



Integrating
Strengths
Maximizing **Potential**

Chairman's Statement

I am pleased to present this first Annual Report of CITIC International Financial Holdings Limited (the 'Group') after the re-organization on 25 November 2002.

Hong Kong's economy continued to experience difficulties in 2002. Operating against this challenging environment, we continued to deliver satisfactory results, with earnings maintained largely at 2001's level. During the year, CITIC Ka Wah Bank ('CKWB') was awarded the 'Hong Kong Retail Management Association Customer Service Award'. The Bank's benchmark US\$250 million Perpetual Subordinated Guaranteed Notes was selected by The Asset, a reputable finance magazine in Asia, as the 'Best Hybrid Bank Bond Deal'. These two awards represented the market's recognition of CKWB's innovation and spirit of focused customer service.

In many respects, 2002 was a landmark year for the Group's development. CKWB celebrated its 80th anniversary and successfully acquired Hongkong Chinese Bank on 17 January. The subsequent integration was completed on 25 November, establishing CKWB as the eighth largest locally incorporated licensed bank in Hong Kong in terms of total assets. On that same day, the Group completed the re-organization of its businesses into three distinct business lines, namely, commercial banking, asset management and investment banking, thus establishing a new platform for business development. The new structure strengthens the Group's overall competitiveness, and provides entities within the Group greater strategic advantages and tremendous flexibility in collaborating with the CITIC Group and its subsidiaries.

The establishment of CITIC Holdings, the holding company of CITIC's financial businesses, in December

2002 represents a major step forward in reforming CITIC's operating structure. The primary tasks of CITIC Holdings are to strengthen the risk management of its financial businesses both within and outside the Mainland, to optimize capital allocation and resource utilization, and to build an integrated financial services platform. Its goal is to enhance the overall competitiveness and profitability of the CITIC Group through resource sharing among its financial entities, and by leveraging on CITIC's brand equity and synergies.

Being CITIC's financial flagship outside Mainland China, CITIC International Financial Holdings assumes a significant role within the CITIC Group. To overcome challenges and to capitalize on opportunities ahead, we will adhere to our spirit of innovation, and will further strengthen the co-operation with the financial entities of CITIC Holdings to fully leverage on the combined capabilities and advantages of our parent company on all fronts. By making steady progress, we strive to achieve quantum growth and attain our goal of becoming a one-stop financial supermarket and a cross-strait financial bridge in Greater China.

Finally, on behalf of the Board, I would like to take this opportunity to express my deepest gratitude to our shareholders and customers for their relentless support, and in particular to our people who deserve enormous credit for their commitment and hard work.



Kong Dan
Chairman