



# 中信國際金融控股有限公司

CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 183)

## ANNOUNCEMENT OF 2004 INTERIM RESULTS

### SUMMARY OF RESULTS

The Board of Directors of CITIC International Financial Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004 and the Group’s state of affairs as at that date together with the comparative figures for the corresponding period in the previous year as follows:–

#### (A) CONSOLIDATED INCOME STATEMENT

	The Group		
	Six months ended 30 June		
	2004	2003	
	Unaudited	Unaudited	Variance
	HK\$'000	HK\$'000	%
Interest income	<b>1,102,019</b>	1,323,961	(16.76)
Interest expense	<b>(322,271)</b>	(536,328)	(39.91)
Net interest income	<b>779,748</b>	787,633	(1.00)
Fees and commission income	<b>216,860</b>	172,713	25.56
Fees and commission expense	<b>(16,213)</b>	(20,863)	(22.29)
Other operating income	<b>36,143</b>	67,630	(46.56)
Non-interest income	<b>236,790</b>	219,480	7.89
Operating income	<b>1,016,538</b>	1,007,113	0.94
Operating expenses	<b>(495,917)</b>	(466,942)	6.21
Operating profit before provisions	<b>520,621</b>	540,171	(3.62)
Charge for bad and doubtful debts	<b>(38,075)</b>	(235,027)	(83.80)
Operating profit	<b>482,546</b>	305,144	58.14
Net profit on disposal of tangible fixed assets	<b>8,895</b>	68	
Provision written back on held-to-maturity securities and investment securities	<b>80</b>	2,264	
Share of profits less losses of associates	<b>22,374</b>	63,268	
Profit from ordinary activities before taxation	<b>513,895</b>	370,744	38.61

Income tax ( <i>Note 4</i> )			
Current tax			
– Hong Kong	(82,489)	(44,505)	85.35
– Overseas	1,480	(947)	(256.28)
Deferred tax	(6,546)	(12,624)	(48.15)
Associates	(3,572)	(5,715)	(37.50)
	<hr/>	<hr/>	
Profit from ordinary activities after taxation	422,768	306,953	37.73
Minority interests	370	–	N/A
	<hr/>	<hr/>	
Profit attributable to shareholders	423,138	306,953	37.85
	<hr/>	<hr/>	
Interim dividends declared 6.6 cents (2003: 3 cents) per share	210,756	95,432	
	<hr/>	<hr/>	
Earnings per share			
Basic ( <i>Note 5</i> )	13.26¢	10.00¢	
	<hr/>	<hr/>	
Diluted ( <i>Note 6</i> )	12.07¢	10.00¢	
	<hr/>	<hr/>	

**(B) CONSOLIDATED BALANCE SHEET**

	<b>The Group</b>	
	As at	As at
	30 June	31 December
	2004	2003
	Unaudited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>		
Cash and short-term funds	6,102,919	7,511,643
Placements with banks and other financial institutions maturing after one month	174,239	646,373
Trade bills less provisions	185,671	452,489
Certificates of deposit	1,787,584	2,059,100
Other investments in securities	4,352,912	2,511,606
Advances to customers and other accounts less provisions	40,855,895	41,073,517
Held-to-maturity securities and investment securities	22,584,734	22,454,176
Interest in associates	1,259,271	490,444
Goodwill	1,047,419	1,077,587
Deferred tax assets	80,931	87,477
Tangible fixed assets	1,333,609	1,553,045
	<hr/>	<hr/>
<b>Total assets</b>	<b>79,765,184</b>	<b>79,917,457</b>
	<hr/>	<hr/>
<b>Liabilities</b>		
Deposits and balances of banks and other financial institutions	3,748,533	3,486,079
Deposits from customers	56,758,356	56,847,606
Certificates of deposit issued	4,507,819	4,711,175
Convertible bonds issued	1,403,936	1,397,364
Current taxation	81,990	17,071
Deferred tax liabilities	15	15
Other accounts and provisions	931,662	1,376,464
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>67,432,311</b>	<b>67,835,774</b>
	<hr/>	<hr/>

<b>Capital resources</b>		
Share capital	<b>3,193,278</b>	3,189,835
Reserves	<b>4,849,791</b>	4,621,935
	<hr/>	<hr/>
Shareholders' funds	<b>8,043,069</b>	7,811,770
<b>Minority interests</b>	–	191
<b>Loan capital</b>	<b>4,289,804</b>	4,269,722
	<hr/>	<hr/>
<b>Total capital resources</b>	<b>12,332,873</b>	12,081,683
	<hr/>	<hr/>
<b>Total liabilities and capital resources</b>	<b>79,765,184</b>	79,917,457
	<hr/>	<hr/>

(C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>The Group</b>	
	As at <b>30 June 2004 Unaudited HK\$'000</b>	As at 30 June 2003 Unaudited HK\$'000
	<hr/>	<hr/>
Shareholders' equity at 1 January	<b>7,811,770</b>	
		<hr/>
– As previously reported		7,426,293
– Prior year adjustment in respect of deferred taxation		(53,066)
		<hr/>
– As restated		7,373,227
		<hr/>
Exchange differences	<b>2,105</b>	1
	<hr/>	<hr/>
<b>Net gain not recognised in the income statement</b>	<b>2,105</b>	1
	<hr/>	<hr/>
Profit attributable to shareholders	<b>423,138</b>	306,953
	<hr/>	<hr/>
Dividends paid during the period	<b>(201,138)</b>	(394,630)
	<hr/>	<hr/>
Movements in share capital:		
Shares issued under the Old Share Option Scheme	<b>3,443</b>	298
Shares issued under scrip dividends	–	145,470
Net share premium received	<b>3,751</b>	110,214
	<hr/>	<hr/>
	<b>7,194</b>	255,982
	<hr/>	<hr/>
Shareholders' equity at 30 June	<b>8,043,069</b>	7,541,533
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Notes:

- (1) The financial information in this interim results announcement is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports", issued by the Hong Kong Society of Accountants. It does not constitute statutory financial statements.

- (2) The financial information included in this interim results announcement relating to the financial year ended 31 December 2003 does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2003 are available from the Company's registered office. The external auditors expressed an unqualified opinion on those financial statements in their report dated 18 March 2004.
- (3) The interim results announcement is prepared on a basis consistent with the accounting policies adopted by the Group in the 2003 statutory financial statements.
- (4) The provision for Hong Kong Profits Tax is calculated at 17.5% (2003:17.5%) of the estimated assessable profits for the period. Taxation for branches and subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (5) The calculation of basic earnings per share for the six months ended 30 June 2004 is based on profit attributable to shareholders of \$423,138,000 (2003: \$306,953,000) and on the weighted average of 3,190,812,579 (2003: 3,068,479,114) ordinary shares in issue during the period.
- (6) The calculation of diluted earnings per share for the six months ended 30 June 2004 is based on adjusted profit attributable to shareholders of \$424,881,000 (2003: \$306,953,000) and on the weighted average of 3,520,548,969 (2003: 3,069,671,310) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.
- (7) On 18 March 2004, the Company entered into a Sale and Purchase Agreement with CITIC Group (formerly known as China International Trust and Investment Corporation), the ultimate holding company of the Company, in connection with the purchase by the Company of the total issued share capital in True Worth Investments Limited ("True Worth") and the assignment to the Company of all shareholder's loans owing by True Worth to CITIC Group ("Acquisition"). True Worth is a holding company for 25% of the total issued share capital in CITIC Capital Markets Holdings Limited ("CCMH"). Before the acquisition, the Company held indirectly 25% of the total issued share capital in CCMH via Dramatic Year Limited ("Dramatic"). Following completion of the Acquisition, the Group owns 50% in aggregate of the total issued share capital of CCMH. The consideration paid by the Company for the Acquisition was \$500,000,000, satisfied in cash.
- (8) During the period, Dramatic and True Worth, two wholly-owned subsidiaries of the Company each holding 25% interest in CCMH, subscribed for 2,000,000 new shares of \$1.00 each of CCMH, totalling 4,000,000 shares, at the subscription price of \$62.50 per share. The aggregate subscription amount paid by Dramatic and True Worth was \$250,000,000.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (1) Summary of financial position

	<b>The Group</b>		
	<b>As at 30 June 2004</b>	As at 31 December 2003	Variance
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	%
Loans and advances	<b>40,539,506</b>	40,643,233	(0.26)
Loans loss provision	<b>1,097,083</b>	1,236,975	(11.31)
Total assets	<b>79,765,184</b>	79,917,457	(0.19)
Average interest earning assets	<b>71,659,709</b>	73,471,951	(2.47)
Total deposits	<b>61,266,175</b>	61,558,781	(0.48)
Shareholders' funds	<b>8,043,069</b>	7,811,770	2.96

Financial ratios

Capital adequacy – unadjusted*	<b>18.52%</b>	18.41%
Loans to deposits	<b>66.17%</b>	66.02%
Loans to total assets	<b>50.82%</b>	50.86%
General provision coverage	<b>1.28%</b>	1.34%
Property lending	<b>35.39%</b>	38.57%
Cost to income (before goodwill)	<b>45.82%</b>	47.29%
Cost to income (after goodwill)	<b>48.78%</b>	50.25%
Return on assets	<b>1.06%</b>	0.84%
Return on shareholders' funds	<b>10.73%</b>	8.65%

\* The unadjusted capital adequacy ratio is computed on the consolidated basis covering the Company and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the "HKMA") for its regulatory purposes, and is in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

**(2) Advances to customers and other accounts less provisions**

	<b>The Group</b>		
	<b>As at 30 June 2004</b>	As at 31 December 2003	Variance
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Advances to customers	<b>40,351,959</b>	40,186,173	0.41
Specific provisions for bad and doubtful debts	<b>(577,453)</b>	(690,501)	(16.37)
General provisions for bad and doubtful debts	<b>(517,755)</b>	(541,903)	(4.46)
	<b>39,256,751</b>	38,953,769	
Advances to banks and other financial institutions	<b>40,000</b>	40,000	
Accrued interest and other accounts less provisions	<b>1,559,144</b>	2,079,748	(25.03)
	<b>40,855,895</b>	41,073,517	(0.53)

**(3) Reserves**

	<b>The Group</b>		
	<b>As at 30 June 2004</b>	As at 31 December 2003	Variance
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Share premium	<b>1,835,157</b>	1,831,406	0.20
Other property revaluation reserve	<b>11,945</b>	11,945	
Capital reserve	<b>2,818</b>	2,818	
General reserve	<b>100,000</b>	100,000	
Exchange differences	<b>1,508</b>	(597)	352.60
Retained profits	<b>2,898,363</b>	2,676,363	8.29
	<b>4,849,791</b>	4,621,935	4.93
Total	<b>4,849,791</b>	4,621,935	4.93
Proposed dividends, not provided for	<b>210,756</b>	200,960	4.87

**(4) Advances to customers – By industry sectors**

	<b>The Group</b>				
	<b>As at 30 June 2004</b>		<b>As at 31 December 2003</b>		<b>Variance</b>
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	%
Loans for use in Hong Kong					
<i>Industrial, commercial and financial</i>					
– Property development	<b>329,090</b>	<b>0.82</b>	327,555	0.81	0.47
– Property investment	<b>3,946,662</b>	<b>9.78</b>	4,252,571	10.58	(7.19)
– Financial concerns	<b>2,514,022</b>	<b>6.23</b>	2,695,514	6.71	(6.73)
– Stockbrokers	<b>19,996</b>	<b>0.05</b>	20,519	0.05	(2.55)
– Wholesale and retail trade	<b>2,087,377</b>	<b>5.17</b>	2,347,275	5.84	(11.07)
– Manufacturing	<b>3,821,437</b>	<b>9.47</b>	3,506,532	8.73	8.98
– Transport and transport equipment	<b>5,117,223</b>	<b>12.68</b>	4,551,838	11.33	12.42
– Others	<b>3,839,535</b>	<b>9.51</b>	3,761,929	9.36	2.06
<i>Individuals</i>					
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	<b>20,934</b>	<b>0.05</b>	23,979	0.06	(12.70)
– Loans for the purchase of other residential properties	<b>10,001,252</b>	<b>24.79</b>	10,920,086	27.17	(8.41)
– Credit card advances	<b>412,375</b>	<b>1.02</b>	426,249	1.06	(3.25)
– Others	<b>1,051,849</b>	<b>2.61</b>	1,462,017	3.64	(28.05)
Trade finance	<b>2,328,162</b>	<b>5.77</b>	2,088,069	5.20	11.50
Loans for use outside Hong Kong	<b>4,862,045</b>	<b>12.05</b>	3,802,040	9.46	27.88
	<b>40,351,959</b>	<b>100.00</b>	40,186,173	100.00	0.41

**(5) Loans on which interest is placed in suspense**

	<b>The Group</b>				
	<b>Total amount of loans on which interest is placed in suspense</b>		<b>Market value of collateral held</b>	<b>Specific provisions made</b>	<b>Amount of interest suspense</b>
	<i>HK\$'000</i>	%*	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30 June 2004</b>	<b>2,143,199</b>	<b>5.31</b>	<b>1,752,178</b>	<b>535,919</b>	<b>388,500</b>
As at 31 December 2003	2,616,208	6.51	2,018,580	657,620	389,638

\* Based on total advances to customers

There were no advances to banks and other financial institutions in the Group on which interest is being placed in suspense or on which interest accrual has ceased as at 30 June 2004 and 31 December 2003, nor were there any specific provisions made for them on these two days.

**(6) Overdue advances to customers (net of suspended interest)**

The gross amount of advances, net of accrued interest that has been capitalised but accrued to a suspense account, which have been overdue for periods of:

	<b>The Group</b>			
	<b>As at 30 June 2004</b>		<b>As at 31 December 2003</b>	
	<i>HK\$'000</i>	<i>%*</i>	<i>HK\$'000</i>	<i>%*</i>
– 6 months or less but over 3 months	<b>142,535</b>	<b>0.35</b>	165,835	0.41
– 1 year or less but over 6 months	<b>97,352</b>	<b>0.24</b>	307,408	0.76
– over 1 year	<b>1,786,361</b>	<b>4.43</b>	2,177,791	5.42
<b>Total</b>	<b>2,026,248</b>	<b>5.02</b>	<b>2,651,034</b>	<b>6.59</b>
Secured overdue advances	<b>1,441,677</b>		1,742,648	
Unsecured overdue advances	<b>584,571</b>		908,386	
	<b>2,026,248</b>		<b>2,651,034</b>	
Market value of collateral held against the secured overdue advances	<b>2,340,924</b>		2,104,234	
Specific provisions made	<b>493,331</b>		580,629	

\* Based on total advances to customers

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2004 and 31 December 2003.

**(7) Reconciliation between overdue loans & advances and non-performing loans**

	<b>The Group</b>	
	<b>As at 30 June 2004</b>	<b>As at 31 December 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances to customers overdue for more than 3 months	<b>2,026,248</b>	2,651,034
<i>Less:</i> Amount overdue for more than 3 months and on which interest is still being accrued	<b>(132,171)</b>	(247,895)
<i>Add:</i> Amount overdue for 3 months or less, or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	<b>72,565</b>	84,187
<i>Add:</i> Rescheduled advances on which interest is being placed in suspense or on which interest accrual has ceased	<b>176,557</b>	128,882
Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased	<b>2,143,199</b>	2,616,208

**(8) Other overdue assets**

<b>The Group</b>	
<b>As at 30 June 2004</b>	<b>As at 31 December 2003</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

The gross amount of trade bills which has been overdue for:

– 1 year or less but over 6 months	–	1,162
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Held-to-maturity securities which have been overdue for:

– 1 year or less but over 6 months	–	69,409
– over 1 year	<b>85,335</b>	15,526
	<b>85,335</b>	<b>84,935</b>

**(9) Rescheduled loans**

<b>The Group</b>			
<b>As at 30 June 2004</b>		<b>As at 31 December 2003</b>	
<b>HK\$'000</b>	<b>%*</b>	<b>HK\$'000</b>	<b>%*</b>
<b>443,646</b>	<b>1.10</b>	517,916	1.29

\* *Based on total advances to customers*

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2004 and 31 December 2003.

**(10) Repossessed assets**

<b>The Group</b>	
<b>As at 30 June 2004</b>	<b>As at 31 December 2003</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>350,087</b>	436,993

Included in advances to customers and other accounts

## (11) Off-balance sheet exposures

### (a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	The Group	
	As at 30 June 2004	As at 31 December 2003
	HK\$'000	HK\$'000
Direct credit substitutes	1,132,908	1,096,253
Trade-related contingencies	1,160,055	1,635,365
Other commitments:		
– with an original maturity of under 1 year or which are unconditionally cancellable	10,185,056	10,387,731
– with an original maturity of 1 year and over	182,315	734,808
	<b>12,660,334</b>	<b>13,854,157</b>

### (b) Derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivatives entered into by the Group:

	The Group					
	As at 30 June 2004			As at 31 December 2003		
	Trading	Hedging	Total	Trading	Hedging	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Exchange rate contracts</b>						
Forwards	1,557,652	–	1,557,652	1,059,391	–	1,059,391
Swaps	9,762,326	9,593,194	19,355,520	12,416,034	4,966,108	17,382,142
Options purchased	147,152	–	147,152	172,189	–	172,189
Options written	147,152	–	147,152	142,182	–	142,182
<b>Interest rate contracts</b>						
Forwards and futures	2,589,482	–	2,589,482	2,173,677	–	2,173,677
Swaps	2,199,499	9,346,637	11,546,136	3,060,615	8,992,439	12,053,054
Options purchased	1,862,164	–	1,862,164	1,853,448	–	1,853,448
Options written	2,040,160	–	2,040,160	2,031,079	–	2,031,079
<b>Equity contracts</b>						
Options purchased	–	6,706	6,706	–	12,044	12,044
Options written	–	6,706	6,706	–	12,044	12,044
	<b>20,305,587</b>	<b>18,953,243</b>	<b>39,258,830</b>	<b>22,908,615</b>	<b>13,982,635</b>	<b>36,891,250</b>

- (c) The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures of the Group are as follows. The Group did not enter into any bilateral netting arrangements during the period/year and accordingly these amounts are shown on a gross basis:

	<b>The Group</b>			
	<b>As at 30 June 2004</b>		<b>As at 31 December 2003</b>	
	<b>Replacement cost</b>	<b>Credit risk weighted amount</b>	<b>Replacement cost</b>	<b>Credit risk weighted amount</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contingent liabilities and commitments	N/A	<b>1,101,291</b>	N/A	1,414,021
Exchange rate contracts	<b>59,939</b>	<b>65,181</b>	120,536	71,464
Interest rate contracts	<b>316,140</b>	<b>106,257</b>	459,238	133,659
Equity contracts	<b>65</b>	<b>294</b>	50	599
	<b>376,144</b>	<b>1,273,023</b>	579,824	1,619,743

## (12) Segmental information

- (a) *By geographical area*

	<b>The Group</b>			
	<b>2004</b>		<b>Six months ended 30 June 2003</b>	
	<b>Profit/(Loss)*</b>	<b>Operating income/(loss)</b>	<b>Profit/(Loss)*</b>	<b>Operating income/(loss)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>514,707</b>	366,415	<b>997,762</b>	985,599
Mainland China	<b>(6,724)</b>	(1,727)	<b>(1,597)</b>	–
USA	<b>5,912</b>	6,056	<b>21,036</b>	22,860
Less: Inter-segment eliminations	–	–	<b>(663)</b>	(1,346)
	<b>513,895</b>	370,744	<b>1,016,538</b>	1,007,113

\* *Profit/(loss) from ordinary activities before taxation*

Profit/(loss) from Hong Kong included share of profits of associates amounting to \$22,374,000 (2003: \$63,268,000).

	<b>The Group</b>					
	<b>As at 30 June 2004</b>			<b>As at 31 December 2003</b>		
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Contingent liabilities</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Contingent liabilities</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>78,903,738</b>	<b>66,571,704</b>	<b>11,971,422</b>	78,513,770	66,434,778	13,167,998
Mainland China	<b>395,106</b>	<b>12,797</b>	–	413,576	27,173	–
USA	<b>2,220,092</b>	<b>2,158,545</b>	<b>688,912</b>	1,911,002	1,855,577	686,159
Others	<b>220,833</b>	<b>220,833</b>	–	354,100	354,100	–
Less: Inter-segment eliminations	<b>(1,974,585)</b>	<b>(1,531,568)</b>	–	(1,274,991)	(835,854)	–
	<b>79,765,184</b>	<b>67,432,311</b>	<b>12,660,334</b>	79,917,457	67,835,774	13,854,157

The above geographical analysis is classified by the location of the principal operations of the subsidiaries or branches of its subsidiaries.

	<b>The Group</b>					
	<b>As at 30 June 2004</b>			<b>As at 31 December 2003</b>		
	<b>Advances to customers</b>	<b>Overdue loans and advances</b>	<b>Non- performing loans</b>	<b>Advances to customers</b>	<b>Overdue loans and advances</b>	<b>Non- performing loans</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Hong Kong	32,998,070	1,329,443	1,419,523	32,971,478	1,920,762	1,889,711
Mainland China	5,202,528	570,364	572,006	4,738,547	568,987	570,993
USA	649,661	50,785	50,785	611,329	51,754	51,754
Others	1,501,700	75,656	100,885	1,864,819	109,531	103,750
	<b>40,351,959</b>	<b>2,026,248</b>	<b>2,143,199</b>	<b>40,186,173</b>	<b>2,651,034</b>	<b>2,616,208</b>

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated.

Non-performing advances to customers are those advances on which interest is being placed in suspense or on which interest accrual has ceased.

(b) *By business segment*

The Group is principally engaged in the provision of banking and related financial services. The Group comprises the following main business segments:

Commercial banking business: It mainly comprises banking business, which includes retail banking, corporate banking and treasury activities.

Asset management: It mainly comprises direct investment and distressed assets management.

Investment banking: It comprises merchant banking, fund management and securities brokerage and dealing.

Unallocated: It mainly comprises the premises and any items which cannot be reasonably allocated to specific business segments.

Management considered the above reportable segments better reflect the Group's internal organisational and management structure and its system of internal financial reporting. In prior periods, retail banking, wholesale banking and treasury were separately disclosed as reportable segments and asset management was grouped under wholesale banking. The comparative figures of segmental information have been restated to conform with current period's presentation.

	<b>The Group</b>			
	<b>Six months ended 30 June</b>			
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>Profit/(Loss)*</b>	Profit/(Loss)*	<b>Operating</b>	Operating
	Restated	<b>income</b>	income	
	Restated		Restated	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Commercial banking	<b>504,744</b>	379,674	<b>999,214</b>	986,628
Asset management	<b>12,003</b>	4,905	<b>4,238</b>	19,851
Investment banking	<b>39,845</b>	22,900	–	–
Unallocated	<b>(42,697)</b>	(36,735)	<b>13,086</b>	634
	<b>513,895</b>	370,744	<b>1,016,538</b>	1,007,113

\* *Profit/(Loss) from ordinary activities before taxation*

Profit/(loss) from commercial banking and investment banking included share of losses of associates amounting to \$17,471,000 and profits of \$39,845,000 respectively (2003: share of profits of \$40,368,000 and \$22,900,000).

### (13) Capital base after deductions

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Core capital</b>		
Paid up ordinary share capital	<b>3,193,278</b>	3,189,835
Share premium	<b>1,835,157</b>	1,831,406
Reserves	<b>2,396,502</b>	2,198,658
Deduct: Goodwill	<b>(1,047,419)</b>	(1,067,029)
<b>Total core capital</b>	<b>6,377,518</b>	6,152,870
<b>Eligible supplementary capital</b>		
Reserves on revaluation of land and interests in land	<b>8,362</b>	8,362
General provisions for doubtful debts	<b>519,630</b>	546,474
Perpetual subordinated debt	<b>1,949,911</b>	1,940,783
Term subordinated debt	<b>1,403,936</b>	1,397,364
<b>Total eligible supplementary capital</b>	<b>3,881,839</b>	3,892,983
<b>Total capital base before deductions</b>	<b>10,259,357</b>	10,045,853
<b>Deductions from total capital base</b>	<b>(209,034)</b>	(596,936)
<b>Total capital base after deductions</b>	<b>10,050,323</b>	9,448,917

## (14) Currency risk

The information concerning the foreign currency exposures of the Group arising from trading, non-trading and structural positions is disclosed as follows. The net options position reported is calculated in accordance with the methods set out in the banking return “Foreign Currency Position” (MA(BS)6) submitted to the HKMA.

Equivalent in HK\$'000	The Group							
	As at 30 June 2004				As at 31 December 2003			
	US dollars	Renminbi	Other	Total	US dollars	Renminbi	Other	Total
Spot assets	26,108,546	674,584	4,395,766	31,178,896	26,366,749	598,834	5,558,178	32,523,761
Spot liabilities	(25,644,123)	(68,867)	(5,235,939)	(30,948,929)	(24,441,071)	(14,114)	(5,324,368)	(29,779,553)
Forward purchases	10,185,686	-	3,005,557	13,191,243	9,986,595	-	2,378,099	12,364,694
Forward sales	(10,750,265)	-	(2,162,819)	(12,913,084)	(8,239,058)	-	(2,621,242)	(10,860,300)
Net options position	-	-	-	-	23,051	-	128,193	151,244
Net long position	(100,156)	605,717	2,565	508,126	3,696,266	584,720	118,860	4,399,846

The net options position is calculated using the worst case approach.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1.0 Review of Operations

The Hong Kong economy continued to improve in 2004. Boosted by the individual travel scheme and Closer Economic Partnership Arrangement (“CEPA”), unemployment gradually eased and the property market also rebounded sharply. Despite the operating environment of the financial industry has improved, loan demand remained weak and margins were under pressure due to fierce competition among banks. During the period, CITIC International Financial Holdings Limited (the “Group”) actively grasped the opportunities brought about by the economic recovery and CEPA, with subsidiaries registering satisfactory performance and contributing to overall growth.

### 2.0 Business Performance

#### 2.1 Profit

The Group’s operating profit before provisions for the six months ended June 2004 was HK\$521 million, representing a fall of 3.6% from the same period last year. Due to asset quality improvement, net specific provisions in retail and corporate loans recorded a substantial drop of 92.6% and 55.0% respectively versus the same period last year. This, coupled with a HK\$27 million release in general provisions, led to a sharp fall in charge for bad and doubtful debts by 83.8% and resulted in a 58.1% increase in operating profit to HK\$483 million. However, net profit arising from associates fell 64.6% to HK\$22 million due to the less than satisfactory performance of CITIC Capital Active Partner Fund Limited as a result of market volatility. Taking into account of taxation and minority interests, profit attributable to shareholders rose to HK\$423 million, 37.9% higher than the same period last year.

#### 2.2 Net interest income

Yield on loans was under pressure due to intense competition among banks. The Group’s net interest income in the first half of 2004 was also affected. However, as HIBOR stayed at very low levels, interest expenses were substantially reduced by nearly 40% while net interest income only recorded a slight decrease of 1.0% versus the same period last year to HK\$780 million. Net interest margin saw one basis point expansion to 2.19%.

### *2.3 Non-interest income*

The Group's non-interest income recorded satisfactory growth, up 7.9% to HK\$237 million from the same period last year. This was mainly derived from the fees and commissions of retail banking (including wealth management services), fee income from corporate loans, profits from foreign currency dealings and commissions of trade bills. The proportion of non-interest income to operating income also rose to 23.3% from 21.8% in the same period last year.

### *2.4 Operating expenses*

Operating expenses for the first half of 2004 reached HK\$496 million, a 6.2% increase versus the same period last year, mainly due to a 21.3% increase in staff costs. The sharp rise in staff costs was due to newly acquired subsidiaries, change in staff mix and incentive plans. Other operating expenses that included the amortisation of the issuance cost of convertible bonds rose 19.9%. However, as CITIC Ka Wah Bank ("CKWB") implemented a rationalisation programme of office premises at the end of last year and the Group strived in controlling costs, numerous expense items fell, in particular over 17.0% savings were achieved in premises and equipment expenses. The cost to income ratio (after goodwill) fell from 50.3% at the end of last year to 48.8%.

### *2.5 Charge for bad and doubtful debts*

The Group lent conservatively and strived to maintain its asset quality. As the economy has turned around and the property market substantially rebounded, net specific provisions for retail and corporate loans recorded a sharp decline of 92.6% and 55.0% respectively from the same period last year, leading to over HK\$200 million reduction in total specific provisions. Coupled with a HK\$27 million release in general provisions, charge for bad and doubtful debts saw a sharp decline of 83.8% to HK\$38 million in the first half of 2004. The general provision coverage was 1.28%.

### *2.6 Interim dividend*

The Board are pleased to declare an interim dividend of HK\$0.066 per share, representing a pay-out ratio of 49.8%. The interim dividend for the first half of 2003 was HK\$0.03.

## **3.0 Asset Quality**

### *3.1 Assets, loans, and deposits size*

As at 30 June 2004, the Group's assets, loans and deposits were maintained at a similar level as at the end of last year. Total assets slightly dropped 0.2% from 2003 year-end to HK\$79.8 billion. Despite mortgages and loans for property investment fell 8.4% and 7.2% respectively from the end of last year, loans for use outside Hong Kong increased 27.9%. In addition, loans for transport and transport equipment, manufacturing and trade finance grew by 12.4%, 9.0% and 11.5% respectively from the end of last year, resulting in total loans falling by 0.3% to HK\$40.5 billion. Total deposits fell 0.5% from previous year-end to HK\$61.3 billion, of which HK\$56.8 billion were customer deposits, representing 0.2% decline from the end of last year.

### *3.2 Asset quality indicators*

The Group resolved HK\$650 million in problem loans in the first half of 2004. Non-performing loans dropped by HK\$473 million. The NPL ratio fell to 5.3% from 6.5% at the end of last year. The coverage ratio was 93.5%, while the loan loss coverage ratio improved from 47.1% of 2003 year-end to 51.1%.

### *3.3 Financial position*

As at 30 June 2004, the Group's unadjusted capital adequacy ratio was 18.5%. The loans to deposits ratio was 66.2%, and the loans to total assets ratio was 50.8%.

## CITIC International Financial Holdings Asset Quality Indicators

	30 June 2004	31 December 2003
Unadjusted Capital Adequacy	18.5%	18.4%
Loans to Deposits	66.2%	66.0%
Loans to Total Assets	50.8%	50.9%
Coverage	93.5%	94.1%
Loan Loss Coverage	51.1%	47.1%
General Provision Coverage	1.28%	1.34%
NPL	5.3%	6.5%

### 4.0 Core Business Development

#### 4.1 Commercial banking – CITIC Ka Wah Bank Limited

##### 4.11 Operating environment

Boosted by the individual travel scheme and CEPA, the Hong Kong economy continued to improve. In view of improving trends in employment and bankruptcies, and a rebounding property market, CKWB re-entered the retail lending market in the second quarter by launching a brand new unsecured personal loan product and a comprehensive range of mortgage plans. CKWB has pursued retail lending businesses again in an active way to build new revenue sources.

##### 4.12 Awards

CKWB was awarded a Certificate of Merit in the 2004 HKMA Quality Award organised by The Hong Kong Management Association. CKWB was the only bank that received the Quality Award this year, in recognition of its achievement in implementing quality management.

##### 4.13 Business performance

###### 4.131 Earnings

For the six months ended June 2004, CKWB's operating profit before provisions was HK\$560 million, representing a 0.3% increase from the same period in 2003. Due to improvement in asset quality, net specific provisions for retail and corporate loans dropped sharply by 92.6% and 45.2% respectively from the same period last year. Coupled with a HK\$27 million release in general provisions, charge for bad and doubtful debts dropped substantially by 76.0%, leading to a 50.9% surge in operating profit to HK\$507 million. However, as the performance of CITIC Capital Active Partner Fund Limited was adversely affected by market volatility, CKWB's net loss arising from associates amounted to HK\$17 million. Despite this, profit attributable to shareholders rose 32.3% to HK\$420 million.

###### 4.132 Net interest income

Despite yield on loans was depressed by intense competition among banks, CKWB's interest expenses declined by nearly 40% from the same period last year as it effectively lowered the funding cost. As a result, net interest income only recorded a small decrease of 1.4% to HK\$770 million. Net interest margin narrowed slightly by one basis point to 2.18% from the same period last year.

###### 4.133 Non-interest income

CKWB's non-interest income recorded favourable performance, up 11.4% to HK\$230 million from the same period last year. Wealth management services continued to register satisfactory growth. Non-interest income derived from unit trust and insurance product sales rose by 21.8% and 28.6% respectively compared to the same period last year. Fees and commission income derived from other

retail banking services surged by 52.1%. Altogether retail banking related fees and commission income amounted to HK\$113 million which accounted for 49.4% of total non-interest income. Fee income from corporate loans rose 28.4% to HK\$64 million versus the same period last year. Adding the contribution from trade bills, wholesale banking fee income amounted to HK\$86 million which accounted for 37.4% of total non-interest income. On the other hand, profits from foreign exchange dealings also recorded a 24.7% increase versus the same period last year, accounting for 12.0% of total non-interest income.

#### 4.134 Operating expenses

CKWB continued to control its operating expenses effectively. In the first half of 2004, operating expenses saw a slight increase of 2.6% to HK\$439 million, mainly due to a 16.0% increase in staff costs. The sharp rise in staff costs was due to a newly acquired subsidiary, change in staff mix and incentive plans. However, CKWB implemented a rationalisation programme of office premises at the end of last year and strived in controlling costs, resulting in a decline in numerous expense items, in particular, premises and equipment expenses dropped 18.6% versus the same period last year. The cost to income ratio (after goodwill) improved from 47.1% at the end of last year to 43.9%.

#### 4.135 Charge for bad and doubtful debts

Benefiting from the economic recovery, net specific provisions for retail and corporate loans fell sharply by 92.6% and 45.2% respectively or a reduction of approximately HK\$180 million in total compared to the same period last year. This, coupled with a HK\$27 million release in general provisions, resulted in CKWB's charge for bad and doubtful debts declining sharply by 76.0% to HK\$54 million in the first half of 2004. The general provision coverage was 1.30%.

### 4.14 Asset quality

#### 4.141 Assets, loans, and deposits size

As at 30 June 2004, total assets, loans and deposits of CKWB were maintained at a similar level as of 2003 year-end. Total assets reached HK\$76.5 billion, a slight decrease of 1.1% versus 2003 year-end. Despite mortgages and loans for property investment recorded a decline of 8.4% and 7.4% respectively, loans for use outside Hong Kong surged by 27.7%. In addition, loans for transport and transport equipment, manufacturing and trade financing increased by 12.4%, 9.0% and 13.0% respectively, resulting in a slight decrease of 0.3% in total loans and advances to HK\$40.0 billion. Total deposits decreased 1.6% to HK\$62.1 billion, of which customer deposits fell 1.4% to HK\$57.6 billion.

In the first half of 2004, CKWB issued HK\$1,250 million worth of certificates of deposit. During the period, matured certificates of deposit totalled HK\$1,463 million. At the end of June 2004, total issued certificates of deposit amounted to HK\$4,500 million.

#### 4.142 Asset quality indicators

Following the appointment of the Chief Credit and Risk Officer in November last year, CKWB employed another three senior credit and risk management executives this year, which led to further improvement in asset quality. Numerous asset quality indicators pointed to better performance.

For the first six months in 2004, CKWB resolved HK\$637 million in problem loans. Non-performing loans dropped by HK\$460 million compared to 2003 year-end. The NPL ratio fell to 4.1% from 5.3% at 2003 year-end. The coverage ratio stood at 91.7% at the end of June 2004, while the loan loss coverage ratio improved from 50.5% at the end of 2003 to 57.2%.

#### 4.143 Financial position

As at 30 June 2004, CKWB's unadjusted capital adequacy ratio was 16.7%. The loans to deposits ratio was 64.3%. The loans to total assets ratio was 52.2%. The average liquidity ratio was 47.4%.

#### **CITIC Ka Wah Bank asset quality indicators**

	<b>30 June 2004</b>	31 December 2003
Unadjusted Capital Adequacy	<b>16.7%</b>	16.3%
Loans to Deposits	<b>64.3%</b>	63.5%
Loans to Total Assets	<b>52.2%</b>	51.8%
Average Liquidity	<b>47.4%</b>	49.2%
Coverage	<b>91.7%</b>	92.9%
Loan Loss Coverage	<b>57.2%</b>	50.5%
General Provision Coverage	<b>1.30%</b>	1.36%
NPL	<b>4.1%</b>	5.3%
Mainland Loans to Total Customer Advances	<b>12.9%</b>	11.8%

#### 4.15 Business development

To assist customers in capturing the tremendous business opportunities arising from CEPA, CKWB launched China related services "RMB + China Linked Services" in the first quarter. Additionally, in light of the improving trend in unemployment and bankruptcies as a result of the economic recovery, CKWB re-entered the retail lending market in the second quarter. CKWB introduced a brand new unsecured personal loan "DollarSmart" and a comprehensive range of mortgage plans, encompassing fixed rate mortgage plans and Prime- or HIBOR-based floating rate mortgage plans. The enhanced "NOW Account" was also launched in order to cope with the changing needs of the customers.

#### **New products and services launched in the first half of 2004**

<b>Month</b>	<b>New products and services</b>
January	<ul style="list-style-type: none"><li>• "HOPE Educator" life insurance plan</li><li>• Credit Card Acquisition Campaign</li></ul>
February	<ul style="list-style-type: none"><li>• RMB+ China Linked Services</li><li>• CEPA Desk Service</li><li>• Enhanced Currency-Linked Deposit</li><li>• Credit Card – up to 5 times "Gen-X" bonus points program</li></ul>
March	<ul style="list-style-type: none"><li>• Principal Protected Currency-Linked Deposit</li><li>• Credit Card Acquisition Campaign</li><li>• Credit Card Spending Promotion to redeem fabulous gifts at discounted instalment price</li></ul>
April	<ul style="list-style-type: none"><li>• Acted as Placing Bank for HK Link 2004 Limited Retail Bond</li><li>• WARMTH Retirement with Annuity Option</li><li>• Credit Card "Statement Balance IFFI" Program</li></ul>
May	<ul style="list-style-type: none"><li>• "DollarSmart" Personal Instalment Loan</li><li>• Fixed Rate Mortgage Loan</li><li>• Credit Card "Non-Conventional IFFI" Program</li><li>• Credit Card May Spending Promotion</li><li>• Customer Member-Get-Member Mortgage Loan Referral Program</li></ul>

- June
- Comprehensive Range of Mortgage Plans
  - Relaunch of NOW Account
  - Acted as Placing Bank for The Hong Kong Mortgage Corporation Limited Retail Bond
  - CIFIC launched Export Account Receivable Discounting with Recourse to Export Insurance Agency

In the first half of 2004, the credit card business showed encouraging results. As at 30 June 2004, near to 160,000 credit cards were issued and card receivables rose by 23.4% compared to the same period last year.

In respect of corporate lending, CKWB's Wholesale Banking Group participated in seven syndicated loan facilities in the first half, contributing approximately HK\$10 million of fee income. The loan facilities that CKWB acted as the sole arranger included a HK\$580 million loan for Stone Pole Limited, a HK\$120 million loan for Egana Jewellery & Pearls Limited and a HK\$77 million loan for Artel Industries Limited. Meanwhile, CKWB worked jointly with CITIC Capital Markets Holdings Limited ("CCMH") for the first time to conclude a US\$120 million syndicated loan facility for Road King Infrastructure Limited.

#### 4.16 China banking

Despite China's adoption of the macro-tightening policy, the Mainland market still poses immense business opportunities. In response to the credit tightening by local banks, numerous quality Mainland enterprises, which need stable credit support, turned to foreign banks for loans and other services. This in turn became a good opportunity for CKWB to expand its customer base in the Mainland.

At the beginning of this year, China International Finance Company Limited (Shenzhen) ("CIFIC") officially commenced its operation and started its mortgage and commercial loan services in China. CIFIC is expected to remain profitable in 2004. It would then fulfil the requirement of two years' profitable operation and become eligible to apply for a renminbi license by early 2005.

CKWB is applying to open a branch in Macau and plans to set up a branch in Shanghai by the end of this year as a service platform for customers in the Yangtze River Delta.

#### 4.17 Business management

With the gradual implementation of the Business Excellence Model throughout the organization, CKWB has established a superb leadership model and a world-class business management system. In recognition of its achievement in quality management, CKWB was awarded the 2004 HKMA Quality Award Certificate of Merit by The Hong Kong Management Association. In order to make further enhancement in quality management, CKWB will set up work improvement teams this year to look for improvement in the seven areas of the model, namely, leadership; strategic planning; customer and market focus; measurement, analysis and knowledge management; human resource focus; process management; and business results.

### 4.2 Asset management – CITIC International Assets Management Limited

#### 4.21 Business performance

For the six months ended 30 June 2004, CITIC International Assets Management Limited ("CIAM") recorded an operating income of HK\$4 million, representing a 78.9% drop compared to the same period last year. The decline was mainly due to reduced contribution from cash management activities and loss from one listed securities investment. Operating loss before provisions during the period was HK\$3 million. Taking into account of a HK\$15 million write-back in provisions, CIAM's profit before tax in the first half was HK\$12 million, a 144.7% surge from the same period last year.

#### 4.22 Direct/structured investments

During the first half of 2004, CIAM strived for the development of its direct investments and structured investments. It aims to build up a meaningful investment portfolio by focusing resources on regions and industries with potential for significant growth and at the same time striking a balance between investment returns and risks in both the long term and the short term. As at 30 June 2004, total structured investments exceeded HK\$200 million, the scale of which is expected to expand further and provide more significant contribution to the earnings of the Group. In the second half of the year, the scale of new investments is estimated to be in the range of HK\$60 million to HK\$100 million.

Apart from the Shenzhen Guocheng Century Venture Capital Co., Ltd. established in late 2002, CIAM is actively exploring the possibilities of setting up specialised direct investment funds in joint hands with certain foreign fund houses. It is anticipated that at least one joint venture would be set up by the end of this year.

#### 4.23 Recovery of non-performing loans

In the first half of 2004, CIAM continued its efforts in the recovery of non-performing assets and generated a HK\$15 million net release in provisions, a significant improvement compared to a HK\$10 million provision charges for the same period last year. The NPL level is expected to drop further in the second half.

### 4.3 *Investment banking business – CITIC Capital Markets Holdings Limited*

#### 4.31 Business performance

With the passing of the resolution for a stake increase in CCMH at the Extraordinary General Meeting held in April this year, the Group's stake in CCMH increased from 25% to 50% effective from 29 April 2004. On 17 June this year, CITIC Frontier China Research Limited became a wholly owned subsidiary of CCMH, which enlarged the scope of services provided by CCMH to its customers.

In the first half of 2004, CCMH's net profit was HK\$86 million, representing an increase of 10.7% over the HK\$77.7 million recorded in the same period last year.

#### 4.32 Investment banking

CCMH was the sole sponsor and lead manager of the listing of Weichai Power Co., Ltd. The IPO of Weichai Power Co., Ltd. received the strongest market responses amongst all the IPOs completed during the period. The international offering was 53 times over-subscribed and the public offering was 928 times over-subscribed. Over HK\$1.3 billion were raised through this IPO. The closing price in the first day of listing was 30% higher than the IPO price. This encouraging result not only laid a remarkable milestone in the development of CCMH, but also re-affirmed its determination to become a leading China-focused investment bank.

CCMH also participated in a number of equity and debt financing exercises, including a HK\$700 million top-up share placement for Chaoda Modern Agriculture (Holdings) Limited, a HK\$350 million share placement for Asia Resources and a US\$120 million syndicated loan facility for Road King Infrastructure Limited.

#### 4.33 Asset management

During the first half of 2004, total fund under management of CCMH grew over US\$30 million. As at June 2004, the fund size of CITIC Capital China Plus Fund and CITIC Capital Global Macro Fund reached US\$41 million and US\$59 million respectively. A new fund, CITIC Capital Monhegan Global High Yield Fund of Funds, was launched in March 2004 to focus on global emerging markets in Latin America, Eastern Europe and Asia. CCMH will launch a variety of new funds in the second half of 2004 to attract those investors who are interested in the equity markets in the Greater China region.

As for private equity, riding on the success of CITIC Equity Partners Fund launched last year, another private equity fund, CITIC Japan Partners Fund, was launched in the first half of 2004 and investment commitment of US\$80 million was secured. Both funds have the objective to extract values from investing in US and Japan manufacturers which aim to relocate their manufacturing base to lower cost sites located in China.

#### 4.34 Securities brokerage

In the first half of the year, CCMH expanded its retail brokerage network by opening two new branches and hiring a number of customer service managers. Additionally, CCMH and its sister company CITIC Securities have worked closely for improvement in the areas of information exchange, customer referral, staff training and order execution, laying a solid foundation for future collaboration on the blueprint of “Qualified Domestic Institutional Investor” mechanism.

The market share of CCMH on turnover of the Stock Exchange of Hong Kong continued to grow steadily. The client profile gradually moved up from retail investors to high-income individuals and institutional investors. It is the intention of CCMH to further increase its market share through enrichment of product offerings and continuous improvement in service quality.

### 5.0 Future Development

Looking ahead, CIFH will continue to expand into the Mainland market in an active way. It is expected that CKWB would set up a new branch in Shanghai by the end of this year, and that CIFIC could make application for a renminbi license in early 2005. Since the beginning of the second quarter, CKWB has launched numerous brand new retail banking products to expand its revenue sources. In the future, CKWB would actively pursue the SME businesses and enhance the wealth management services for individuals. The Group would also strengthen its credit and risk management with a view to further enhancing its asset quality. Meanwhile, it would continue to strengthen its cooperation with other financial institutions within the CITIC Group with the aim to develop itself into a one stop financial supermarket and a cross-strait financial bridge.

### INTERIM DIVIDEND

The Board are pleased to declare an interim dividend of HK\$0.066 (2003: HK\$0.03) per share. The interim dividends will be paid on Wednesday, 15 September 2004 to all shareholders whose names are on the Register of Members of the Company on Friday, 10 September 2004.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 7 September 2004 to Friday, 10 September 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividends, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:00 p.m. on Monday, 6 September 2004.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company had not redeemed any of its listed securities during the six months ended 30 June 2004. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities during the six months ended 30 June 2004.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30 June 2004 in compliance with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 of the Listing Rules except that there is no specific term for the appointment of Independent Non-executive directors.

By Order of the Board  
**CITIC International Financial Holdings Limited**  
**Kong Dan**  
*Chairman and Chief Executive Officer*

Hong Kong, 17 August 2004

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Kong Dan (Chairman), Mr. Chang Zhenming, Mrs. Chan Hui Dor Lam Doreen, Mr. Dou Jianzhong, Mr. Fan Sheung Tak Stephen\*\*, Mr. Ju Weimin, Mr. Kong Siu Chee Kenneth, Mr. Lam Kwong Siu\*\*, Mr. Liu Jifu, Mr. Lo Wing Yat Kelvin, Mr. Wang Dongming, Mr. Yang Chao, Mr. Zhang Enzhao and Mr. Zhao Shengbiao. (\*\* Independent Non-executive Directors)