



CITIC RESOURCES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: www.citicresources.com

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

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		<u>(11,408)</u>	<u>(20,122)</u>
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		<u>(187)</u>	<u>(823)</u>
LOSS FROM OPERATING ACTIVITIES	3	(6,427)	(10,910)
Finance costs		<u>(46)</u>	<u>–</u>
LOSS BEFORE TAX		(6,473)	(10,910)
Tax	4	<u>–</u>	<u>–</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(6,473)</u>	<u>(10,910)</u>
LOSS PER SHARE	5		
Basic		<u>HK(0.20 cent)</u>	<u>HK(0.50 cent)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

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. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee with the management of the Company.

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.

(a) Business segments

The following table presents revenue and results information for the Group’s business segments.

Six months ended 30 June 2003 Unaudited (Expressed in HK\$’000)	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	–
	<u>7,127</u>	<u>14,894</u>	<u>–</u>	<u>1,722</u>	<u>7,127</u>	<u>16,616</u>
Segment results	<u>(7,381)</u>	<u>(6,050)</u>	<u>–</u>	<u>160</u>	<u>(7,381)</u>	<u>(5,890)</u>
Interest income and unallocated gains					7,729	1,385
Unallocated expenses					<u>(6,775)</u>	<u>(6,405)</u>
Loss from operating activities					<u>(6,427)</u>	<u>(10,910)</u>
Finance costs					<u>(46)</u>	<u>–</u>
Loss before tax					<u>(6,473)</u>	<u>(10,910)</u>
Tax					<u>–</u>	<u>–</u>
Net loss from ordinary activities attributable to shareholders					<u>(6,473)</u>	<u>(10,910)</u>

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Six months ended 30 June 2003	PRC		Other Asian countries		Consolidated	
Unaudited (Expressed in HK\$'000)	2003	2002	2003	2002	2003	2002
Segment revenue:						
Sales to external customers	<u>7,116</u>	<u>14,581</u>	<u>–</u>	<u>2,043</u>	<u>7,116</u>	<u>16,624</u>

3. Loss from operating activities

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

Six months ended 30 June 2003		
Unaudited (Expressed in HK\$'000)	2003	2002
Depreciation	<u>5,871</u>	<u>1,571</u>

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.

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.

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the Period (June 2002: Nil).

BUSINESS REVIEW AND OUTLOOK

The principal activities of the Group are the manufacture and sale of plywood. The Group is still suffering from a slowdown of business and pricing pressures from its competitors. Considerable effort has been expended in sustaining the business performance, yet, the result was disappointing. The situation was further worsened by the sudden outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the second quarter.

Facing the weak business environment and sentiment, the Directors continue to pursue active improvements to and developments in its core business. In the first quarter of the year, the trial run of the new production line of veneer was completed. The normal production was gradually resumed in the second quarter. So far, the veneer produced is for own production of plywood. The Directors expect that the operational efficiency and productivity will be improved in the second half of the year though a strong rebound appears unlikely.

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 will endeavour to adopt effective competitive strategies and measures to enhance its overall competitiveness and achieve growth. In the mean time, the Directors continue to employ aggressive costs control and to improve the quality of the products.

Since the Directors have expertise and extensive experience in the forestry and aluminium industry, they are actively pursuing investment opportunities in natural resources. The Group’s strong cash position is capable of supporting the investments and asset acquisitions required to create the growth of the Group. These, over time, will make a meaningful contribution to the earnings of the Group. The Group will strive to obtain favourable financial results and to achieve the best possible return for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, the cash balance was HK\$1,107.9 million. There was a bank loan of HK\$9.9 million, secured by the Group’s pledge of a deposit of HK\$15.6 million and a corporate guarantee of HK\$20 million provided by the parent company of the subsidiary which obtained such bank loan. The gearing ratio of the Group, i.e. total liabilities to total capital, was 3.6%. The Directors are of the view that there is sufficient cash to satisfy the working capital needs and other financing requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2003, the Group had around 400 full time employees, including the management and administrative staff and the production workers. Most of them station in the PRC while the remaining in Hong Kong.

The employees’ remuneration, promotion and salary increment are assessed based on individual’s performance, professional and working experience and are referred to the prevailing industry practice. Rent-free quarters are provided to the PRC employees. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Period.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not or was not in compliance with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the Period, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

PUBLICATION OF INTERIM REPORT

The 2003 Interim Report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the respective website of The Stock Exchange of Hong Kong Limited and the Company in due course.

On behalf of the board
Peter Kwok Viem
Chairman

Hong Kong, 22 September 2003

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