



Chairman's **Statement**

Crude oil

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 2004.

## OVERVIEW

2004 has been a significant year for the Group.

During 2004, we made a number of major acquisitions that has seen us build the Group's business portfolio into strategically important business environments such as China's key energy resources and commodities.

The diversification of the Group's business also has the added benefit of permitting the Group to end its reliance on the manufacture and sale of plywood and the related products as its principal business which continues to operate in an increasingly competitive market demonstrated by the losses recorded by the Group from such operations in recent years. Set against this, our performance for 2004 driven by the results of our early involvement in the aluminium, import and export of commodities, coal mining and minerals exploration has in comparison being good with the Group recording a net profit for the first time since 2001.

We see the results for 2004 as being encouraging and are looked upon as a promising basis from which the Group can further develop its strategy to be an integrated provider of key energy resources and commodities of which China is a net importer.

## RESULTS

The Group recorded a consolidated turnover of HK\$3,610.8 million for the year ended 31 December 2004 (2003: HK\$24.5 million). Net profit attributable to shareholders was HK\$49.9 million (2003: net loss of HK\$52.0 million).

As at 31 December 2004, total assets amounted to HK\$5,375.2 million (2003: HK\$1,230.0 million). Net assets amounted to HK\$2,682.9 million (2003: HK\$1,170.5 million).

## DIVIDEND

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

## BUSINESS REVIEW AND OUTLOOK

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

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

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

While the surge in global oil prices over the past year has been timely for such acquisitions, the decisions were based on longer-term considerations

and the opportunities which the Directors believe will be generated by the demand in the China market for energy resources in the coming years.

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

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

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

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

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

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

### PUBLICATION OF ANNUAL REPORT

The 2004 Annual Report containing all information required by paragraphs 45(1) to 45(3) to Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (in force prior to 31 March 2004, which remain applicable to results announcement in respect of the accounting periods commencing before 1 July 2004 under the transitional arrangements) will be published on the respective websites of The Stock Exchange of Hong Kong Limited and the Company in due course.



**Peter Kwok Viem**  
*Chairman*

Hong Kong, 19 April 2005