

On behalf of the board of directors (the "Directors"), it is my great pleasure to present to our shareholders the annual report of CITIC Resources Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2002.

The global uncertainties and international conflicts continue to affect the economic condition. These have been prolonging lackluster growth in our primary markets and perpetuating price fluctuations in raw materials such as logs, the primary raw materials of our manufacturing operations. The global economy is still vulnerable and that unavoidably, this year is going to be another challenging year.

The Company obtained further equity from a group member of China International Trust and Investment Corporation ("CITIC"), resulting that its ultimate shareholding interest in the Company is 41.26% of the total issued share capital of the Company. Following this and to better reflect the business intention of the Group in future, the name of the Company was changed to CITIC Resources Holdings Limited in October 2002. Given the cash rich position, the Group is ready for investment and development, particularly in natural resources projects such as forestry and aluminium.

Although the global economic slowdown persists and presents an uncertain business environment, the Group remains confident of its resilience in the face of economic adversity. The Directors remain alert to ensure that our shareholders receive excellence in corporate governance in all respects and continue to review critically the Group's internal controls and disciplines and to make improvements wherever possible. We are confident that the existing systems and control are well performed - but we are not contented.

RESULTS

The Group recorded a consolidated turnover of HK\$24.0 million for the year ended 31 December 2002 (2001: HK\$52.8 million), slipped by 54.5% as compared with last year. Net loss attributable to shareholders was HK\$15.2 million (2001: HK\$10.2 million).

As at 31 December 2002, total assets amounted to HK\$1,252.4 million (2001: HK\$1,281.2 million). Net assets amounted to HK\$1,222.5 million (2001: HK\$239.6 million).

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year.

BUSINESS REVIEW AND OUTLOOK

The principal activities of the Group are the manufacture and sale of plywood. As the timber industry is still affected by the arduous economic environment, the business remains difficult. The Group has experienced an unexpected slowdown notwithstanding that the Directors have expended considerable effort in strengthening the business and imposed a number of measures to sustain the performance.

Though difficulties remain, the Group continues to pursue active developments in its core business. In the latter half of the year, to further diversify the products and expand the customer base, the Group had suspended production for several months to reconstruct the production lines. New production line of veneer has been set up and undergone trial run. Although the temporary suspension of production had greatly affected the performance of last year, it will broaden the scope of operations and enhance the efficiency and productivity in future, representing an evolution towards a greater level of customization and product differentiation. The substantial decrease in turnover was also caused by the aggressive market competition in plywood products, coupled with the unexpected continuous decline in demand since 2000.

The sustained focus and core expertise of the Group, enhanced by the expansion and diversification of operations, encourage confidence in the long-term business prospects. The Group took the opportunity to spruce up its strengths and competitive edge by revisiting and refocusing its business strategy and product portfolio. This re-organization evolution is critical in fully equipping the Group to maximize its potential and optimize its business performance. At the same time, the Directors continue to reduce the operating costs and to improve the quality of the products.

To cater for future growth of the Group, new directors with expertise and extensive experience in the forestry and aluminium industry have joined the Group and are expected to provide the Group with power in new business ventures. The Directors are actively exploring investment opportunities in natural resources in the hope that these, over time, will make a meaningful contribution to the earnings of the Group.

Given the strong financial position of the Group, the Directors are optimistic about the business growth and focused investments. The financial strength will be used wisely and with discretion. The Group will strive to restore a profit growth and to leverage the available opportunities to maximize the returns for its shareholders.

APPRECIATION

I would like to express my sincere gratitude to our staff for their hard work and dedication over the past year, and also to our shareholders, customers, suppliers, bankers and business associates for their continuous support. We look forward to a better set of results in the year ahead.

PUBLICATION OF ANNUAL REPORT

The 2002 Annual Report containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the respective website of The Stock Exchange of Hong Kong Limited and the Company in due course.

Peter Kwok Viem

Chairman

Hong Kong, 11 April 2003