

1.0 經營情況

二零零五年上半年本港經濟持續表現理想，在樓市大升以及就業市場穩步改善下，內部消費市場維持暢旺，並支持本地整體貸款初見復甦勢頭。但本港銀行同業拆息大幅飆升，定存息率相應增加，吸引資金流向定期存款，因而顯著推高銀行資金成本；另一方面，最優惠利率調升幅度並不及同業拆息的升幅，使銀行業淨息差面對異常沉重的壓力。直至五月中旬金管局推出優化聯滙措施，同業拆息轉趨平穩，最優惠利率亦逐步上調，息差的壓力才漸見紓緩。可是，市場仍然維持激烈競爭，加上經營成本趨升，均為本港金融業帶來挑戰。

中信國際金融控股有限公司（「本集團」）已採納於二零零五年一月一日生效之新頒佈及經修訂之香港財務報告準則及香港會計準則（「新會計準則」）。因此需對若干會計政策作出更改，詳情列於附註2。由於會計處理方法及各項收益表及資產負債表項目之表列方式改變，或會令若干比較數字未能作直接之比較。

1.0 Review of Operations

Hong Kong's economy continued to see satisfactory performance in the first half of 2005. Led by the booming property market and the steady improvement in employment, domestic consumption remained buoyant, and domestic lending also began to show signs of recovery. Nevertheless, local banks were confronted with the double challenge of soaring funding costs and severe net interest margin pressures, as the Hong Kong Interbank Offer Rate ("HIBOR") surged on the one hand and sparked a migration of funds to time deposits which commanded correspondingly higher rates, yet the rise in prime lending rate on the other hand failed to keep pace with the rise in HIBOR. Margin pressures only started to ease after mid-May when HIBOR stabilised and the prime lending rate started to move up progressively, following the refinements that the Hong Kong Monetary Authority introduced to the operation of the Hong Kong dollar linked exchange rate system. Yet the Hong Kong financial industry continued to be tested by intense competition and rising operating costs.

CITIC International Financial Holdings Limited (the "Group") has adopted the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new accounting standards") which came into effect on 1 January 2005. The required change in accounting policies has been described in detail in note 2. The resulting changes in accounting treatment and presentation of various profit and loss and balance sheet items may render certain comparative figures not strictly comparable.

2.0 業績表現

2.1 盈利

本集團截至二零零五年六月底止，未計減值撥備前經營溢利為四億七千四百萬港元，較去年同期下跌9.0%，主要是因為香港銀行同業拆息大幅急升及貸款息差因同業競爭激烈受壓，令淨利息收入下跌27.6%。但值得注意的是期內非利息收入持續表現良好，增長高逾七成；經營成本亦控制得宜，大致保持在去年同期水平，減輕淨利息收入下跌的影響。另一方面，資產素質改善及綜合減值撥備回撥，因而使減值撥備出現九千二百萬港元淨回撥，令經營溢利較去年同期增長17.3%至五億六千六百萬港元。期內，出售有形固定資產錄得二億五千一百萬港元淨溢利，當中包括出售嘉華銀行中心的二億二千七百萬港元收益；聯營公司方面，雖然中信資本伙伴投資基金有限公司表現隨著市場波動，但被中信資本市場控股有限公司（「中信資本」）的盈利貢獻所抵銷，所佔聯營公司溢利仍錄得一千八百萬港元；計及其他項目後，二零零五年上半年股東應佔溢利較去年同期上升70.3%，達至七億二千三百萬港元。

2.2 淨利息收入

香港銀行同業拆息大幅飆升，定期存款息率亦同步攀升，吸引儲蓄及活期存款轉移至定期存款，整體利息支出較去年同期大幅攀升124.8%；與此同時，最優惠利率與同業拆息的差距一度持續收窄，加上同業競爭激烈，令淨息差嚴重受壓；此外，因應會計處理方式的改變，資金掉期及交易組合的利息收入改以非利息收入入賬，租購業務的經紀佣金支出改以抵銷利息收入，以及已發行可換股債券應用實際息率計算而增加了利息支出，均對淨利息收入及淨息差造成負面影響。

二零零五年上半年本集團淨利息收入減少27.6%至五億六千五百萬港元。在新會計準則下，本集團去年中期的淨息差由2.19%調整至2.07%，今年中期的淨息差則為1.60%。

2.0 Business Performance

2.1 Profit

The Group's operating profit before impairment allowances for the six months ended June 2005 was HK\$474 million, representing a fall of 9.0% compared to the same period last year. The fall in profit was mainly attributed to a 27.6% decline in net interest income as a result of the substantial rise in HIBOR and intense competitive pressures on loan margins. On a brighter note, however, the Group delivered an outstanding non-interest income performance for the period with a growth of over 70% over last year, while prudent cost control measures also helped contain operating costs at basically the same level as last year. These have combined to help alleviate the impact of the sharp decline in net interest income. Meanwhile, an improvement in asset quality and a reversal in collective assessment allowances resulted in a release of impairment allowances of HK\$92 million. This led to a 17.3% increase in operating profit to HK\$566 million as compared to the same period last year. During the period, the disposal of tangible fixed assets realised a net profit of HK\$251 million, which included the HK\$227 million gain from the sale of Ka Wah Bank Centre. The Group's share of profits from associates amounted to HK\$18 million, as market-driven volatility in the performance of CITIC Capital Active Partner Fund Limited was offset by contributions from CITIC Capital Markets Holdings Limited ("CCMH"). After taking into account other items, the Group's profit attributable to shareholders rose a significant 70.3% to HK\$723 million for the first half of 2005 as compared to the same period last year.

2.2 Net interest income

The surge of HIBOR and the corollary climb in time deposit interest rates led to a migration of funds from savings and demand deposits to time deposits. As at 30 June 2005, the Group's overall interest expenses grew substantially by 124.8% year-on-year. Meanwhile, net interest margin came under severe pressure with the sustained narrowing of the Prime-HIBOR gap, and was further exacerbated by intense competition amongst banks. Net interest income and net interest margin were also adversely impacted by certain changes in accounting treatment, for instance, interest income from the funding swap and trading portfolio is to be treated as non-interest income; dealer commission expenses incurred in the hire purchase business are to be offset against interest income, and incremental interest expense is incurred from the treatment of effective interest rate of convertible bonds.

As a result, the Group's net interest income for the first half of 2005 dropped by 27.6% to HK\$565 million. Under the new accounting standards, the Group's net interest margin for the first half of 2004 was adjusted from 2.19% to 2.07%, and stood at 1.60% for the first half of 2005.

2.0 業績表現 (續)

2.3 非利息收入

二零零五年本集團之上半年非利息收入表現非常卓越，較去年同期上升72.6%至四億零九百萬港元，主要增長來自中信嘉華銀行有限公司（「中信嘉華」）的財資及零售銀行業務以及中信國際資產管理有限公司（「中信國際資產管理」）。非利息收入佔經營收入的比例，已由二零零四年上半年的23.3%大幅提升至42.0%。

2.4 經營支出

本集團審慎地控制成本，加上在新會計準則下不需作商譽攤銷，二零零五年上半年經營支出較去年同期僅輕微上升0.8%至五億港元，其中節省商譽攤銷共三千萬港元。惟因經營收入受到同業拆息上升及貸款息差受壓所影響，成本對收入比率由去年同期的48.8%上升至51.4%。

2.5 減值撥備

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，以及受惠於綜合減值撥備回撥，本集團二零零五年上半年錄得九千二百萬港元減值撥備淨回撥，而去年上半年則有三千八百萬港元淨撥備。作個別評估貸款所增之撥備為九百七十萬港元，至於作綜合評估貸款之撥備則有五千二百萬港元淨回撥。

2.6 中期股息

董事會建議派發中期股息每股十一點三港仙，派息比率為50.0%。上年度之中期股息為每股六點六港仙。

2.0 Business Performance (cont'd)

2.3 Non-interest income

For the first half of 2005, the Group's non-interest income grew substantially by 72.6% year-on-year to HK\$409 million. The growth was derived mainly from the treasury and retail banking businesses of CITIC Ka Wah Bank Limited ("CKWB") as well as from CITIC International Assets Management Limited ("CIAM"). The proportion of non-interest income to operating income rose significantly to 42.0%, up from 23.3% in the first half of 2004.

2.4 Operating expenses

The Group's prudent cost control measures, coupled with the exclusion of goodwill amortisation under the new accounting standards, led to a slight increase of 0.8% only in operating expenses to HK\$500 million for the first half of 2005. Goodwill amortisation amounting to HK\$30 million in the first half of 2005 was saved. However, the Group's operating income was affected by a rise in HIBOR and pressure on loan margins. As a result, the cost to income ratio rose to 51.4% from 48.8% during the same period last year.

2.5 Impairment allowances

The Group lent conservatively and strived to continually improve its asset quality. With the rebound in both the Hong Kong economy and property market and the benefit of a reversal in collective assessment allowances, the Group recorded a HK\$92 million release in impairment allowances for the first half of 2005, as compared to a charge of HK\$38 million for the first half of 2004. The addition in provision for individually assessed loans was HK\$9.7 million while the net release in provision for collectively assessed loans was HK\$52 million.

2.6 Interim dividend

The Board of Directors proposed an interim dividend of HK\$0.113 per share, representing a pay-out ratio of 50.0%. The interim dividend for the first half of 2004 was HK\$0.066 per share.

3.0 資產素質

3.1 資產、貸款及存款規模

於二零零五年六月底，本集團總資產為八百七十五億港元，較去年底增加4.7%；總貸款較二零零四年底上升1.6%至四百三十六億港元，主要貸款金額的增長來自住宅按揭貸款、物業投資及貿易融資；總存款則為六百三十六億港元，較二零零四年底上升1.9%。

3.2 資產素質指標

期內，多項資產素質指標均有所提升。於二零零五年六月底，特定分類貸款比率由二零零四年底的5.4%減至4.0%。在新會計準則下，本集團今年六月底錄得的減值貸款比率為4.0%，較二零零五年一月一日的5.4%改善；按新會計準則計算的覆蓋率由今年一月一日的89.6%擴大至96.6%；貸款虧損覆蓋率亦由今年一月一日的21.3%提升至24.2%。

3.3 財務狀況

於二零零五年六月底，本集團之未經調整資本充足比率為16.4%，貸存比率為68.6%，貸款對資產總值比率為49.9%。

中信國際金融資產素質指標

CITIC International Financial Holdings' Asset Quality Indicators

		二零零五年 六月三十日 30 June 2005	二零零五年 一月一日 1 January 2005	二零零四年 十二月三十一日 31 December 2004
未經調整資本充足比率	Unadjusted capital adequacy	16.4%	16.2%	15.9%
貸存比率	Loans to deposits	68.6%	68.8%	68.8%
貸款對資產總值比率	Loans to total assets	49.9%	50.7%	51.4%
特定分類貸款比率	Classified exposure	4.0%	5.4%	5.4%
減值貸款比率*	Impaired loans*	4.0%	5.4%	–
覆蓋率*	Coverage*	96.6%	89.6%	–
貸款虧損覆蓋率*	Loan loss coverage*	24.2%	21.3%	–
綜合減值撥備覆蓋率*	Collective assessment coverage*	0.68%	0.84%	–

* 按新會計準則計算

* Calculated on the basis of the new accounting standards

3.0 Asset Quality

3.1 Asset, loan, and deposit sizes

As at 30 June 2005, the Group's total assets were HK\$87.5 billion, representing a 4.7% increase from 2004 year-end. Total loans rose 1.6% from the end of 2004 to HK\$43.6 billion, driven mainly by a rise in residential mortgage, property investment and trade finance related lending. Total deposits grew by 1.9% from 2004 year-end to HK\$63.6 billion.

3.2 Asset quality indicators

During the period, the Group has improved several asset quality indicators. As at 30 June 2005, classified exposure fell to 4.0% from 5.4% at the end of 2004. Under the new accounting standards, the Group's impaired loan ratio as at 30 June 2005 improved to 4.0% from 5.4% as at 1 January 2005. Coverage as calculated on the basis of the new accounting standards expanded from 89.6% as at 1 January 2005 to 96.6%. The loan loss coverage ratio improved from 21.3% as at 1 January 2005 to 24.2%.

3.3 Financial position

As at 30 June 2005, the Group's unadjusted capital adequacy ratio was 16.4%. The loans to deposits ratio was 68.6%, and the loans to total assets ratio was 49.9%.

4.0 主要業務發展

4.1 商業銀行業務 – 中信嘉華銀行有限公司

4.11 經營情況

在二零零五年上半年裏，香港銀行業面對成本上升、息差收窄及競爭激烈的經營環境，但中信嘉華能夠積極把握經濟持續復甦帶來的機會，大力拓展財富管理，特別是保險業務，大幅提升非利息收入。同時，旗下中國國際財務有限公司(深圳) (「中國國際財務」)亦已成功取得人民幣牌照，為中信嘉華中國業務發展揭開新的一頁。

4.12 業績

4.121 盈利

截至二零零五年六月底止，中信嘉華未計減值撥備前經營溢利為四億四千八百萬港元，較去年同期下跌20.1%，主要是因為香港銀行同業拆息大幅急升及貸款息差因同業競爭激烈受壓，令淨利息收入下跌25.9%。但值得注意的是期內非利息收入持續表現良好，增長高達54.7%，抵銷部分淨利息收入下跌的影響。另一方面，由於資產素質改善及綜合減值撥備回撥，減值撥備錄得淨回撥九千七百萬港元，令經營溢利較去年同期上升7.4%至五億四千五百萬港元。期內，出售有形固定資產取得二億四千四百萬港元淨溢利，當中包括出售嘉華銀行中心的二億二千七百萬港元收益；此外，中信嘉華在中信資本伙伴投資基金有限公司的投資表現隨著市場波動，令所佔聯營公司出現一千萬港元淨虧損。計及其他項目後，二零零五年上半年股東應佔溢利較去年同期上升62.7%，達至六億八千四百萬港元。

4.0 Core Business Development

4.1 Commercial banking business – CITIC Ka Wah Bank Limited

4.11 Operating environment

The operating environment of Hong Kong's banking sector during the first half of 2005 was characterised by rising costs, narrowing interest margins and intense competition. However, CKWB successfully leveraged opportunities from the sustained economic revival by growing its wealth management business, in particular in the area of bancassurance, and managed to achieve a substantial increase in non-interest income. Another achievement came from CKWB's wholly-owned subsidiary, China International Finance Company Limited (Shenzhen) ("CIFIC"), which successfully obtained a Renminbi licence in June and thus helped CKWB embark on a new chapter in the development of its China business.

4.12 Business performance

4.121 Earnings

CKWB reported operating profit before impairment allowances of HK\$448 million for the six months ended June 2005. This represents a fall of 20.1% compared to same period last year, attributed mainly to a 25.9% decline in net interest income as a result of the substantial rise in HIBOR and intense competitive pressures on loan margins. However, this was partially offset by the sustained outstanding performance in its non-interest income by 54.7% during the period. Additionally, improvements in its asset quality and a reversal in collective assessment allowances led to a HK\$97 million release in impairment allowances. As a result, CKWB reported a 7.4% increase in operating profit to HK\$545 million as compared to the same period last year. During the period, the disposal of tangible fixed assets realised a net profit of HK\$244 million, which included the HK\$227 million gain from the sale of Ka Wah Bank Centre. Nevertheless, as the performance of CITIC Capital Active Partner Fund Limited was adversely impacted by market volatility during the period, CKWB registered a HK\$10 million share of loss from this associate. After taking into account other items, CKWB's profit attributable to shareholders for the first half of 2005 rose 62.7% to HK\$684 million compared to the same period last year.

4.0 主要業務發展 (續)

4.1 商業銀行業務 – 中信嘉華銀行有限公司 (續)

4.12 業績 (續)

4.122 淨利息收入

香港銀行同業拆息大幅飆升，定期存款息率亦同步攀升，吸引儲蓄及活期存款轉移至定期存款，整體利息支出較去年同期大幅攀升116.5%；與此同時，最優惠利率與同業拆息的差距一度持續收窄，加上同業競爭激烈，令淨息差嚴重受壓；此外，因應會計處理方式的改變，資金掉期及交易組合的利息收入改以非利息收入入賬，以及租購業務的經紀佣金支出改以抵銷利息收入，亦對淨利息收入及淨息差造成負面影響。

二零零五年上半年中信嘉華淨利息收入減少25.9%至五億七千一百萬港元。在新會計準則下，中信嘉華去年中期的淨息差由2.18%調整至2.06%，今年中期的淨息差則為1.63%。

4.123 非利息收入

二零零五年上半年中信嘉華之非利息收入表現非常理想，較去年同期大幅上升54.7%至三億五千五百萬港元，佔經營收入比例亦由去年同期的23.0%大舉提升至38.4%。其中零售銀行業務的非利息收入上升26.9%至一億五千六百萬港元，當中來自保險業務的非利息收入上升83.8%。財資業務的非利息收入更大幅上升十九倍至一億一千六百萬港元，主要是因為去年下半年推出的基金投資業務錄得理想回報所致。

4.0 Core Business Development (cont'd)

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

4.12 Business performance (cont'd)

4.122 Net interest income

The surge of HIBOR and the corollary climb in time deposit interest rates led to a migration of funds from savings and demand deposits to time deposits. As at 30 June 2005, CKWB's overall interest expenses rose substantially by 116.5% year-on-year. Meanwhile, net interest margin came under severe pressure with the sustained narrowing of the Prime-HIBOR gap, and was further exacerbated by intense competition amongst banks. Net interest income and net interest margin were also adversely impacted by certain changes in accounting treatment, for instance, interest income from funding swap and trading portfolio is to be treated as non-interest income, while dealer commission expenses incurred in the hire purchase business are to be offset against interest income.

CKWB's net interest income for the first half of 2005 dropped by 25.9% to HK\$571 million. Under the new accounting standards, CKWB's net interest margin for the first half of 2004 has been adjusted from 2.18% to 2.06%, and stood at 1.63% for the first half of 2005.

4.123 Non-interest income

For the first half of 2005, CKWB recorded a strong 54.7% growth in its non-interest income to HK\$355 million compared to the same period last year; this lifted the share of its non-interest income in its operating profit to 38.4% for the first half of 2005 from 23.0% for the corresponding period last year. The main contributor of this performance came from its Retail Banking Group which registered a 26.9% increase in non-interest income to HK\$156 million – including a sharp rise of 83.8% in insurance-related non-interest income. The other key contributor was its Treasury business, whose non-interest income soared 19 times to HK\$116 million as a result of satisfactory returns from its fund investment activities launched since the latter half of 2004.

4.0 主要業務發展 (續)

4.1 商業銀行業務 – 中信嘉華銀行有限公司 (續)

4.12 業績 (續)

4.124 經營支出

二零零五年上半年中信嘉華之經營支出較去年同期增加8.9%，增幅主要來自三方面：中信嘉華在二零零四年第二季才重投零售貸款市場，相比之下，今年上半年廣告支出增幅較大；在重整寫字樓計劃下，將嘉華銀行中心售後租回，令租金成本上漲；二零零四年起電腦軟件及設備所作出的會計估計有所改變，加速折舊支出。成本對收入比率由去年同期的43.9%上升至51.6%。

4.125 減值撥備

中信嘉華一向審慎借貸，致力維持資產素質，隨著經濟好轉及地產市道顯著回升，以及受惠於綜合減值撥備回撥，二零零五年上半年錄得九千七百萬港元減值撥備淨回撥，而去年上半年則有五千四百萬港元淨撥備。作個別評估貸款所增之撥備為三百九十萬港元，至於作綜合評估貸款之撥備則有五千二百萬港元淨回撥。

4.13 資產素質

4.131 資產、貸款及存款規模

於二零零五年六月底，中信嘉華總資產約為八百四十二億港元，較去年底增加4.9%；總貸款增加1.8%至四百三十億港元，主要貸款金額的增長來自住宅按揭貸款、物業投資及貿易融資；總存款則較二零零四年底上升2.1%至六百三十九億港元，其中客戶存款微跌0.1%至五百五十六億港元。

4.0 Core Business Development (cont'd)

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

4.12 Business performance (cont'd)

4.124 Operating expenses

CKWB's operating expenses rose by 8.9% year-on-year for the first half of 2005 due to three key factors. The first stemmed from the fact that CKWB only re-entered the personal lending market in the second quarter of 2004 and as such, advertising expenses were comparatively higher in the first half of 2005. The second stemmed from the increase in rental expenses arising from the sale and leaseback agreement of Ka Wah Bank Centre after its disposal as part of the bank's office premise rationalisation plan. The third was due to an acceleration in depreciation charge resulting from a change in accounting estimates since 2004 on computer software and equipment. As a result, the cost to income ratio rose to 51.6% from 43.9% in the same period last year.

4.125 Impairment allowances

CKWB lent conservatively and strived to continually improve its asset quality. With the rebound in both the Hong Kong economy and property market and the benefit of a reversal in collective assessment allowances, the Group recorded a HK\$97 million release in impairment allowances for the first half of 2005, as compared to a charge of HK\$54 million for the first half of 2004. The addition in provision for individually assessed loans was HK\$3.9 million while the net release in provision for collectively assessed loans was HK\$52 million.

4.13 Asset quality

4.131 Asset, loan, and deposit sizes

Total assets of CKWB were HK\$84.2 billion as at 30 June 2005, representing a 4.9% increase over the previous year-end. Total loans rose 1.8% to HK\$43.0 billion on the back of increases in residential mortgage, property investment and trade finance related lending. Despite a slight 0.1% decline in customer deposits to HK\$55.6 billion, total deposits stood at HK\$63.9 billion, or a 2.1% increase from the previous year-end.

4.0 主要業務發展 (續)

4.1 商業銀行業務 – 中信嘉華銀行有限公司 (續)

4.13 資產素質 (續)

4.132 資產素質指標

中信嘉華多項資產素質指標均有所提升。於二零零五年六月底，特定分類貸款比率由去年底之4.3%減至3.1%。在新會計準則下，中信嘉華在六月底錄得的減值貸款比率為3.1%，較二零零五年一月一日的4.3%改善；按新會計準則計算的覆蓋率由今年一月一日的86.8%擴大至95.3%。另外，六月底的按揭貸款拖欠比率為0.12%，不但較去年底的0.34%為低，並較金管局公佈的市場平均比率0.22%優勝；信用咭撇賬率亦由去年底的3.03%進一步下跌至2.19%，而金管局公佈的市場平均數則為3.19%。

惠譽國際於七月將中信嘉華的信貸評級由「BBB」提升至「BBB+」，惠譽國際指有關變動反映中信嘉華財務狀況的改善、風險管理程序及系統的持續提升及內部的創新管理。

4.133 財務狀況

於二零零五年六月底，中信嘉華的未經調整資本充足比率為16.9%，平均流動資金比率為54.3%，貸存比率為67.4%，貸款對資產總值比率為51.1%。

中信嘉華資產素質指標

CITIC Ka Wah Bank's Asset Quality Indicators

		二零零五年 六月三十日 30 June 2005	二零零五年 一月一日 1 January 2005	二零零四年 十二月三十一日 31 December 2004
未經調整資本充足比率	Unadjusted capital adequacy	16.9%	16.8%	16.5%
平均流動資金比率	Average liquidity	54.3%	47.9%	47.9%
貸存比率	Loans to deposits	67.4%	67.6%	67.6%
貸款對資產總值比率	Loans to total assets	51.1%	52.0%	52.7%
特定分類貸款比率	Classified exposure	3.1%	4.3%	4.3%
減值貸款比率*	Impaired loans*	3.1%	4.3%	–
覆蓋率*	Coverage*	95.3%	86.8%	–
貸款虧損覆蓋率*	Loan loss coverage*	20.6%	19.2%	–
綜合減值撥備覆蓋率*	Collective assessment coverage*	0.69%	0.85%	–
內地放款佔總客戶貸款比率	Mainland loans to total loans	13.3%	13.6%	13.6%

* 按新會計準則計算

* Calculated on the basis of the new accounting standards

4.0 Core Business Development (cont'd)

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

4.13 Asset quality (cont'd)

4.132 Asset quality indicators

As at 30 June 2005, CKWB reported improvements in several asset quality indicators. Classified exposure fell to 3.1% from 4.3% at the end of 2004. Under the new accounting standards, CKWB's impaired loan ratio improved to 3.1% from 4.3% as at 1 January 2005. The coverage as calculated under the new accounting standards expanded from 86.8% as at 1 January 2005 to 95.3%. Its mortgage delinquency ratio at 0.12% was not just lower than the 0.34% as at 2004 year-end, but also better than the industry average of 0.22% as released by the Hong Kong Monetary Authority. Its credit card charge-off ratio fell further from 3.03% as at the end of 2004 to 2.19%, as compared to the industry average of 3.19% as released by the Hong Kong Monetary Authority.

In July, Fitch Ratings upgraded CKWB's long-term rating from "BBB" to "BBB+". According to the credit rating agency, the upgrade reflected CKWB's improved financials, the continued enhancement of its risk management procedures and systems, as well as its innovative management.

4.133 Financial position

As at 30 June 2005, CKWB's unadjusted capital adequacy ratio was 16.9%. The average liquidity ratio was 54.3%. The loans to deposits ratio was 67.4%. The loans to total assets ratio was 51.1%.

4.0 主要業務發展 (續)

4.1 商業銀行業務 – 中信嘉華銀行有限公司 (續)

4.14 業務擴展

中信嘉華在二零零五年繼續擴闊產品及服務系列，同時特別因應市場需求，為零售及企業客戶推出多項高息存款產品，包括多宗零售存款證，以及企業銀行部與財資部於三月份合作推出的結構性存款產品「三個月期增益美元存款」。

二零零五年上半年推出的新產品及服務

New Products and Services Launched in the First Half of 2005

	新產品及服務	New Products and Services
一月 January	<ul style="list-style-type: none"> 五年期港元可贖回存款證 三年期美元可贖回利率遞增型存款證 信用咭「密密簽賬憑黃單賞您1+1美食」簽賬計劃 信用咭網上理財雙重獎賞 信用咭迎新推廣優惠 	<ul style="list-style-type: none"> Five-year HKD callable certificates of deposit Three-year USD callable step-up certificates of deposit Credit card “Enjoy Buy-One-Get-One-Free Offer With Your Sales Draft” spending programme Credit card online bill payment double reward programme Credit card acquisition campaign
二月 February	<ul style="list-style-type: none"> 信用咭旅遊保險計劃 Dollar\$mart分期貸款特快批核服務 	<ul style="list-style-type: none"> Credit card travel insurance plan Dollar\$mart personal instalment loan express approval
三月 March	<ul style="list-style-type: none"> 三個月期增益美元存款 劃時理財戶口「月月遞升額外利率獎賞計劃」 信用咭「HK\$500,000 Jackpot獎金」簽賬推廣 信用咭「Cash-In」計劃 信用咭繳交第二期稅款賺取兩倍獎賞積分 信用咭結餘轉賬計劃 	<ul style="list-style-type: none"> Three-month USD yield enhancement deposit NOW Account “Monthly Step-up Bonus Interest Rate Offer” Credit card “HKD500,000 Jackpot Sharing Programme” Credit card “Easy Cash-In” programme Earn double bonus points by settling second tax payment with credit card Credit card balance transfer programme
四月 April	<ul style="list-style-type: none"> 兩年期港元可贖回利率遞增型存款證 Dollar\$mart循環備用現金推廣 	<ul style="list-style-type: none"> Two-year HKD callable step-up certificates of deposit Dollar\$mart revolving cash card programme

4.0 Core Business Development (cont'd)

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

4.14 Business development

CKWB continued to broaden the range of its products and services in 2005. To meet the changing needs of its retail and corporate clientele, CKWB launched a series of high-yield deposit products. These included several retail certificates of deposits, as well as a “three-month USD yield enhancement deposit” jointly introduced by the Wholesale Banking Group and the Treasury and Markets Department in March.

4.0 主要業務發展 (續)

4.1 商業銀行業務 – 中信嘉華銀行有限公司 (續)

4.14 業務擴展 (續)

4.0 Core Business Development (cont'd)

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

4.14 Business development (cont'd)

	新產品及服務	New Products and Services
五月 May	<ul style="list-style-type: none"> • 三年期港元可贖回利率遞增型存款證 • 三年期美元可贖回利率遞增型存款證 • 「保證退休入息保」 • 「商業貸款及備用透支」服務 • 信用卡「簽賬有賺」推廣計劃 – 高達10倍現金回贈 • 信用卡支票透支服務 	<ul style="list-style-type: none"> • Three-year HKD callable step-up certificates of deposit • Three-year USD callable step-up certificates of deposit • “Guaranteed Retirement Income Plan” • “Business Instalment Loan And Overdraft” services • Credit card spending programme – up to 10 times cash rebate • Credit card personal line of credit
六月 June	<ul style="list-style-type: none"> • 孖展黃金買賣 • i-banking網上理財服務推出兩種雙重認證方法 • 人民幣信用卡及提款咭 • 信用卡網上繳費獎賞 • 信用卡迎新推廣優惠 • Dollar\$mart免息分期貸款推廣 	<ul style="list-style-type: none"> • Gold margin trading • Dual option i-banking two-factor authentication • RMB credit card and ATM card • Credit card online bill payment reward programme • Credit card acquisition campaign • Dollar\$mart interest-free personal instalment loan programme

中信嘉華繼去年首度推出零售存款證廣受市場歡迎後，在今年上半年再度推出多宗港元及美元存款證，同樣獲得客戶踴躍認購，合共錄得十一億四千萬港元存款。

中信嘉華信用卡繼續推出多項迎新及簽賬推廣優惠，令有關業務取得驕人成績。二零零五年上半年的新簽賬額較去年同期大幅上升80.0%至十一億七千萬港元，應收賬則較去年同期上升27.8%至五億二千八百萬港元，期內VISA International公佈的香港市場平均升幅僅分別為18.3%及4.9%。中信嘉華信用卡於今年三月獲VISA International頒發「最傑出零售簽賬額」金獎，表揚它於二零零三年十月至二零零四年九月期間在零售簽賬方面取得的超卓成績。

Following an overwhelming response towards its inaugural retail certificates of deposits in 2004, CKWB launched further programmes of HKD and USD certificates of deposits in the first half of 2005. These were met with strong customer subscriptions, drawing in total funding of HK\$1,140 million.

CKWB's credit card business also launched several card acquisition and card spending campaigns which met with resounding successes. As at 30 June 2005, total new sales increased sharply by 80.0% year-on-year to HK\$1,170 million and account receivables by 27.8% year-on-year to HK\$528 million. These compared favourably with the industry's average growth rate for new sales and account receivables at 18.3% and 4.9% respectively, according to the data released by VISA International. In March, CITIC Ka Wah Credit Card was awarded the “Outstanding Retail Sales Volume – Gold Prize” by VISA International, in recognition of its outstanding achievements in retail sales between October 2003 and September 2004.

4.0 主要業務發展 (續)

4.1 商業銀行業務 – 中信嘉華銀行有限公司 (續)

4.14 業務擴展 (續)

建基於過去成功建立的銀行保險業務模式，中信嘉華今年更進一步開拓有關業務，與宏利人壽保險(國際)有限公司訂立策略性聯盟協議，五月推出的首宗「保證退休入息保」成績斐然，在不足兩個月內已帶來一千萬港元費用收入；另外，旗下全資附屬公司中信保險服務有限公司亦於五月正式成立，它定位為客戶的保險代理人，主要為企業客戶度身訂造保險方案。

4.15 中國業務

中信嘉華中國業務在今年亦有突破性發展。首先，中國國際財務在六月二十一日獲得中國銀監會批准經營人民幣業務，使中信嘉華成為首間透過旗下附屬公司，受惠於更緊密經貿關係安排(「CEPA」)特惠措施取得內地人民幣牌照的香港銀行。透過中國國際財務的平台，中信嘉華可在全國十八個主要城市向企業客戶及非內地居民提供人民幣服務。其後，中國國際財務再在七月獲中國保險監督管理委員會發出有關財產險的保險兼業代理許可證，中國國際財務將與民安保險合作，提供外幣及人民幣財產險產品。

於二零零五年八月，中信嘉華獲澳門監管當局批准成立分行，當完成所需商業登記程序後，澳門分行將可在今年內開業，作為中信嘉華在泛珠三角的重要業務發展平台。

此外，中信嘉華並計劃在今年內申請將北京代辦處升格為分行，進一步擴展中國業務據點。

4.0 Core Business Development (cont'd)

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

4.14 Business development (cont'd)

Building on its earlier success in bancassurance, CKWB further strengthened its business in this area by entering into a strategic alliance with Manulife (International) Limited this year. Indeed, the first insurance solution launched under this new alliance, the Guaranteed Retirement Income Plan, made a remarkable impact and generated HK\$10 million in fee income in less than two months' time. Separately in May, CKWB launched its wholly-owned subsidiary, CITIC Insurance Brokers Limited, to provide insurance brokerage service to package tailor-made insurance solutions for its corporate clientele.

4.15 China banking

CKWB has also made several breakthrough developments in its China business in 2005. On 21 June 2005, CIFC received approval from the China Banking Regulatory Commission to offer Renminbi services. As a result, CKWB became the first Hong Kong bank whose subsidiary has obtained a Renminbi licence in the Mainland under the preferential measures prescribed in the Closer Economic Partnership Agreement ("CEPA"). Leveraging on the platform of CIFC, CKWB will now be able to offer Renminbi services in 18 designated Mainland cities to its corporate clients as well as to individual clients who are non-Mainland citizens. In July 2005, CIFC was granted a property insurance agency licence by the China Insurance Regulatory Commission which allows it to partner with Ming An Insurance to offer foreign currency and Renminbi property insurance products.

In August 2005, CKWB received regulatory approval from Macau to set up a local branch. Once the necessary business registration procedures are completed, the branch will begin operations within this year to serve as an important platform for CKWB's business development in the Pan Pearl River Delta region.

Meanwhile, CKWB will be applying to upgrade its Beijing representative office to branch status within 2005 with a view to further expand its foothold on the Mainland.

4.0 主要業務發展 (續)

4.2 資產管理業務 – 中信國際資產管理有限公司

4.2.1 業績

中信國際資產管理於二零零五年繼續努力管理資產組合，於二零零五年上半年錄得經營收入六千二百多萬港元，較去年同期四百多萬港元上升超過十三倍。期間未經減損及稅項前之經營溢利達五千一百多萬港元，與去年同期比較上升超過十五倍。同期因上半年有貸款及資產淨減損七百多萬港元及預期稅項支出八百多萬港元，淨利潤錄得三千五百多萬港元，較去年同期之一千四百萬港元上升近二倍。

4.2.2 問題貸款 / 資產

中信國際資產管理於二零零五年上半年在處理問題資產中獲得三千九百多萬港元收入；並成功解決了八千八百多萬港元之問題貸款，其中包括成功催收八百多萬港元貸款，與及出售超過八千萬港元的押品，令賬上問題貸款總額下降至四億二千八百萬港元的水平，較去年底下降14.9%，預期下半年度在降低問題貸款上將持續有進展。

4.2.3 直接投資 / 結構性貸款

中信國際資產管理於上半年度較著重進行投資鞏固及監控工作，以致新增投資及貸款放緩。雖然有關組合結構及規模均與去年底相若，但仍於二零零五年上半年為中信國際資產管理產生超過一千萬港元之各項收入。隨著部分項目於下半年陸續進入收成期，相信將提供更大盈利或增值貢獻。

4.2.4 同業合作

中信國際資產管理共同參股經營的深圳國成世紀創業有限公司於上半年完成全部注資，並按計劃陸續增加投資予優質項目。此外，中信國際資產管理與海外投資者繼續密切磋商，期望在擴闊合作範圍上，在是年度取得長足進展。

4.0 Core Business Development (cont'd)

4.2 Asset management business – CITIC International Assets Management Limited

4.2.1 Business performance

CIAM continues its diligence in managing its asset portfolio in 2005. For the first half of 2005, it recorded an operating income of over HK\$62 million. This represents a 13 times increase over the previous year's performance of HK\$4 million. During the period, CIAM's operating profit before impairment allowances and tax rose 15 times over the same period last year to over HK\$51 million. After accounting for over HK\$7 million worth of net loan and asset impairment and over HK\$8 million in anticipated taxation expenses for the first half of 2005, CIAM reported 2005 first-half net profit of over HK\$35 million, close to 200% increase compared to last year's first-half performance of HK\$14 million.

4.2.2 Problem loans / assets

For the first half of 2005, CIAM realised a gain of over HK\$39 million from the disposal of problem loan assets. It also resolved over HK\$88 million worth of problem loans during the period, which included the recovery of over HK\$8 million worth of loans and the sale of over HK\$80 million worth of collateral. These have combined to help reduce the book value of its aggregate problem loans to HK\$428 million, representing a 14.9% decline as compared to 2004 year-end. Further improvement is expected in the latter half of 2005 in its effort to reduce problem loans.

4.2.3 Direct investment / structured loans

During the first half of 2005, CIAM has placed more focus on strengthening and monitoring its investments, and has thus slowed down the pace of its new investments and lending activities. Although the structure and scale of its related portfolio have, as a result, remained similar to that at 2004 year-end, it was still able to generate over HK\$10 million in total revenue in the first half of 2005. It is expected that as some projects start to mature in the latter half of 2005, these are likely to generate larger profits or value-added contributions.

4.2.4 Cooperation with other investment institutions

CIAM's co-investment project, Shenzhen Guocheng Century Venture Capital Company Limited, was fully funded in the first half of 2005 and began to increase its investment in quality projects as planned. Separately, CIAM's negotiations with overseas partners to expand the scope of collaboration are on-going and are expected to achieve meaningful progress within this year.

4.0 主要業務發展 (續)

4.3 投資銀行業務 – 中信資本市場控股有限公司

4.31 業績

二零零五年上半年度挑戰頻仍。中國國家外匯管理局於今年一月發佈「關於完善外資併購外匯管理有關問題通知」十一號文件，收緊內地公司或個人於內地以外地方進行跨境投資，令部份正在考慮於香港上市的國內客戶減慢進展。加上本港多次加息，抑壓了大市的氣氛，除了少數巨型企業公開招股上市外，大部份時間市場普遍淡靜，六月開始市場才漸見恢復活動。雖然困難不少，中信資本市場控股有限公司（「中信資本」）仍錄得稅後盈利達四千四百萬港元。

4.32 投資銀行

在企業融資方面，中信資本向一家國內汽車生產商就其重組及與另一家國內主要汽車廠商成立合資企業提供顧問服務，並替中國神華能源股份有限公司在全球公開招股上市之香港公開銷售部份擔任副經辦人。此外，亦繼續向入股哈爾濱集團有限公司之財團提供投資諮詢。至於債務融資方面，剛完成為南京國際廣場提供四億五千萬元人民幣融資貸款，並另就數宗融資項目安排貸款。

4.33 資產管理

中信資本於今年六月底所管理的資產增至超過五億美元，而公開市場基金及私募投資均有增長。

期間，公開市場基金不但客戶基礎更趨廣闊，並且積極引入新產品，令選擇更豐富。其中包括CITIC Capital Greater China Discovery Fund和CITIC Capital China Century Fund，以及在美國成立的CITIC Capital Global Macro Fund LLC和CITIC Capital China Plus Fund。CITIC Capital Global Macro Fund LLC於今年五月更獲提名競逐由Eurekahedge及hedge.fundsworld主辦的亞洲對沖基金大獎之最佳亞洲宏觀基金。截至今年六月底，CITIC Capital Global Macro Fund的年化回報達15.6%，而CITIC Capital China Plus Fund更高達25.9%，均優於行業指數表現標準。

4.0 Core Business Development (cont'd)

4.3 Investment banking business – CITIC Capital Markets Holdings Limited

4.31 Business performance

The first half of 2005 was fraught with challenges for CCMH. Demand from Mainland Chinese clients to pursue Hong Kong listings has slowed down as a result of the promulgation in January of Circular 11 by China's State Administration of Foreign Exchange which sought to tighten control on cross-border capital movement by Chinese companies or individuals establishing investments outside of Mainland China. That, coupled with the successive rate hikes in Hong Kong, has dampened the market considerably. Apart from a few mega-sized initial public offerings, it was not until June that the market started to see a revival of activities. Notwithstanding such a difficult environment, CCMH managed to achieve a consolidated profit after tax of HK\$44 million.

4.32 Investment banking

On the corporate finance front, CCMH advised a major Mainland Chinese automobile company on its corporate restructuring as well as its joint venture with another major domestic auto producer. It has also co-managed the Hong Kong tranche of China Shenhua Energy Company Limited's global initial public offering. Meanwhile, CCMH continued to provide advisory service to the investment consortium on their participation in Harbin Pharmaceutical Group Holding Co., Ltd. On the debt capital markets front, it has completed a RMB450 million syndication financing for Nanjing International Plaza. Arrangements for a number of other loan syndication deals are currently underway.

4.33 Asset management

CCMH's assets under management reached over US\$500 million as at the end of June 2005, with growth registered in both its public market and private equity funds during the period.

In addition to broadening the investor base of its Public Market Funds division, it has also enhanced its product offerings with the launch of CITIC Capital Greater China Discovery Fund and CITIC Capital China Century Fund, as well as with the launch of the US parallel funds of its two flagship funds, CITIC Capital Global Macro Fund LLC and CITIC Capital China Plus Fund. CITIC Capital Global Macro Fund LLC was nominated the "Best Asia Macro Fund in the Asian Masters of Hedge Awards" in May this year, presented by Eurekahedge and hedge.fundsworld. CITIC Capital Global Macro Fund delivered an annualised return of 15.6% as at the end of June 2005, while CITIC Capital China Plus Fund delivered a 25.9% annualised return for the same period, both comparing favourably with industry benchmark index performances.

4.0 主要業務發展 (續)

4.3 投資銀行業務 – 中信資本市場控股有限公司 (續)

4.3.4 私募投資

過去六個月，中信資本旗下及由其管理的私募基金作出數項投資。透過私募基金CITIC Equity Partners, L.P.，分別投資於一家環球潤滑系統及儀器主要生產商及另一家世界領先品牌首飾、火機、配飾及鐘錶之設計及生產商。此外，並透過新成立的中信資本中國房地產投資基金，購入一幢位於上海市中心的高級辦公室及服務式住宅大廈。

4.3.5 證券業務

期間，中信資本朝既定發展方針，致力提高為企業及機構投資客戶服務的能力及擴展高資產人士的客源。同時其高素質投資報告亦廣受國際機構投資者注意，在開拓機構投資客戶方面取得持續進展。

5.0 未來發展

展望二零零五年下半年，中國經濟前景仍然樂觀，而香港在出口增長及本地消費的帶動下，預期亦會維持經濟增長。本集團作為母公司中國中信集團公司境外的上市金融旗艦，未來將繼續創造新領域，抓緊新機遇，擴闊收入來源，並進一步加強與中國中信集團公司系內其他金融機構的協同合作，致力拓展內地業務，特別是泛珠三角及長三角地區，以充份掌握中國加入世貿及CEPA進一步實施帶來的無限商機。

4.0 Core Business Development (cont'd)

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

4.3.4 Private equity investments

CCMH made a number of private equity investments during the past six months through funds affiliated and managed by it. Investments by CITIC Equity Partners, L.P. included one in a leading global manufacturer of lubrication systems and equipment and another in a leading designer and manufacturer of branded jewellery, lighters and accessories as well as clocks. Separately, its recently established CITIC Capital China Property Investment Fund purchased a major office and serviced apartment building in central Shanghai.

4.3.5 Securities brokerage

In line with its business development objectives, CCMH made continuous efforts during the period to boost its capabilities to serve corporate and institutional clients as well as to grow its high net worth client base. Concurrently, its high quality research products are gaining increased recognition from the international institutional investors community, thus enabling it to steadily expand its institutional investor client base.

5.0 Future Development

The outlook for the second half of 2005 remains promising, supported by a still-robust Chinese economy and a continuing export and domestic consumption-led economic growth in Hong Kong. As the financial flagship of CITIC Group outside Mainland China, the Group will continue to look for new horizons to expand its business, explore new business opportunities, broaden its revenue streams and further strengthen its synergistic collaboration with CITIC Group's other financial institutions. Meanwhile, the Group is committed to developing its business on the Mainland, especially in the Pan Pearl River Delta and the Yangtze River Delta regions so as to fully capitalise on the tremendous business opportunities arising from China's accession to the World Trade Organisation and the further implementation of CEPA.