MANAGEMENT DISCUSSION AND ANALYSIS

1.0 Review of Operations

The Hong Kong economy saw improvement in 2004. Boosted by a rebounding property market, growth in domestic consumption and an influx of tourists, longstanding deflationary pressures finally eased. Meanwhile, improvements in unemployment and bankruptcies, coupled with sustained robust growth in external trade and strengthening corporate confidence in business outlook, all contributed towards the improvement in the operating environment for the financial industry. However, this was offset by lingering sluggish credit demand and narrowing net interest margins caused by intense competition among banks. This in turn led to upward pressures on operating costs.

Faced with the vagaries in the economic environment, CITIC International Financial Holdings Limited (the "Group") was rigorous in its determination to identify and capture opportunities brought about by both the economic recovery in 2004 and the Closer Economic Partnership Arrangement ("CEPA"). As a result, the Group is pleased to report record profits on the back of favourable performance by all of its subsidiaries.

2.0 Business Performance

2.1 Profit

The Group's operating profit before provisions for the year ended 31 December 2004 was HK$1,039 million, representing a rise of 3.3% over 2003. The growth in profit was attributed mainly to the substantial growth in non-interest income to HK$683 million, or an increase of 48.7% over 2003. An improvement in asset quality and write-backs of provisions led to a sharp fall in charges for bad and doubtful debts by 84.8%, which resulted in a 95.5% increase in operating profit after provision to HK$961 million. Unlike 2003 when the disposal of held-to-maturity securities realised a profit of HK$125 million, no similar activity took place during 2004. Share of profits and losses of associates was amplified this year with the Group's increased stake in CITIC Capital Markets Holdings Limited ("CCMH") from 25% to 50%; however, CCMH's core contribution was offset by the underperformance of the H-share and red chip portfolio of CITIC Capital Active Partner Fund Limited, resulting in a fall in net profit arising from associates by 56.5% to HK$76 million in 2004. However, after taking into account net profits arising from the disposal of tangible fixed assets, revaluation surplus on investment properties, provision written back on held-to-maturity securities, taxation and minority interests, the Group reported a record strong performance, with net profit attributable to shareholders rising a significant 37.3% to HK$901 million for the year.

2.2 Net Interest Income

As a result of pressures on loan yields arising from intense industry competition, the Group's interest income for 2004 suffered and dropped by 11.2%. Nevertheless, helped by the persistent low level of the Hong Kong Interbank Offer Rate ("HIBOR"), the Group was able to enjoy a substantial reduction in interest expenses of 20.1%. As a result, net interest income registered only a slight decrease, down by 5.6% over 2003 to HK$1,473 million. Add to that the enhancement in the Group's asset and liability management as well as improvements in funding mix, net interest margin contracted slightly by 3 basis points to 2.1%.

2.3 Non-Interest Income

The Group's non-interest income grew substantially by 48.7% over 2003 to HK$683 million. This was derived mainly from retail banking fees and commissions (including wealth management services), fee income from corporate loans, income from investments, profits from foreign currency dealings, and commissions from trade bills. The proportion of non-interest income to operating income rose to 31.7%, up from 22.7% in 2003.

2.4 Operating Expenses

Operating expenses in 2004 reached HK$1,117 million, a 10.0% increase over 2003, due mainly to a 19.4% increase in staff costs and a one-time HK$47 million accelerated depreciation charge due to a change in accounting estimates on computer software and equipment. The sharp rise in staff costs was due to newly acquired subsidiary, changes in staff mix and sales and performance incentive plans. It should be noted, however, that with rigorous cost control measures by the Group, savings were achieved in numerous expense items; premises and equipment expenses before depreciation, in particular, fell 22.0% compared to 2003. Overall, the cost to income ratio (after goodwill) stood at 51.8%.

2.5 Charge for Bad and Doubtful Debts

The Group lent conservatively and strived to maintain its asset quality. With the rebound in both the Hong Kong economy and property market, net specific provisions for retail and corporate loans registered a sharp decline of 84.6% and 67.5%, respectively, over 2003. Total specific provisions were reduced by over HK$363 million in 2004. Coupled with a HK$25 million net release in general provisions, the charge for bad and doubtful debts saw a sharp decline of 84.8% to HK$78 million in 2004. The year's general provision coverage was 1.22 %.

2.6 Final Dividend

The Board of Directors proposed a final dividend of HK$0.075 per share. Together with an interim dividend of HK$0.066 per share, the total dividend for 2004 reached HK$0.141 per share. The year's total dividend pay-out ratio was 50.0%.

3.0 Asset Quality

3.1 Asset, Loan, and Deposit Sizes

At the end of December 2004, the Group's total assets reached HK$83.6 billion, representing an increase of 4.6% from 2003 year-end. Total loans rose 5.6% from the end of 2003 to HK$42.9 billion, due mainly to a rise in loans for use outside Hong Kong, transport and transport equipment, and trade finance. Total deposits grew by 1.4% from 2003 year-end to HK$62.4 billion, of which HK$55.5 billion were customer deposits, representing a 2.5% decline from the end of 2003.

3.2 Asset Quality Indicators

During the year, the Group has substantially improved its asset quality indicators, resolving HK$1,078 million in problem loans. As at the end of 2004, non-performing loans dropped by HK$732 million compared to the corresponding period last year. The non-performing loan ("NPL") ratio fell to 4.4% from 6.5% at the end of 2003. The loan loss coverage ratio improved from 47.1% at 2003 year-end to 56.1%, while the coverage ratio was 91.6%.

3.3 Financial Position

At the end of December 2004, the Group's unadjusted capital adequacy ratio was 15.2%. The loans to deposits ratio was 68.8%, and the loans to total assets ratio was 51.4%.

CITIC International Financial Holdings asset quality indicators		
	31 December 2004	31 December 2003
Unadjusted capital adequacy	**15.2%**	18.4%
Loans to deposits	**68.8%**	66.0%
Loans to total assets	**51.4%**	50.9%
Coverage	**91.6%**	94.1%
Loan loss coverage	**56.1%**	47.1%
General provision coverage	**1.22%**	1.34%
NPL	**4.4%**	6.5%

4.0 Core Business Development

4.1 Commercial Banking Business – CITIC Ka Wah Bank Limited ("CKWB")

4.11 Operating Environment

Boosted by the individual travel scheme and CEPA, the Hong Kong economy continued to improve. To take advantage of the improving trends in unemployment and bankruptcies, and the rebound in the property market, CKWB embarked on an aggressive growth strategy to expand its retail banking revenue streams, and re-entered the retail lending market in the second quarter of 2004 by launching a comprehensive range of mortgage plans, personal loans and loan products for small- and medium-sized enterprises ("SMEs"). At the same time, CKWB continued to pursue its strategy to capture the tremendous business opportunities afforded by the gradual opening of the Mainland market. Following its entry into the market in the Pearl River Delta region through the acquisition of China International Finance Company Limited (Shenzhen) ("CIFC") in 2003, CKWB began another chapter in its Greater China business development plan with the opening of its first Mainland branch in Shanghai in December 2004, which will serve as its platform for developing business in the Yangtze River Delta.

4.12 Business Performance

4.121 Earnings

For the year ended 31 December 2004, CKWB's operating profit before provisions was HK$1,045 million, representing a 1.6% increase over 2003. During the year, non-interest income recorded a substantial rise of 50.4% to HK$601 million. Due to improvement in asset quality and write-backs in provisions, charges for bad and doubtful debts dropped substantially by 78.8%, leading to a 70.1% surge in operating profit after provision to HK$945 million. Unlike 2003, when the disposal of held-to-maturity securities realised a profit of HK$124 million, no similar activity took place during 2004; coupled with the fact that the performance of CITIC Capital Active Partner Fund Limited was affected by the less than satisfactory performance of H-shares and red chip stocks, net loss arising from associates exceeded HK$6 million. However, after taking into account net profits arising from the disposal of tangible fixed assets, revaluation surplus on its investment properties, provision written back on held-to-maturity securities and taxation, CKWB reported a strong growth in net profit attributable to shareholders of 24.9% over 2003 to HK$816 million for the year.

4.122 Net interest income

As a result of pressures on loan yields arising from intense industry competition, CKWB's interest income for 2004 suffered and dropped by 11.2%. Nevertheless, given the enhancement in its asset and liability management, and the relaunch of the "NOW Account", which effectively lowered its funding costs, CKWB was able to achieve a reduction in interest expenses of 19.7% compared to 2003. The year's net interest income registered a small decrease of 5.9% to HK$1,456 million. Net interest margin narrowed 4 basis points to 2.09% from 2003.

4.123 Non-interest income

During the year, CKWB recorded a strong performance in its non-interest income which rose 50.4% over 2003 to HK$601 million. The proportion of non-interest income in operating profit rose substantially to nearly 30% in 2004, compared to 20.5% in 2003. Retail Banking Group registered a sharp rise of 34.3% in fees and commission income in 2004. Add to that the contribution from wealth management services, retail banking fees and commission income amounted to HK$232 million, accounting for 38.5% of total non-interest income. Its Wholesale Banking Group successfully completed 21 syndicated loan facilities in 2004, for eight of which it acted as sole arranger. As a result, fee income from corporate loans rose 5.6% over 2003 to HK$138 million. Add to that the contribution from trade bills, wholesale banking fee income amounted to HK$180 million, representing 30.0% of total non-interest income.

4.124 Operating expenses

Operating expenses rose 10.3% during the period to HK$1,012 million, due mainly to a 17.6% increase in staff costs and a one-time HK$47 million write-off in accelerated depreciation charge due to a change in accounting estimates on computer software and equipment. The sharp rise in staff costs was due to a newly acquired subsidiary, and a change in staff mix and sales and performance incentive plans. However, the rigorous efforts to control costs helped to achieve savings in numerous expense items; premises and equipment expenses before depreciation, in particular, fell 22.3% compared to 2003. The year's cost to income ratio (after goodwill) stood at 49.2%.

4.125 Charge for bad and doubtful debts

Benefiting from Hong Kong's economic recovery, net specific provisions for retail and corporate loans fell sharply by 84.6% and 57.2%, respectively. Total specific provisions were reduced by HK$300 million in 2004. Coupled with a HK$25 million net release in general provisions, CKWB's charge for bad and doubtful debts declined sharply by 78.8% to HK$101 million in 2004. The general provision coverage was 1.23%.

4.13 Asset Quality

4.131 Asset, loan, and deposit sizes

At the end of December 2004, total assets of CKWB reached HK$80.3 billion, an increase of 3.7% over 2003 year-end figures. Total loans rose 5.6% to HK$42.3 billion, due mainly to a rise in loans for use outside Hong Kong, transport and transport equipment, and trade finance. Total deposits dropped slightly by 0.8% from 2003 year-end to HK$62.6 billion, of which customer deposits fell 4.7% to HK$55.6 billion.

In 2004, CKWB issued HK$3,952 million worth of certificates of deposit. During the year, matured certificates of deposit totalled HK$1,713 million. At the end of December 2004, issued certificates of deposit totalled HK$6,960 million.

In November 2004, CKWB successfully issued a US$300 million five-year senior fixed-rate Eurobond. The offering was priced at a spread of 82 basis points over US Treasuries of a similar maturity. Through the offering, CKWB secured relatively inexpensive long-term funding for general corporate uses. In order to match the interest rate tenor of CKWB's asset, the fixed rate coupon was swapped to floating rate through an interest rate swap and achieved a credit spread of 38 basis points over LIBOR.

4.132 Asset quality indicators

During the year, CKWB employed three additional senior executives on its credit and risk management team, which helped to enhance its efforts to improve asset quality. As at the end of 2004, CKWB's credit card charge-off ratio was 3.1%, while its mortgage delinquency ratio was 0.35%. During the year, CKWB resolved HK$1,055 million in problem loans. NPLs dropped by HK$709 million compared to 2003 year-end. The NPL ratio fell significantly to 3.3% from 5.3% at 2003 year-end. The loan loss coverage ratio improved from 50.5% to 65.2%, while the coverage ratio was 88.9%.

4.133 **<u>Financial position</u>**

At the end of December 2004, CKWB's unadjusted capital adequacy ratio was 16.5%. The loans to deposits ratio was 67.6%. The loans to total assets ratio was 52.7%. The average liquidity ratio was 47.9%.

CITIC Ka Wah Bank asset quality indicators		
	31 December 2004	31 December 2003
Unadjusted capital adequacy	**16.5%**	16.3%
Loans to deposits	**67.6%**	63.5%
Loans to total assets	**52.7%**	51.8%
Average liquidity	**47.9%**	49.2%
Coverage	**88.9%**	92.9%
Loan loss coverage	**65.2%**	50.5%
General provision coverage	**1.23%**	1.36%
NPL	**3.3%**	5.3%
Mainland loans to total customer advances	**13.6%**	11.8%

4.14 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 of 2004. Additionally, in light of improving trends in unemployment and bankruptcies as a result of Hong Kong's economic recovery, CKWB re-entered the retail lending market in the second quarter of 2004. CKWB launched a brand new Dollar$mart personal instalment loan and cash card revolving loan, a comprehensive range of mortgage plans, and commercial property mortgage plans. The enhanced "NOW Account" and several high-yield deposit products were also launched in order to meet the changing needs of its customers.

New Products and Services Launched in 2004	
Month	**New Products and Services**
January	• "HOPE Educator" life insurance plan • Credit Card Acquisition Campaign
February	• RMB+ China Linked Services • CEPA Desk Service • Enhanced Currency-Linked Deposit • Credit Card – up to five times "Gen-X" bonus points programme
March	• Principal-Protected Currency-Linked Deposit • Credit Card Acquisition Campaign • Credit Card Spending Promotion to redeem fabulous gifts at discounted instalment price
April	• Acted as placing bank for HK Link 2004 Limited Retail Bond • "WARMTH" Retirement with Annuity Option • Credit Card "Statement Balance IFFI" Programme

May	• Dollar$mart Personal Instalment Loan • Fixed-Rate Mortgage Loan • Credit Card "Non-Conventional IFFI" Programme • Credit Card May Spending Promotion • Customer Member-Get-Member Mortgage Loan Referral Programme
June	• Comprehensive Range of Mortgage Plans • Relaunch of "NOW Account" • Acted as placing bank for The Hong Kong Mortgage Corporation Limited Retail Bond • CIFC launched Export Account Receivable Discounting with Recourse to Export Insurance Agency
July	• HKD Callable Step-up Certificates of Deposit • Mortgage Loan Promotion (super gift plan) • Acted as placing bank for the HKSAR Retail Bond • Credit Card July Spending Promotion
August	• 95% Mortgage Insurance Programme • Travel Insurance Plan
September	• USD Callable Step-up Certificates of Deposit • Commercial Property Mortgage Promotion • Cross-border Interacting Trade Settlement and Financing • "BRIGHT" insurance plan • Credit Card September Spending Promotion
October	• Step-up Time Deposit • BUSINESS NOW • Dollar$mart Cash Card Revolving Loan • Credit Card Macau Travel Programme and Octopus Automatic Add-value Service Enrolment Reward Programme
November	• Dollar$mart Tax Loan • Credit Card "Tax Instalment Plan" • Credit Card Christmas and New Year Offers
December	• Fixed Price Equity-Linked Investment Offers • The "Link REIT" Refund Cheque Deposit / Investment Offer • The "Pacifica" Preferential Mortgage Plan • Credit Card "Double Bonus Point" Tax Payment Offers

During the year, CKWB actively launched several credit card acquisition campaigns and card spending promotions. As a result, the credit card business showed encouraging results. As at the end of 2004, the number of CKWB credit cards in issuance met the annual target of 160,000 cards, and card receivables rose by 26.2% from 2003 to HK$538 million.

With respect to corporate lending, CKWB's Wholesale Banking Group successfully completed 21 syndicated loan facilities in 2004, for eight of which it acted as sole arranger. These included a HK$1.2 billion loan for

China Insurance H.K. (Holdings) Company Limited, a US$120 million loan for Road King Infrastructure Limited, a HK$800 million loan for Guangzhou Heidelberg YueXiu Cement Company Limited, a HK$580 million loan for Stone Pole Limited, a US$36 million loan for Jiangxu Shukang Packing Materials / Jiangsu Hengchuang Packing Materials, a HK$120 million loan for Egana Jewellery & Pearls Limited, a HK$105 million loan for Shanghai Allied Cement Holdings, and a HK$100 million loan for Topsearch International Holdings. The loan facility for Road King Infrastructure Limited also marked the first time that CKWB had worked jointly with CITIC Capital ("CCMH and its subsidiaries"). Subsequently, during the same year, CKWB also participated in a loan facility of RMB240 million and HK$40 million, arranged by CITIC Capital for Dongguan Mission Hills Golf Club.

4.15 China Banking

In December 2004, CKWB opened its first Mainland branch in Shanghai, focusing on establishing a corporate and retail client base in the Yangtze River Delta. The opening of the Shanghai branch marked an important milestone in CKWB's Mainland market development. With the approval from the China Banking Regulatory Commission, the Shanghai branch is permitted to offer foreign currency banking services to various types of customers in Mainland China. Serving as an important platform and engine for CKWB's business expansion in Mainland China, the Shanghai branch had already turned a profit in 2004 and is expected to be able to apply for a Renminbi licence in 2006 at the earliest.

CIFC continued to be profitable in 2004. Having fulfilled the requirement for two consecutive years of profitable operation, CIFC has already filed an application for a Renminbi licence. Meanwhile, CKWB has also filed an application to set up a branch in Macau, and is currently waiting for regulatory approval.

Separately, CKWB continued its efforts to deepen collaboration with CITIC Industrial Bank ("CIB"). In 2004, CKWB and CIB furthered the relationship by participating jointly in a total of five syndicated loans and club deals. Since early 2000, with the help of CIB in providing lending and product services, CKWB has been able to arrange Renminibi loans for its corporate clients, mainly through referrals to CIB.

4.16 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 in 2004, in recognition of its achievement in implementing quality management. In community services, CKWB was again awarded the "Caring Company Logo" by the Hong Kong Council of Social Service for its enduring efforts in caring for the community.

4.2 Asset Management Business – CITIC International Assets Management Limited ("CIAM")

4.21 Business Performance

CIAM began independent operation in late 2002 and was able to deliver a profit the following year. Since then, CIAM has continued its diligence in selecting investments, managing its asset portfolio with flexibility and timeliness, and strengthening its fee income business. In 2004, it recorded an operating profit of over HK$57 million, a 19.8% increase over 2003. Together with a decline in overall provisions for the year, which led to a net write-back of over HK$22 million, CIAM's profit before tax for the full year surged 705.6% to over HK$79 million compared to 2003.

4.22 Problem Loans / Assets

During 2004, CIAM successfully recovered HK$22.86 million worth of problem loans, resulting in a reduction in the book value of aggregate NPLs to just over HK$503 million. Additionally, it realised a gain of HK$25 million from the disposal of a portion of its swapped assets. Thanks to its continuous efforts over the past two years, CIAM was able to reduce the aggregate NPL amount by 24.8% compared to 2002 year-end. Its flexible, innovative and entrepreneurial approach helped it strengthen its provisions for non-performing loans and assets, paving the way for further asset and revenue generation, as well as for new business development in the future, so that it may leverage on its track record and critical strengths to grow its business in the management of distressed assets and direct investments.

4.23 Direct Investments / Structured Loans

Since 2003, CIAM has been continuously leveraging on its competitive edge and the skill sets of its professional staff to seize market opportunities and progressively diversify its business. Apart from offering corporate finance, investment and advisory services for ordinary profits, it also actively funded HK$200 million in various projects in Hong Kong and China. Having built a basket of direct investments / structure loans portfolio with a total value of HK$270 million, CIAM can now rely on a solid foundation for future growth. Certain individual projects have already attained fairly good returns, while the remaining projects will start to mature in 2005, with prospects to generate medium-to-long-term returns.

4.24 Cooperation With Other Investment Institutions

CIAM's co-invested companies with other investment institutions, Shenzhen Torch Venture Capital Management Company Limited and Guocheng Century Venture Capital Company Limited, were successively funded during 2004, and began to operate actively to seek prudent investment opportunities. Investments were made in three corporations which totalled RMB17 million; a further three to four projects have been earmarked for investment in 2005, requiring RMB20 million to RMB30 million. Meanwhile, CIAM is in active discussions with a number of overseas investors to jointly set up investment vehicles in order to broaden its investment portfolio, as well as its target partners and customers.

4.3 Investment Banking Business – CITIC Capital Markets Holdings Limited

4.31 Business Performance

At the Extraordinary General Meeting held in April 2004, a resolution was passed to allow the Group to increase its stake in CCMH from 25% to 50% with effect from 29 April 2004. Subsequently, on 17 June 2004, CITIC Frontier China Research Limited ("CFCR") became a wholly-owned subsidiary of CCMH, which enlarged the scope of services provided by CCMH to its customers.

CCMH reported a net profit after tax of HK$183 million in 2004, representing a healthy 11.4% return on average equity employed, both of which were in line with its profit and return objectives for the year. This compared to its net profit after tax of HK$269 million in 2003, the results of which were dominated by significant extraordinary trading profits and investment gains recorded for that year.

During the year, CCMH diversified its sources of income and successfully improved the quality of its earnings. Its revenues registered a 5.2% year-on-year growth, with fee and commission income as the significant contributor in place of trading profits and investment gains which characterised its 2003 revenues.

To support the continued expansion of its core businesses and products and to improve operational efficiency, CCMH realigned its organisational structure and headcount to strengthen its platform to support future growth. The impact of these efforts started to take shape in the second half of 2004. In line with these investments, total expenses increased 42.4% year-on-year. Going forward, focus will be placed on managing total operating expenses at levels that will commensurate with the requirements of business growth.

4.32 Investment Banking

On the corporate finance and equity capital markets fronts, CITIC Capital acted as the sole sponsor and bookrunner for the HK$1.3 billion listing of Weichai Power Company Limited in March 2004. The issue was well-received by the market, with overwhelming over-subscriptions and a strong post-listing share price performance. In December, CITIC Capital acted as the joint sponsor and joint lead manager for the HK$1 billion listing of Beijing Media Corporation. These successful deals helped to lay a solid foundation for CITIC Capital to excel in the Hong Kong initial public offering arena, and will continue to complement the development of our other services in secondary market placements, corporate finance, and mergers and acquisitions advisory. The year 2004 was also a fruitful one for CCMH's debt capital market business, in which it successfully deployed various innovative and flexible structures to arrange total loans for its clients of close to HK$7 billion.

4.33 Asset Management

CCMH's asset management business grew steadily in 2004, with total assets under management reaching close to US$500 million at the end of the year. Several new funds were launched during the year, including a fund of funds focusing on global emerging markets in Latin America, Eastern Europe and Asia; an equity fund focusing on Greater China stock markets and targeting Korea investors; and a private equity fund aiming at extracting values from investing in Japanese manufacturing companies with prospective benefits from the relocation of their manufacturing bases to lower-cost sites in China. All of CITIC Capital's funds achieved satisfactory investment returns and outperformed industry benchmarks during the year.

4.34 Securities Brokerage

Significant inroads were made in the further expansion of CCMH's brokerage clientele. CFCR's quality and insightful stock market research products helped secure a number of reputable institutional clients during 2004. It also enhanced its capability to serve retail clients, with the opening of additional retail brokerage outlets during the year. As a result, CITIC Capital continued to grow its market share on the turnover of the Stock Exchange of Hong Kong.

5.0 Human Resources Development

As at the end of 2004, the Group had 1,657 staff in its employment. Management firmly believes that "people" are the critical factor that distinguishes an organisation and makes it successful. In order to attract talent and retain strong performers, it has been making continuous efforts to benchmark its remuneration structure in order to ensure its competitiveness compared to industry peers. All companies under the Group offer discretionary bonus schemes aimed at cultivating common goals among employees, driving individual performance, and generating results for the Group. All bonus schemes are in direct correlation to the Group's profitability, unit performance and individual contributions.

At a shareholder meeting held on 16 March 2003, CIFH received approval to implement a new share option scheme and to simultaneously terminate the Senior Executive Share Option Scheme adopted in 1995. Details of the share option schemes are given in the Directors' Report.

The Group places a high priority on ongoing staff training and people development. During 2004, the average training per employee was 4.8 days. A total of 12,034 classes were conducted during the year, with curriculums covering a wide range of subjects, from product and computer knowledge to management, regulatory, marketing and servicing skills.

6.0 Future Development

As the financial flagship of the CITIC Group outside Mainland China, the Group will continue to leverage on the support of our parent, and its deep understanding of both the Hong Kong and China markets in order to further its business expansion on the Mainland. The Group is committed to enhancing and expanding its foothold on the Mainland, and to further strengthening its synergistic collaboration with other CITIC Group's financial institutions. Meanwhile, it will continue to strengthen its credit and risk management with a view to further enhancing its asset quality. To keep pace with market opportunities, it will continuously strive for innovation so as to fully capitalise on the tremendous business opportunities arising from China's accession to the World Trade Organisation.