Keentech. Completion of the USI Transfer is conditional upon the following:

(a) the granting of the Waiver; and

(b) if USI's shareholding in the Company is equal to or greater than 20% of the then issued share capital of the Company immediately prior to the completion of the USI Transfer, CITIC Australia, CITIC Beijing and the Company confirming that they are ready to, and will, complete the acquisition of the CRA Shares and not withdraw from it; or

(c) if USI's shareholding in the Company is less than 20% of the then issued share capital of the Company immediately prior to the completion of the USI Transfer, the Acquisition becoming unconditional in all respects in accordance with the Acquisition Agreement.

On completion of the USI Transfer and the issue of the Subscription Shares and Consideration Shares, CITIC Beijing, Keentech, CITIC Australia and parties acting in concert with them will continue to hold 74.65% of the issued share capital of the Company (based on the number of Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Consideration Shares).

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company immediately prior to the Placing and the Subscription, as at the Latest Practicable Date and following completion of the USI Transfer and the issue of the Consideration Shares:

	Before Placing, Subscription, USI Transfer and issue of Consideration Shares	After Placing but before Subscription, USI Transfer and issue of Consideration Shares	After Placing and Subscription, but before USI Transfer and issue of Consideration Shares (as at Latest Practicable Date)	After Placing, Subscription, and USI Transfer but before issue of Consideration Shares	After Placing, Subscription, USI Transfer and issue of Consideration Shares
Keentech	41.26%	41.26%	38.14%	52.16%	43.09%
CITIC Australia	Nil	Nil	Nil	Nil	17.38%
USI	33.73%	25.54%	31.18%	17.16%	14.18%
Public	25.01%	33.20%	30.68%	30.68%	25.35%
	100%	100%	100%	100%	100%

EFFECT ON CITIC BEIJING'S INTEREST IN THE COMPANY

As at the Latest Practicable Date, CITIC Beijing is, through Keentech, currently interested in 38.14% of the existing issued share capital of the Company. On completion of the USI Transfer and the issue of the Consideration Shares, CITIC Beijing's interest in the Company will increase as CITIC Beijing, through CITIC Australia, will have an interest in the Consideration Shares.

On completion of the USI Transfer and issue of all of the Consideration Shares to CITIC Australia, CITIC Beijing will be indirectly interested in 60.47% of the issued share capital of the Company (based on the number of Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Consideration Shares).

TAKEOVERS CODE

Keentech is an indirect wholly-owned subsidiary of CITIC Beijing. CITIC Australia is a wholly-owned subsidiary of CITIC Beijing and, under the Takeovers Code, is presumed to be acting in concert with CITIC Beijing and Keentech. Pursuant to the Takeovers Code, USI is also presumed to be acting in concert with CITIC Beijing and Keentech.

Based on the number of Shares in issue as at the date of the Acquisition Announcement, CITIC Beijing, Keentech and parties acting in concert with them controlled 74.99% of the then issued share capital of the Company.

Based on the number of Shares in issue as at the Latest Practicable Date, CITIC Beijing, Keentech and parties acting in concert with them controlled 69.32% of the issued share capital of the Company.

On completion of the issue of the Consideration Shares to CITIC Australia, CITIC Beijing, Keentech and parties acting in concert with them will control 74.65% of the issued share capital of the Company (based on the number of Shares in issue as at the Latest Practicable Date as enlarged by the issue of the Consideration Shares).

As a result of the issue of the Consideration Shares to CITIC Australia and/or the transfer of the CRH Shares to Keentech by USI, the existing aggregate ultimate shareholding of CITIC Beijing in the Company would increase by more than 2% of the issued share capital of the Company and thereby trigger an obligation to make a general offer for Shares not controlled by CITIC Beijing.

The Executive has granted a waiver pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code from any obligation on the part of CITIC Beijing, Keentech, CITIC Australia and parties acting in concert with them to make a mandatory general offer that would otherwise arise for all of the Shares in issue not otherwise under the control of or held by CITIC Beijing, Keentech, CITIC Australia and parties acting in concert with them as a result of the USI Transfer and the issue of the Consideration Shares respectively.

GENERAL MANDATE

The Board will propose a resolution at the Special General Meeting seeking the approval of Shareholders to the grant of a further general mandate to the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of such resolution plus any Shares repurchased by the Company under the authority of the repurchase mandate granted at the special general meeting of the Company held on 27 June 2003.

ON-GOING CONNECTED TRANSACTIONS

Under the terms of the Sale and Purchase Agreements, the earliest date on which completion of the Acquisition can occur will be 31 March 2004 (although there is no assurance that such completion will take place on this date or at all). On this date certain amendments to the Listing Rules (the "**Amended Listing Rules**") announced by the Stock Exchange on 30 January 2004 will take effect. The On-going Connected Transactions described below will constitute continuing connected transactions that are exempt from the independent shareholders' approval requirements but which must satisfy certain reporting and announcement requirements of the Amended Listing Rules.

(a) Novation of lease of office premises

CRA will enter into a deed of novation by which it will take over CITIC Australia's lease of office premises at Level 7 and Level 8, 99 King Street, Melbourne, Australia (the "**Premises**") comprising a total gross floor area of 1,683m^2 from KSPM. The term of the lease of the Premises is for five years commencing from 1 October 2001 to 30 September 2006 (subject to renewal). The term of the lease of the Premises remaining if it is novated to CRA will be less than 3 years. Annual rental for the current year of the lease commencing from 1 October 2003 and ending on 30 September 2004 is A$408,212 (about HK$2,449,272), for the period commencing from 1 October 2004 and ending on 30 September 2005 is A$428,626 (about HK$2,571,756) and for the year commencing from 1 October 2005 and ending on 30 September 2006 is A$450,051 (about HK$2,700,306).

The annual rental in respect of the lease of the Premises is not expected to exceed the amounts described above.

(b) Novation of leases of car parking spaces

Members of the CRA Group are expected to enter into a deed of novation by which it will take over CITIC Australia's lease arrangements with KSPM for 10 car parking spaces at 99 King Street, Melbourne, Australia, (the "**Car Park Leases**") for terms that run concurrently with the lease of the Premises described in paragraph (a) above and which will expire on 30 September 2006 (subject to renewal). The annual rental payable in respect of each Car Park Lease is A$4,800 (about HK$28,800), subject to being reviewed to market rate annually effective from 1 July 2004.

The total annual rental commitment payable in respect of the 10 Car Park Leases by the CRA Group after completion of the Acquisition is expected not to exceed A$48,000 (about HK$288,000).

The annual rental under the lease of the Premises and the Car Park Leases was determined by reference to market rents prevailing in Melbourne, Australia and represent terms equal to those negotiated on an arm's length basis. The Directors consider that the terms of the lease of the Premises and the Car Park Leases described above constitute normal commercial terms and arrangements and are fair and reasonable to Shareholders.

Requirements of the Amended Listing Rules

Pursuant to the requirements of the Amended Listing Rules:

(a) each year, the independent non-executive directors of the Company must review the On-going Connected Transactions and confirm in the annual report and accounts that the transactions have been entered into:

    (i) in the ordinary and usual course of its business;

    (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

    (iii) in accordance with the relevant agreement governing such On-going Connected Transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(b) each year the Company's auditors shall review annually the On-going Connected Transactions and provide a letter to the Board (with a copy to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the On-going Connected Transactions:

    (i) have received the approval of the Board;

    (ii) have been entered into in accordance with the relevant agreements governing the transactions;

    (iii) have not exceeded the amounts set out in the description of the On-going Connected Transactions set out above;

(c) the Company shall allow, and shall procure that the counterparty to the On-going Connected Transactions shall allow, the auditors sufficient access to their records for the purpose of reporting on the On-going Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in (b) above;

(d) the Company shall promptly inform the Stock Exchange and publish an announcement in the newspapers if it knows, or has reason to believe that that the Company's independent non-executive directors and/or its auditors are unable to provide the aforementioned confirmations.

(e) the Company shall disclose in its annual report and accounts for the relevant years in respect of the On-going Connected Transactions:

(i) the transaction date;

(ii) the parties to the transaction and a description of their connected relationship;

(iii) a brief description of the transaction and its purpose;

(iv) the total consideration and terms; and

(v) the nature and extent of the connected person's interest in the transaction.

SPECIAL GENERAL MEETING

A notice convening the Special General Meeting at which:

(a) ordinary resolutions will be proposed to Independent Shareholders to consider, and if thought fit, approve the Acquisition and all matters relating thereto including but not limited to the issue of the Consideration Shares; and

(b) ordinary resolutions will be proposed to Shareholders to consider, and if thought fit, approve the grant of a general mandate to the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of such resolution plus any Shares repurchased by the Company under the authority of the repurchase mandate granted at the special general meeting of the Company held on 27 June 2003,

is set out on pages 128 to 131 of this circular.

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you intend to attend the Special General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting (or any adjourned meeting thereof) should you wish to do so.

An announcement will be made by the Company following the conclusion of the Special General Meeting to inform you of the results of the Special General Meeting.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian, has been appointed to give advice to the Independent Shareholders on the Acquisition (including the issue of the Consideration Shares).

Your attention is drawn to the advice from the Independent Board Committee set out in its letter dated 6 March 2004 on page 29 of this circular.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Acquisition (including the issue of the Consideration Shares). Your attention is drawn to the letter set out on pages 30 to 43 of this circular from the Independent Financial Adviser to the Independent Board Committee.

RECOMMENDATIONS

The Directors are of the opinion that the resolutions to be proposed at the Special General Meeting as described in this circular are in the interests of the Company and of the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the resolutions set out in the notice of the Special General Meeting contained in this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Peter Kwok Viem
Chairman

CITIC RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

6 March 2004

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

As the Independent Board Committee, we have been appointed to advise you in connection with the terms of the Acquisition. We refer to the circular to the Shareholders dated 6 March 2004 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms and conditions of the Acquisition and the advice of the Independent Financial Adviser in relation thereto as set out on pages 30 to 43 of the Circular, we are of the opinion that the terms of the Acquisition, including the issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting to approve the Acquisition.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Fan Ren Da, Anthony **Tsang Link Carl, Brian**
Independent non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee prepared for the purpose of inclusion in this circular:

Somerley Limited
Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

6 March 2004

The Independent Board Committee
CITIC Resources Holdings Limited
Room 2602, 26th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed acquisition by the Company from CITIC Australia of the entire issued share capital of each of CRA and CPS. Details of the Acquisition are contained in the circular to the Shareholders dated 6 March 2004 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

The Acquisition constitutes a major transaction for the Company under the Listing Rules. CITIC Australia is an associate of Keentech which is in turn a substantial shareholder of the Company. The Acquisition therefore also constitutes a connected transaction for the Company. The Acquisition requires the approval of the Independent Shareholders. The Independent Board Committee, comprising the independent non-executive Directors, namely, Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian, has been constituted to make a recommendation to the Independent Shareholders as regards the Acquisition. We have been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

In formulating our advice, we have relied on information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete in all material respects. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our advice as set out in this letter and to justify our reliance on such information and we have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group and the CRA Group. We have assumed that all representations contained or referred to in the Circular and made by the Directors were true in all material respects at the date of the Circular and will continue to be so up to the date of the Special General Meeting.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Acquisition, we have taken into account the following principal factors and reasons:

1. Reasons for the Acquisition

The principal business of the Group is the manufacture and sale of plywood. As disclosed in the 2002 annual report of the Company, global uncertainties and international conflicts continued to affect economic conditions. This has prolonged lacklustre growth in the Group's primary markets and perpetuated price fluctuations in raw materials of the Group's manufacturing operations. As a result, the Group has faced a weak business environment and sentiment. The Group recorded a drop in turnover from approximately HK$58.5 million in 2000, HK$52.8 million in 2001 to HK$24.0 million in 2002. The Group achieved net profits attributable to Shareholders of approximately HK$41.2 million for the year ended 31 December 2000, which included a gain of HK$59.6 million from the waiver of indebtedness due to the Group's bank creditors pursuant to a compromise arrangement in June 2000. Had this non-recurring gain been excluded, the Group would have reported a loss of HK$18.4 million for 2000. The Group recorded a net loss attributable to Shareholders of HK$10.2 million and HK$15.2 million for each of the years ended 31 December 2001 and 2002 respectively. For the six months ended 30 June 2003, the Group recorded a turnover of HK$7.1 million and a net loss attributable to Shareholders of approximately HK$6.5 million.

As stated in the 2002 annual report and 2003 interim report, the Company obtained further equity from a group member of CITIC Beijing in June 2002. New Directors with expertise and extensive experience in the forestry and aluminum industry joined the Group in February 2002. Given its cash rich position, the Group has been actively exploring investment opportunities particularly in natural resources projects such as forestry and aluminium, on the basis that these, over time, will make a meaningful contribution to the earnings of the Group.

In view of the weakening performance of the Group's existing business and the profitable historical track record of the CRA Group as discussed below, we concur with the Directors' view that it would be in the interests of the Company to diversify its business interests and investments into other natural resources by way of the Acquisition to supplement the Company's existing business. We also consider that the Acquisition is consistent with the Group's stated development plan and business objective.

2. Principal terms of the CRA Agreement and the CPS Agreement

Pursuant to the CRA Agreement and the CPS Agreement (together, the "**Agreements**"), the Company conditionally agreed to acquire the Sale Shares from CITIC Australia. CITIC Australia and its subsidiaries own, among others, the following Principal Assets which will be indirectly held by the Company through CRA following completion of the Acquisition:

(i) a 22.5% interest in the Portland Joint Venture;

(ii) a 7% interest in the Coppabella and Moorvale Joint Venture;

(iii) a 13.95% interest in Macarthur Coal Limited;

(iv) a 81% interest in CATL; and

(v) a 5.01% interest in the shares of and 5,960,000 options to subscribe for shares in Aztec.

In addition, CRA (or its nominated wholly-owned subsidiaries) will assume, directly or indirectly, all liabilities (including contingent liabilities) of CITIC Australia and its subsidiaries which are related to the Principal Assets. Such liabilities include, among others, the US$55.0 million (about HK$429.0 million) due to CITIC Beijing from CITIC Australia and guarantees provided to third parties by CITIC Australia in respect of the Principal Assets. CITIC Australia will ensure that as at the date of completion of the Acquisition, CA Portland will have assets comprising cash or cash equivalents of at least A$15.0 million (about HK$90.0 million).

Completion of the Acquisition is subject to a number of conditions. Details of the terms of the Agreements including the conditions precedent to completion of the Acquisition are set out in the section headed "The Acquisition" in the letter from the Board contained in the Circular.

3. Businesses of the CRA Group

After completion of the Acquisition, CRA will, directly or indirectly, hold the Principal Assets comprising the following:

Portland Joint Venture

The Portland Joint Venture is currently owned as to 55% by Alcoa of Australia Limited ("**AAL**"), as to 22.5% by Marubeni Aluminium Australia Limited and as to the balance of 22.5% by CA Portland, a wholly-owned subsidiary of CITIC Australia. The Portland Joint Venture owns the Portland Aluminum Smelter ("**PAS**"), which is one of the most efficient aluminium smelters in the world with an annual nameplate production capacity in excess of 345,000 tonnes of high-quality primary aluminium ingot. PAS is managed, on behalf of the joint venture partners of the Portland Joint Venture, by a wholly-owned subsidiary of AAL. Each joint venture partner of the Portland Joint Venture is responsible for its share of costs and capital and is entitled to its proportionate share of aluminium production of PAS. According to the accounting policy of the CRA Group, the assets and liabilities of the 22.5% interest in the Portland Joint Venture are recognised in its balance sheet. The income from the sale and the associated expenses incurred by the Portland Joint Venture are also recognised in the profit and loss account of the CRA Group in proportion to its interest held in the Portland Joint Venture.

Smelting is an electricity intensive process. In order to maintain a steady supply of electricity, in 1986, the Portland Joint Venture entered into an electricity supply agreement with the State Electricity Commission of Victoria for a term of 30 years at a fixed tariff, which was agreed at the time the agreement was entered into and is now substantially lower than the existing prevailing market rate.

CITIC Australia's share of production from its 22.5% interest in the Portland Joint Venture is approximately 78,000 tonnes of aluminium per annum, which is mainly exported to its key customers in the Asia Pacific region including the PRC, Japan and South Korea through its exclusive sales agent, CITIC Australia Commodity Trading Proprietary Limited ("**CACT**"), a wholly-owned subsidiary of CATL.

CATL

CATL is a company listed on the ASX and is principally engaged in the trading of commodities and merchandise with a primary focus on the Australia-PRC trade relationship. The principal products exported by CATL include alumina, fertilizer, steel products and other bulk mineral commodities such as copper and iron ore. Products imported by CATL include auto/industrial batteries, tyres and wheels and certain steel products. As stated above, CACT, one of the wholly-owned subsidiaries of CATL, acts as an agent for export of CITIC Australia's share of aluminum production from PAS to the Asia Pacific region including the PRC, Japan and South Korea.

Macarthur Coal Limited

Macarthur Coal Limited is an Australian resources company, the major asset of which is its 73.3% interest in the Coppabella and Moorvale Joint Venture. The shares of Macarthur Coal Limited are listed on the ASX.

Coppabella and Moorvale Joint Venture

The Coppabella and Moorvale Joint Venture owns and operates the Coppabella coal mine and the Moorvale coal mine in central Queensland, Australia. It is one of the only five producers of low volatile pulverised coal injection ("**PCI**") coal in Australia.

The Coppabella coal mine life is currently approximately 13 years and has 155 million tonnes of measured resources and 43 million tonnes of indicated resources. Annual sales are approximately 4.2 million tonnes and the mine is currently operating at full capacity.

The Moorvale coal mine is 13 kilometers south of the Coppabella coal mine. It commenced mining operations in December 2002 and has been using the coal preparation plant and other peripheral facilities at the Coppabella coal mine. Moorvale coal mine is capable of building up to an annual capacity of 1.6 million tonnes. The life of the Moorvale coal mine is currently approximately eight years. Open cut measured resources of 32.7 million tonnes has been identified. The construction of the infrastructure and peripheral facilities, such as the coal preparation plant, at the Moorvale coal mine will soon be completed. After completion of the construction, the Moorvale coal mine can be operated on a stand-alone basis.

PCI coal is predominately sold to steel mills for use in the production of pig iron from iron ore in the blast furnace process. PCI coal is now recognised as a cheaper alternative for coking coal which was traditionally used in the blast furnace process. It is expected that there will be greater use of PCI coal in the future as low volatile PCI coal is higher in carbon and energy, more efficient in the blast furnace process and cheaper to prepare for injection.

Aztec

Aztec is an Australian minerals exploration company listed on the ASX with interests in projects located in Western Australia and Queensland, Australia. The company is principally focused on the evaluation and development of the Koolan Island iron ore project in Western Australia, Australia.

4. Prospects of the CRA Group

The major market for the CRA Group includes, among others, the PRC, Japan and South Korea. The PRC is now one of the most important global economies on the basis of growth in gross domestic products. It is generally expected that the demand for mining commodities, including aluminium and coal, in the PRC will grow alongside with its economic development. In addition, the strengthening economic recovery of Japan and South Korea will also add to the demand for mining products. On this basis and in the absence of any unforeseen circumstances, we believe that the CRA Group will continue to benefit from such growth.

5. Financial performance of the CRA Group

The historical financial performance of the CRA Group is set out in the Accountants' Report contained in Appendix I to the Circular and summarised below:

	Year ended 31 December			**Nine months ended 30 September**
	2000	**2001**	**2002**	**2003**
	A$ million	A$ million	A$ million	A$ million
Turnover	580.0	552.9	650.7	487.4
Net operating profits	17.6	73.9	55.4	33.6
Net profits/(loss) attributable to shareholders	(1.9)	37.4	22.4	36.1
about HK$ million	(11.4)	224.4	134.4	216.6

In 2000, the CRA Group recorded a turnover of A$580.0 million (about HK$3,480.0 million) but a relatively low operating profits of A$17.6 million (about HK$105.6 million). The low operating profits were due to the significant depreciation of the Australian dollar against the US dollar in 2000 which led to a foreign exchange loss of approximately A$36.0 million (about HK$216.0 million) by CA Portland given its net US dollar liability position at that time. In 2001, the CRA Group adopted a specific hedging policy to cope with its exposures in foreign exchange, interest rate and aluminum price fluctuation, which allows the CRA Group to set off its foreign exchange liabilities against its sales that were denominated in foreign currency. Had this hedging policy been adopted in 2000, the operating profits of the CRA Group would have been improved by A$36.0 million to A$53.6 million (about HK$321.6 million).

In 2001, the CRA Group recorded a turnover of A$552.9 million (about HK$3,317.4 million), a slight decrease from A$580.0 million (about HK$3,480.0 million) in 2000. The operating profits however improved significantly to A$73.9 million (about HK$443.4 million) compared to A$17.6 million in 2000. In addition to the adoption of the hedging policy as stated above, the increase was also attributable to a gain on the sale of property, plant and equipment in a coal operation of approximately A$13.3 million (about HK$79.8 million). The weakening Australian dollar in 2001 also contributed to the increase in the operating profits, given that the sales of the CRA Group were substantially denominated in US dollars.

The increase in the turnover of the CRA Group from A$552.9 million (about HK$3,317.4 million) in 2001 to A$650.7 million (about HK$3,904.2 million) in 2002 was chiefly driven by the strong performance by CACT. The strong performance of CACT was principally attributable to an increase in the market price of alumina and the introduction of new product lines by CACT in 2002, such as steel. The increase in turnover however did not lead to a proportionate increase in the operating profits as the trading business carried out by CACT traditionally yields a lower operating profit margin than the CRA Group's aluminum and coal operation.

The CRA Group reported a turnover and net operating profits of A$487.4 million (about HK$2,924.4 million) and A$33.6 million (about HK$201.6 million) respectively for the nine months ended 30 September 2003 which, on an annualised basis, are comparable to those of 2002. The improvement in net profit attributable to shareholders was principally due to the recognition of a tax credit of A$22.4 million (about HK$134.4 million) arising from the implementation of new tax legislation.

6. Basis of the consideration for the Acquisition

The aggregate consideration payable under the Agreements amounts to US$139.5 million (about HK$1,088.1 million). The consideration was determined on arm's length basis between the Company and CITIC Australia after considering principally the financial performance and the strategic value of the Principal Assets.

We have been advised by the Directors that the aggregate consideration was negotiated with reference to an indicative sum-of-parts valuation (the "**Indicative Valuation**"). Given that the Principal Assets to be acquired consist of several entities which are involved in different types of mineral-related operations, we consider that a sum-of-parts approach is broadly appropriate in assessing the consideration under the Agreements. The Indicative Valuation was arrived at after taking into account a number of factors including, among others, the latest market prices of the shares of the Principal Assets which are listed, recent transacted prices in the market for businesses of similar nature to the Principal Assets which are unlisted, and the fundamentals of these assets such as level of output and production capacity.

Portland Joint Venture

The 22.5% interest in the Portland Joint Venture represents over 80% of the total value of the Principal Assets referred to in the Indicative Valuation. We have compared the financial ratios implied by the value of the 22.5% interest in the Portland Joint Venture comprising the Indicative Valuation with those of listed aluminium companies in Australia, the United States and Canada which are involved in similar smelting operations (the "**Comparable Aluminum Companies**").

Name of company	Listing	Price-to-earnings ratio (Note 1)	Price-to-EBITDA* ratio (Note 1)	Price-to-book ratio (Note 1)
Alcoa Inc	US	41.69	11.78	2.79
Alcan Inc	Canada	38.60	10.63	2.32
Alumina Limited	Australia	35.22	12.94	5.41
Century Aluminum Company	US	n.a. (loss making)	9.74	2.82
mean		38.50	11.27	3.33
Portland Joint Venture	N.A.	16.2 (Note 2)	4.3 (Note 2)	1.1 (Note 2)

* Earnings before interest, tax, depreciation and amortisation.

Notes :

1. Based on the share prices of the Comparable Aluminum Companies as at the Latest Practicable Date and the financial information for the year ended 31 December 2002 obtained from Bloomberg.

2. Based on the value included in the Indicative Valuation and the audited financial information contained in the accounts of CA Portland for the year ended 31 December 2002.

As shown in the above table, the financial ratios implied by the value of the 22.5% interest in the Portland Joint Venture lies substantially below the corresponding ratios of the Comparable Aluminum Companies.

CATL

We have obtained the average closing price of the shares of CATL on the ASX for the 30 trading days up to and including 19 January 2004 (being the date of the Agreements). On the basis of this average market price of A$0.38 and the 80.3 million shares of CATL in issue, the entire issued share capital of CATL would be valued at A$30.5 million (about HK$183.0 million). The attributable market value of the 81% interest being acquired amounts to A$24.7 million (about HK$148.2 million), which is the value adopted in the Indicative Valuation. Based on the closing price of A$0.435 per CATL share as at the Latest Practicable Date, the attributable market value of the 81% interest in CATL was A$28.3 million (about HK$169.8 million).

Macarthur Coal Limited

We have obtained the average closing price of the shares of Macarthur Coal Limited on the ASX for the 30 trading days up to and including 19 January 2004. On the basis of this average market price of A$1.26 and the 128.6 million shares of Macarthur Coal Limited in issue, the entire issued share capital of Macarthur Coal Limited would be valued at A$162.0 million (about HK$972.0 million). The attributable market value of the 13.95%

interest being acquired amounts to A$22.6 million (about HK$135.6 million), which is slightly above the value adopted in the Indicative Valuation. Based on the closing price of A$1.48 per share of Macarthur Coal Limited as at the Latest Practicable Date, the attributable market value of the 13.95% interest in Macarthur Coal Limited was A$26.6 million (about HK$159.6 million).

Coppabella and Moorvale Joint Venture

We have compared the financial ratios implied by the value of the 7% interest in the Coppabella and Moorvale Joint Venture comprising the Indicative Valuation with those of listed companies in Australia which are involved in coal mining operations (the "**Comparable Coal Companies**").

Name of company	**Price-to-earnings** (Note 1)	**Price-to-EBITDA* ratio** (Note 1)	**Price-to-book ratio** (Note 1)
Austral Coal Limited	7.03	2.21	1.74
Centennial Coal Limited	11.81	4.80	2.05
Mean	9.42	3.51	1.90
Coppabella and Moorvale Joint Venture	8.70 (Note 2)	4.20 (Note 2)	2.50 (Note 3)

* Earnings before interest, tax, depreciation and amortisation.

Notes :

1. Based on the share prices of the Comparable Coal Companies as at the Latest Practicable Date and the financial information for the year ended 31 December 2003 obtained from Bloomberg.

2. Based on the value included in the Indicative Valuation and the annualised results of CA Coal using the audited financial information contained in the accounts of CA Coal for the nine months ended 30 September 2003. We have used the audited accounts of CA Coal for the nine months ended 30 September 2003 instead of the audited accounts for the year ended 31 December 2002 due to the fact that the 31 December 2002 accounts are not reflective of the value of the Moorvale coal mine, which was not operational until the end of 2002.

3. Based on the value included in the Indicative Valuation and the audited book value of CA Coal as at 30 September 2003.

As shown in the above table, the price-to-earnings ratio implied by the value of the 7% interest in the Coppabella and Moorvale Joint Venture is comparable to the corresponding ratios of the Comparable Coal Companies and is lower than the average of those of the Comparable Coal Companies. The price-to-EBITDA ratio and price-to-book ratio are above those of the Comparable Coal Companies. Such premium, in our opinion, is acceptable bearing in mind that the Moorvale coal mine is in its initial stage of production, and its earning potential has not been fully reflected in the accounts of CA Coal for the nine months ended 30 September 2003, upon which our review is based.

Aztec

We have obtained the average closing price of the shares and options of Aztec on the ASX for the 30 trading days up to and including 19 January 2004. On the basis of the average market price of A$0.116 for the shares of Aztec and the 281.8 million shares of Aztec in issue, the entire issued share capital of Aztec would be valued at A$32.7 million (about HK$196.2 million). The attributable market value of the 5.01% interest being acquired amounts to A$1.6 million (about HK$9.6 million). On the basis of the average market price of A$0.029 for the options of Aztec, the 5,960,000 options are valued at approximately A$0.2 million (about HK$1.2 million). The aggregate market value of the Aztec shares and options estimated on the above basis amounts to A$1.8 million (about HK$10.8 million), which is approximately the same as the value adopted in the Indicative Valuation. Based on the closing price of A$0.16 per Aztec share and A$0.036 per Aztec option as at the Latest Practicable Date, the aggregate attributable market value of the 5.01% interest in Aztec and the 5,960,000 Aztec option was A$2.5 million (about HK$15.0 million).

Others

In addition to the above Principal Assets, the Indicative Valuation has also taken into account other adjustments including, among others, the amount of assets, debts and liabilities of CITIC Australia or its subsidiaries to the extent that they relate to the Principal Assets which will be assumed, directly or indirectly, by CRA or its nominated wholly-owned subsidiaries (the "**Assumed Assets and Liabilities**") pursuant to the terms of the Agreements and the unrealised gain or loss arising from outstanding forward foreign exchange, interest rate or commodities contracts entered into during the normal course of business by the CRA Group.

The Assumed Assets and Liabilities include principally the shareholders' loan of US$55.0 million (about A$71.5 million or HK$429.0 million) from CITIC Beijing and the secured interest-bearing bank loan outstanding as at the Latest Practicable Date of approximately US$100.0 million (about A$130.0 million or HK$780.0 million). Such amounts have been included in the Indicative Valuation on a dollar-for-dollar basis.

The amount of unrealised gain or loss arising from the derivative financial instruments was estimated by CITIC Australia with reference to the value of all relevant contracts of the CRA Group that were outstanding as at 31 December 2003 and on a mark-to-market basis. Based on the outstanding contracts as the Latest Practicable Date, the amount of the net unrealised gain on a mark-to-market basis amounted to approximately A$6.4 million (about HK$38.4 million).

Having regard to the terms of the Agreements and the nature of business of the CRA Group, we consider that the aforesaid adjustments are appropriate.

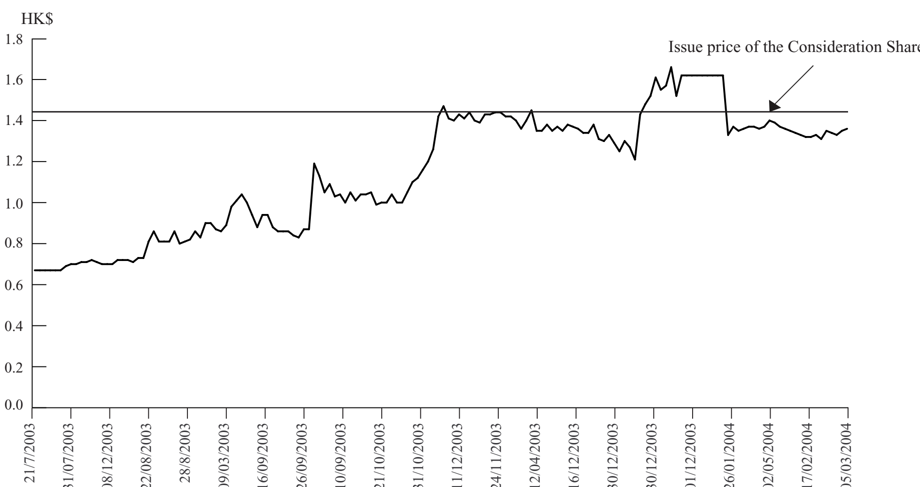
Sum-of-parts valuation

Based on the above discussions, we consider that the Indicative Valuation provides a reasonable basis in determining the consideration under the Agreements. The aggregate consideration under the Agreements of US$139.5 million represents a moderate level of premium over the Indicative Valuation. Based on our review as described above, we consider such premium acceptable in light of (i) the substantially lower financial ratios implied by the value of the 22.5% interest in the Portland Joint Venture comprising the Indicative Valuation as compared to the Comparable Aluminium Companies; (ii) the substantial value of the Portland Joint Venture relative to other Principal Assets and (iii) the increase in market price of the shares of CATL, Macarthur Coal Limited and Aztec after the signing of the Agreements. On this basis, we consider that the aggregate consideration under the Agreements to be fair and reasonable.

7. Issue price of the Consideration Shares

Historical Share price performance

The following chart illustrates the closing Share prices since 21 July 2003 (being six months prior to the date of the Agreements) up to the Latest Practicable Date:



source: Bloomberg

During the period from 21 July 2003 to 6 October 2003, the closing price ranged from HK$0.67 to HK$1.04 per Share. The closing price surged to HK$1.19 per Share on 7 October 2003 and rose further to HK$1.47 per Share on 11 November 2003. Thereafter, the closing price fluctuated within the range of HK$1.21 to HK$1.45 per Share during the period from 12 November 2003 to 6 January 2004. On 7 January 2004, the Share price closed at HK$1.43, representing a rise of 18.2% from the previous closing price of HK$1.21 per Share on 6 January 2004, and rose further to HK$1.66 per Share on 15 January 2004. We believe the surge in Share price in previous months was probably prompted by market speculation of possible acquisitions by the Group. The Share price closed at HK$1.62 per Share on 19 January 2004 before the trading in the Shares was suspended at 11:41 a.m. on that day pending release of the Acquisition Announcement. The price of the Shares dropped back to the previous level of HK$1.33 per Share on 3 February 2004 after the release of the Acquisition Announcement. As at the Latest Practicable Date, the closing price was HK$1.36 per Share.

Comparison of issue price to historical Share prices

The aggregate purchase price payable by the Company under the Agreements of US$139.5 million (about HK$1,088.1 million) will be satisfied by the allotment and issue to CITIC Australia of an aggregate of 750,413,793 new Shares at an issue price of HK$1.45 each. The issue price of the Consideration Shares represents a premium over or a discount to the historical Share prices as follows:

	HK$	**Premium/ (Discount)** *%*
Average closing Share price for 90 trading days up to and including 19 January 2004 (being the day when the Shares were last traded prior to the suspension of the Shares at 11:41 a.m. on 19 January 2004 pending the release of the Acquisition Announcement)	1.217	19.1
Average closing Share price for 30 trading days up to and including 19 January 2004	1.400	3.6
Average closing Share price for ten trading days up to and including 19 January 2004	1.517	(4.4)
Closing Share price as at 19 January 2004	1.620	(10.5)
Closing Share price as at the Latest Practicable Date	1.360	6.6

The issue price for the Consideration Shares represents a 10.5% discount to the last closing price of the Shares on the date of the Agreements. As discussed above, the closing price of the Shares surged shortly before the entering into of the Agreements, which was probably prompted by market speculation of possible acquisitions by the Group. We consider that in assessing the fairness of the issue price for the Consideration Shares, one should not place too much emphasis on short-term fluctuations in the Share price, as these fluctuations may have been caused by market speculation without taking into account the fundamentals of the Company. Accordingly, we have also compared the issue price to the longer term performance of the Shares. As shown above, the issue price for the Consideration Shares represents a discount of 4.4% to the ten-day average closing price of the Shares, a premium of 19.1% over the 90-day average closing price of the Shares and a premium of 3.6% over the 30-day average closing price of the Shares up to and including the date of the Agreements. Based on the above, we consider that the issue price of HK$1.45 per Consideration Share is fair and reasonable.

8. Effects of the Acquisition on the Group

Net asset value

The consolidated net assets of the Group prior to completion of the Agreements (calculated based on the audited consolidated net assets of the Group as at 31 December 2002 and after taking into account the unaudited consolidated net loss for the six months ended 30 June 2003 and the net proceeds from the Placing) amounted to HK$1,596.2 million. Immediately upon completion of the Acquisition, the net asset value of the Enlarged Group would increase to HK$2,281.5 million (based on the net asset value of the CRA Group of HK$1,525.3 million as at 30 September 2003 and adjusted for the dividend declared and paid by CA Portland of A$120.0 million (about HK$720.0 million) in January 2004 and the increased distribution of A$20.0 million (about HK$120.0 million) to be made prior to completion of the Acquisition), representing an increase of 42.9% in the net asset value of the Group. The corresponding net asset value per Share before and after completion of the Agreements are HK$0.448 (based on 3,566,470,588 Shares in issue as at the Latest Practicable Date) and HK$0.529 (based on 4,316,884,381 Shares in issue upon completion of the Agreements), representing an 18.1% increase as a result of the Acquisition.

Net tangible asset value

As disclosed in the pro forma statement of the adjusted unaudited consolidated net tangible asset value of the Enlarged Group set out in section A of Appendix III to the Circular, the consolidated net tangible asset value of the Group prior to completion of the Acquisition is HK$1,596.2 million, about HK$0.448 per Share on the basis of 3,566,470,588 Shares in issue as at the Latest Practicable Date. The pro forma adjusted unaudited combined net tangible asset value of the Enlarged Group, assuming that completion of the Acquisition has taken place, amounts to HK$1,479.0 million, about HK$0.343 per Share on the basis of a total of 4,316,884,381 Shares in issue upon completion of the Acquisition. Hence, it is expected that there will be a drop in net tangible asset value on a group basis by approximately 7.3% and on a per Share basis by approximately 23.4%, as a result of completion of the Acquisition.

Although the dilution in the net tangible asset value per Share after the Acquisition is material, we believe that the earning potential of the Principal Assets is a core factor in considering the fairness and reasonableness of the consideration of the Acquisition given the nature of the Principal Assets. On such basis, and given the expected profit contribution of the Principal Assets to the Group as described below, we believe the dilution in the net tangible asset value is acceptable.

Gearing

The Group had a net cash position as at 31 December 2002. After completion of the Acquisition, the gearing level of the Enlarged Group (calculated as a percentage of the total bank borrowings net of cash and bank deposits balances to net asset value of the Group) will increase marginally to 0.7%.

Earnings

As disclosed in the Accountants' Report on the CRA Group as set out in Appendix I to the Circular, the CRA Group recorded a net profit attributable to shareholders of approximately A$37.4 million (about HK$224.4 million) and A$22.4 million (about HK$134.4 million) for each of the years ended 31 December 2001 and 2002 respectively. For the nine months ended 30 September 2003, the CRA Group recorded a net profit attributable to shareholders of approximately A$36.1 million (about HK$216.6 million). As disclosed in the pro forma statement of the adjusted unaudited combined net profit attributable to shareholders of the Enlarged Group contained in section C of Appendix III to the Circular, the pro forma adjusted unaudited combined net profits of the Enlarged Group would be HK$83.7 million, versus a loss of HK$15.2 million for the year ended 31 December 2002. On the basis of the historical results of the CRA Group, it is expected that the CRA Group will contribute positively to the earnings of the Group after the Acquisition. However, in the absence of a profit forecast on the CRA Group and the Group, we are not in a position to quantify the effects on the Acquisition on the future earnings of the Group.

Based on the pro forma combined net assets of the CRA Group of A$254.2 million (about HK$1,525.2 million) as at 30 September 2003 as set out in section 4 of Appendix I to the Circular and taking into account the dividend of A$120.0 million (about HK$720.0 million) declared and the increased distribution of A$20.0 million (about HK$120.0 million) of CRA, the Acquisition would result in a goodwill of approximately HK$402.8 million. Based on the prevailing accounting policy of the Group, the positive goodwill arising from the Acquisition would be recognised as an expense on a systematic basis over the remaining weighted average useful life of an identifiable acquired depreciable/amortisable asset for a maximum period of 20 years, subject to further review of the fair value of the underlying assets of the CRA Group after completion of the Acquisition. On the assumption that the goodwill is to be amortised over 20 years, it would result in a charge to the profit and loss accounts of the Group of approximately HK$20.1 million each year. Taking into account the annual amortisation of goodwill, the pro forma adjusted unaudited combined net profits of the Enlarged Group would be reduced to approximately HK$63.6 million, which we consider is still a significant contribution to the Group given its existing financial position.

Cashflow

The consideration under the Agreements will be satisfied by the Company by the allotment and issue of the Consideration Shares. Accordingly, the payment terms of the Acquisition will help to preserve the cash resources of the Group and will not have any immediate effect on the cashflow position of the Group.

Based on the performance of the CRA Group in the past years and its existing banking facilities as set out in Appendix I to the Circular, the CRA Group has been predominantly self sustaining in terms of cashflow requirements. The dividend of A$120.0 million (about HK$720.0 million) declared and paid by CA Portland to CITIC Australia was applied to reduce the balance owing by CITIC Australia to CA Portland. The additional distribution of A$20.0 million (about HK$120.0 million) declared by CA Portland will be payable to CITIC Australia in cash. Given the cash balance of A$52.9 million (about HK$317.4 million) of the CRA Group as at 30 September 2003, the Directors do not consider such distribution would cause a significant adverse impact on the CRA Group's cashflow position. The Directors do not expect that there will be significant operating cash requirements, capital expenditure or financial commitments in respect of the CRA Group in the foreseeable future that are required to be funded by the Group.

Shareholding structure

The shareholding structure of the Company before and after completion of the Acquisition is set out in the section headed "Change in shareholding structure of the Company" in the letter from the Board contained in the Circular. The shareholding interest of CITIC Beijing in the Company (which is currently held indirectly through a wholly-owned subsidiary, Keentech) will increase from approximately 52.16% before the Acquisition to approximately 60.47% after the Acquisition and upon issue of the Consideration Shares to CITIC Australia, a wholly-owned subsidiary of CITIC Beijing. As CITIC Beijing is currently the ultimate controlling and single largest Shareholder, the Acquisition will not result in a change in the controlling and single largest Shareholder or any significant change in the composition of the Board. The shareholding of the Independent Shareholders will be diluted from 30.68% before the Acquisition to 25.35% after the Acquisition. The dilution in the percentage shareholding is, in our view, acceptable to the Independent Shareholders having considered the expected contribution to earnings by the CRA Group as discussed above.

RISK FACTORS

The operations of the CRA Group differ from that of the existing business of the Group. Accordingly, the Acquisition involves risks to which the Group is not currently exposed.

Among the Principal Assets to be acquired, the Portland Joint Venture accounts for a significant portion of the value and results of the CRA Group. CA Portland currently sources all of its alumina requirements from the refineries of AAL under supply agreements entered into between

AAL and CA Portland. All the supply agreements will expire by 31 December 2005. CA Portland will negotiate with AAL for new supply agreements. The electricity required for the operations of PAS is supplied by the State Electricity Commission of Victoria under a 30-year contract expiring in 2016, which tariff was fixed on the date the agreement was entered into and it is significantly lower than the prevailing market rate. The future operating results of the Portland Joint Venture are subject to factors such as fluctuations in the exchange rate of the Australia dollar against the US dollar, commodity prices, the availability of alumina at competitive prices and the possibility of a significant increase in electricity tariff after 2016. In addition, further costs may be incurred by the Portland Joint Venture to ensure compliance with any future programs or regulatory restrictions designed to achieve environmental goals in Australia. Accordingly, there is no assurance that the CRA Group will achieve the same or better results as compared to those disclosed in the Accountants' Report after completion of the Acquisition.

DISCUSSION AND CONCLUSION

The Group's present timber business has been the core operation of the Group since its listing and has generated substantial business volume in previous years. However, over the past three financial years, the timber business has experienced a difficult operating environment which is, in our view, due to the unfavourable global market in general. Given such circumstances, the Group has been actively exploring investment opportunities particularly in natural resources projects such as forestry and aluminium, on the basis that these investments, over time, will make a meaningful contribution to the earnings of the Group.

Among the Principal Assets, the Portland Joint Venture accounts for the biggest proportion of the value and contribution of profits of the CRA Group. The aluminum produced from the Portland Joint Venture is exported to the Asia Pacific region including the PRC, Japan and South Korea through CATL. The PRC is now one of the most important global economies on the basis of growth in gross domestic products. It is generally expected that the demand for mining commodities in the PRC will grow alongside with its economic development. In addition, the strengthening economic recovery of Japan and South Korea will also add to the demand for mining products. In view of the deterioration in the results generated from the timber business and the positive market outlook in the Asia Pacific region for mining products, we consider that it is commercially sensible for the Group to acquire the CRA Group, which has demonstrated a profitable historical financial record, to enhance its future earnings potential.

The consideration under the Acquisition was arrived at with reference to a sum-of-parts valuation of the Principal Assets. The financial ratios implied by the consideration are, in our view, broadly in line with the commonly adopted valuation parameters in the market for similar assets or businesses. The issue of the Consideration Shares as settlement of the consideration will help to preserve cash resources for the Group and enhance the capital base of the Group. Despite the moderate level of premium over the Indicative Valuation paid by the Group, and the dilution in the net tangible asset value and the percentage shareholding of the Independent Shareholders as a result of the Acquisition, we consider this is acceptable bearing in mind, among others, the enhanced growth prospects of and potential earnings contribution presented by the CRA Group.

RECOMMENDATION

Based on the above reasons and factors considered by us, we are of the view that the terms of the Acquisition are fair and reasonable and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the Special General Meeting to approve the Acquisition.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

The following is the text of an accountants' report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安永會計師事務所

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

6 March 2004

The Directors
CITIC Resources Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding CITIC Resources Australia Pty Limited ("**CRA**") and its subsidiaries and companies that are or will become subsidiaries of CRA upon completion of the Acquisition as defined in this circular (hereinafter collectively referred to as the "**CRA Group**") to be acquired by CITIC Resources Holdings Limited (the "**Company**") pursuant to conditional sale and purchase agreements (the "**Sale and Purchase Agreements**") dated 19 January 2004 (as amended by a supplemental agreement dated 30 January 2004) made between the Company, CITIC Australia Pty Limited ("**CA**"), CITIC Group and CITIC Portland Holdings Pty Limited, prepared on the basis as set out in section 1 below, for inclusion in the circular issued by the Company dated 6 March 2004 (the "**Circular**").

CRA was incorporated in the State of Victoria, Australia with limited liability on 16 January 2004 under the Corporations Act 2001 (Cth) of Australia with an authorised and issued share capital of A$1 divided into one share of A$1.00 each, of which one share was issued at par for cash for the purpose of acting as a holding company of the subsidiaries set out in section 1 below. CRA did not carry out any business from the date of its incorporation, save for, subject to the approval of shareholders of the Company, the acquisition of the entire equity interests in CITIC Portland Holdings Pty Limited and CITIC Australia Coal Pty Limited, a 81% equity interest in CITIC Australia Trading Limited and a 5.01% equity interest in Aztec Resources Limited, which are or will be the intermediate holding companies of the other subsidiaries set out in section 1 below.

The CRA Group has adopted 31 December as its financial year end date for statutory reporting purposes. As at the date of this report, no audited financial statements have been prepared for CRA, CITIC Portland Holdings Pty Limited and CITIC Portland Surety Pty Limited since their respective dates of incorporation as these companies were either newly incorporated or not subject to statutory audit requirements in their respective jurisdictions of incorporation. We have, however, performed our independent review of all relevant transactions of these companies since their respective dates of incorporation.

The audited financial statements of companies comprising the CRA Group for the years ended 31 December 2000, 2001 and 2002 and the nine months ended 30 September 2003 (the "**Relevant Periods**") were prepared in accordance with the accounting principles generally accepted in Australia and were audited by PricewaterhouseCoopers, Chartered Accountants, Australia. The independent audited financial statements of the CRA Group for the Relevant Periods were modified by their respective directors or management in conformity with the accounting principles generally accepted in Hong Kong (the "**Modification**").

For the purpose of this report, we have examined the audited financial statements of the companies comprising the CRA Group for the Relevant Periods, in accordance with the Statements of Auditing Standard and Auditing Guideline "Prospectuses and the reporting accountant" issued by the Hong Kong Society of Accountants. Besides, we have satisfied ourselves by carrying out such additional procedures as we considered appropriate, that no material adjustment regarding the Modification is required to be incorporated into the results of the CRA Group for the Relevant Periods and their respective balance sheets as at 31 December 2000, 2001 and 2002 and 30 September 2003.

The summaries of the pro forma combined results of the CRA Group for the Relevant Periods and of the pro forma combined balance sheets of the CRA Group as at 31 December 2000, 2001 and 2002 and 30 September 2003 (the "**Summaries**") as set out in this report have been prepared from the audited financial statements of the CRA Group, as adjusted to be in accordance with the basis of preparation as set out in section 2 below, after making such adjustments as we considered appropriate, and are presented on the basis as set out in section 1 below.

In our opinion, the Summaries together with the notes thereto give, for the purpose of this report, a true and fair view of the pro forma combined results and cash flows of the CRA Group for the Relevant Periods and of the pro forma combined balance sheets of the CRA Group as at 31 December 2000, 2001 and 2002 and 30 September 2003.

1. BASIS OF PRESENTATION

The Summaries have been prepared from the amounts included in the audited financial statements of the companies comprising the CRA Group as if the CRA Group structure had been in existence throughout the Relevant Periods or from their respective dates of incorporation or acquisition by the CRA Group where this is a shorter period, after making such adjustments as we considered appropriate, including those in relation to the accounting principles generally accepted in Hong Kong ("**HKGAAP**") as further explained in section 2 below. All material transactions and balances among the companies comprising the CRA Group have been eliminated on combination. The definitions used in the Circular apply to this report unless otherwise stated.

At the date of this report, CRA had direct or indirect interests in the following subsidiaries, all of which are private companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company	Place and date of incorporation	Issued share/ registered capital	Percentage of equity attributable to CRA		Principal activities
			Direct	Indirect	
CITIC Portland Holdings Pty Limited	Australia State of Victoria 16 January 2004	A$1 ordinary	100	–	Investment holding
CITIC Australia Coal Pty Limited	Australia State of Victoria 12 October 1990	A$6,589,637 ordinary	100	–	Investment holding
CITIC Australia Trading Limited (formerly Clunes Gold Mines Limited) (note 2)	Australia, State of Victoria 17 May 2000	A$6,863,442 ordinary	81	–	Investment holding
CITIC Australia (Portland) Pty Limited	Australia State of Victoria 17 October 1985	A$45,675,117 ordinary	–	100	Investment holding
CITIC Portland Surety Pty Limited	Australia State of Victoria 16 January 2004	A$1 ordinary	–	100	Investment holding
CITIC (Portland) Nominees I Pty Limited	Australia State of Victoria 17 March 1986	A$2 ordinary	–	100	Investment holding (note 1)
CITIC (Portland) Nominees II Pty Limited	Australia State of Victoria 7 May 1986	A$2 ordinary	–	100	Investment holding (note 1)
CITIC Portland Finance 1 Pty Limited	Australia State of Victoria 12 August 1998	A$2 ordinary	–	100	Investment holding
CITIC Nominees Pty Limited	Australia State of Victoria 16 June 1986	A$2 ordinary	–	100	Investment holding
CITIC Australia Coppabella Pty Limited	Australia State of Victoria 15 December 1994	A$5,000,002 ordinary	–	100	Investment holding

Company	Place and date of incorporation	Issued share/ registered capital	Percentage of equity attributable to CRA Direct	Percentage of equity attributable to CRA Indirect	Principal activities
CITIC Australia Coal Exploration Pty Limited (formerly Paper Products Pty Limited)	Australia State of Victoria 11 April 1990	A$2,845,375 ordinary	–	100	Exploration, development and mining of coal
CITIC Australia Moorvale Pty Limited (formerly CITIC Australia Coal 1 Pty Limited)	Australia State of Victoria 15 October 1997	A$2 ordinary	–	100	Investment holding
CATL Sub-Holding Pty Limited	Australia State of Victoria 12 June 2002	A$2 ordinary	–	81	Investment holding
CITIC Australia Commodity Trading Pty Limited	Australia State of Victoria 21 January 1994	A$500,002 ordinary	–	81	Import and export of commodity products and manufactured goods
CITIC Tyres & Wheels Pty Limited (formerly Supergrip Tyres Pty Limited)	Australia Northern Territory 18 July 1996	A$100 ordinary	–	81	Import of tyres and alloy wheels
CITIC Batteries Pty Limited (formerly CR & S Operations Pty Limited)	Australia State of Victoria 15 October 1997	A$2 ordinary	–	81	Dormant
Beijing Yi Xin Mei Cheng Commercial Information Consulting Co. Ltd.	People's Republic of China ("**PRC**") Beijing 28 February 2000	RMB500,000	100	–	Investment holding
Beijing Qian Quan Investment Consultants Limited	PRC Beijing 16 August 2000	US$150,000	80	20	Consultancy service to group companies

Notes: 1. These two companies jointly own CITIC Nominees Pty Limited Partnership, which owns the interests in the Portland Joint Venture.

2. The shares of CITIC Australia Trading Limited ("**CATL**") were listed on Australian Stock Exchange ("**ASX**") on 18 June 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in arriving at the financial information as set out in this report are set out below:

(a) Basis of preparation

The financial information as set out in this report has been prepared in accordance with accounting principles generally accepted in Hong Kong. The financial information has been prepared under the historical cost convention, except for the periodic remeasurement of certain assets as further explained in the respective accounting policies below.

The audited financial statements of the CRA Group for the Relevant Periods were prepared in accordance with accounting principles other than those generally accepted in Hong Kong. Accordingly, adjustments have been made for the purpose of this report, to restate such audited financial statements to comply with HKGAAP. Therefore, as a consequence thereof, the results and cash flows of the CRA Group for the Relevant Periods and their respective balance sheets as at 31 December 2000, 2001 and 2002 and 30 September 2003 as set out herein comply in all material respects with HKGAAP.

Minority interests represent the interests of outside shareholders in the results and net assets of CRA's subsidiaries.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the CRA Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownerships have been transferred to the buyers, provided that the CRA Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;

(iii) management fee income, when the services were rendered; and

(iv) dividend income, when the shareholders' right to receive payment has been established.

(c) Lease assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the CRA Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(d) Employee benefits

(i) Paid leave carried forward

The CRA Group provides long service leave and holiday pay to its employees under their employment contracts. Such leaves which remain untaken as at the balance sheet date are permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such long service leave and holiday pay earned during the year by the employees and carried forward. A provision is recognised in respect of the probable long service leave and holiday pay payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the CRA Group to the balance sheet date.

(ii) Retirement benefits scheme contribution

The CRA Group operate a defined contribution retirement benefits scheme (the "**RB Scheme**") under the superannuation legislation of the Australian government, for all of their employees in Australia. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the RB Scheme. The assets of the RB Scheme are held separately from those of the CRA Group in an independently administered fund. The CRA Group' contributions as an employer vest fully with the employees when contributed to the RB Scheme.

(iii) Share option scheme

CATL operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of CATL's operations. The financial impact of share options granted under the share option scheme is not recorded in the balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by CATL as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by CATL in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(e) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because CRA's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(g) Fixed assets and depreciation

Fixed assets, other than freehold land, investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

	Portland Aluminium Smelter	**Others**
Plant and equipment	28 years up to 2016	3-15 years
Structures	28 years up to 2016	15 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold buildings and plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

(h) Exploration and development expenditure

Exploration and development expenditure related to current areas of interest, which includes costs of coal mining tenements, are carried forward to the extent that:

(i) such costs are expected to be recouped through successful development and production of the areas or by its sale; or

(ii) exploration activities in the area have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Costs are amortised from the date of commencement of production on a production output basis.

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

(j) Other assets

Other assets represent the CRA Group's interest in the Electricity Supply Agreements ("**ESA**") to the Portland Aluminium Smelter are amortised on a straight line basis over the period to 31 October 2016, being the expiry date of the base power contract of the Portland Aluminium Smelter. The carrying value of the ESA is reviewed annually by the directors and adjusted when it is considered necessary.

(k) Investments in securities

Long term investments in listed equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

The fair values of such listed securities are their quoted market prices at the balance sheet date. When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

The gains or losses arising from changes in the fair value of such securities are credited or charged to the profit and loss account in the period in which they arise.

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of such securities are credited or charged to the profit and loss account in the period in which they arise.

Forward contracts protect the CRA Group from fluctuations in exchange rates, interest rates and aluminium price by establishing the rate at which the corresponding asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is off-set by a corresponding movement in the value of the forward contract. The gains and losses are therefore off-set for financial reporting purposes and are not recognised in the financial statements. The fee incurred in establishing each agreement is amortised over the contract period.

Forward contracts not held for hedging purposes are marked to market at the balance sheet date and any unrealised gains or losses on re-translation are recognised in the profit and loss account.

(l) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(m) Subsidiaries

A subsidiary is a company whose financial and operating policies CRA controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in CRA's profit and loss account to the extent of dividends received and receivable. CRA's interests in subsidiaries are stated at cost less any impairment losses.

(n) Joint venture

A joint venture is a company set up by contractual arrangement, whereby the CRA Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the CRA Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(i) a subsidiary, if CRA has unilateral control, directly or indirectly, over the joint venture company;

(ii) a jointly-controlled entity, if CRA does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(iii) an associate, if CRA does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(iv) a long term investment, if CRA holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

(o) Jointly controlled assets

Jointly controlled assets are assets a joint venture over which the CRA Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the CRA Group has control over its share of future economic benefits earned from the assets.

The CRA Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the balance sheets and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests of jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the CRA Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the CRA Group.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

(q) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

(i) except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

(i) except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(r) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

(s) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On combination, the financial statements of overseas subsidiaries are translated into Australian dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Australian dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Australian dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

(t) Cash and cash equivalents

For the purpose of the pro forma combined cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and generally have a short maturity of within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the CRA Group's cash management.

For the purpose of the pro forma combined balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. PRO FORMA COMBINED RESULTS

The following is a summary of the pro forma combined results of the CRA Group for the Relevant Periods, which is presented on the basis set out in section 1 above:

	Notes	Year ended 31 December 2000 A$'000	Year ended 31 December 2001 A$'000	Year ended 31 December 2002 A$'000	Nine months ended 30 September 2003 A$'000
TURNOVER	(a)	579,977	552,948	650,740	487,434
Cost of sales		(492,536)	(477,252)	(596,545)	(448,517)
Gross profit		87,441	75,696	54,195	38,917
Other revenue and gains	(a)	9,091	15,486	9,169	5,767
Selling and distribution costs		(1,550)	(1,832)	(1,918)	(2,197)
Administrative expenses		(3,327)	(3,413)	(6,485)	(3,699)
Other operating income/(expenses), net		(74,059)	(12,005)	483	(5,184)
PROFIT FROM OPERATING ACTIVITIES	(b)	17,596	73,932	55,444	33,604
Finance costs	(d)	(20,553)	(20,993)	(15,812)	(8,850)
PROFIT/(LOSS) BEFORE TAX		(2,957)	52,939	39,632	24,754
Tax credit/(charge)	(e)	1,012	(15,548)	(16,868)	12,244
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(1,945)	37,391	22,764	36,998
Minority interests		–	–	(380)	(882)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		(1,945)	37,391	22,384	36,116
DIVIDENDS	(g)	–	–	–	1,607

Notes:

(a) Turnover, other revenue and gains

Turnover represents the net invoiced value of the sale of goods, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on combination.

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

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Turnover – Sale of goods	579,977	552,948	650,740	487,434
Other revenue and gains:				
Interests received and receivable	8,371	6,071	4,536	3,650
Management fee income	225	270	879	484
Gain on disposal of fixed assets, net	–	8,208	–	–
Dividend income	–	–	1,148	574
Others	495	937	2,606	1,059
	9,091	15,486	9,169	5,767
	589,068	568,434	659,909	493,201

(b) Profit from operating activities

Profit from operating activities is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Cost of inventories sold *	492,536	477,252	596,545	448,517
Depreciation on fixed assets	14,440	14,427	14,787	11,212
Amortisation of ESA	10,191	10,202	10,223	7,500
Minimum lease payments under operating leases on leasehold land and buildings	193	367	471	453
Staff costs (excluding directors' remuneration – section 3 note (c)):				
Wages and salaries	3,799	3,918	3,537	3,128
Retirement benefits scheme contributions	302	300	368	331
	4,101	4,218	3,905	3,459
Auditors' remuneration:				
Auditing	88	110	188	144
Other services	33	123	58	27
Loss/(gain) on disposal of fixed assets, net	–	(8,208)	3,268	1,068
Loss/(gain) on foreign exchange, net**	35,812	(3,264)	4,166	5,972
Loss/(gain) on trading of forward contracts, net**	24,993	16,108	(8,589)	(3,798)

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

** These balances are included in "other operating income/(expenses), net" in the pro forma combined results.

(c) Directors' and senior executives' remuneration

	Year ended 31 December 2000 A$'000	Year ended 31 December 2001 A$'000	Year ended 31 December 2002 A$'000	Nine months ended 30 September 2003 A$'000
Fees	–	–	–	–
Basic salaries, housing benefits, other allowances and benefits in kind	1,751	573	985	665
	1,751	573	985	665

The number of directors whose remuneration fell within the following band is as follows:

	Year ended 31 December 2000 Number of directors	Year ended 31 December 2001 Number of directors	Year ended 31 December 2002 Number of directors	Nine months ended 30 September 2003 Number of directors
Nil to A$180,000 (or nil to HK$1,000,000)	2	10	6	6
A$180,001 to A$270,000 (or HK$1,000,001 to HK$1,500,000)	–	1	–	–
A$270,001 to A$360,000 (or HK$1,500,001 to HK$2,000,000)	2	–	–	2
A$360,001 to A$450,000 (or HK$2,000,001 to HK$2,500,000)	3	–	–	–
A$540,001 to A$630,000 (or HK$3,000,001 to HK$3,500,000)	–	–	1	–
	7	11	7	8

The five highest paid individuals in the CRA Group during the year ended 31 December 2000 were all directors. The five highest paid individuals in the CRA Group during the years ended 31 December 2001, 2002 and the nine months ended 30 September 2003 included, in each of the years, two directors, and information relating to their emoluments has been disclosed above. The emoluments of the remaining highest paid, non-director individuals during the Relevant Periods are as follows:

	Year ended 31 December 2000 A$'000	Year ended 31 December 2001 A$'000	Year ended 31 December 2002 A$'000	Nine months ended 30 September 2003 A$'000
Basic salaries, housing benefits, other allowances and benefits in kind	–	111	249	205

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	Number of employees	Number of employees	Number of employees	Number of employees
Nil to A$180,000 (or nil to HK$1,000,000)	–	3	1	1
A$180,001 to A$270,000 (or HK$1,000,001 to HK$1,500,000)	–	–	–	2
A$270,001 to A$360,000 (or HK$1,500,001 to HK$2,000,000)	–	–	2	–
	–	3	3	3

During the Relevant Periods, no remuneration was paid by the CRA Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the CRA Group or as compensation for loss of office. No director of the CRA Group waived any remuneration during the Relevant Periods.

(d) Finance costs

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Interest on bank loans repayable:				
Within one year	3,000	3,720	4,005	1,924
Within second to fifth years, inclusive	17,431	17,140	11,674	1,751
Beyond five years	–	–	–	5,069
	20,431	20,860	15,679	8,744
Other finance charges	122	133	133	106
	20,553	20,993	15,812	8,850

(e) Tax

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Current year/period provision:				
Hong Kong	–	–	–	–
Australia	13,861	11,626	9,770	7,513
	13,861	11,626	9,770	7,513
Deferred tax charge/(credit)	(14,873)	3,922	7,098	(19,757)
Tax charge/(credit) for the year/period	(1,012)	15,548	16,868	(12,244)

No provision for Hong Kong profits tax has been made as the CRA Group did not generate any assessable profits arising in Hong Kong in respect of the Relevant Periods.

Provision for Australian income tax has been made at the rates of 34%, 30%, 30% and 30% for each of the years ended 31 December 2000, 2001 and 2002 and the nine months ended 30 September 2003 on the estimated assessable profits arising in Australia for each of the Relevant Periods.

A reconciliation of the tax credit/(charge) applicable to profit/(loss) before tax using the statutory rates for the countries in which CRA and its subsidiaries are domiciled to the tax credit/(charge) at the effective tax rates are as follows:

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Profit/(loss) before tax	(2,957)	52,939	39,632	24,754
Tax at the applicable rates to profits/(losses) in the countries concerned	(1,005)	15,882	11,890	7,426
Income not subject to tax	(957)	(4,163)	(129)	(244)
Expenses not deductible for tax	4,299	3,765	3,698	3,017
Tax charge at the CRA Group's effective rate	2,337	15,484	15,459	10,199
Effect of change in tax rate	(3,349)	–	–	–
Adjustments in respect of current tax of previous periods	–	64	1,409	–
Tax benefit arising as a result of implementation of tax consolidation due to fixed assets tax cost base reset	–	–	–	(22,443)
Tax charge/(credit) at the CRA Group's effective rate	(1,012)	15,548	16,868	(12,244)

(f) Related party transactions

The CRA Group had the following transactions with related parties during the Relevant Periods in addition to those disclosed elsewhere in this report.

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
CA:				
Management fee expenses	2,440	2,672	2,548	1,982

The management fee expenses were charged in respect of the provision of office space and equipment, and other overheads.

In addition, certain of the CRA Group's banking facilities were secured by corporate guarantees executed by CA. Subsequent to 30 September 2003, the CRA Group received consent in principle from the banks to the effect that following the completion of the Sale and Purchase Agreements, the corporate guarantees executed by CA will be released and will be replaced by corporate guarantees from CRA and/or other security to be provided by members of the CRA Group.

The directors confirmed that the above related party transactions were carried out in the ordinary course of the business.

(g) Dividends

No dividend has been paid or declared by CRA since the date of its incorporation. The dividends paid or declared by companies in the CRA Group to their then shareholders during each of the Relevant Periods were as follows:

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
CATL	–	–	–	1,607

The dividend rates and the number of shares ranking for dividends are not presented as such information is not meaningful for the purposes of this report.

4. PRO FORMA COMBINED BALANCE SHEETS

The following is a summary of the pro forma combined balance sheets of the CRA Group as at 31 December 2000, 2001 and 2002 and 30 September 2003, which is presented on the basis as set out in section 1 above:

	Notes	31 December 2000 A$'000	31 December 2001 A$'000	31 December 2002 A$'000	30 September 2003 A$'000
NON-CURRENT ASSETS					
Fixed assets	(a)	233,227	216,592	206,712	204,898
Other assets	(b)	151,366	141,164	130,941	123,551
Investments in securities	(d)	–	17,940	17,940	18,290
Deferred tax asset	(m)	1,124	441	715	920
Other receivables		418	227	208	277
		386,135	376,364	356,516	347,936
CURRENT ASSETS					
Inventories	(e)	22,748	26,118	63,522	50,812
Trade receivables	(f)	47,536	55,099	43,475	62,386
Prepayments, deposits and other receivables		7,851	27,965	4,359	5,057
Investments in securities	(d)	394	413	428	440
Due from CA	(g)	119,499	128,718	129,086	129,072
Due from fellow subsidiaries	(g)	543	485	453	234
Other assets	(b)	10,199	10,199	10,199	10,199
Cash and cash equivalents	(h)	51,629	43,675	62,326	52,970
		260,399	292,672	313,848	311,170
CURRENT LIABILITIES					
Trade payables	(i)	44,199	15,172	56,530	30,611
Tax payable		311	2,042	1,158	134
Accrued liabilities and other payables		45,915	39,892	10,880	15,151
Due to CA	(g)	19,175	4,674	11,202	8,862
Provisions	(j)	5,731	6,715	6,410	7,380
Bank and other borrowings	(k), (l)	30,263	68,375	65,422	62,614
		145,594	136,870	151,602	124,752
NET CURRENT ASSETS		114,805	155,802	162,246	186,418
TOTAL ASSETS LESS CURRENT LIABILITIES		500,940	532,166	518,762	534,354

	Notes	31 December 2000 A$'000	31 December 2001 A$'000	31 December 2002 A$'000	30 September 2003 A$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		500,940	532,166	518,762	534,354
NON-CURRENT LIABILITIES					
Provisions	(j)	2,313	2,222	2,448	2,060
Bank and other borrowings	(k), (l)	306,346	296,844	249,682	221,856
Deferred tax liabilities	(m)	25,244	29,047	35,808	720
Due to CA	(g)	–	–	–	13,863
Deferred income and other payables		4,783	4,408	9,452	39,082
		338,686	332,521	297,390	277,581
MINORITY INTERESTS		–	–	1,673	2,555
		162,254	199,645	219,699	254,218
CAPITAL AND RESERVES		162,254	199,645	219,699	254,218

Notes:

(a) Fixed assets

	Freehold land A$'000	Investment properties A$'000	Plant and equipment A$'000	Structures A$'000	Construction in progress A$'000	Exploration and development A$'000	Total A$'000
Cost or valuation:							
At 1 January 2000	710	56	189,460	59,121	3,989	7,146	260,482
Additions	–	–	557	138	315	406	1,416
At 31 December 2000 and 1 January 2001	710	56	190,017	59,259	4,304	7,552	261,898
Additions	–	–	3,941	1,806	2,775	173	8,695
Disposals	–	–	(1,856)	(1,242)	(4,659)	(4,001)	(11,758)
At 31 December 2001 and 1 January 2002	710	56	192,102	59,823	2,420	3,724	258,835
Additions	45	–	4,579	975	1,863	720	8,182
Disposals	–	–	(153)	(45)	(3,094)	–	(3,292)
At 31 December 2002 and 1 January 2003	755	56	196,528	60,753	1,189	4,444	263,725
Additions	8	–	2,409	1,242	2,899	3,909	10,467
Disposals	–	–	(105)	–	(551)	(434)	(1,090)
At 30 September 2003	763	56	198,832	61,995	3,537	7,919	273,102
Analysis of cost or valuation:							
At cost	710	56	4,512	2,399	4,304	7,552	19,533
At December 1998 valuation	–	–	185,505	56,860	–	–	242,365
At 31 December 2000	710	56	190,017	59,259	4,304	7,552	261,898
At cost	710	56	6,852	3,044	2,420	3,724	16,806
At 1998 December valuation	–	–	185,250	56,779	–	–	242,029
At 31 December 2001	710	56	192,102	59,823	2,420	3,724	258,835
At cost	755	56	11,388	4,019	1,189	4,444	21,851
At 1998 December valuation	–	–	185,140	56,734	–	–	241,874
At 31 December 2002	755	56	196,528	60,753	1,189	4,444	263,725
At cost	763	56	13,692	5,261	3,537	7,919	31,228
At 1998 December valuation	–	–	185,140	56,734	–	–	241,874
At 30 September 2003	763	56	198,832	61,995	3,537	7,919	273,102

	Freehold land A$'000	Investment properties A$'000	Plant and equipment A$'000	Structures A$'000	Construction in progress A$'000	Exploration and development A$'000	Total A$'000
Accumulated depreciation:							
At 1 January 2000	–	–	10,659	3,375	–	197	14,231
Provided during the year	–	–	10,702	3,361	–	377	14,440
At 31 December 2000 and 1 January 2001	–	–	21,361	6,736	–	574	28,671
Provided during the year	–	–	10,722	3,349	–	356	14,427
Disposals	–	–	(269)	(197)	–	(389)	(855)
At 31 December 2001 and 1 January 2002	–	–	31,814	9,888	–	541	42,243
Provided during the year	–	–	11,062	3,416	–	309	14,787
Disposals	–	–	(17)	–	–	–	(17)
At 31 December 2002 and 1 January 2003	–	–	42,859	13,304	–	850	57,013
Provided during the period	–	–	8,382	2,596	–	234	11,212
Disposals	–	–	(21)	–	–	–	(21)
At 30 September 2003	–	–	51,220	15,900	–	1,084	68,204
Net book value:							
At 31 December 2000	710	56	168,656	52,523	4,304	6,978	233,227
At 31 December 2001	710	56	160,288	49,935	2,420	3,183	216,592
At 31 December 2002	755	56	153,669	47,449	1,189	3,594	206,712
At 30 September 2003	763	56	147,612	46,095	3,537	6,835	204,898

Valuation of fixed assets:

Following the acquisition of the additional 12.5% interest in the Portland Joint Venture in August 1998, the directors reviewed the carrying value of the various classes of assets making up the aggregate 22.5% joint venture interest. The directors revalued joint venture buildings and structures, plant and equipment and ESA at 31 December 1998 on a basis that brought the aggregate carrying value of the CRA Group's 22.5% joint venture interest into line with the acquisition cost of the additional 12.5% interest.

(b) Other assets

	31 December			30 September
	2000	2001	2002	2003
	A$'000	A$'000	A$'000	A$'000
ESA, at December 1998 valuation:				
Non-current portion	151,366	141,164	130,941	123,551
Current portion	10,199	10,199	10,199	10,199
	161,565	151,363	141,140	133,750

(c) Interests in jointly-controlled assets*

As at each of the balance sheet dates, the CRA Group had a 22.5% participating interest in the Portland Joint Venture, the principal activity of which is aluminium smelting and also had a 16% interest in the spent potlining project joint venture at Portland, the principal activity of which is processing of spent potlining.

The CRA Group's interest in assets employed in these joint ventures is included in the pro forma combined balance sheets under the classification shown below:

	31 December			30 September
	2000	2001	2002	2003
	A$'000	A$'000	A$'000	A$'000
Non-current assets	400,326	393,006	385,865	379,272
Current assets	21,055	22,405	22,291	22,775
Share of assets employed in joint ventures	421,381	415,411	408,156	402,047

The CRA Group also has a 5% participating interest in the Coppabella joint venture, a 50% interest in Bowen Basin Coal Exploration joint venture and a 50% interest in CB Exploration joint venture, the principal activity of which is the mining and exploration of coal. Effective on 1 July 2003, CITIC Australia Coppabella Pty Limited acquired an additional 2% interest in Coppabella joint venture, and CITIC Australia Moorvale Pty Limited acquired an additional 4.7% of the Moorvale joint venture. The transaction was formally completed on 11 December 2003, which included the unification process, and resulted in CITIC Australia Coppabella Pty Limited ultimately owning 7% in the Coppabella and Moorvale Joint Venture.

As at 30 September 2003, the CRA Group had entered into joint venture operations of which the CRA Group holds a participating interest as follows:

(a) 7% interest in the Coppabella joint venture, the principal activity of which is the mining and sale of coal.

(b) 7% interest in the Moorvale joint venture, the principal activity of which is the mining and sale of coal.

(c) 33.75% interest in the Bowen Basin Coal Exploration joint venture, the principal activity of which is the exploration of coal.

(d) 50% interest in the CB Exploration joint venture, the principal activity of which is the exploration of coal.

These coal joint ventures all have differing reporting dates to the CRA Group, being 30 June compared to 31 December. The financial statements have been adjusted for material transactions between 30 June to the respective balance sheet dates.

The CRA Group's interest in the combined assets employed in the coal joint ventures is included in the pro forma combined balance sheet under the classification shown below:

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Non-current assets	7,665	3,721	5,042	10,648
Current assets	1,663	2,080	2,410	5,077
Share of assets employed in coal joint ventures	9,328	5,801	7,452	15,725

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

(d) Investments in securities

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Non-current listed equity investments, at cost:				
Australia	–	17,940	17,940	18,290
Current, unlisted equity investments, at fair value:				
Australia	394	413	428	440
Market value of listed equity investments stated at cost above	–	21,507	25,091	18,522

(e) Inventories

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Raw materials	14,668	16,262	15,772	13,838
Work in progress	752	915	34,020	13,910
Finished goods	7,328	8,941	13,878	23,208
Provision for inventories	–	–	(148)	(144)
	22,748	26,118	63,522	50,812

None of the inventory included above was stated at net realisable value as at 31 December 2000, 2001 and 2002, and 30 September 2003.

(f) Trade receivables

The CRA Group normally allows credit terms to its established customers for 30 days. 100% provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Current – 30 days	43,452	48,658	39,120	57,530
31 – 60 days	3,832	5,298	4,018	2,589
61 – 90 days	252	434	300	189
Over 90 days	–	709	37	2,078
	47,536	55,099	43,475	62,386

(g) Balances with CA and fellow subsidiaries

The balances with CA and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to CA of A$13,863,000 as at 30 September 2003 which is not repayable within one year.

(h) Cash and cash equivalents

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Cash and bank balances	36,807	43,643	59,574	50,763
Time deposits with original maturity of less than three months when acquired	14,822	32	2,752	2,207
	51,629	43,675	62,326	52,970

(i) Trade payables

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of the goods purchased, is as follows:

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Current – 30 days	43,086	15,061	55,065	27,971
31 – 60 days	420	42	552	552
61 – 90 days	482	48	633	1,809
Over 90 days	211	21	280	279
	44,199	15,172	56,530	30,611

(j) Provisions

The CRA Group provides for the probable long service leave and holiday pay expected to be made to employees under the superannuation legislation of the Australian government, as further explained under the heading "Employee benefits" in section 2(d) to this report. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the CRA Group to the balance sheet date.

(k) Bank and other borrowings

		31 December		**30 September**
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Bank loans, secured	265,290	294,532	244,472	213,922
Other loans, unsecured	71,319	70,687	70,632	70,548
	336,609	365,219	315,104	284,470
Bank and other loans repayable:				
Within one year	30,263	68,375	65,422	62,614
In the second year	26,927	28,575	177,417	12,459
In the third to fifth years, inclusive	207,525	197,495	1,451	29,952
Beyond five years	71,894	70,774	70,814	179,445
	336,609	365,219	315,104	284,470
Portion classified as current liabilities	(30,263)	(68,375)	(65,422)	(62,614)
Non-current portion	306,346	296,844	249,682	221,856

(l) Banking facilities

At the balance sheet dates, the CRA Group' banking facilities were secured by the following:

(i) corporate guarantees executed by CA to the extent of A$203,720,000;

(ii) the 22.5% participating interest in the Portland Joint Venture; and

(iii) the 7% participating interest in the Coppabella and Moorvale Joint Venture.

(m) Deferred tax

The principal components of the deferred tax liability/(asset) provided for /(recognised) at the balance sheet dates were as follows:

	31 December			30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Tax losses carried forward	1,124	441	715	920
Accelerated depreciation allowances	25,244	29,047	35,808	720

(n) Distributable reserves

As at 30 September 2003, CRA had not been incorporated and accordingly, there were no reserves available for distribution to the shareholders of CRA.

(o) Contingent liabilities

As at the balance sheet dates, the CRA Group had the following contingent liabilities:

	31 December			30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Guarantee given by bank on behalf of the CRA Group over payment of electricity charges	3,000	3,000	–	–
Guarantee given by bank in relation to mining tenements of service contracts	468	338	1,881	3,280
Other guarantee and contingencies	–	–	–	1,420
Irrevocable letter of credit which have been discounted by the issuing bank with full recourse to CA	2,271	10,460	18,057	18,320
	5,739	13,798	19,938	23,020

Save as aforesaid, at 31 December 2000, 2001 and 2002 and 30 September 2003, the CRA Group did not have any significant contingent liabilities.

(p) Commitments

(i) Operating lease commitments

At 31 December 2000, 2001 and 2002, and 30 September 2003, the CRA Group had total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	31 December			30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Within one year	250	213	461	522
In the second to fifth years, inclusive	91	86	604	300
	341	299	1,065	822

(ii) Capital expenditure commitments

At 31 December 2000, 2001 and 2002, and 30 September 2003, the CRA Group had total capital commitment related to the CRA Group's interest in the property, plant and equipment in the Portland Joint Venture:

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Within one year	–	944	2,405	–
In the second to fifth years, inclusive	–	–	10	–
	–	944	2,415	–

At 31 December 2000, 2001 and 2002, and 30 September 2003, the CRA Group had total capital commitment related to the CRA Group's interest in the property, plant and equipment in the coal joint ventures:

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Within one year	575	233	1,159	1,759
In the second to fifth years, inclusive	123	5	732	1,010
Beyond the fifth year	–	–	857	1,011
	698	238	2,748	3,780

(iii) Other commitments

At 31 December 2000, 2001 and 2002, and 30 September 2003, the CRA Group had total commitments in respect of forward contracts entered into in the normal course of business in order to hedge exposure to fluctuations of interest rates, foreign exchange rates and commodity prices as follows:

		31 December		30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
Interest rates	99,000	120,000	78,000	100,500
Foreign exchange rates	306,117	234,785	117,535	94,347
Commodity prices	587,999	588,754	257,609	115,007

Save for the aforesaid, at 31 December 2000, 2001 and 2002, and 30 September 2003, the CRA Group did not have any significant commitments.

(q) Share option schemes

CATL operates pre-IPO share option schemes for directors and other employees (the "Pre-Scheme"). On 3 April 2002, the Pre-Scheme was approved pursuant to an extraordinary general meeting of shareholders of CATL. The purpose of the Pre-Scheme is to provide an incentive for employees to remain in their employment in the long term. CATL had granted pre-IPO share options to its employees and directors to subscribe for a total of 4,700,000 shares at a subscription price ranging from A$0.20 to A$0.30 per share.

No consideration is payable by participants on the grant of the options.

The following share options were outstanding under the Pre-Scheme:

	Number of share options				
Participant	**At date of grant up to 1 January 2003**	**Exercised during the period**	**At 30 September 2003**	**Exercise period of share options**	**Exercise price per share**
					A$
Directors	966,666	–	966,666	19 June 2003 to 18 June 2007	0.20
	966,667	–	966,667	19 June 2004 to 18 June 2007	above 0.20 and subject to approval by CATL's shareholders
	966,667	–	966,667	19 June 2005 to 18 June 2007	above 0.20 and subject to approval by CATL's shareholders
	2,900,000	–	2,900,000		
Other employees	600,000	(50,000)	550,000	19 June 2003 to 18 June 2007	0.20
	600,000	–	600,000	19 June 2004 to 18 June 2007	0.25
	600,000	–	600,000	19 June 2005 to 18 June 2007	0.30
	1,800,000	(50,000)	1,750,000		
	4,700,000	(50,000)	4,650,000		

5. PRO FORMA COMBINED STATEMENTS OF CHANGES IN EQUITY

The pro forma combined statements of changes in equity of the CRA Group for the Relevant Periods, prepared on the basis as set out in section 1 above, are as follows:

	Issued capital	Assets revaluation reserve	Other reserve	Retained profits	Total
	A$'000	A$'000	A$'000	A$'000	A$'000
At 1 January 2000	52,765	96,283	(71,500)	86,651	164,199
Net loss for the year	–	–	–	(1,945)	(1,945)
At 31 December 2000 and 1 January 2001	52,765	96,283	(71,500)	84,706	162,254
Net profit for the year	–	–	–	37,391	37,391
At 31 December 2001 and 1 January 2002	52,765	96,283	(71,500)	122,097	199,645
Issue of share capital of subsidiaries	5,014	–	–	(7,344)	(2,330)
Net profit for the year	–	–	–	22,384	22,384
At 31 December 2002 and 1 January 2003	57,779	96,283	(71,500)	137,137	219,699
Issue of share capital of subsidiaries	10	–	–	–	10
Net profit for the period	–	–	–	36,116	36,116
Dividend paid	–	–	–	(1,607)	(1,607)
At 30 September 2003	57,789	96,283	(71,500)	171,646	254,218

For the purpose of this report, the above issued capital represents the aggregate share capital and share premium account of companies directly held by CA as at the balance sheet dates.

6. PRO FORMA COMBINED CASH FLOW STATEMENTS

The pro forma combined cash flow statements of the CRA Group for the Relevant Periods, prepared on the basis as set out in section 1 above, are as follows:

	Year ended 31 December			Nine months ended 30 September
	2000	**2001**	**2002**	**2003**
	A$'000	A$'000	A$'000	A$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before operating activities	17,596	73,932	55,444	33,604
Adjustments for:				
Interest income	(8,371)	(6,071)	(4,536)	(3,650)
Loss/(gain) on disposal of fixed assets, net	–	(8,208)	3,268	1,068
Depreciation	14,440	14,427	14,787	11,212
Amortisation	10,191	10,202	10,223	7,500
Operating profit before working capital changes	33,856	84,282	79,186	49,734
Decrease/(increase) in inventories	2,274	3,370	(37,404)	12,710
Decrease/(increase) in trade receivables	(32,757)	(7,563)	11,624	(18,911)
Decrease/(increase) in prepayments, deposits and other receivables	105	(20,114)	23,606	(698)
Increase/(decrease) in amounts due from fellow subsidiaries	(354)	58	32	219
Increase/(decrease) in balances with CA	(28,952)	(23,720)	6,160	11,537
Increase/(decrease) in trade payables	29,780	(29,027)	41,358	(25,919)
Increase/(decrease) in accrued liabilities and other payables	24,241	(6,023)	(29,012)	11,981
Increase/(decrease) in provisions	2,983	893	(79)	582
Cash generated from operations	31,176	2,156	95,471	41,235
Interest received	8,371	6,071	4,536	3,650
Interest paid	(20,431)	(20,860)	(15,679)	(8,744)
Dividends paid	–	–	–	(1,607)
Australian income taxes paid	(16,537)	(16,579)	(12,405)	(2,369)
Net cash inflow/(outflow) from operating activities	2,579	(29,212)	71,923	32,165

	Year ended 31 December			Nine months ended 30 September
	2000	2001	2002	2003
	A$'000	A$'000	A$'000	A$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of fixed assets	(1,416)	(8,695)	(8,182)	(10,467)
Proceeds from disposal of fixed assets	–	19,111	7	1
Increase in investments in securities	(25)	(17,959)	(15)	(362)
Decrease/(increase) in other receivables	–	191	19	(69)
Net cash outflow from investing activities	(1,441)	(7,352)	(8,171)	(10,897)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of share capital of subsidiaries	–	–	5,014	10
Drawdown/(repayment) of bank and other loans	17,748	28,610	(50,115)	(30,634)
Net cash inflow/(outflow) from financing activities	17,748	28,610	(45,101)	(30,624)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,886	(7,954)	18,651	(9,356)
Cash and cash equivalents at beginning of year/period	32,743	51,629	43,675	62,326
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	51,629	43,675	62,326	52,970
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	36,807	43,643	59,574	50,763
Time deposits with original maturity of less than three months when acquired	14,822	32	2,752	2,207
	51,629	43,675	62,326	52,970

7. SEGMENT INFORMATION

Hong Kong Statement of Standard Accounting Practice 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the CRA Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be primary segment reporting format, with the other as the secondary segment reporting format.

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 CRA 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 CRA 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:

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

(ii) the coal exploration segment comprises the operation of coal mining, exploration and sale; and

(iii) 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.

In determining the CRA Group's geographical segments, revenues and assets are attributed to the segments based on the location of operations. No analysis for geographical segment is presented as all of the CRA Group's revenue, results, assets and liabilities were derived from operations in Australia during the Relevant Periods.

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.

Business segment

An analysis of the CRA Group's revenue and profit/(loss) for the Relevant Periods and segment assets and liabilities at 31 December 2000, 2001 and 2002 and 30 September 2003 by principal activities is as follows:

	Aluminium smelter segment A$'000	Coal exploration segment A$'000	Import and export of commodities segment A$'000	Combined A$'000
Year ended 31 December 2000				
Segment revenue:				
Sales to external customers	220,401	22,541	337,035	579,977
Other revenue	6,085	348	2,658	9,091
	226,486	22,889	339,693	589,068
Segment results	11,895	1,610	6,531	20,036
Unallocated expenses				(2,440)
Profit from operating activities				17,596
Finance costs, net	(19,129)	(368)	(1,056)	(20,553)
Loss before tax				(2,957)
Tax				1,012
Net loss attributable to shareholders				(1,945)
31 December 2000				
Segment assets	576,791	16,729	51,875	645,395
Unallocated assets				1,139
Total assets				646,534
Segment liabilities	352,373	11,666	47,602	411,641
Unallocated liabilities				72,639
Total liabilities				484,280
Other segment information:				
Depreciation	13,666	709	65	14,440
Other non-cash expenses	10,191	–	–	10,191
Capital expenditure	410	834	172	1,416

	Aluminium smelter segment A$'000	Coal exploration segment A$'000	Import and export of commodities segment A$'000	Combined A$'000
Year ended 31 December 2001				
Segment revenue:				
Sales to external customers	220,758	14,706	317,484	552,948
Other revenue	5,063	8,208	2,215	15,486
	225,821	22,914	319,699	568,434
Segment results	55,010	16,143	5,451	76,604
Unallocated expenses				(2,672)
Profit from operating activities				73,932
Finance costs, net	(19,209)	(184)	(1,600)	(20,993)
Profit before tax				52,939
Tax				(15,548)
Net profit attributable to shareholders				37,391
31 December 2001				
Segment assets	577,961	28,944	61,048	667,953
Unallocated assets				1,083
Total assets				669,036
Segment liabilities	333,949	8,656	54,203	396,808
Unallocated liabilities				72,583
Total liabilities				469,391
Other segment information:				
Depreciation	13,703	630	94	14,427
Other non-cash expenses	10,202	–	–	10,202
Capital expenditure	7,444	1,070	181	8,695

	Aluminium smelter segment A$'000	Coal exploration segment A$'000	Import and export of commodities segment A$'000	Combined A$'000
Year ended 31 December 2002				
Segment revenue:				
Sales to external customers	194,891	12,790	443,059	650,740
Other revenue	4,691	1,167	3,311	9,169
	199,582	13,957	446,370	659,909
Segment results	46,936	3,698	7,358	57,992
Unallocated expenses				(2,548)
Profit from operating activities				55,444
Finance costs, net	(13,326)	(102)	(2,384)	(15,812)
Profit before tax				39,632
Tax				(16,868)
Profit before minority interests				22,764
Minority interests				(380)
Net profit attributable to shareholders				22,384
31 December 2002				
Segment assets	540,921	29,640	98,548	669,109
Unallocated assets				1,255
Total assets				670,364
Segment liabilities	278,690	7,939	89,608	376,237
Unallocated liabilities				72,755
Total liabilities				448,992
Other segment information:				
Depreciation	14,124	539	124	14,787
Other non-cash expenses	10,223	–	–	10,223
Capital expenditure	5,748	2,145	289	8,182

	Aluminium smelter segment A$'000	Coal exploration segment A$'000	Import and export of commodities segment A$'000	Combined A$'000
Nine months ended 30 September 2003				
Segment revenue:				
Sales to external customers	144,160	12,246	331,028	487,434
Other revenue	1,853	595	3,319	5,767
	146,013	12,841	334,347	493,201
Segment results	24,342	2,451	8,793	35,586
Unallocated expenses				(1,982)
Profit from operating activities				33,604
Finance costs, net	(7,011)	(155)	(1,684)	(8,850)
Profit before tax				24,754
Tax				12,244
Profit before minority interests				36,998
Minority interests				(882)
Net profit attributable to shareholders				36,116
30 September 2003				
Segment assets	520,163	42,903	95,132	658,198
Unallocated assets				908
Total assets				659,106
Segment liabilities	227,357	19,421	83,147	329,925
Unallocated liabilities				72,408
Total liabilities				402,333
Other segment information:				
Depreciation	10,591	494	127	11,212
Other non-cash expenses	7,500	–	–	7,500
Capital expenditure	1,564	8,660	243	10,467

8. SUBSEQUENT EVENTS

In addition to the matters set out in other sections, the following events took place subsequent to 30 September 2003:

(a) In November 2003, the CRA Group purchased additional 6,630,000 shares in Aztec of A$0.01 each at a price of A$0.07 each. Aztec is a company listed on the ASX and is principally engaged in minerals exploration. Following the completion of the above acquisition, the CRA Group holds a 5.01% equity interest in Aztec.

(b) On 18 January 2004, CITIC Australia (Portland) Pty Limited declared a dividend of A$120 million out of its retained profits to its then shareholder.

Save as aforesaid, no other significant events took place subsequent to 30 September 2003.

9. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the CRA Group or any of the companies comprising the CRA Group in respect of any period subsequent to 30 September 2003.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(A) SUMMARY OF AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2002

The following was extracted from the published consolidated financial results and of the assets and liabilities of the Group prepared for the three years ended 31 December 2002.

Results
(Expressed in HK$'000)

	Year ended 31 December		
	2002	**2001**	**2000**
Turnover	24,003	52,753	58,451
Profit/(loss) before tax	(15,217)	(10,244)	23,888
Tax	–	–	17,183
Profit/(loss) before minority interests	(15,217)	(10,244)	41,071
Minority interests	–	–	153
Net profit/(loss) attributable to shareholders	(15,217)	(10,244)	41,224
Earnings/(loss) per Share – basic	(0.56 cent)	(0.50 cent)	5.69 cents

Assets, Liabilities and Minority Interests
(Expressed in HK$'000)

	31 December		
	2002	**2001**	**2000**
Fixed assets	107,959	114,703	116,381
Prepayments	12,582	–	–
Long term investments	–	–	9,431
Other long term assets	–	–	–
Current assets	1,131,845	1,166,501	34,703
Total assets	1,252,386	1,281,204	160,515
Current liabilities	18,029	1,029,894	32,662
Long term bank and other loans	11,862	11,699	23,462
Long term portion of lease payable	–	–	–
Total liabilities	29,891	1,041,593	56,124
Minority interests	–	–	–
	1,222,495	239,611	104,391

Note: There has been no change in accounting policies for each of the above years.

(B) SUMMARY OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 DECEMBER 2002

The following was extracted from the Company's 2001 and 2002 annual reports. (References to page numbers in the extract reproduced below are to pages contained in the Company's annual report for the year ended 31 December 2002.)

Report of the auditors

安 永 會 計 師 事 務 所

To the members
CITIC Resources Holdings Limited
(Formerly South East Asia Wood Industries Holdings Limited)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 48 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 11 April 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002
(Expressed in HK$'000)

	Notes	2002	2001
TURNOVER	5	24,003	52,753
Cost of sales		(28,535)	(56,315)
Gross loss		(4,532)	(3,562)
Other revenue and gains	5	20,613	21,028
Selling and distribution costs		(989)	(1,406)
Administrative expenses		(20,209)	(22,389)
Other operating expenses		(10,100)	(3,891)
LOSS FROM OPERATING ACTIVITIES	6	(15,217)	(10,220)
Finance costs	9	–	(24)
LOSS BEFORE TAX		(15,217)	(10,244)
Tax	10	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	11, 23	(15,217)	(10,244)
LOSS PER SHARE	12		
Basic		HK(0.56 cent)	HK(0.50 cent)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET
31 December 2002
(Expressed in HK$'000)

	Notes	2002	2001
NON-CURRENT ASSETS			
Fixed assets	13	107,959	114,703
Prepayments	15	12,582	–
		120,541	114,703
CURRENT ASSETS			
Inventories	16	3,065	8,158
Prepayments, deposits and other receivables		3,939	14,082
Accounts receivable	17	1,343	2,356
Pledged bank deposit	18, 21	–	1,000,000
Cash and bank balances	18	1,123,498	141,905
		1,131,845	1,166,501
CURRENT LIABILITIES			
Accounts payable	19	1,067	6,787
Accrued liabilities and other payables	20	16,962	23,107
Other loans	21	–	1,000,000
		18,029	1,029,894
NET CURRENT ASSETS		1,113,816	136,607
TOTAL ASSETS LESS CURRENT LIABILITIES		1,234,357	251,310
NON-CURRENT LIABILITIES			
Other loans	21	11,862	11,699
		1,222,495	239,611
CAPITAL AND RESERVES			
Issued capital	22	164,824	106,000
Reserves	23	1,057,671	133,611
		1,222,495	239,611

Peter Kwok Viem
Director

Ma Ting Hung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2002
(Expressed in HK$'000)

		Reserves (note 23)						
	Issued capital (note 22)	Share premium account	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Accumulated losses	Sub-total	Total
At 1 January 2001	96,000	126,998	65,527	–	4,104	(188,238)	8,391	104,391
New issue of shares	10,000	140,000	–	–	–	–	140,000	150,000
Share issuance expenses	–	(4,536)	–	–	–	–	(4,536)	(4,536)
Net loss for the year	–	–	–	–	–	(10,244)	(10,244)	(10,244)
At 31 December 2001 and 1 January 2002	106,000	262,462	65,527	–	4,104	(198,482)	133,611	239,611
Translation differences arising on consolidation	–	–	–	860	–	–	860	860
Net gains and losses not recognised in the profit and loss account	–	–	–	860	–	–	860	860
New issue of shares	58,824	941,176	–	–	–	–	941,176	1,000,000
Share issuance expenses	–	(2,759)	–	–	–	–	(2,759)	(2,759)
Net loss for the year	–	–	–	–	–	(15,217)	(15,217)	(15,217)
At 31 December 2002	164,824	1,200,879	65,527	860	4,104	(213,699)	1,057,671	1,222,495

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2002
(Expressed in HK$'000)

	Notes	2002	2001 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(15,217)	(10,244)
Adjustments for:			
Interest expenses	9	–	24
Interest income	5	(12,409)	(6,305)
Exchange gains arising from bank deposits denominated in New Zealand dollars, net	5	(6,945)	–
Waiver of amount due to a former director of the Company	5	(1,135)	–
Waiver of other loans	5	–	(9,848)
Write-back of accounts and other payable	5	–	(3,207)
Loss on disposal of a long term investment	6	–	1,431
Depreciation	6	3,575	3,760
Loss on disposal/write-off of fixed assets	6	6,722	535
Operating loss before working capital changes		(25,409)	(23,854)
Decrease/(increase) in inventories		5,093	(55)
Decrease/(increase) in prepayments, deposits and other receivables		6,058	(3,488)
Decrease/(increase) in accounts receivable		1,013	(859)
Increase/(decrease) in accounts payable		(5,720)	5,036
Decrease in accrued liabilities and other payables		(5,105)	(4,597)
Cash used in operations		(24,070)	(27,817)
Interest paid		–	(24)
Net cash outflow from operating activities		(24,070)	(27,841)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		12,998	6,305
Exchange gains arising from bank deposits denominated in New Zealand dollars, net		6,945	–
Proceeds from disposal of a long term investment		3,500	2,000
Purchases of fixed assets	13	(3,931)	(2,754)
Proceeds from disposal of fixed assets		1,438	137
Decrease/(increase) in pledged bank deposits		1,000,000	(1,000,000)
Increase in prepayments		(12,582)	–
Net cash inflow/(outflow) from investing activities		1,008,368	(994,312)

CONSOLIDATED CASH FLOW STATEMENT (Cont'd)
Year ended 31 December 2002
(Expressed in HK$'000)

	Notes	**2002**	**2001** (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	21, 22	–*	150,000
Shares issuance expenses	22	(2,759)	(4,536)
Proceeds from issue of convertible loan notes		1,000,000*	–
Inception/(repayment) of current other loans		(1,000,000)*	1,000,000
Drawdown/(repayment) of non-current other loans		53	(1,915)
Net cash inflow/(outflow) from financing activities		(2,706)	1,143,549
INCREASE IN CASH AND CASH EQUIVALENTS		981,592	121,396
Cash and cash equivalents at beginning of year		141,905	20,509
Effect of foreign exchange rate changes, net		1	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,123,498	141,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	709	308
Non-pledged time deposits with original maturity of less than three months when acquired	18	1,122,789	141,597
		1,123,498	141,905

* On 25 January 2002, the Company issued redeemable floating rate convertible loan notes (the "Notes") of HK$1,000 million to Keentech Group Limited ("Keentech"), an indirect wholly-owned subsidiary of China International Trust and Investment Corporation. The proceeds from the issue of the Notes was applied to settle a loan of principal amount of HK$1,000 million granted by Keentech to Maxpower Resources Limited, an indirect wholly-owned subsidiary of the Company.

The Notes were fully converted into 1,176,470,588 ordinary shares of the Company in June 2002. Further details of the other loans and the Notes are set out in notes 21 and 22 to the financial statements, respectively.

BALANCE SHEET
31 December 2002
(Expressed in HK$'000)

	Notes	2002	2001
NON-CURRENT ASSETS			
Interests in subsidiaries	14	99,625	96,214
CURRENT ASSETS			
Prepayments, deposits and other receivables		2	1,936
Bank balances	18	1,123,031	141,606
		1,123,033	143,542
CURRENT LIABILITIES			
Accrued liabilities and other payables		163	145
NET CURRENT ASSETS		1,122,870	143,397
		1,222,495	239,611
CAPITAL AND RESERVES			
Issued capital	22	164,824	106,000
Reserves	23	1,057,671	133,611
		1,222,495	239,611

Peter Kwok Viem
Director

Ma Ting Hung
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2002

1. CORPORATE INFORMATION

The head office and principal place of business of the Company is located at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Pursuant to a resolution passed on 31 October 2002 and the approval of the Registrar of Companies in Bermuda and Hong Kong on 31 October 2002 and 27 November 2002 respectively, the name of the Company was changed from South East Asia Wood Industries Holdings Limited to CITIC Resources Holdings Limited.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of plywood. There were no changes in the nature of the Group's principal activities during the year.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. As a result of the revision to SSAP 1, a consolidated statement of changes in equity is now included on page 22 of the financial statements in place of a consolidated statement of recognised gains and losses that was previously presented.

SSAP 11 prescribes the accounting treatments and disclosure requirements for foreign currency activities. The revised SSAP 11 requires the profit and loss accounts of overseas subsidiaries to be translated at the weighted average rates for the year, rather than translated at the applicable exchange rates ruling at the balance sheet date as was previously required. The revised SSAP has not had any significant impact on the financial statements.

SSAP 15 (Revised) prescribes the provision of information about the changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the year into those from operating, investing and financing activities. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. The format of the cash flow statement as set out on pages 23 and 24 has been revised in accordance with the revised SSAP 15. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company's share option scheme, as detailed in note 22 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the adoption of this SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Leasehold improvements	10 – 12 years or over the unexpired lease terms, whichever is shorter
Machinery, tools and equipment	10 – 15 years
Furniture and fixtures	4 – 5 years
Motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable or amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001 to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their respective payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge for their cost is recorded in the profit and loss account or balance sheet. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date or which lapse are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Revenue recognition

Revenue is recognised on the following bases when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably:

(a) in respect of the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) in respect of interest income, on a time proportion basis taking into account the principal outstanding and the applicable interest rate.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(Expressed in HK$'000)

4. 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 of different risks and returns. Summary details of the business segments are as follows:

(a) the manufacture and sale of plywood segment comprises the supply of plywood mainly for use in the manufacture of furniture and fixtures and for refurbishment; and

(b) the trading of timber products segment comprises the sale of veneers.

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.

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Manufacture and sale of plywood		Trading of timber products		Consolidated	
	2002	2001	2002	2001	2002	2001
Segment revenue:						
Sales to external customers	22,281	52,753	1,722	–	24,003	52,753
Other revenue	49	1,175	–	–	49	1,175
	22,330	53,928	1,722	–	24,052	53,928
Segment results	(22,533)	(14,530)	160	–	(22,373)	(14,530)
Interest income and unallocated gains					20,564	19,853
Unallocated expenses					(13,408)	(15,543)
Loss from operating activities					(15,217)	(10,220)
Finance costs					–	(24)
Loss before tax					(15,217)	(10,244)
Tax					–	–
Net loss from ordinary activities attributable to shareholders					(15,217)	(10,244)
Segment assets	111,175	122,976	–	–	111,175	122,976
Unallocated assets					1,141,211	1,158,228
					1,252,386	1,281,204
Segment liabilities	24,821	30,284	–	–	24,821	30,284
Unallocated liabilities					5,070	1,011,309
					29,891	1,041,593

(Expressed in HK$'000)

	Manufacture and sale of plywood		Trading of timber products		Consolidated	
	2002	2001	2002	2001	2002	2001
Other segment information:						
Depreciation	3,245	3,316	–	–	3,245	3,316
Unallocated amounts					330	444
					3,575	3,760
Other non-cash expenses	6,682	535	–	–	6,682	535
Unallocated amounts					40	–
					6,722	535
Capital expenditure	2,778	2,735	–	–	2,778	2,735
Unallocated amounts					1,153	19
					3,931	2,754

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	PRC		Thailand		Other Asian countries		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
Segment revenue:								
Sales to external customers	19,689	52,050	340	703	3,974	–	24,003	52,753
Other segment information:								
Segment assets	111,175	122,976	–	–	–	–	111,175	122,976
Unallocated amounts							1,141,211	1,158,228
							1,252,386	1,281,204
Capital expenditure	2,778	2,735	–	–	–	–	2,778	2,735
Unallocated amounts							1,153	19
							3,931	2,754

(Expressed in HK$'000)

5. 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:

	2002	2001
Turnover		
Sales of goods	24,003	52,753
Other revenue and gains		
Sales of scraps	49	142
Interest income	12,409	6,305
Exchange gains arising from bank deposits denominated in New Zealand dollars, net	6,945	–
Waiver of amount due to a former director – note 20	1,135	–
Waiver of other loans – note 21	–	9,848
Write-back of accounts and other payables	–	3,207
Others	75	1,526
	20,613	21,028
Total revenue and gains	44,616	73,781

6. LOSS FROM OPERATING ACTIVITIES

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

	2002	2001
Cost of inventories sold *	28,535	56,315
Depreciation	3,575	3,760
Minimum lease payments under operating leases on land and buildings	2,982	3,763
Auditors' remuneration	430	600
Staff costs (including directors' remuneration – note 7):		
Wages and salaries	10,336	12,581
Pension scheme contributions	93	185
	10,429	12,766
Loss on disposal of a long term investment **	–	1,431
Loss on disposal/write-off of fixed assets **	6,722	535
Exchange losses/(gains) arising from principal activities, net **	(8)	1,670

* The costs of inventories sold for the year ended 31 December 2002 include HK$3,423,000 (2001: HK$7,437,000), 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.

(Expressed in HK$'000)

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2002	2001
Fees:		
Executive directors	–	–
Independent non-executive directors	240	240
	240	240
Other emoluments of executive directors:		
Salaries, housing allowance, other allowances and benefits in kind	4,934	4,992
Pension scheme contributions	38	93
	4,972	5,085
	5,212	5,325

The number of directors whose remuneration fell within the following bands is as set out below:

	Number of directors 2002	2001
Nil – HK$1,000,000	7	3
HK$1,000,001 – HK$1,500,000	2	4
HK$1,500,001 – HK$2,000,000	1	–
	10	7

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included four (2001: four) directors, details of whose remuneration are set out in note 7 above. The remaining individual (2001: one) is not a director, whose remuneration is analysed as follows:

	2002	2001
Salaries, housing allowance, other allowances and benefits in kind	538	532
Pension scheme contributions	7	13
	545	545

(Expressed in HK$'000)

As at 31 December 2002, the Group had no significant provision for long service payments to its employees pursuant to the requirements of the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

9. FINANCE COSTS

	2002	2001
Interest income over the Group's deposit of HK$1,000 million pledged against the Notes *	(6,078)	–
Interest expenses on the Notes *	6,078	–
Interest expenses on bank loans and overdrafts	–	24
	–	24

* The interest income earned from the Group's deposit of HK$1,000 million was directly paid to Keentech by the bank for settlement of accrued interest on the Notes, further details of which are also set out in note 21 to the financial statements.

10. 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 (2001: 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.

A subsidiary established and operating in the PRC was exempted from income tax for two years starting from its first profitable year of operations in 1997 and was entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC. The tax holiday of this subsidiary expired in 2001. For the year ended 31 December 2002, the tax rate applicable to this subsidiary 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.

No deferred tax has been provided as the Company and the Group had no significant timing differences at the balance sheet date.

No provision has been made for taxes which would arise on the remittance to Hong Kong of the retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the near future.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK$14,357,000 (2001: HK$10,244,000).

12. 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$15,217,000 (2001: HK$10,244,000) and the weighted average of 2,738,162,772 shares (2001: 2,059,726,027 shares) in issue during the year.

(Expressed in HK$'000)

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.

A diluted loss per share amount for the year ended 31 December 2001 has not been presented because there were no dilutive events existing during that year.

13. FIXED ASSETS

Group

	Leasehold improvements	Machinery, tools and equipment	Furniture and fixtures	Motor vehicles	Total
Cost:					
At beginning of year	5,208	120,261	944	982	127,395
Additions	1,607	1,171	28	1,125	3,931
Disposals/write-off	(3,743)	(7,349)	(81)	(788)	(11,961)
Exchange realignment	39	1,134	–	2	1,175
At 31 December 2002	3,111	115,217	891	1,321	120,540
Accumulated depreciation:					
At beginning of year	1,057	11,155	269	211	12,692
Provided during the year	385	2,783	151	256	3,575
Disposals/write-off	(1,145)	(2,440)	(45)	(171)	(3,801)
Exchange realignment	9	105	–	1	115
At 31 December 2002	306	11,603	375	297	12,581
Net book value:					
At 31 December 2002	2,805	103,614	516	1,024	107,959
At 31 December 2001	4,151	109,106	675	771	114,703

14. INTERESTS IN SUBSIDIARIES

	Company 2002	2001
Unlisted shares, at cost	173,133	173,133
Due from subsidiaries	326,239	280,092
Due to subsidiaries	(15,205)	(1,467)
Provision for impairment	(384,542)	(355,544)
	99,625	96,214

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up share/ registered capital	Percentage of effective equity interest attributable to the Company	Principal activities
Directly held				
SEA Wood Investment Holdings Limited	British Virgin Islands	US$10,000	100	Investment holding
Starbest Venture Limited	British Virgin Islands	US$1	100	Investment holding
Indirectly held				
Feston Manufacturing Limited	British Virgin Islands	US$10,000	100	Dormant
Maxpower Resources Limited	British Virgin Islands	US$1	100	Investment holding
Nusoil Manufacturing Limited	British Virgin Islands/ PRC	US$100	100	Investment holding and trading of plywood
Global Enterprises (HK) Limited	Hong Kong	HK$2	100	Provision of management services
Wing Lam (International) Timber Limited	Hong Kong	HK$60,000,000	100	Investment holding
Dongguan Xinlian Timber Products Company Limited (Note)	PRC	HK$60,000,000	100	Manufacture and sale of plywood

Note: Dongguan Xinlian Timber Products Company Limited is a wholly foreign-owned enterprise established by Wing Lam (International) Timber Limited in the PRC for a period of 12 years commencing from the date of issuance of its business licence of 3 January 1997.

There were no changes in the Company's shareholdings in its subsidiaries during the year.

15. PREPAYMENTS

The prepayments represented professional fees incurred for financial and legal advice in connection with the Group's potential investment projects. These amounts are intended to be capitalised in the cost of the potential investments.

(Expressed in HK$'000)

16. INVENTORIES

	Group 2002	2001
Raw materials	702	3,367
Work in progress	944	1,070
Finished goods	1,419	3,721
	3,065	8,158

The inventories carried at net realisable value included in the above balance amounted to HK$1,419,000 (2001: HK$3,721,000) as at the balance sheet date.

17. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group 2002	2001
Within one month	1,077	1,606
One to two months	3	114
Two to three months	–	132
Over three months	263	504
	1,343	2,356

The normal credit terms granted to debtors range from 30 to 45 days.

18. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSIT

	Group		Company	
	2002	2001	2002	2001
Cash and bank balances	709	308	242	9
Time deposits *	1,122,789	1,141,597	1,122,789	141,597
	1,123,498	1,141,905	1,123,031	141,606
Less: Pledged for other loans **	–	(1,000,000)	–	–
	1,123,498	141,905	1,123,031	141,606

* Approximately HK$1,000 million of the time deposits of the Company and the Group has been placed in CITIC Ka Wah Bank Limited and designated for funding the Group's potential investment projects.

** At 31 December 2001, the Group pledged its bank deposit of HK$1,000 million to secure the other loans granted to the Group (note 21).

(Expressed in HK$'000)

19. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	**2001**
Within one month	731	4,947
One to two months	310	1,237
Two to three months	14	–
Over three months	12	603
	1,067	6,787

20. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in accrued liabilities and other payables in 2001 was an amount due to a director (the "Ex-director"), who resigned during the year, of HK$2,144,000 which was unsecured, interest-free and had no fixed terms of repayment.

During the year, the Group entered into a deed of waiver with the Ex-director, pursuant to which the Ex-director agreed to waive all his rights to seek repayment of a portion of the debts amounting to HK$1,135,000 in aggregate from the Group. The deed of waiver was completed on 23 December 2002. The remaining amounts due of HK$1,009,000 were settled during the year.

21. OTHER LOANS

		Group	
	Notes	**2002**	**2001**
Current portion	(a)	–	1,000,000
Non-current portion	(b)	11,862	11,699
		11,862	1,011,699

(a) On 21 May 2001, pursuant to a loan agreement (the "Loan Agreement") entered into between the Company, Maxpower Resources Limited ("Maxpower") (a wholly-owned subsidiary of the Group) and Keentech Group Limited ("Keentech") (an indirect wholly-owned subsidiary of China International Trust and Investment Corporation), Keentech agreed to grant a loan (the "Facility") of HK$1,000 million to Maxpower. Keentech became a shareholder of the Company upon the placing of the shares of the Company on 20 April 2001. The Facility was secured by a charge over the Group's deposit of HK$1,000 million (the "Charge A").

On 27 November 2001, pursuant to a conditional subscription agreement (the "Subscription Agreement") entered into between the Company and Keentech, Keentech agreed to subscribe for, and the Company agreed to issue, redeemable floating rate convertible loan notes (the "Notes") of HK$1,000 million. The Facility and the Charge A were subsequently settled and discharged upon the completion of the Subscription Agreement and the issue of the Notes on 25 January 2002. The Notes, which were repayable within one year from the date of issue, were secured by a charge over the Group's deposit of HK$1,000 million and the accrued interest thereon (the "Charge B") and bore interest calculated at the then prevailing rate for one-month fixed Hong Kong dollar time deposits quoted by a bank in Hong Kong. The Notes also carried the right to convert into ordinary shares of HK$0.05 each of the Company at a conversion price of HK$0.85 per share. Pursuant to the deed of charge dated 25 January 2002 entered into between the Company and Keentech, Keentech was entitled to order the bank to pay directly to Keentech the interest income generated from the Group's deposit of HK$1,000 million for settlement of the accrued interest on the Notes.

The Notes were fully converted into 1,176,470,588 shares of the Company in June 2002 and the Charge B was discharged thereafter (note 22).

(b) The loans from the former shareholders (the "Ex-shareholders") of Wing Lam (International) Timber Limited ("Wing Lam") are unsecured, interest-free and have no fixed terms of repayment.

On 12 April 1999, the Ex-shareholders of Wing Lam confirmed they would indemnify the Group against all monetary losses arising from the litigation (the "Litigation"), which is further detailed in note 25 to the financial statements, and further agreed that the loans due from the Group to them could be used to offset such indemnity.

On 28 June 2000, Nusoil Manufacturing Limited ("Nusoil"), a wholly-owned subsidiary of the Company, and the Ex-shareholders of Wing Lam entered into an acquisition agreement whereby Nusoil agreed to purchase the other loans (the "Loans") owing by Wing Lam to the Ex-shareholders of Wing Lam at a consideration of US$1,499,900 (equivalent to approximately HK$11,699,000), resulting in the remaining amount of the other loans of approximately HK$9,848,000 (included in the balance of other revenue and gains for the year ended 31 December 2001) being waived, after setting-off the legal costs incurred.

According to a letter dated 12 March 2003 issued by the Group's legal advisors in connection with the Litigation, the management of China Foreign Trade Development Company, the plaintiff of the Litigation (the "Plaintiff"), is being sued under a criminal charge and investigated in respect of creating forged documents, including those documents created by the Plaintiff related to the alleged amount claimed against the Group by the Plaintiff under various re-export contracts (the "Claim"). The legal advisors therefore strongly believe that the Group can succeed in the Litigation and no claims or liabilities will be made against the Group. Taking into account the above considerations, the directors of the Company believe that the Litigation will have no impact on the financial results of the Group and accordingly, no provision is considered necessary.

The legal advisors further advised that the appeal judgement is not expected to be concluded in the next 12 months from 12 March 2003 and, accordingly, the Claim is not expected to be settled within one year from the balance sheet date. Accordingly, the Loans amounting to a total of HK$11,862,000 (2001: HK$11,699,000) are classified as a non-current liability at the balance sheet date.

(Expressed in HK$'000)

22. SHARE CAPITAL

Shares

	Notes	Number of ordinary shares	
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2001		20,000,000,000	200,000
Consolidation of every five shares of HK$0.01 each to one share of HK$0.05 each	(b)	(16,000,000,000)	–
Ordinary shares of HK$0.05 each as at 31 December 2001 and 1 January 2002		4,000,000,000	200,000
Increase in share capital	(c)	2,000,000,000	100,000
Ordinary shares of HK$0.05 each as at 31 December 2002		6,000,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each as at 1 January 2001		9,600,000,000	96,000
Issue of shares	(a)	1,000,000,000	10,000
Consolidation of every five shares of HK$0.01 each to one share of HK$0.05 each	(b)	(8,480,000,000)	–
Ordinary shares of HK$0.05 each as at 31 December 2001 and 1 January 2002		2,120,000,000	106,000
Issue of shares	(d)	1,176,470,588	58,824
Ordinary shares of HK$0.05 each as at 31 December 2002		3,296,470,588	164,824

(a) Pursuant to a placing agreement dated 20 April 2001, a total of 1,000,000,000 ordinary shares of HK$0.01 each were placed by United Star International Inc. ("United Star"), the controlling shareholder of the Company, to Keentech at a price of HK$0.15 per placing share (the "Placing Price"). At the same time, United Star agreed to subscribe for an aggregate of 1,000,000,000 new ordinary shares at the Placing Price. The net proceeds of the subscription of approximately HK$145.5 million were used for general working capital of the Group.

(b) On 26 June 2001, an ordinary resolution was passed at a special general meeting to consolidate every five issued and unissued shares of HK$0.01 each in the capital of the Company into one share of HK$0.05 each (the "Consolidated Shares"). All of the Consolidated Shares rank pari passu in all respects with the previously existing share capital of the Company.

(c) Pursuant to an ordinary resolution passed on 22 January 2002, the authorised share capital of the Company was increased to HK$300 million divided into 6,000 million shares of HK$0.05 each by the creation of 2,000 million additional shares of HK$0.05 each.

(d) Pursuant to the Subscription Agreement as explained in note 21 to the financial statements, the Notes of HK$1,000 million carried the right to convert into ordinary shares of HK$0.05 each of the Company at a conversion price of HK$0.85 per share. The conversion took place in two tranches on 18 June 2002 and 25 June 2002. Consequently, 1,176,470,588 shares were issued to Keentech.

Share options

SSAP 34 was adopted during the year as explained in note 2 and under the heading "Share option scheme" in note 3 to the financial statements. As a result, detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group.

No share options are permitted to be granted to an eligible participant which, if exercised in full, would result in such eligible participant becoming entitled to subscribe for such number of shares of the Company as, when aggregated with the total number of shares of the Company already issued and remaining issuable to him or her under the Scheme, would exceed 25% of the aggregate number of the shares of the Company being issued and issuable under the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the issued share capital of the Company from time to time, excluding any shares issued pursuant to the Scheme.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee, provided that such period of time should not exceed a period of three years commencing on the expiry of six months after the date when the option is accepted and expiring on the last day of such three-year period or 20 August 2007, whichever is the earlier.

The subscription price for the shares under the Scheme will be a price determined by the board of directors and notified to each grantee and will be the higher of: (i) a price being not less than 80% of the average of the closing price of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of offer of the option granted to a grantee; and (ii) the nominal value of the shares of the Company.

The Scheme became effective on 21 August 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The Stock Exchange of Hong Kong Limited amended the requirements for share option schemes under the Listing Rules. These requirements have come into effect from 1 September 2001. The Company is required to comply with such new requirements in granting new share options under the Scheme from the said date. During the year ended 31 December 2002 and up to the date of this report, no share options were granted, exercised, lapsed, cancelled or outstanding under the Scheme.

(Expressed in HK$'000)

23. RESERVES

(a) Group

The movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 22 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the holding company of the Group acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company's shares in 1997 over the nominal value of the share capital of the Company issued in exchange therefor.

(b) Company

	Share premium account	Contributed surplus	Accumulated losses	Total
At 1 January 2001	126,998	172,934	(291,541)	8,391
New issue of shares	140,000	–	–	140,000
Share issuance expenses	(4,536)	–	–	(4,536)
Net loss for the year	–	–	(10,244)	(10,244)
At 31 December 2001 and 1 January 2002	262,462	172,934	(301,785)	133,611
New issuance of shares	941,176	–	–	941,176
Share issuance expenses	(2,759)	–	–	(2,759)
Net loss for the year	–	–	(14,357)	(14,357)
At 31 December 2002	1,200,879	172,934	(316,142)	1,057,671

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation detailed in note (a) above, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the laws of Bermuda, the contributed surplus of the Company may be distributed in cash or in specie in certain prescribed circumstances.

24. CONTINGENT LIABILITIES

	Company	
	2002	2001
Guarantee for other loans granted to a subsidiary (note 21)	–	1,000,000

25. LITIGATION

On 14 January 1999, the Plaintiff (as defined in note 21(b)) issued a writ of summons against Dongguan Xinlian Timber Products Company Limited ("Dongguan Xinlian"), a subsidiary held through Wing Lam, in respect of the Claim. A judgement (the "Judgement") was issued in respect of the Claim and, pursuant thereto, Dongguan Xinlian is liable to pay an aggregate sum of approximately HK$26,894,000. However, Dongguan Xinlian filed an appeal against the Judgement.

(Expressed in HK$'000)

On 23 April 1998, the Ex-shareholders of Wing Lam gave an undertaking in relation to the Group's acquisition of a 51% equity interest in Wing Lam to indemnify the Group from all losses, liabilities and claims incurred or suffered in connection with the Claim and other prescribed matters arising on or before the completion of this acquisition. The Claim is in respect of contracts entered into by Dongguan Xinlian prior to the Group's acquisition of its initial 51% equity interest in Wing Lam. Due to the Judgement, on 12 April 1999, the Ex-shareholders of Wing Lam confirmed that they would indemnify all monetary losses arising from the Claim and agreed that the loans due from Dongguan Xinlian to them could be used to offset any such indemnity. According to a letter dated 12 March 2003 issued by the Group's legal advisors in connection with the Litigation, the management of the Plaintiff is being sued under a criminal charge and investigated in respect of creating forged documents, including those documents created by the Plaintiff relating to the Claim found during the above-mentioned appeal process. The legal advisors therefore strongly believe that Dongguan Xinlian can succeed in its appeal and no claims or liabilities will be made against Dongguan Xinlian. Taking into account the above considerations, the directors of the Company believe that the Litigation will have no impact on the financial results of the Group and accordingly, no provision is considered necessary.

26. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and manufacturing premises in the PRC under operating lease arrangements. Leases for the properties are negotiated for terms ranging from 3 to 10 years.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
Within one year	2,774	3,952
In the second to fifth years, inclusive	8,495	13,705
After five years	10,088	18,307
	21,357	35,964

Save as aforesaid, at the balance sheet date, neither the Company nor the Group had other significant commitments (2001: Nil).

27. POST BALANCE SHEET EVENT

On 21 March 2003, a wholly-owned subsidiary of the Company which is established and operating in the PRC obtained a trust receipt loan and bank overdraft facility of HK$20 million. The facility is secured by the Group's pledge of a deposit of HK$20 million and a corporate guarantee by Wing Lam.

28. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2003.

(C) SUMMARY OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

The following was extracted from the Company's 2003 interim report.

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 2003 (the "Period").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
Six months ended 30 June 2003
Unaudited
(Expressed in HK$'000)

	Notes	2003	2002
TURNOVER		7,116	16,624
Cost of sales		(11,408)	(20,122)
Gross loss		(4,292)	(3,498)
Other revenue and gains		7,740	1,461
Selling and distribution costs		(193)	(614)
Administrative expenses		(9,495)	(7,436)
Other operating expenses		(187)	(823)
LOSS FROM OPERATING ACTIVITIES	3	(6,427)	(10,910)
Finance costs		(46)	–
LOSS BEFORE TAX		(6,473)	(10,910)
Tax	4	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(6,473)	(10,910)
LOSS PER SHARE	5		
Basic		HK(0.20 cent)	HK(0.50 cent)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2003
(Expressed in HK$'000)

	Notes	30 June 2003 Unaudited	31 December 2002 Audited
NON-CURRENT ASSETS			
Fixed assets		102,918	107,959
Prepayments		19,028	12,582
		121,946	120,541
CURRENT ASSETS			
Inventories		10,727	3,065
Prepayments, deposits and other receivables		2,102	3,939
Accounts receivable	6	3,370	1,343
Pledged bank deposit		15,600	–
Cash and bank balances		1,107,890	1,123,498
		1,139,689	1,131,845
CURRENT LIABILITIES			
Secured bank loan	7	9,864	–
Accounts payable	8	653	1,067
Accrued liabilities and other payables		23,234	16,962
		33,751	18,029
NET CURRENT ASSETS		1,105,938	1,113,816
TOTAL ASSETS LESS CURRENT LIABILITIES		1,227,884	1,234,357
NON-CURRENT LIABILITIES			
Other loans		11,862	11,862
		1,216,022	1,222,495
CAPITAL AND RESERVES			
Issued capital	9	164,824	164,824
Reserves		1,051,198	1,057,671
		1,216,022	1,222,495

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2003
(Expressed in HK$'000)

		Reserves							
	Issued capital (Note 9)	Share premium account	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Accumulated losses	Sub-total	Total
At 31 December 2002 and 1 January 2003 (Audited)	164,824	1,200,879	65,527	860	4,104	(213,699)	1,057,671	1,222,495
Net loss for the Period	–	–	–	–	–	(6,473)	(6,473)	(6,473)
At 30 June 2003 (Unaudited)	164,824	1,200,879	65,527	860	4,104	(220,172)	1,051,198	1,216,022
At 31 December 2001 and 1 January 2002 (Audited)	106,000	262,462	65,527	–	4,104	(198,482)	133,611	239,611
Translation differences arising on consolidation	–	–	–	881	–	–	881	881
New issue of shares	58,824	941,176	–	–	–	–	941,176	1,000,000
Share issuance expenses	–	(1,693)	–	–	–	–	(1,693)	(1,693)
Net loss for the six months ended 30 June 2002	–	–	–	–	–	(10,910)	(10,910)	(10,910)
At 30 June 2002 (Unaudited)	164,824	1,201,945	65,527	881	4,104	(209,392)	1,063,065	1,227,889

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2003
Unaudited
(Expressed in HK$'000)

	2003	2002
Net cash used in operating activities	(11,784)	(38,888)
Net cash from investing activities	1,912	1,001,460
Net cash from financing activities	9,864	–
Increase/(decrease) in cash and cash equivalents	(8)	962,572
Cash and cash equivalents at beginning of Period	1,123,498	141,905
Cash and cash equivalents at end of Period	1,123,490	1,104,477
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	439	1,264
Non-pledged time deposits with original maturity of less than three months when acquired	1,107,451	1,103,213
Pledged time deposits with original maturity of less than three months when acquired	15,600	–
	1,123,490	1,104,477

NOTES TO INTERIM FINANCIAL STATEMENTS:
30 June 2003

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", 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 are consistent with those used in the Group's financial statements for the year ended 31 December 2002, except for the adoption of the new SSAP 12 (Revised) "Income Taxes" which is effective for the first time for the financial statements of the Period.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method in respect of all significant timing differences to the extent it is probable that the liability will crystallize in the foreseeable future. A deferred tax asset is not recognized until its realization is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

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 of different risks and returns. Summary details of the business segments are as follows:

(a) the manufacture and sale of plywood segment comprises the supply of plywood mainly for use in the manufacture of furniture and fixtures and for refurbishment; and

(b) the trading of timber products segment comprises the sale of veneers.

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.

(Expressed in HK$'000)

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Manufacture and sale of plywood		Trading of timber products		Consolidated	
	2003	2002	2003	2002	2003	2002
Segment revenue:						
Sales to external customers	7,116	14,894	–	1,722	7,116	16,616
Other revenue	11	–	–	–	11	–
	7,127	14,894	–	1,722	7,127	16,616
Segment results	(7,381)	(6,050)	–	160	(7,381)	(5,890)
Interest income and unallocated gains					7,729	1,385
Unallocated expenses					(6,775)	(6,405)
Loss from operating activities					(6,427)	(10,910)
Finance costs					(46)	–
Loss before tax					(6,473)	(10,910)
Tax					–	–
Net loss from ordinary activities attributable to shareholders					(6,473)	(10,910)
Segment assets	115,014	112,722	–	–	115,014	112,722
Unallocated assets					1,146,621	1,150,081
					1,261,635	1,262,803
Segment liabilities	35,077	23,464	–	–	35,077	23,464
Unallocated liabilities					10,536	11,450
					45,613	34,914
Other segment information:						
Depreciation	5,871	1,571	–	–	5,871	1,571
Unallocated amounts					835	216
					6,706	1,787
Other non-cash expenses	159	–	–	–	159	–
Unallocated amounts					–	619
					159	619
Capital expenditure	963	1	–	–	963	1
Unallocated amounts					1,076	519
					2,039	520

(Expressed in HK$'000)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	PRC		Other Asian countries		Consolidated	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Segment revenue:						
Sales to external customers	7,116	14,581	–	2,043	7,116	16,624
Other segment information:						
Segment assets	115,014	112,722	–	–	115,014	112,722
Unallocated amounts					1,146,621	1,150,081
					1,261,635	1,262,803
Capital expenditure	963	1	–	–	963	1
Unallocated amounts					1,076	519
					2,039	520

3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Group	
	2003	**2002**
Depreciation	5,871	1,571

4. TAX

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 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.

A subsidiary established and operating in the People's Republic of China (the "PRC") was exempted from income tax for two years starting from its first profitable year of operations in 1997 and was entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC. The tax holiday of this subsidiary expired in 2001. For the Period, the tax rate applicable to this subsidiary 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.

No deferred tax has been provided as the Company and the Group had no significant timing differences at the balance sheet date.

No provision has been made for taxes which would arise on the remittance to Hong Kong of the retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the near future.

(Expressed in HK$'000)

5. LOSS PER SHARE

The calculation of the basic loss per share is based on the consolidated net loss attributable to shareholders for the Period of HK$6,473,000 (June 2002: HK$10,910,000) and the weighted average of 3,296,470,588 shares (June 2002: 2,170,601,235 shares) in issue during the Period.

Diluted loss per share amounts for the six months ended 30 June 2003 and 2002 have not been presented because there were no dilutive events existing during these periods.

6. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	30 June 2003 Unaudited	**31 December 2002 Audited**
Within 1 month	2,143	1,077
1 to 2 months	809	3
2 to 3 months	64	–
Over 3 months	354	263
	3,370	1,343

The normal credit terms granted to debtors range from 30 to 45 days.

7. SECURED BANK LOAN

In March 2003, a wholly-owned subsidiary of the Company which is established and operating in the PRC obtained a trust receipt loan and bank overdraft facility of HK$20 million. The facility is secured by the Group's pledge of a deposit of HK$20 million and a corporate guarantee of the parent company of the subsidiary. As at 30 June 2003, the pledged bank deposit was HK$15.6 million.

8. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	30 June 2003 Unaudited	**31 December 2002 Audited**
Within 1 month	334	731
1 to 2 months	198	310
2 to 3 months	113	14
Over 3 months	8	12
	653	1,067

9. SHARE CAPITAL

	Number of ordinary shares	HK$'000
Authorised:		
Ordinary shares of HK$0.05 each as at 1 January 2003 and 30 June 2003	6,000,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each as at 1 January 2003 and 30 June 2003	3,296,470,588	164,824

(D) INDEBTEDNESS OF THE GROUP

At the close of business on 31 December 2003, the latest practicable date for the purpose of ascertaining information relating to this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings (excluding trust receipt loans) of approximately HK$32,597,000, which comprised unsecured bank loans of approximately HK$7,000,000, unsecured long term other loans of approximately HK$11,862,000 and secured bank term loans of approximately HK$13,735,000 which are secured by the Group's pledged deposits of HK$20,399,000 and a corporate guarantee executed by Wing Lam (International) Timber Limited, an indirect wholly-owned subsidiary of the Company.

Save as aforesaid or as otherwise disclosed herein and the litigation as detailed in the section headed "Litigation" in Appendix IV "General Information" to this circular, and apart from intra-group liabilities, none of the companies in the Group had outstanding at the close of business on 31 December 2003 any mortgages, charges, debentures or loan capital issued and outstanding or agreed to be issued, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

(E) WORKING CAPITAL

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

(F) MATERIAL CHANGES

Save as disclosed in the section headed "Financial Information on the Group", the Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31 December 2002, the date to which the last published audited accounts of the Group were made up.

(A) PRO FORMA STATEMENT OF THE ADJUSTED UNAUDITED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP UPON COMPLETION OF THE ACQUISITION

It is based on the audited consolidated net assets of the Group as at 31 December 2002 and adjusted to reflect, inter alia, the effect of the Acquisition.

	HK$'000
Audited consolidated net assets of the Group as at 31 December 2002	1,222,495
Add: Unaudited consolidated net loss of the Group for the six months ended 30 June 2003	(6,473)
Unaudited consolidated net assets of the Group as at 30 June 2003	1,216,022
Add: Net proceeds received from the Placing	380,200
Adjusted unaudited consolidated net assets of the Group after the Placing	1,596,222
Add: Pro forma unaudited combined net assets of CRA Group as at 30 September 2003 to be acquired pursuant to the Sale and Purchase Agreements	1,525,308
Less: Intangible assets of the CRA Group to be acquired as at 30 September 2003 (note a)	(802,500)
Dividends of A$120 million declared by CA Portland on 18 January 2004	(720,000)
Increased distribution of A$20 million made by the CRA Group prior to the completion of the Acquisition	(120,000)
Pro forma adjusted unaudited combined net tangible assets of the Enlarged Group upon completion of the Acquisition	1,479,030
Unaudited consolidated net tangible asset value per Share immediately before the completion of the Acquisition (note b)	HK$0.448
Pro forma adjusted unaudited consolidated net tangible asset value per Share upon completion of the Acquisition (note c)	HK$0.343

Notes:

(a) This includes other assets relating to the electricity supply agreement as at 30 June 2003 of A$133,750,000 (about HK$802,500,000).

(b) It is calculated based on the unaudited consolidated net tangible assets of the Group as at 30 June 2003 and 3,566,470,588 Shares in issue.

(c) It is calculated based on 3,566,470,588 Shares in issue and 750,413,793 Consideration Shares to be issued upon completion of the Acquisition.

(B) PRO FORMA STATEMENT OF THE ADJUSTED UNAUDITED COMBINED ASSETS AND LIABILITIES OF THE ENLARGED GROUP UPON COMPLETION OF THE ACQUISITION

It is based on the unaudited consolidated net assets of the Group as at 30 June 2003 and adjusted to reflect, inter alia, the effect of the Acquisition.

	Unaudited consolidated net assets of the Group as at 30 June 2003	**Net proceeds from the Placing**	**Pro forma unaudited combined net assets of the CRA Group as at 30 September 2003**	**Pro forma adjusted unaudited combined net assets of the Enlarged Group upon completion of the Acquisition**
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	121,946	–	2,087,616	2,209,562
Current assets	1,139,689	380,200	1,867,020	3,386,909
Current liabilities	(33,751)	–	(748,512)	(782,263)
Non-current liabilities	(11,862)	–	(1,665,486)	(1,677,348)
Minority interests	–	–	(15,330)	(15,330)
Net assets	1,216,022	380,200	1,525,308	3,121,530

(C) PRO FORMA STATEMENT OF THE ADJUSTED UNAUDITED COMBINED NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE ENLARGED GROUP UPON COMPLETION OF THE ACQUISITION

It is based on the net loss attributable to shareholders of the Group for the year ended 31 December 2002 and adjusted to take into account the pro forma unaudited combined net profit attributable to shareholders of the CRA Group for the year ended 31 December 2002 as if completion of the Acquisition had taken place before 1 January 2002.

	HK$'000
Audited net loss attributable to shareholders of the Group for the year ended 31 December 2002	(15,217)
Pro forma unaudited combined net profit attributable to shareholders of the CRA Group for the year ended 31 December 2002 (converted at 4.419, the exchange rate prevailing on 31 December 2002)	98,915
Pro forma adjusted unaudited combined net profit attributable to shareholders of the Enlarged Group	83,698

1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the CITIC Beijing Group, CITIC Australia and Keentech) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

The issue 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 HM11, Bermuda and its head office and principal place of business is at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, 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$300,000,000 divided into 6,000,000,000 Shares

Share Capital issued as fully paid:

HK$178,323,529 divided into 3,566,470,588 Shares as at the Latest Practicable Date

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

During the period commencing from 31 December 2002 (the date to which the latest published audited financial statements of the Group were made up) and ending on the Latest Practicable Date, 270,000,000 Shares in the capital of the Company have been issued.

3. CONVERTIBLE SECURITIES

As at the Latest Practicable Date, the Company had not issued any securities convertible into Shares.

4. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or its associated corporations (within the meaning of the SFO) which were 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 were deemed or taken to have under the provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies had been notified to the Company and the Stock Exchange were as follows:

(i) Directors' interests in Shares

Name of Director	Nature of interest	Number of Shares held
Mr Kwok Viem, Peter (Note)	Corporate	1,112,000,000
Mr Ma Ting Hung (Note)	Corporate	1,112,000,000
Mr Zhang Jijing	Family	28,000

Note: The Shares disclosed are held by USI which is beneficially owned as to 50% by Mr Kwok Viem, Peter and 50% by Mr Ma Ting Hung. Accordingly, each of them is deemed to be interested in 1,112,000,000 Shares. This figure includes 500,000,000 Shares that USI has agreed to sell to Keentech pursuant to the USI Transfer.

(ii) Directors' interests in share options granted by the Company

No share options or rights to subscribe for Shares have been granted by the Company pursuant to the Share Option Scheme or otherwise.

(iii) Miscellaneous

Save as disclosed herein:

(aa) as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the equity or debt securities of the Company or its associated corporations (within the meaning of the SFO) which were 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 were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies has been notified to the Company and the Stock Exchange;

(bb) as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group taken as a whole; and (cc) since 31 December 2002, the date to which the latest published audited financial statements of the Group were made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of Shareholder	Number of Shares held	Percentage of total Shares
Keentech	1,860,180,588(1)	43.09
CITIC Australia	750, 413,793(2)	17.38
CITIC Projects Management (HK) Limited (formerly CITIC International Holdings Limited)	1,860,180,588(3)	43.09
CITIC Beijing	2,610,594,381(4)	60.47
USI	1,112,000,000	25.76

Notes: (1) This figure includes 500,000,000 which Keentech has agreed to purchase from USI pursuant to the USI Transfer.

(2) This figure represents the Consideration Shares to be issued to CITIC Australia on completion of the Acquisition.

(3) This figure represents an attributable interest of CITIC Projects Management (HK) Limited through its interest in Keentech.

(4) This figure represents an attributable interest of CITIC Beijing through its interest in CITIC Projects Management (HK) Limited, Keentech and CITIC Australia.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the

Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

(c) Interests of experts in securities of the Company

As at the Latest Practicable Date, the Independent Financial Adviser and Ernst & Young had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(d) Interest of experts in assets of the Company

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Independent Financial Adviser and Ernst & Young was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired, disposed of by or leased to the Group since 31 December 2002, the date to which the latest published audited accounts of the Group were made up.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(i) the conditional agreement dated 17 June 2002 and made between the Company and Fletcher Challenge Forests Limited ("**Fletcher**") in respect of the subscription by the Company for the shares in Fletcher (Note 1);

(ii) the conditional agreement dated 17 June 2002 and made between the Company and Rubicon Forests Holdings Limited in respect of the purchase by the Company of shares in Fletcher (Note 1);

(iii) the MoU;

(iv) the CRA Agreement;

(v) the CPS Agreement;

(vi) the Supplemental Agreement; and

(vii) the placing, underwriting and subscription Agreement dated 2 February 2004 and made between the Company, USI and Citigroup Global Markets Hong Kong Futures Limited regarding the Placing and Subscription.

Note 1: The agreements were not completed due to Fletcher's failure in fulfiling one of the conditions precedent.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim is known to the Directors to be pending or threatened against the Company or any of its subsidiaries, save as disclosed below:

(a) On 14 January 1999, China Foreign Trade Development Company ("**China Trade Development**") issued a writ of summons against Dongguan Xinlian Wood Products Company Limited (formerly Dongguan Xinlian Timber Products Company Limited) ("**Dongguan Xinlian**"), an indirect wholly-owned subsidiary of the Company held through Wing Lam (International) Timber Limited ("**Wing Lam**") (another indirect wholly-owned subsidiary of the Company), in respect of a claim for HK$49,624,000 together with interest thereon, being the alleged amount due to China Trade Development under various re-export contracts (the "**Claim**"). A judgment (the "**Judgment**") was issued in respect of the Claim and, pursuant thereto, Dongguan Xinlian was liable to pay an aggregate sum of approximately HK$26,894,000. Subsequently, Dongguan Xinlian filed an appeal against the Judgment.

(b) On 23 April 1998, the ex-shareholders of Wing Lam gave an undertaking in relation to the Group's acquisition of a 51% equity interest in Wing Lam to indemnify the Group from all losses, liabilities and claims incurred or suffered in connection with the Claim and other prescribed matters arising on or before the completion of this acquisition. The Claim is in respect of contracts entered into by Dongguan Xinlian prior to the Group's acquisition of its initial 51% equity interest in Wing Lam. Due to the Judgment, on 12 April 1999, the ex-shareholders of Wing Lam confirmed that they would indemnify all monetary losses arising from the Claim and agreed that the loans due from Dongguan Xinlian to them could be used to offset any such indemnity.

(c) On 12 August 2003, certain members of the management of China Trade Development were sentenced to imprisonment under a criminal charge in respect of creating forged documents, including those documents created by them relating to the Claim. However, on 19 December 2003, the People's High Court of Guangdong Province issued a decision that Dongguan Xinlian is liable to pay US$4,800,000 (about HK$37,440,000) together with interest thereon (the "**New Judgment**"). On 17 January 2004, Dongguan Xinlian filed its appeal to the State Supreme Court against the New Judgment, requesting for the withdrawal of the New Judgment and also a decision that Dongguan Xinlian is not liable to China Trade Development in any aspect.

(d) According to a letter dated 11 February 2004 issued by the Group's legal advisers in connection with this litigation, there were a number of conflicts and discrepancies in the New Judgment. The legal advisers strongly believe that the New Judgment is not supported by evidence and is in breach of legal proceedings and that the New Judgment should be withdrawn. Taking into account the above considerations, the Directors believe that this litigation will have no impact on the financial results of the Group and accordingly, no provision is considered necessary.

7. DIRECTORS' SERVICE CONTRACTS

Service contracts or proposed service contracts of the Directors are capable of determination by the Company upon three months' notice (without payment of compensation (other than statutory compensation)).

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given, or agreed to the inclusion of, their opinion or advice in this circular:

Name	Qualification
Independent Financial Adviser	Somerley Limited, a deemed licensed corporation under the SFO permitted to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities as defined in the SFO
Ernst & Young	Certified Public Accountants

9. CONSENTS

The Independent Financial Adviser and Ernst & Young have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letter and report and/or reference to their respective names, as the case may be, in the form and context in which they respectively appear.

10. MISCELLANEOUS

(a) The share registrar and transfer office of the Company is Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(b) The Secretary of the Company is Ms. Li So Mui. She holds a Masters Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Ms. Li has over 26 years experience in the accounting and banking field.

(c) 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Simmons & Simmons at 35th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including 22 March 2004:

(a) the memorandum of association and bye-laws of the Company;

(b) the letter from the Independent Financial Adviser set out on pages 30 to 43 of this circular;

(c) the accountants' report on the CRA Group as set out in Appendix I to this circular;

(d) the Company's 2001 and 2002 annual reports;

(e) the material contracts referred to in paragraph 5 of this Appendix; and

(f) the written consents referred to in paragraph 9 of this Appendix.

CITIC RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of CITIC Resources Holdings Limited (the "**Company**") will be held at Victoria Room, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Monday, 22 March 2004 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

Resolution No. 1

"**THAT** the acquisition (the "**Acquisition**") of the entire issued share capital of CITIC Resources Australia Pty Limited and the entire issued share capital of CITIC Portland Surety Pty Limited for a purchase price of US$139,500,000 subject to the terms and conditions of:

(i) a memorandum of understanding dated 19 January 2004 (the "**MoU**") made between the Company, CITIC Australia Pty Limited ("**CITIC Australia**") and China International Trust and Investment Corporation ("**CITIC Beijing**"), a copy of which has been produced to the Meeting and marked "A" and signed by the Chairman of the Meeting for the purposes of identification;

(ii) a sale and purchase agreement dated 19 January 2004 (the "**CRA Agreement**") made between the Company, CITIC Australia and CITIC Beijing, a copy of which has been produced to the Meeting and marked "B" and signed by the Chairman of the Meeting for the purposes of identification;

(iii) a sale and purchase agreement dated 19 January 2004 (the "**CPS Agreement**") made between the Company, CITIC Australia, CITIC Beijing and CITIC Portland Holdings Pty Limited ("**CP Holdings**"), a copy of which has been produced to the Meeting and marked "C" and signed by the Chairman of the Meeting for the purposes of identification; and

(iv) each as amended by a supplemental agreement dated 30 January 2004 (the "**Supplemental Agreement**") and made between the Company, CITIC Australia, CITIC Beijing and CP Holdings, a copy of which has been produced to the Meeting and marked "D" and signed by the Chairman of the Meeting for the purposes of identification,

be and is hereby approved and the execution, delivery and performance by the Company of the MoU, the CRA Agreement and the CPS Agreement (each as amended by the Supplemental Agreement) and the Supplemental Agreement be and are hereby ratified, confirmed and approved AND THAT the directors of the Company (the "**Directors**") be and are hereby authorised to do on behalf of the Company whatever they may consider necessary, desirable or expedient for the purposes of, or in connection with, the performance and implementation of the MoU, the CRA Agreement and the CPS Agreement (each as amended by the Supplemental Agreement) and the Supplemental Agreement and the allotment and issue of 750,413,793 new shares of HK$0.05 each in the share capital of the Company (the "**Consideration Shares**") thereunder in satisfaction of the said purchase price and generally to do all acts and deeds and execute all agreements and documents required or contemplated by the MoU, the CRA Agreement and the CPS Agreement (each as amended by the Supplemental Agreement) or otherwise and to make such amendments thereto as the Directors may consider necessary, desirable or expedient."

Resolution No. 2

"**THAT**:

(a) subject to paragraph (c) below, the exercise by the directors of the Company (the "**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with shares of HK$0.05 each ("**Shares**") in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible under the terms of any warrants of the Company; (iii) an issue of Shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (iv) an issue of Shares under any option scheme or similar arrangement for the grant or issue of Shares or rights to acquire Shares, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

"**Relevant Period**" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting; and

"**Rights Issue**" means an offer of Shares open for a period fixed by the Directors to the existing holders of Shares on the register maintained by the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

Resolution No. 3

"**THAT** subject to the passing of Resolution No. 2 set out in the notice convening this Meeting, the general mandate granted to the directors of the Company to allot, issue and deal with shares of HK$0.05 each ("**Shares**") in the share capital of the Company pursuant to Resolution No. 3 set out in the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority of the repurchase mandate granted by shareholders of the Company at the special general meeting of the Company held on 27 June 2003."

By Order of the Board
CITIC Resources Holdings Limited
Li So Mui
Company Secretary

Dated 6 March 2004, Hong Kong

Head office and
Principal Place of Business in Hong Kong:
Room 2602, 26th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Notes:

(1) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead in accordance with the bye-laws of the Company. A proxy need not be a member of the Company.

(2) A form of proxy for use at the Meeting is enclosed.

(3) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the Meeting (or any adjournment thereof) should they so wish. If a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.

(4) If there are joint registered holders of a share in the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the joint holders so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.