

On behalf of the board of directors (the "Directors"), I am pleased to present to you the annual results of CITIC Resources Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2003.

Overview

The operating environment in the plywood and timber products industry continued to be difficult in 2003. As the manufacture and sale of plywood were the principal activities of the Group, performance suffered. The second quarter of the year added to difficulties with the outbreak of the viral infection SARS which affected business confidence as well as hindered business functioning.

Attempts to lift performance in these adverse circumstances through measures to enhance efficiency and to broaden the scope and the quality of the Group's products were unsuccessful.

The overall performance of the Group in 2003 was disappointing and the Directors have initiated a new business strategy which should increase shareholders' value in the coming year.

Results

The Group recorded a consolidated turnover of HK\$24.5 million for the year ended 31 December 2003 (2002: HK\$24.0 million). Net loss attributable to shareholders was HK\$52.0 million (2002: HK\$15.2 million).

As at 31 December 2003, total assets amounted to HK\$1,230.0 million (2002: HK\$1,252.4 million). Net assets amounted to HK\$1,170.5 million (2002: HK\$1,222.5 million).

Dividend

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

Business review and outlook

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

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

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

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

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

This burgeoning demand from China is reflected in the recent spiraling world prices for a wide range of commodities. The Directors believe that the interests of the Group would

be best served by diversifying its business and reducing its reliance on the manufacture and sale of plywood as its principal activities.

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

The Group has already been making and looking at cross-border acquisitions to increase its exposure to well-established and profitable operations in the commodities and energy industries. The first step was taken in the first quarter of this year with the acquisition of a number of interests in Australia. These include interests in the Portland Aluminium Smelter, one of the most efficient aluminium smelters in the world, and

the Coppabella and Moorvale coal mines, one of only five producers of low-volatile "Pulverized Coal Injection" coal in Australia.

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

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

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

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

Our thanks

The Directors would like to express their sincere gratitude to staff for their hard work and dedication over the past year, and also to the Company's shareholders, customers, suppliers, bankers and business associates for their continuous support.

I remain optimistic of the Group's prospects and have great confidence in

the Group's re-focused business strategy. I hope you will continue to support us in our new endeavours.

Publication of annual report

The 2003 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 websites of The Stock Exchange of Hong Kong Limited and the Company in due course.



Peter Kwok Viem

Chairman

Hong Kong, 15 April 2004