

1.0 經營情況

二零零四年香港經濟持續好轉，在自由行及更緊密經貿關係安排（「CEPA」）的帶動下，失業問題逐漸紓緩，物業市場亦顯著回升。金融業的經營環境雖然有所改善，但貸款需求仍然疲弱，息率亦繼續因同業的激烈競爭而受壓。期內，中信國際金融控股有限公司（「本集團」）積極掌握經濟復甦和CEPA帶來的機遇，各子公司均有良好表現，成功錄得理想的業績增長。

2.0 業績表現

2.1 盈利

本集團截至二零零四年六月底止六個月，未計準備前經營溢利為五億二千一百萬港元，較去年同期下降3.6%。由於資產素質改善，零售貸款及企業貸款的淨特殊準備分別較去年同期大幅下降92.6%及55.0%，加上一般準備撥回二千七百萬港元，令呆壞賬準備大幅下降83.8%，經營溢利因而上升58.1%至四億八千三百萬港元。惟所佔聯營公司淨溢利下跌64.6%至二千二百萬港元，原因是中信資本伙伴投資基金有限公司受市場波動影響表現欠佳。計及稅項及少數股東權益後，股東應佔溢利則較去年同期錄得37.9%的升幅，達至四億二千三百萬港元。

2.2 淨利息收入

同業競爭激烈導致貸款息率受壓，本集團二零零四年上半年淨利息收入亦受到影響，但由於香港銀行同業拆息處於非常低的水平，令利息支出大幅下降近四成，淨利息收入較去年同期只輕微下跌1.0%，錄得七億八千萬港元。淨息差較去年同期擴闊一點子至2.19%。

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%.

管理層討論及分析

(續)

2.0 業績表現 (續)

2.3 非利息收入

非利息收入錄得理想表現，較去年同期上升7.9%至二億三千七百萬港元，主要來自零售銀行（包括投資理財服務）費用及佣金、企業貸款費用收入、外匯買賣溢利及貿易票據佣金。非利息收入佔經營收入的比例，亦由去年同期的21.8%提升至23.3%。

2.4 經營支出

二零零四年上半年的經營支出較去年同期上升6.2%至四億九千九百萬港元，主要是因為新增子公司、改變員工職位組合及推行獎勵計劃，令僱員成本增加21.3%，而包括攤銷可換股債券發行成本在內的其他經營開支亦上升19.9%。但中信嘉華銀行有限公司（「中信嘉華」）在去年底進行寫字樓重整計劃，加上本集團致力控制成本，多個項目支出均告下跌，尤其是樓宇及設備支出，較去年同期節省17.0%。減商譽後成本對收入比率則由去年底的50.3%下降至48.8%。

2.5 呆壞賬準備

本集團一向審慎借貸，致力維持資產素質。隨著經濟好轉及地產市道顯著回升，零售貸款及企業貸款的淨特殊準備分別較去年同期大幅下降92.6%及55.0%，令特殊準備總額減少逾二億港元，加上一般準備撥回二千七百萬港元，二零零四年上半年的呆壞賬準備大幅下降83.8%至三千八百萬港元。一般準備覆蓋率則為1.28%。

2.6 中期股息

董事會建議派發中期股息每股6.6港仙，派息比率為49.8%。上年度之中期股息為每股3港仙。

Management Discussion and Analysis

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2.0 Business Performance (cont'd)

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 Limited ('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.

管理層討論及分析

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Management Discussion and Analysis

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3.0 資產素質

3.1 資產、貸款及存款規模

於二零零四年六月三十日，本集團的資產、貸款及存款均維持於去年底規模。總資產較二零零三年底微跌0.2%至七百九十八億港元；貸款方面，雖然按揭貸款較去年底下跌8.4%，物業投資貸款亦下跌7.2%，但用於香港以外貸款增加27.9%，加上運輸業及運輸設備、製造業及貿易融資的貸款分別較去年底上升12.4%、9.0%及11.5%，令總貸款較去年底僅微跌0.3%至四百零五億港元水平；總存款為六百一十三億港元，較去年底下跌0.5%，其中客戶存款下跌0.2%至五百六十八億港元。

3.2 資產素質指標

本集團於二零零四年上半年解決問題貸款六億五千萬港元。不良貸款較二零零三年底減少四億七千三百萬港元。不良貸款比率自去年底的6.5%下降至5.3%，覆蓋率93.5%，而貸款虧損覆蓋率則從二零零三年底的47.1%提升至51.1%。

3.3 財務狀況

於二零零四年六月三十日，本集團的未經調整資本充足比率為18.5%，貸存比率為66.2%，貸款對資產總值比率為50.8%。

中信國際金融資產素質指標

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

		二零零四年 六月三十日 30 June 2004	二零零三年 十二月三十一日 31 December 2003
未經調整資本充足比率	Unadjusted capital adequacy	18.5%	18.4%
貸存比率	Loans to deposits	66.2%	66.0%
貸款對資產總值比率	Loans to total assets	50.8%	50.9%
覆蓋率	Coverage	93.5%	94.1%
貸款虧損覆蓋率	Loan loss coverage	51.1%	47.1%
一般準備覆蓋率	General provision coverage	1.28%	1.34%
不良貸款比率	NPL	5.3%	6.5%

管理層討論及分析

(續)

4.0 主要業務發展

4.1 商業銀行－中信嘉華銀行有限公司

4.1.1 經營環境

香港經濟在自由行及CEPA的帶動下持續好轉，鑑於失業及破產問題隨著經濟復甦而改善，物業市場亦顯著回升，中信嘉華在第二季重投零售貸款市場，推出嶄新無抵押私人貸款和全面按揭貸款計劃，再度積極發展零售貸款業務，開拓收入來源。

4.1.2 再獲殊榮

中信嘉華獲香港管理專業協會頒發二零零四年優質管理優異獎，為該年度唯一獲得優質管理獎的銀行，以表揚中信嘉華在推行優質管理所取得的成績。

4.1.3 業績

4.1.3.1 盈利

截至二零零四年六月底止六個月，中信嘉華未計準備前經營溢利為五億六千萬港元，較二零零三年同期上升0.3%。由於資產素質改善，零售貸款及企業貸款的淨特殊準備分別較去年同期大幅下降92.6%及45.2%，加上一般準備撥回二千七百萬港元，呆壞賬準備大幅下降76.0%，令經營溢利上升50.9%至五億零七百萬港元。惟持有的中信資本伙伴投資基金有限公司受市場波動影響表現欠佳，所佔聯營公司錄得淨虧損一千七百萬港元。股東應佔溢利為四億二千萬港元，上升32.3%。

4.1.3.2 淨利息收入

雖然同業競爭激烈導致貸款息率受壓，但由於中信嘉華有效降低資金成本，令利息支出較去年同期大幅減少近四成，故二零零四年上半年的淨利息收入只微降1.4%至七億七千萬港元，淨息差則較去年同期輕微收窄一點子至2.18%。

Management Discussion and Analysis

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4.0 Core Business Development

4.1 Commercial banking - CITIC Ka Wah Bank Limited

4.1.1 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.

4.1.2 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.

4.1.3 Business performance

4.1.3.1 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.

4.1.3.2 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.

管理層討論及分析

(續)

4.0 主要業務發展 (續)

4.1 商業銀行－中信嘉華銀行有限公司 (續)

4.13 業績 (續)

4.133 非利息收入

非利息收入表現理想，較去年同期上升11.4%至二億三千萬港元。投資理財服務繼續錄得滿意增長，來自銷售基金及保險的非利息收入分別較去年同期上升21.8%及28.6%，其他零售銀行費用及佣金收入更強勁增加52.1%，合共錄得一億一千三百萬港元，佔非利息收入總額49.4%；企業貸款的費用收入較去年同期增加28.4%至六千四百萬港元，連同貿易票據共帶來八千六百萬港元的費用收入，佔非利息收入總額37.4%；另外，外匯買賣溢利亦較去年同期上升24.7%，佔非利息收入總額12.0%。

4.134 經營支出

中信嘉華繼續有效控制經營支出，二零零四年上半年經營支出較去年同期輕微上升2.6%至四億三千九百萬港元，主要是因為新增一間子公司、改變員工職位組合及推行獎勵計劃，令僱員成本上升16.0%。但中信嘉華在去年底進行寫字樓重整計劃，加上嚴格控制成本，令多個項目的支出下降，尤其是樓宇及設備支出，較去年同期下降了18.6%。減商譽後成本對收入比率則由去年底的47.1%進一步下調至43.9%。

4.135 呆壞賬準備

受惠於本港經濟復甦，零售貸款及企業貸款的淨特殊準備分別較去年同期大幅下降92.6%及45.2%，總額減少約一億八千萬港元，加上一般準備撥回二千七百萬港元，中信嘉華二零零四年上半年的呆壞賬準備大幅下跌76.0%至五千四百萬港元。一般準備覆蓋率則為1.30%。

Management Discussion and Analysis

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4.0 Core Business Development (cont'd)

4.1 Commercial banking - CITIC Ka Wah Bank Limited (cont'd)

4.13 Business performance (cont'd)

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%.

管理層討論及分析

(續)

4.0 主要業務發展 (續)

4.1 商業銀行－中信嘉華銀行有限公司 (續)

4.14 資產素質

4.141 資產、貸款及存款規模

於二零零四年六月三十日，中信嘉華資產、貸款及存款規模與二零零三年底相若。總資產約為七百六十五億港元，較二零零三年底減少1.1%；貸款方面，雖然按揭貸款較去年底下跌8.4%，物業投資貸款亦下跌7.4%，但用於香港以外貸款增加27.7%，加上運輸業及運輸設備、製造業及貿易融資的貸款分別較去年底上升12.4%、9.0%及13.0%，總貸款較去年底微跌0.3%至四百億港元；總存款則較去年底下跌1.6%至六百二十一億港元，其中客戶存款下跌1.4%至五百七十六億港元。

中信嘉華在二零零四年上半年發行存款證的總額達十二億五千萬港元，期內已到期的存款證總額共十四億六千三百萬港元，於二零零四年六月底的存款證總額為四十五億港元。

4.142 資產素質指標

繼去年十一月委任風險總監外，今年中信嘉華再聘請三位專責信貸及市場風險管理的高層人員，令資產素質進一步提升，多項資產素質指標都表現良好。

問題貸款方面，二零零四年上半年共解決六億三千七百萬港元問題貸款。不良貸款較二零零三年底減少了四億六千萬港元，不良貸款比率亦從二零零三年底的5.3%下降至4.1%。二零零四年六月底的覆蓋率為91.7%，而貸款虧損覆蓋率則從二零零三年底的50.5%提升至57.2%。

Management Discussion and Analysis

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4.0 Core Business Development (cont'd)

4.1 Commercial banking - CITIC Ka Wah Bank Limited (cont'd)

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%.

管理層討論及分析

(續)

Management Discussion and Analysis

(cont'd)

4.0 主要業務發展 (續)

4.1 商業銀行－中信嘉華銀行有限公司 (續)

4.14 資產素質 (續)

4.143 財務狀況

於二零零四年六月三十日，中信嘉華的未經調整資本充足比率為16.7%，貸存比率為64.3%，貸款對資產總值比率為52.2%，平均流動資金比率為47.4%。

中信嘉華資產素質指標

4.0 Core Business Development (cont'd)

4.1 Commercial banking - CITIC Ka Wah Bank Limited (cont'd)

4.14 Asset quality (cont'd)

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

		二零零四年 六月三十日 30 June 2004	二零零三年 十二月三十一日 31 December 2003
未經調整資本充足比率	Unadjusted capital adequacy	16.7%	16.3%
貸存比率	Loans to deposits	64.3%	63.5%
貸款對資產總值比率	Loans to total assets	52.2%	51.8%
平均流動資金比率	Average liquidity	47.4%	49.2%
覆蓋率	Coverage	91.7%	92.9%
貸款虧損覆蓋率	Loan loss coverage	57.2%	50.5%
一般準備覆蓋率	General provision coverage	1.30%	1.36%
不良貸款比率	NPL	4.1%	5.3%
內地放款佔總客戶 貸款比例	Mainland loans to total customer advances	12.9%	11.8%

4.15 業務擴展

為幫助客戶抓緊CEPA商機，中信嘉華在首季推出「RMB+ 中港一線通」服務。另外，鑑於失業及破產情況隨著經濟好轉而改善，中信嘉華在第二季重投零售貸款市場，推出嶄新無抵押私人貸款「DollarSmart」和全面按揭貸款計劃，涵括定息按揭及以最優惠利率或同業拆息為基準的浮息按揭。同時並因應市場及客戶需求的轉變，革新「劃時理財戶口」。

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.

管理層討論及分析

(續)

Management Discussion and Analysis

(cont'd)

4.0 主要業務發展 (續)

4.1 商業銀行－中信嘉華銀行有限公司 (續)

4.15 業務擴展 (續) 二零零四年上半年推出的新產品及服務

月份 Month	新產品及服務 New products and services
一月 January	<ul style="list-style-type: none">「展望成才」壽險計劃 'HOPE Educator' life insurance plan信用咭迎新推廣優惠 Credit Card Acquisition Campaign
二月 February	<ul style="list-style-type: none">「RMB+ 中港一線通」服務 RMB+ China Linked ServicesCEPA「更緊密經貿關係」諮詢專櫃 CEPA Desk Service提升高息貨幣聯繫存款 Enhanced Currency-Linked Deposit信用咭高達五倍「樣樣都後數」積分獎賞計劃 Credit Card - up to 5 times 'Gen-X' bonus points program
三月 March	<ul style="list-style-type: none">保本貨幣聯繫存款 Principal Protected Currency-Linked Deposit信用咭迎新推廣優惠 Credit Card Acquisition Campaign信用咭分期換購禮品優惠 Credit Card Spending Promotion to redeem fabulous gifts at discounted instalment price
四月 April	<ul style="list-style-type: none">配售香港五隧一橋有限公司零售債券 Acted as Placing Bank for HK Link 2004 Limited Retail Bond附加年金選項之「暖意」退休計劃 WARMTH Retirement with Annuity Option信用咭「月結單都分期」計劃 Credit Card 'Statement Balance IFFI' Program
五月 May	<ul style="list-style-type: none">「DollarSmart」私人貸款 'DollarSmart' Personal Instalment Loan定息按揭貸款 Fixed Rate Mortgage Loan信用咭「任何賬單都分期」計劃 Credit Card 'Non-Conventional IFFI' Program信用咭五月簽賬優惠 Credit Card May Spending Promotion「親密薦友」按揭推薦計劃 Customer Member-Get-Member Mortgage Loan Referral Program

4.0 Core Business Development (cont'd)

4.1 Commercial banking - CITIC Ka Wah Bank Limited (cont'd)

4.15 Business development (cont'd) New products and services launched in the first half of 2004

管理層討論及分析

(續)

Management Discussion and Analysis

(cont'd)

4.0 主要業務發展 (續)

4.1 商業銀行 – 中信嘉華銀行有限公司 (續)

4.15 業務擴展 (續)

月份
Month

新產品及服務
New products and services

六月
June

- 全面按揭貸款計劃
Comprehensive Range of Mortgage Plans
- 革新「劃時理財戶口」
Relaunch of 'NOW Account'
- 配售香港按揭證券有限公司零售債券
Acted as Placing Bank for The Hong Kong Mortgage Corporation Limited Retail Bond
- 中國國際財務推出有出口保險機構承保之出口應收賬貼現
CIFC launched Export Account Receivable Discounting with Recourse to Export Insurance Agency

二零零四年上半年信用咭業務成績甚為理想，截至二零零四年六月三十日止的發咭量接近十六萬張，而應收賬則較去年同期上升23.4%。

企業貸款方面，企業銀行部在上半年成功參與七宗銀團貸款的籌組，錄得約一千萬港元費用收入。當中包括在堅柱有限公司五億八千萬港元貸款、聯洲珠寶有限公司一億二千萬港元貸款及宏恩國際有限公司七千七百萬港元貸款中擔任獨家安排行；同時更首度與中信資本市場控股有限公司（「中信資本」）合作，為路勁基建有限公司籌組一億二千萬美元銀團貸款。

4.0 Core Business Development (cont'd)

4.1 Commercial banking - CITIC Ka Wah Bank Limited (cont'd)

4.15 Business development (cont'd)

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.

管理層討論及分析

(續)

4.0 主要業務發展 (續)

4.1 商業銀行 – 中信嘉華銀行有限公司 (續)

4.16 中國業務

儘管中國實施宏觀調控，市場仍然存在龐大發展機會，而且內地銀行在中央的宏觀調控下收緊信貸，一些需要穩定貸款支持的內地優質企業轉向外資銀行尋求借貸及其他服務，對中信嘉華而言反是拓展內地客源的好時機。

中國國際財務有限公司（深圳）（「中國國際財務」）今年初已正式運作，開展國內按揭及企業貸款服務，預料二零零四年將繼續取得盈利，符合須有兩年盈利的要求，可於二零零五年初申請經營人民幣業務牌照。

中信嘉華正申請在澳門開設分行，同時並計劃於本年底前開設上海分行，作為服務長三角客戶的平台。

4.17 企業管理

隨著「優質企業管理」計劃的逐步落實，中信嘉華已建立超卓的領導模式及國際級的業務管理系統。香港管理專業協會頒贈二零零四年度優質管理優異獎予中信嘉華，肯定了其在優質企業管理上的卓越成就。中信嘉華今年將繼續在領導才能；策略性規劃；顧客及市場焦點；評估、分析和知識管理；人力資源焦點；程序管理及業績七大範疇上推進，透過成立工作改善小組，務求進一步提升企業管理素質。

Management Discussion and Analysis

(cont'd)

4.0 Core Business Development (cont'd)

4.1 Commercial banking - CITIC Ka Wah Bank Limited (cont'd)

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.

管理層討論及分析

(續)

4.0 主要業務發展 (續)

4.2 資產管理－中信國際資產管理有限公司

4.2.1 業績

中信國際資產管理有限公司（「中信國際資產管理」）截至二零零四年六月三十日止六個月的經營收入為四百萬港元，較去年同期下降了78.9%，主因是現金管理收益無復去年水平，以及一宗上市股票投資錄得賬面虧損。期內未計準備前經營虧損為三百萬港元，綜合期內呆壞賬淨回撥一千五百萬港元，中信國際資產管理上半年的稅前溢利為一千二百萬港元，較去年同期大幅增加144.7%。

4.2.2 直接投資／結構性投資

於二零零四年上半年度，中信國際資產管理致力發展直接投資及結構性投資業務，目標是建立一個重點投資組合，集中資源投放具發展潛力的地域及行業，並能平衡長期與短期的投資風險與回報。截至二零零四年六月三十日，結構性投資金額已超過二億港元，並預期投資規模將持續增長，為集團盈利作出更大的貢獻。預期下半年的投資規模約六千萬港元至一億港元。

除已於二零零二年底成立的深圳國成世紀創業投資有限公司外，中信國際資產管理正積極考慮與外資公司合組專項直接投資基金。按現階段計劃，最少一個基金將於本年底前成立。

4.2.3 不良資產追收

於二零零四年上半年度中信國際資產管理持續追收不良資產，期內呆壞賬淨回撥達一千五百萬港元，較去年同期的呆壞賬淨支出一千萬港元有顯著的改善，並預期不良資產於下半年將持續下降。

Management Discussion and Analysis

(cont'd)

4.0 Core Business Development (cont'd)

4.2 Asset management - CITIC International Assets Management Limited

4.2.1 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.

4.2.2 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.

4.2.3 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.

管理層討論及分析

(續)

4.0 主要業務發展 (續)

4.3 投資銀行 – 中信資本市場控股有限公司

4.3.1 業績

本集團在今年四月舉行的股東特別大會已通過增持中信資本25%股權，自四月二十九日起，本集團持有中信資本50%權益。此外，中信投資研究有限公司在今年六月十七日成為中信資本的全資附屬公司，令中信資本的服務範圍更廣泛，以為客戶提供更全面的服務。

中信資本在二零零四年上半年錄得淨溢利八千六百萬港元，比去年同期的七千七百七十萬港元，增加10.7%。

4.3.2 投資銀行

中信資本在濰柴動力股份有限公司的上市活動中，擔當唯一保薦人及牽頭人，招股成績為同期上市股票中最受市場追捧的新股，獲國際配售超額認購五十三倍及香港公開發售超額認購九百二十八倍，集資超過十三億港元，其上市當日收市的股票價格更比招股價上升近30%。不僅在中信資本業績中寫下了輝煌的一頁，更確定了公司成為專注中國業務的領先投資銀行的決心。

此外，中信資本亦參與了多宗股票及債務融資項目，其中包括：超大現代農業（控股）有限公司七億港元的配售股份、亞洲資源控股有限公司三億五千萬港元配股的配售代理及為路勁基建有限公司安排一億二千萬美元銀團貸款。

4.3.3 資產管理

二零零四年上半年度，中信資本管理的資產金額增長超過三千萬美元。截至二零零四年六月止，中信資本中國增值基金及中信資本全球宏觀基金的基金規模分別達到四千一百萬美元及五千九百萬美元。專注於投資拉丁美洲、東歐及亞洲全球新興市場的中信資本全球高收益「債券基金中的基金」亦於二零零四年三月成立。中信資本在二零零四年下半年度將會推出更多不同類型的基金，以吸引有興趣投資於大中華地區股票市場的投資者。

Management Discussion and Analysis

(cont'd)

4.0 Core Business Development (cont'd)

4.3 Investment banking - CITIC Capital Markets Holdings Limited

4.3.1 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.

4.3.2 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 Holdings Limited and a US\$120 million syndicated loan facility for Road King Infrastructure Limited.

4.3.3 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.

管理層討論及分析

(續)

4.0 主要業務發展 (續)

4.3 投資銀行－中信資本市場控股有限公司 (續)

4.3.3 資產管理 (續)

在直接投資方面，繼去年成功推出CITIC Equity Partners Fund後，另一新基金CITIC Japan Partners Fund亦於二零零四年上半年成功吸引八千萬美元的認投金額。兩個基金均透過投資於中國低成本製造工場或公司為美國及日本的製造商獲取高回報。

4.3.4 證券業務

上半年度中信資本不斷擴充證券零售業務網絡，其間開設了兩間分行及聘請了多名客戶服務經理。此外，中信資本亦與姊妹公司中信証券於多方面合作，共同發展。在資訊交流、客戶介紹、員工培訓及交易執行方面不斷提升及改進，為雙方日後在「認可的本地機構投資者」機制合作的藍圖上，紮下根基。

中信資本在香港聯交所的市場佔有率持續穩定增長，客戶重點漸漸由散戶轉型至高收入個人客戶及機構投資者。中信資本將透過擴充產品的種類，不斷改善服務素質，從而達到最終增加其市場佔有率的目標。

5.0 未來發展

展望未來，中信國際金融將繼續積極擴展中國市場，包括計劃年底前在上海開設中信嘉華銀行分行，中國國際財務預期亦可於二零零五年初申請經營人民幣業務牌照。中信嘉華自第二季起推出多項嶄新零售銀行產品開拓收入來源後，未來將積極拓展中小企業業務及提升個人投資理財服務。本集團亦將進一步強化信貸及風險管理，提升資產素質；同時並不斷加強與中信集團系內其他金融機構的合作，向著成為一站式金融超市和兩岸三地金融橋樑的目標邁進。

Management Discussion and Analysis

(cont'd)

4.0 Core Business Development (cont'd)

4.3 Investment banking - CITIC Capital Markets Holdings Limited (cont'd)

4.3.3 Asset management (cont'd)

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 U.S. and Japan manufacturers which aim to relocate their manufacturing base to lower cost sites located in China.

4.3.4 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 CIFC 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 developing itself into a one stop financial supermarket and a cross-strait financial bridge.