



# 中信國際金融控股有限公司

CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED

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

**(Stock Code: 183)**

## **ANNOUNCEMENT OF 2007 INTERIM RESULTS**

The Board of Directors of CITIC International Financial Holdings Limited (“the Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2007 and the Group’s state of affairs as at that date together with the comparative figures. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2006 audited accounts. The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standards on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), whose unmodified review report is included in the interim report to be sent to shareholders.

## CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Interest income	3	2,346,553	1,974,240
Interest expense		(1,715,384)	(1,476,382)
<b>Net interest income</b>		<b>631,169</b>	497,858
Fee and commission income	4	391,680	255,582
Fee and commission expense		(6,756)	(6,916)
<b>Net fee and commission income</b>		<b>384,924</b>	248,666
Net trading income	5	347,762	195,048
Net (expenses)/income from financial instruments designated at fair value through profit or loss	6	(76,805)	27,729
Net hedging (loss)/gain	7	(79)	1,465
Other operating income	8	24,687	17,707
<b>Operating income</b>		<b>1,311,658</b>	988,473
<b>Operating expenses</b>	9	<b>(614,464)</b>	(530,812)
<b>Operating profit before impairment</b>		<b>697,194</b>	457,661
Impairment losses (charged for)/written back on loans and advances	10	(42,541)	6,335
Impairment losses written back on held-to-maturity investments		188	146
Impairment losses on available-for-sale securities		–	(4,849)
<b>Impairment losses (charged for)/written back</b>		<b>(42,353)</b>	1,632
Net (loss)/profit on disposal of available-for-sale securities	11	(141)	18,870
<b>Operating profit</b>		<b>654,700</b>	478,163
Gain on dilution of investment in associate		201,689	–
Net profit on disposal of property and equipment		19,534	59,042
Revaluation gain on investment properties		5,497	6,867
Share of profits of associates	12	736,777	46,087
<b>Profit before taxation</b>		<b>1,618,197</b>	590,159
Income tax	13	(107,847)	(98,721)
<b>Profit after taxation</b>		<b>1,510,350</b>	491,438
<b>Attributable to:</b>			
Equity shareholders of the Company		1,510,350	491,621
Minority interests		–	(183)
<b>Profit after taxation</b>		<b>1,510,350</b>	491,438
<b>Dividends payable to equity shareholders of the Company attributable for the period:</b>	14		
Interim dividend declared HK\$Nil (2006: HK\$0.077) per share		–	246,516
<b>Earnings per share</b>	15		
Basic		27.39¢	15.37¢
Diluted		27.27¢	14.47¢

## CONSOLIDATED BALANCE SHEET

as at 30 June 2007 – unaudited

(Expressed in Hong Kong dollars)

		As at 30 June 2007	As at 31 December 2006
	Note	HK\$'000	HK\$'000
<b>Assets</b>			
Cash and balances with banks and other financial institutions	16	2,627,945	1,267,871
Placements with banks and other financial institutions	17	11,124,093	12,038,714
Trade bills		1,071,786	491,994
Trading assets	18	6,017,817	6,414,870
Securities designated at fair value through profit or loss	19	595,068	1,003,579
Loans and advances to customers and other accounts	20	62,803,153	52,382,962
Available-for-sale securities	21	10,464,666	4,973,450
Held-to-maturity investments	22	7,965,953	10,176,493
Interest in associates	23	19,249,975	11,354,374
Property and equipment	24		
– Investment property		250,073	124,776
– Other property and equipment		801,872	874,989
Goodwill		1,007,749	1,007,749
Deferred tax assets	28	23,512	29,904
<b>Total assets</b>		<b>124,003,662</b>	<b>102,141,725</b>
<b>Equity and liabilities</b>			
Deposits and balances of banks and other financial institutions		7,536,446	831,973
Deposits from customers	25	72,988,170	65,421,831
Trading liabilities	26	370,223	428,648
Certificates of deposit issued	27	9,356,646	7,257,719
Debt securities issued		2,264,093	2,300,889
Convertible bonds issued		7,563	247,191
Current taxation	28	220,209	112,681
Deferred tax liabilities	28	18,431	22,586
Other liabilities		1,483,375	1,384,810
Loan capital	29	3,903,457	3,901,326
<b>Total liabilities</b>		<b>98,148,613</b>	<b>81,909,654</b>
<b>Equity</b>			
Share capital	31	5,755,669	5,023,422
Reserves	32	20,099,380	15,208,649
<b>Total equity attributable to equity shareholders of the Company</b>		<b>25,855,049</b>	<b>20,232,071</b>
<b>Total equity and liabilities</b>		<b>124,003,662</b>	<b>102,141,725</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***for the six months ended 30 June 2007 – unaudited**(Expressed in Hong Kong dollars)*

	Note	Six months ended 30 June			
		2007		2006	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Total equity at 1 January</b>			<b>20,232,071</b>		<b>9,455,853</b>
<b>Net income recognized directly in equity:</b>					
Exchange differences on translation of:					
– financial statements of overseas branches, subsidiaries and associates	32		<b>271,248</b>		2,222
– related borrowings	32		<b>369</b>		209
			<b>271,617</b>		2,431
Surplus on revaluation of other premises upon reclassification to investment properties, net of deferred tax	32		<b>46,918</b>		–
Changes in fair value					
– of available-for-sale securities	32		<b>(26,468)</b>		(14,982)
– transfer to income statement on disposal of available-for-sale securities	32		<b>182</b>		8,000
– transfer from equity to deferred tax	32		<b>4,600</b>		1,222
			<b>(21,686)</b>		(5,760)
Share of associates					
– fair value reserve	32		<b>(24,434)</b>		–
– share option reserve	32		<b>5,727</b>		–
			<b>(18,707)</b>		–
			<b>278,142</b>		(3,329)
<b>Profit for the period</b>			<b>1,510,350</b>		<b>491,438</b>
<b>Total recognized income and expense for the period</b>			<b>1,788,492</b>		<b>488,109</b>
Attributable to:					
– equity shareholders of the Company			<b>1,788,492</b>		488,292
– minority interests			–		(183)
			<b>1,788,492</b>		<b>488,109</b>
<b>Dividends paid during the period</b>	32		<b>(322,056)</b>		<b>(192,074)</b>

		<b>Six months ended 30 June</b>			
		<b>2007</b>		<b>2006</b>	
<i>Note</i>		<b>HK\$'000</b>	<b>HK\$'000</b>	HK\$'000	HK\$'000
<b>Movements in equity arising from capital transactions:</b>					
Share issued under the share option scheme					
				3,564	
	31	<b>4,648</b>			
		<b>14,661</b>		12,822	
	32	<b>(3,983)</b>		–	
			<b>15,326</b>		16,386
Conversion of convertible bonds into					
	31	<b>59,024</b>		–	
		<b>192,949</b>		–	
	32	<b>(11,796)</b>		–	
			<b>240,177</b>		–
Issuance of new shares					
	31	<b>668,575</b>		–	
		<b>3,229,214</b>		–	
			<b>3,897,789</b>		–
Equity-settled share-based transactions					
	32		<b>3,250</b>		(1,261)
			<b>4,156,542</b>		15,125
<b>Total equity at 30 June</b>			<b>25,855,049</b>		<b>9,767,013</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***for the six months ended 30 June 2007 – unaudited**(Expressed in Hong Kong dollars)*

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash generated from operations</b>	<b>4,371,308</b>	4,968,764
<b>Tax paid</b>	<b>(3,474)</b>	(36,266)
<b>Net cash generated from operating activities</b>	<b>4,367,834</b>	4,932,498
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,729,911)</b>	40,170
<b>Net cash generated from/(used in) financing activities</b>	<b>3,294,280</b>	(405,477)
<b>Net increase in cash and cash equivalents</b>	<b>932,203</b>	4,567,191
<b>Cash and cash equivalents at 1 January</b>	<b>12,031,996</b>	6,012,278
<b>Cash and cash equivalents at 30 June</b>	<b>12,964,199</b>	10,579,469

## NOTES TO THE INTERIM FINANCIAL REPORT – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

### (1) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standards on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. KPMG’s independent unmodified review report to the Board of Directors is included in the 2007 interim report of the Group to be sent to shareholders.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 March 2007.

### (2) Segment reporting

#### (a) By geographical areas

	Six months ended 30 June			
	2007 Profit before taxation HK\$’000	2006 Profit/(loss) before taxation HK\$’000	2007 Operating income HK\$’000	2006 Operating income HK\$’000
Hong Kong	817,674	563,171	1,210,314	922,588
Mainland China	573,515	12,747	51,164	27,633
USA	17,921	15,598	36,798	33,302
Others	208,805	(1,438)	13,331	4,869
Less: Inter-segment items	282	81	51	81
	<b>1,618,197</b>	<b>590,159</b>	<b>1,311,658</b>	<b>988,473</b>

Profit/(loss) before taxation from Hong Kong included share of profits of associates amounting to HK\$191,677,000 (30 June 2006: HK\$46,087,000).

Profit/(loss) before taxation from Mainland China included share of profits of associates amounting to HK\$545,100,000 (30 June 2006: Nil).

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

(b) *By business segments*

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

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

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

Investment banking: It mainly comprises merchant banking and fund management.

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

	<b>Six months ended 30 June</b>			
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>Profit before taxation</b>	Profit before taxation	<b>Operating income</b>	Operating income/(loss)
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Commercial banking business	<b>1,193,480</b>	445,433	<b>1,288,656</b>	988,336
Asset management	<b>37,312</b>	21,863	–	17,249
Investment banking	<b>154,365</b>	45,698	–	–
Unallocated	<b>233,040</b>	77,165	<b>23,002</b>	(17,112)
	<b><u>1,618,197</u></b>	<u>590,159</u>	<b><u>1,311,658</u></b>	<u>988,473</u>

Profit before taxation from commercial banking business, asset management and investment banking included share of profit of associates amounting to HK\$545,100,000, HK\$37,312,000 and HK\$154,365,000 respectively (six months ended 30 June 2006: share of profit of associates amounting to HK\$NIL and profits of HK\$389,000 and HK\$45,698,000 respectively).



(3) **Interest income**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Listed securities	<b>231,783</b>	256,964
Unlisted securities	<b>189,144</b>	238,105
Others	<b>1,925,626</b>	1,479,171
	<b><u>2,346,553</u></b>	<b><u>1,974,240</u></b>

Other interest income includes the amount of interest income accrued on impaired financial assets of HK\$16,436,000 (2006: HK\$30,686,000), which includes interest income on unwinding of discount on loan impairment losses of HK\$906,000 (2006: HK\$24,236,000) for the period ended 30 June 2007.

(4) **Fee and commission income**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bills commission	<b>29,848</b>	22,542
Cards related income	<b>17,473</b>	16,122
General banking services	<b>24,605</b>	23,244
Insurance	<b>55,825</b>	35,582
Investment and structured investment products	<b>111,537</b>	54,958
Loans, overdrafts and facility fee	<b>151,960</b>	102,829
Others	<b>432</b>	305
	<b><u>391,680</u></b>	<b><u>255,582</u></b>

(5) **Net trading income**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gains less losses from dealing in foreign currencies	<b>66,357</b>	70,083
Gains less losses from trading securities	<b>156,500</b>	40,781
Gains less losses from other dealing activities	<b>22,913</b>	(26,735)
Interest income on trading assets		
– Listed	<b>12,746</b>	29,918
– Unlisted	<b>73,545</b>	66,971
Interest expense on trading liabilities	<b>–</b>	(2,089)
Dividend income from unlisted trading securities	<b>15,701</b>	16,119
	<b><u>347,762</u></b>	<b><u>195,048</u></b>

(6) **Net (expenses)/income from financial instruments designated at fair value through profit or loss**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net (loss)/gain	<b>(20,180)</b>	54,269
Interest income		
– Listed	<b>14,622</b>	18,110
– Unlisted	<b>6,078</b>	–
Interest expense	<b>(77,325)</b>	(44,650)
	<b>(76,805)</b>	<b>27,729</b>

(7) **Net hedging (loss)/gain**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value hedge (loss)/gain	<b>(79)</b>	1,465

(8) **Other operating income**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend income from available-for-sale securities		
– Unlisted	<b>2,960</b>	3,097
Rental income from investment properties less direct outgoings of HK\$NIL (2006: HK\$12,000)	<b>4,558</b>	2,034
Others	<b>17,169</b>	12,576
	<b>24,687</b>	<b>17,707</b>

(9) Operating expenses

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
<b>(a) Staff costs</b>		
Salaries and other staff costs	349,241	281,039
Retirement costs	20,147	19,591
Share-based payment expenses		
– Equity-settled share-based payment expenses	3,047	2,223
– Cash-settled share-based payment expenses	8,690	4,455
	<u>381,125</u>	<u>307,308</u>
<b>(b) Depreciation</b>		
Depreciation of property and equipment		
– Assets held for use under operating leases	7,618	3,357
– Other assets	38,149	50,651
	<u>45,767</u>	<u>54,008</u>
<b>(c) Other operating expenses</b>		
Property and equipment expenses, excluding depreciation		
– Rental of property	38,459	35,583
– Others	34,766	30,804
Auditors' remuneration	2,532	1,789
Advertising	20,685	17,689
Communication, printing and stationery	29,818	28,286
Legal and professional fee	6,176	4,666
Others	55,136	50,679
	<u>187,572</u>	<u>169,496</u>
<b>Total operating expenses</b>	<u>614,464</u>	<u>530,812</u>

Included in other operating expenses are minimum lease payment under operating leases of HK\$993,000 (2006: HK\$466,000) for hire of equipment and HK\$36,067,000 (2006: HK\$35,368,000) for hire of other assets (including property rentals).

**(10) Impairment losses (charged for)/written back on loans and advances**

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Individual assessment (charged for)/written back		
– Additions	(58,216)	(101,334)
– Releases	2,019	48,561
– Recoveries	21,298	23,399
	<u>(34,899)</u>	<u>(29,374)</u>
Collective assessment (charged for)/written back	<u>(7,642)</u>	<u>35,709</u>
	<u><b>(42,541)</b></u>	<u><b>6,335</b></u>

**(11) Net (loss)/profit on disposal of available-for-sale securities**

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net revaluation gain transferred from reserves ( <i>note 32</i> )	182	8,000
(Loss)/profit arising in current period	<u>(323)</u>	<u>10,870</u>
	<u><b>(141)</b></u>	<u><b>18,870</b></u>

**(12) Share of profits of associates**

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Share of profits of associates	691,051	46,087
Less: Intangible asset amortization, net of deferred tax	(6,567)	–
Add: Deferred tax on intangible asset written-back	52,293	–
	<u><b>736,777</b></u>	<u><b>46,087</b></u>

The write-back of the deferred tax was due to a reduction in the tax rate from 33% to 25% following the promulgation by the PRC government of the new Corporate Income Tax Law. The deferred tax liabilities in respect of the intangibles fell from HK\$217 million to HK\$165 million, and a corresponding gain of HK\$52 million was recognized in the income statement.

(13) **Income tax in the consolidated income statement**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	<b>107,070</b>	81,307
Over provision in respect of prior years	<b>–</b>	(747)
	<b>107,070</b>	80,560
<b>Current tax – Overseas</b>		
Provision for the period	<b>3,893</b>	1,910
	<b>3,893</b>	1,910
<b>Deferred tax</b>		
(Reversal)/origination of temporary differences ( <i>note 28(b)</i> )	<b>(3,116)</b>	16,251
	<b>107,847</b>	98,721

The provision of Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) of the estimated assessable profits for the period. Taxation for branches of the wholly-owned subsidiary, CITIC Ka Wah Bank Limited (“CKWB”), and subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

(14) **Dividends**

(a) *Dividends attributable to the interim period*

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared of HK\$Nil per share (2006: HK\$0.077 per share)	<b>–</b>	246,516

The interim dividend has not been recognized as a liability at the balance sheet date.

(b) *Dividends attributable to the previous financial year, approved and paid during the interim period*

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the financial year ended 31 December 2006, approved and paid during the following interim period, of HK\$0.056 per ordinary share (year ended 31 December 2005: HK\$0.06 per ordinary share)	<b>321,000</b>	191,872
Final dividend in respect of the previous financial year on ordinary shares issued under the Share Option Scheme subsequent to the balance sheet date and before the close of the Register of Members of the Company	<b>1,056</b>	202
	<b>322,056</b>	192,074

**(15) Earnings per share**

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on profit attributable to ordinary equity shareholders of the Company of HK\$1,510,350,000 (six months ended 30 June 2006: HK\$491,621,000) and the weighted average number of ordinary shares of 5,514,687,452 (2006: 3,199,247,550).

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on adjusted profit attributable to ordinary equity shareholders of the Company of HK\$1,511,654,000 (six months ended 30 June 2006: HK\$510,659,000) and the weighted average number of ordinary shares of 5,543,436,679 (2006: 3,528,158,751), after adjusting for the effects of all dilutive potential ordinary shares.

**(16) Cash and balances with banks and other financial institutions**

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash in hand	<b>138,822</b>	155,147
Balances with central banks	<b>53,864</b>	27,694
Balances with banks and other financial institutions	<b>2,435,259</b>	1,085,030
	<b>2,627,945</b>	1,267,871

**(17) Placements with banks and other financial institutions**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Maturing		
– within 1 month	9,635,856	8,971,727
– between 1 month and 1 year	1,488,237	3,066,987
	<b>11,124,093</b>	<b>12,038,714</b>

**(18) Trading assets**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Debt securities	3,367,426	3,211,734
Equity securities	6,676	–
Investment funds	2,324,641	2,848,045
Trading securities	5,698,743	6,059,779
Positive fair value of derivatives ( <i>note 34(b)</i> )	319,074	355,091
	<b>6,017,817</b>	<b>6,414,870</b>

**Issued by:**

Central governments and central banks	596	599
Public sector entities	4,202	10,395
Banks and other financial institutions	620,157	583,401
Corporate entities	5,073,788	5,465,384
	<b>5,698,743</b>	<b>6,059,779</b>

**Analyzed by place of listing:**

Listed in Hong Kong	2,772	3,296
Listed outside Hong Kong	1,049,203	1,077,026
	<b>1,051,975</b>	<b>1,080,322</b>
Unlisted	4,646,768	4,979,457
	<b>5,698,743</b>	<b>6,059,779</b>

**(19) Securities designated at fair value through profit or loss**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Debt securities issued by corporate entities	595,068	959,436
Investment funds issued by corporate entities	–	44,143
	<b>595,068</b>	<b>1,003,579</b>

**Analyzed by place of listing:**

Listed in Hong Kong	138,000	153,750
Listed outside Hong Kong	120,859	221,092
	<b>258,859</b>	374,842
Unlisted	336,209	628,737
	<b>595,068</b>	<b>1,003,579</b>

Financial assets are designated at fair value including financial assets with embedded derivatives or financial assets with the corresponding derivative financial instrument. Also, investment funds are designated at fair value through profit or loss as they are held for backing certain fund-linked structured note issued, thus eliminating or significantly reducing the accounting mismatch.

**(20) Loans and advances to customers and other accounts**

*(a) Loans and advances to customers and other accounts less impairment allowances*

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Gross loans and advances to customers	60,320,814	50,685,350
Impairment allowances		
– Individually assessed	(86,604)	(76,360)
– Collectively assessed	(256,914)	(253,166)
	<b>59,977,296</b>	50,355,824
Advances to banks and other financial institutions	1,370,818	353,824
Accrued interest and other accounts less impairment allowances	1,455,039	1,673,314
	<b>62,803,153</b>	<b>52,382,962</b>



(b) *Loans and advances to customers analyzed by industry sectors*

The following economic sector analysis is based on categories and definitions used by the Hong Kong Monetary Authority (“HKMA”).

	<b>As at 30 June 2007</b>	<b>As at 30 June 2007</b>	As at 31 December 2006
	<b>HK\$'000</b>	<b>% of loans and advances covered by collateral*</b>	<b>HK\$'000</b>
Industrial, commercial and financial			
– Property development	<b>125,000</b>	<b>20.0</b>	205,155
– Property investment	<b>6,064,376</b>	<b>97.9</b>	5,370,620
– Financial concerns	<b>2,765,445</b>	<b>52.9</b>	3,315,125
– Stockbrokers	<b>4,885,725</b>	<b>98.4</b>	50,000
– Wholesale and retail trade	<b>3,093,567</b>	<b>58.3</b>	2,885,044
– Manufacturing	<b>4,347,079</b>	<b>33.2</b>	3,370,282
– Transport and transport equipment	<b>3,127,832</b>	<b>84.4</b>	3,467,330
– Recreational activities	<b>100,000</b>	<b>100.0</b>	143,763
– Information technology	<b>28,308</b>	<b>98.8</b>	52,082
– Others	<b>2,382,827</b>	<b>75.3</b>	2,468,601
Individuals			
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	<b>27,466</b>	<b>100.0</b>	16,054
– Loans for the purchase of other residential properties	<b>11,307,450</b>	<b>99.9</b>	11,446,698
– Credit card advances	<b>448,763</b>	<b>0.0</b>	535,293
– Others	<b>2,157,545</b>	<b>84.5</b>	1,693,327
Gross loans and advances for use in Hong Kong	<b>40,861,383</b>	<b>81.2</b>	35,019,374
Trade finance	<b>4,285,829</b>	<b>46.1</b>	3,508,201
Gross loans and advances for use outside Hong Kong	<b>15,173,602</b>	<b>47.4</b>	12,157,775
Gross loans and advances to customers	<b>60,320,814</b>	<b>70.2</b>	50,685,350

\* *It is not practicable to present comparative figures on collateral value as CKWB adopted the Banking (Disclosure) Rules effective on 1 January 2007.*

(c) *Impaired loans and advances to customers*

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Gross impaired loans and advances to customers	874,414	846,639
Impairment allowance – individually assessed	(86,604)	(76,360)
	<b>787,810</b>	<b>770,279</b>
Gross impaired loans and advances as a % of total loans and advances to customers	<b>1.45%</b>	1.67%
Current market value of collateral held against in respect of gross impaired loans and advances to customers	<b>816,630</b>	788,446

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis.

Individually assessed impairment allowance were made to write down the carrying value of the advances to the discounted value of future recoverable amounts, including the realization of collateral.

There were no impaired advances to banks and other financial institutions as at 30 June 2007 and 31 December 2006, nor were there any individually assessed impairment allowances made for them on these two respective dates.

The analysis of impaired loans and advances of the individual loan usage category, which accounted for 10% or more of the gross loans and advances to customers, is as follows:

	As at 30 June 2007		
	Individual impairment allowance	Collective impairment allowance	Impaired loans and advances
	HK\$'000	HK\$'000	HK\$'000
Property investment	7,819	10,156	25,849
Loans for the purchase of other residential properties	607	14,313	16,333
Loans and advances for use outside Hong Kong	41,512	99,733	681,833
	<b>49,938</b>	<b>124,202</b>	<b>724,015</b>
	As at 31 December 2006		
	Individual impairment allowance	Collective impairment allowance	Impaired loans and advances
	HK\$'000	HK\$'000	HK\$'000
Property investment	3,060	9,220	3,060
Loans for the purchase of other residential properties	616	15,743	20,042
Loans and advances for use outside Hong Kong	45,398	84,309	692,867
	<b>49,074</b>	<b>109,272</b>	<b>715,969</b>

**(21) Available-for-sale securities**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Debt securities	8,316,803	4,771,960
Treasury bills	2,067,463	149,757
Equity securities	29,801	29,762
Investment funds	106,392	77,764
	<b>10,520,459</b>	5,029,243
Impairment allowance – individually assessed	<b>(55,793)</b>	(55,793)
	<b>10,464,666</b>	4,973,450
<b>Issued by:</b>		
Central governments and central banks	2,067,464	149,757
Banks and other financial institutions	4,677,569	847,022
Corporate entities	3,719,633	3,976,671
	<b>10,464,666</b>	4,973,450
<b>Analyzed by place of listing:</b>		
Listed outside Hong Kong	7,465,560	3,913,802
Unlisted	2,999,106	1,059,648
	<b>10,464,666</b>	4,973,450

**(22) Held-to-maturity investments**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Treasury bills (including Exchange Fund Bills)	204,977	138,593
Certificates of deposit held	49,993	49,990
Debt securities	7,724,735	10,001,850
	<b>7,979,705</b>	10,190,433
Impairment allowance – individually assessed	<b>(13,752)</b>	(13,940)
	<b>7,965,953</b>	10,176,493
<b>Issued by:</b>		
Central governments and central banks	284,106	317,316
Public sector entities	701,738	1,023,223
Banks and other financial institutions	5,923,958	7,593,359
Corporate entities	1,056,151	1,242,595
	<b>7,965,953</b>	10,176,493
<b>Analyzed by place of listing:</b>		
Listed in Hong Kong	854,352	953,630
Listed outside Hong Kong	3,045,103	3,595,266
	<b>3,899,455</b>	4,548,896
Unlisted	4,066,498	5,627,597
	<b>7,965,953</b>	10,176,493
<b>Market value of listed securities</b>	<b>3,820,546</b>	4,493,453

**(23) Interest in associates**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Share of net assets	14,398,994	6,884,190
Goodwill	4,374,546	4,029,114
Intangible assets	641,884	658,314
Deferred tax on intangible assets	(165,449)	(217,244)
	<b>19,249,975</b>	11,354,374

(a) Details of the principal associates are as follows:

<u>Name of company</u>	<u>Form of business structure</u>	<u>Place of incorporation/ operation</u>	<u>Group's effective interest</u>	<u>Held by the Company</u>	<u>Held by the subsidiaries</u>	<u>Principal activities</u>	<u>Nominal value of issued shares</u>
China CITIC Bank Corporation Limited ("CNCB")	Incorporated	PRC	15%	15% (Note 1)	-	Banking services	RMB39,033,000,000
CITIC Capital Holdings Limited	Incorporated	Hong Kong	50%	-	50%	Investment holdings	HK\$28,000,000
CITIC International Assets Management Limited ("CIAM")	Incorporated	Hong Kong	40%	40% (Note 2)	-	Investment holdings and assets management	HK\$1,427,452,018

*Note 1:* The Group's investment in CNCB has been accounted for as an associate using the equity method as the Group has representation on the Board of Directors and is in a position to exercise significant influence over CNCB.

*Note 2:* On 28 December 2006, the Company sold out 60% of its shareholding in CIAM to external investors. Since then, CIAM is no longer a subsidiary but an associate of the Company. Therefore, CIAM was fully consolidated into the Group's financial results as a wholly owned subsidiary of the Company for the period ended 30 June 2006 but was an associate by equity method for the period ended 30 June 2007.

(b) *Movement of the intangible assets*

	<u>Brand name</u>	<u>Core deposits and customers relationships</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Cost</b>			
At 1 January 2007	405,426	252,888	658,314
Deemed disposal adjustment	(4,463)	(2,620)	(7,083)
At 30 June 2007	<u>400,963</u>	<u>250,268</u>	<u>651,231</u>
<b>Accumulated amortization</b>			
At 1 January 2007	-	-	-
Amortization of the intangible assets	-	9,347	9,347
At 30 June 2007	<u>-</u>	<u>9,347</u>	<u>9,347</u>
<b>Carrying amount</b>			
<b>At 30 June 2007</b>	<u><b>400,963</b></u>	<u><b>240,921</b></u>	<u><b>641,884</b></u>
At 31 December 2006	<u>405,426</u>	<u>252,888</u>	<u>658,314</u>

There is no impairment charged for the period ended 30 June 2007 (2006: Nil) of the intangible assets.

(c) *Acquisition of an equity interest in CNCB*

	<u>2007</u>	<u>2006</u>
	<b>HK\$'000</b>	HK\$'000
Purchase consideration:		
Issue of new shares	–	5,300,812
Surplus in fair value of shares issued	–	3,761,867
Cash	<b>6,657,505</b>	–
	<hr/>	<hr/>
Fair value of consideration	<b>6,657,505</b>	9,062,679
Direct costs relating to the acquisition settled in cash	<b>75,255</b>	41,226
	<hr/>	<hr/>
Acquisition costs incurred in 2007	<b>6,732,760</b>	–
Acquisition costs incurred in 2006	<b>9,103,905</b>	9,103,905
	<hr/>	<hr/>
Total acquisition costs	<b>15,836,665</b>	9,103,905
Fair value of acquired net assets and intangible assets	<b>(11,651,456)</b>	(5,264,128)
	<hr/>	<hr/>
Goodwill	<b>4,185,209</b>	3,839,777
	<hr/>	<hr/>

The Company's equity interest in CNCB was diluted after the expansion of CNCB's share capital following initial public offer of CNCB on 27 April 2007. Subsequently, the Company executed the Top Up Agreement and purchased additional 1,136 million ordinary shares of CNCB for top up equity interest to 15% in CNCB. The consideration for the purchase of additional number of shares was settled by HK\$6,658 million in cash plus direct cost of HK\$75 million.

On the other hand, a dilution gain with HK\$202 million was occurred without disposing directly any of its share in CNCB.

The excess of CNCB's total additional investment cost (HK\$6,733 million) over the Company's interest in the fair value of net tangible assets and intangible assets (HK\$6,388 million) was recognized as additional goodwill (HK\$345 million).

**(24) Property and equipment**

	<b>Investment properties</b>	<b>Other premises</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation:</b>				
At 1 January 2006	64,994	1,037,017	616,531	1,718,542
Additions	106,064	18,782	88,533	213,379
Reclassification	(40,458)	38,705	–	(1,753)
Surplus on revaluation before reclassification	–	9,952	–	9,952
Disposals	(9,200)	(140,155)	(41,757)	(191,112)
Disposal of a subsidiary	–	–	(3,808)	(3,808)
Surplus on revaluation	3,376	–	–	3,376
Exchange adjustments	–	111	94	205
	<u>124,776</u>	<u>964,412</u>	<u>659,593</u>	<u>1,748,781</u>
At 31 December 2006	124,776	964,412	659,593	1,748,781

**The analysis of cost or valuation of  
the above assets is as follows:**

Cost	–	930,718	659,593	1,590,311
Valuation				
– 1985	–	33,694	–	33,694
– 2006	124,776	–	–	124,776
	<u>124,776</u>	<u>964,412</u>	<u>659,593</u>	<u>1,748,781</u>
At 1 January 2007	<b>124,776</b>	<b>964,412</b>	<b>659,593</b>	<b>1,748,781</b>
Additions	–	–	36,891	36,891
Reclassification	119,800	(156,446)	–	(36,646)
Disposals	–	(2,657)	(2,114)	(4,771)
Surplus on revaluation before reclassification	–	56,871	–	56,871
Surplus on revaluation	5,497	–	–	5,497
Exchange adjustments	–	212	108	320
	<u>250,073</u>	<u>862,392</u>	<u>694,478</u>	<u>1,806,943</u>
At 30 June 2007	250,073	862,392	694,478	1,806,943

**The analysis of cost or valuation of  
the above assets is as follows:**

Cost	–	831,355	694,478	1,525,833
Valuation				
– 1985	–	31,037	–	31,037
– 2007	250,073	–	–	250,073
	<u>250,073</u>	<u>862,392</u>	<u>694,478</u>	<u>1,806,943</u>
At 30 June 2007	250,073	862,392	694,478	1,806,943

	<b>Investment properties</b>	<b>Other premises</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Accumulated depreciation:</b>				
At 1 January 2006	–	293,088	423,986	717,074
Charge for the year	–	20,798	89,532	110,330
Written back on disposals	–	(39,275)	(36,736)	(76,011)
Disposal of a subsidiary	–	–	(679)	(679)
Reclassification	–	(1,753)	–	(1,753)
Exchange adjustments	–	17	38	55
	<u>–</u>	<u>272,875</u>	<u>476,141</u>	<u>749,016</u>
At 31 December 2006	–	272,875	476,141	749,016
	<u>–</u>	<u>272,875</u>	<u>476,141</u>	<u>749,016</u>
At 1 January 2007	–	272,875	476,141	749,016
Charge for the period ( <i>note 9(b)</i> )	–	9,528	36,239	45,767
Written back on disposals	–	(1,715)	(1,510)	(3,225)
Reclassification	–	(36,646)	–	(36,646)
Exchange adjustments	–	34	52	86
	<u>–</u>	<u>34</u>	<u>52</u>	<u>86</u>
At 30 June 2007	–	244,076	510,922	754,998
	<u>–</u>	<u>244,076</u>	<u>510,922</u>	<u>754,998</u>
<b>Net book value:</b>				
At 30 June 2007	<u>250,073</u>	<u>618,316</u>	<u>183,556</u>	<u>1,051,945</u>
At 31 December 2006	<u>124,776</u>	<u>691,537</u>	<u>183,452</u>	<u>999,765</u>

**(25) Deposits from customers**

	<b>As at 30 June 2007</b>	<b>As at 31 December 2006</b>
	HK\$'000	HK\$'000
Demand deposits and current deposits	5,996,664	6,411,967
Savings deposits	10,212,882	11,073,425
Time, call and notice deposits	56,778,624	47,936,439
	<u>72,988,170</u>	<u>65,421,831</u>

**(26) Trading liabilities**

	<b>As at 30 June 2007</b>	<b>As at 31 December 2006</b>
	HK\$'000	HK\$'000
Negative fair value of derivatives ( <i>note 34(b)</i> )	<u>370,223</u>	<u>428,648</u>



**(27) Certificates of deposit issued**

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Designated at fair value through profit or loss	<b>6,056,993</b>	3,726,854
Non-trading	<b>3,299,653</b>	3,530,865
	<b>9,356,646</b>	7,257,719

Certificates of deposit issued are designated at fair value through profit or loss when they contain embedded derivatives that modify the cash flows.

As at 30 June 2007, the difference between the carrying amount and the contractual amount payable at maturity for the Group amounted to HK\$104,909,000 (31 December 2006: HK\$86,493,000). Such a decrease in fair value is attributable to changes in benchmark interest rate only.

**(28) Income tax in the balance sheet**

(a) Current taxation in the consolidated balance sheet represents:

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax for the period	<b>107,070</b>	174,406
Provisional Profits Tax paid	–	(120,365)
	<b>107,070</b>	54,041
Balance of Profits Tax provision relating to prior years	<b>108,158</b>	54,164
	<b>215,228</b>	108,205
Provision for overseas taxation	<b>4,981</b>	4,476
	<b>220,209</b>	112,681

(b) *Deferred tax assets and liabilities recognized*

The components of deferred tax (assets)/liabilities recognized in the consolidated balance sheet and the movements during the period are as follows:

	Depreciation allowances in excess of related depreciation	Impairment allowances for loans	Fair value adjustments for properties and other assets	Fair value adjustments for available- for-sale securities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Deferred tax arising from:</b>						
At 1 January 2006	26,609	(46,622)	(43,842)	67,788	(668)	3,265
(Credited)/charged to consolidated income statement	(9,048)	7,363	15,175	–	(254)	13,236
Charged/(credited) to reserves	–	–	2,013	(20,398)	–	(18,385)
Released on disposal of a subsidiary	–	–	–	(5,434)	–	(5,434)
At 31 December 2006	<u>17,561</u>	<u>(39,259)</u>	<u>(26,654)</u>	<u>41,956</u>	<u>(922)</u>	<u>(7,318)</u>
At 1 January 2007	<b>17,561</b>	<b>(39,259)</b>	<b>(26,654)</b>	<b>41,956</b>	<b>(922)</b>	<b>(7,318)</b>
Credited to consolidated income statement	<b>(1,309)</b>	<b>(228)</b>	<b>(1,575)</b>	<b>–</b>	<b>(4)</b>	<b>(3,116)</b>
Charged/(credited) to reserves	–	–	<b>9,953</b>	<b>(4,600)</b>	–	<b>5,353</b>
At 30 June 2007	<u><b>16,252</b></u>	<u><b>(39,487)</b></u>	<u><b>(18,276)</b></u>	<u><b>37,356</b></u>	<u><b>(926)</b></u>	<u><b>(5,081)</b></u>
				As at <b>30 June 2007</b>	As at 31 December 2006	
				<b>HK\$'000</b>	<b>HK\$'000</b>	
Net deferred tax assets recognized on the balance sheet				<b>(23,512)</b>	(29,904)	
Net deferred tax liabilities recognized on the balance sheet				<b>18,431</b>	22,586	
				<u><b>(5,081)</b></u>	<u>(7,318)</u>	

(c) *Deferred tax assets not recognized*

The Group has not recognized deferred tax assets in respect of cumulative tax losses of HK\$89,642,000 (31 December 2006: HK\$87,105,000), as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Under the current tax legislation, the expiry dates of the tax losses are as follows:

	As at <b>30 June 2007</b>	As at 31 December 2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
Expiring within 5 years	–	13,164
No expiry date	<b>89,642</b>	73,941
	<u><b>89,642</b></u>	<u>87,105</u>

**(29) Loan capital**

	<b>As at 30 June 2007</b>	As at 31 December 2006
	<b>HK\$'000</b>	HK\$'000
Subordinated notes with US\$250 million 9.125%*	<b>1,960,034</b>	1,958,353
Subordinated notes with US\$250 million 1.68% + LIBOR rate**	<b>1,943,423</b>	1,942,973
	<b><u>3,903,457</u></b>	<b><u>3,901,326</u></b>

\* *Subordinated notes with a coupon of 9.125% per annum and with face value of US\$250 million (HK\$ equivalent 1,944.1 million) were issued on 23 May 2002 by CKWH-UT2 Limited, a wholly-owned subsidiary of the Group, and qualify as tier 2 capital. CKWB, a wholly-owned subsidiary of the Group, unconditionally and irrevocably guarantees all amounts payable under the notes. The 9.125% per annum perpetual subordinated notes will be callable by CKWH-UT2 Limited in 2012.*

\*\* *On 11 December 2006, CKWB issued subordinated notes, with coupon of 1.68% per annum above the London interbank offered rate ("LIBOR") for three-month US dollar deposits with face value of US\$250 million (HK\$ equivalent 1,944.1 million). The notes are listed on The Stock Exchange of Hong Kong Limited and will mature on 12 December 2011.*

**(30) Maturity Profile**

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

As the trading portfolio may be sold before maturity or deposits from customers may mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

As at 30 June 2007

		3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated
Total	Repayable on demand					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>						
Cash and balances with banks and other financial institutions	2,627,945	2,627,945	-	-	-	-
Placements with banks and other financial institutions	11,124,093	-	10,975,190	148,903	-	-
Trade bills	1,071,786	-	797,490	274,296	-	-
Trading assets	6,017,817	319,074	-	49	2,555,062	812,315
Securities designated at fair value through profit or loss	595,068	-	-	-	588,189	6,879
Loans and advances to customers and other accounts	62,803,153	1,607,708	10,698,269	5,727,387	23,955,197	18,729,382
Available-for-sale securities	10,464,666	-	3,005,474	2,981,599	4,067,739	329,453
Held-to-maturity investments	7,965,953	-	347,454	650,756	6,090,533	875,000
Undated assets	21,333,181	-	-	-	-	21,333,181
<b>Total assets</b>	<b>124,003,662</b>	<b>4,554,727</b>	<b>25,823,877</b>	<b>9,782,990</b>	<b>37,256,720</b>	<b>20,753,029</b>
<b>Liabilities</b>						
Deposits and balances of banks and other financial institutions	7,536,446	220,853	7,223,601	91,992	-	-
Deposits from customers	72,988,170	16,209,546	53,538,133	2,439,647	800,844	-
Trading liabilities	370,223	370,223	-	-	-	-
Certificates of deposit issued	9,356,646	-	2,154,292	5,346,701	1,855,653	-
Debt securities issued	2,264,093	-	-	-	2,264,093	-
Convertible bond issued	7,563	-	-	7,563	-	-
Loan capital	3,903,457	-	-	-	3,903,457	-
Undated liabilities	1,722,015	-	-	-	-	1,722,015
<b>Total liabilities</b>	<b>98,148,613</b>	<b>16,800,622</b>	<b>62,916,026</b>	<b>7,885,903</b>	<b>8,824,047</b>	<b>-</b>
<b>Asset – liability gap</b>	<b>(12,245,895)</b>	<b>(37,092,149)</b>	<b>1,897,087</b>	<b>28,432,673</b>	<b>20,753,029</b>	

As at 31 December 2006

	Total	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>							
Cash and balances with banks and other financial institutions	1,267,871	1,267,871	-	-	-	-	-
Placements with banks and other financial institutions	12,038,714	-	11,515,236	523,478	-	-	-
Trade bills	491,994	-	402,535	89,459	-	-	-
Trading assets	6,414,870	355,091	751	798	2,396,475	798,158	2,863,597
Securities designated at fair value through profit or loss	1,003,579	-	23,420	116,166	738,344	81,506	44,143
Loans and advances to customers and other accounts	52,382,962	1,898,202	4,785,087	5,558,399	21,647,531	16,153,976	2,339,767
Available-for-sale securities	4,973,450	-	399,566	78,385	4,117,430	326,336	51,733
Held-to-maturity investments	10,176,493	-	866,860	1,736,803	6,234,100	1,336,601	2,129
Undated assets	13,391,792	-	-	-	-	-	13,391,792
<b>Total assets</b>	<b>102,141,725</b>	<b>3,521,164</b>	<b>17,993,455</b>	<b>8,103,488</b>	<b>35,133,880</b>	<b>18,696,577</b>	<b>18,693,161</b>
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	831,973	203,416	628,557	-	-	-	-
Deposits from customers	65,421,831	17,485,392	45,508,053	1,858,045	570,341	-	-
Trading liabilities	428,648	428,648	-	-	-	-	-
Certificates of deposit issued	7,257,719	-	-	4,494,424	2,763,295	-	-
Debt securities issued	2,300,889	-	-	44,142	2,256,747	-	-
Convertible bond issued	247,191	-	-	247,191	-	-	-
Loan capital	3,901,326	-	-	-	1,942,973	1,958,353	-
Undated liabilities	1,520,077	-	-	-	-	-	1,520,077
<b>Total liabilities</b>	<b>81,909,654</b>	<b>18,117,456</b>	<b>46,136,610</b>	<b>6,643,802</b>	<b>7,533,356</b>	<b>1,958,353</b>	<b>1,520,077</b>
<b>Asset – liability gap</b>		<b>(14,596,292)</b>	<b>(28,143,155)</b>	<b>1,459,686</b>	<b>27,600,524</b>	<b>16,738,224</b>	

**(31) Share Capital**

Authorized and issued share capital

	<b>As at 30 June 2007</b>	As at 31 December 2006
	<b>HK\$'000</b>	HK\$'000
<i>Authorized:</i>		
8,000,000,000 ordinary shares of HK\$1 each	<b>8,000,000</b>	6,000,000
<i>Issued and fully paid:</i>		
At 1 January:		
5,023,422,774 (2006: 3,197,859,375) ordinary shares of HK\$1 each	<b>5,023,422</b>	3,197,859
Share issued under the share option scheme	<b>4,648</b>	5,012
Issuance of new shares*	<b>668,575</b>	1,554,490
Conversion of convertible bonds into ordinary shares	<b>59,024</b>	266,061
At 30 June		
5,755,668,916 (31 December 2006: 5,023,422,774) ordinary shares of HK\$1 each	<b>5,755,669</b>	5,023,422

\* *The Company issued 668,574,374 ordinary shares to Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") for the period ended 30 June 2007.*

**(32) Reserves**

	Attributable to equity shareholders of the Company									
	Share premium	Capital reserve	General reserve	Exchange differences reserve	Other property revaluation reserve	Fair value reserve	Convertible bond – equity component	Share option reserve	Retained profits*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	1,840,212	2,818	100,000	3,684	6,550	322,467	132,698	16,604	3,832,425	6,257,458
Share premium on shares issued during the year	4,634,018	-	-	-	-	-	-	-	-	4,634,018
Change in share price on issue of shares for investment in CNCB	-	-	3,761,867	-	-	-	-	-	-	3,761,867
Revaluation surplus, net of deferred tax	-	-	-	-	9,488	-	-	-	(1,549)	7,939
Share of share option reserve of associates	-	-	-	-	-	-	-	9,644	-	9,644
Share of fair value reserve of associates	-	-	-	-	-	(423)	-	-	-	(423)
Exchange difference on translation	-	-	-	7,056	-	-	363	-	-	7,419
Release on disposal of subsidiaries, net of deferred tax	-	-	-	(199)	-	(28,513)	-	-	29,530	818
Equity-settled share-based transactions	-	-	-	-	-	-	-	4,581	-	4,581
Available-for-sale securities										
– change in fair value	-	-	-	-	-	(37,338)	-	-	-	(37,338)
– transfer to income statement on disposal	-	-	-	-	-	(79,221)	-	-	-	(79,221)
– deferred tax	-	-	-	-	-	20,398	-	-	-	20,398
Conversion of convertible bonds into ordinary shares	-	-	-	-	-	-	(61,294)	-	-	(61,294)
Exercise of share options during the year	-	-	-	-	-	-	-	(4,761)	-	(4,761)
Dividends paid in respect of the previous year (note 14(b))	-	-	-	-	-	-	-	-	(192,074)	(192,074)
Profit for the year	-	-	-	-	-	-	-	-	1,126,135	1,126,135
Dividends declared and paid in respect of the current year	-	-	-	-	-	-	-	-	(246,517)	(246,517)
<b>At 31 December 2006</b>	<b>6,474,230</b>	<b>2,818</b>	<b>3,861,867</b>	<b>10,541</b>	<b>16,038</b>	<b>197,370</b>	<b>71,767</b>	<b>26,068</b>	<b>4,547,950</b>	<b>15,208,649</b>
<b>At 1 January 2007</b>	<b>6,474,230</b>	<b>2,818</b>	<b>3,861,867</b>	<b>10,541</b>	<b>16,038</b>	<b>197,370</b>	<b>71,767</b>	<b>26,068</b>	<b>4,547,950</b>	<b>15,208,649</b>
Share premium on shares issued during the period	3,436,824	-	-	-	-	-	-	-	-	3,436,824
Revaluation surplus, net of deferred tax	-	-	-	-	46,918	-	-	-	-	46,918
Share of share option reserve of associates	-	-	-	-	-	-	-	5,727	-	5,727
Share of fair value reserve of associates	-	-	-	-	-	(24,434)	-	-	-	(24,434)
Exchange difference on translation	-	-	-	271,248	-	-	369	-	-	271,617
Equity-settled share-based transactions	-	-	-	-	-	-	-	3,250	-	3,250
Available-for-sale securities										
– change in fair value	-	-	-	-	-	(26,468)	-	-	-	(26,468)
– transfer to income statement on disposal	-	-	-	-	-	182	-	-	-	182
– deferred tax	-	-	-	-	-	4,600	-	-	-	4,600
Conversion of convertible bonds into ordinary shares	-	-	-	-	-	-	(11,796)	-	-	(11,796)
Exercise of share options during the period	-	-	-	-	-	-	-	(3,983)	-	(3,983)
Dividends paid in respect of the previous year (note 14(b))	-	-	-	-	-	-	-	-	(322,056)	(322,056)
Profit for the period	-	-	-	-	-	-	-	-	1,510,350	1,510,350
<b>At 30 June 2007</b>	<b>9,911,054</b>	<b>2,818</b>	<b>3,861,867</b>	<b>281,789</b>	<b>62,956</b>	<b>151,250</b>	<b>60,340</b>	<b>31,062</b>	<b>5,736,244</b>	<b>20,099,380</b>

\* A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Group will or may incur on loans and advances in addition to impairment losses recognized. Movements in the reserve are earmarked directly through retained profits and in consultation with the HKMA. As at 30 June 2007, HK\$498,100,000 (31 December 2006: HK\$376,300,000) was included in the retained profits in this respect which was distributable to equity holders of CKWB subject to consultation with the HKMA.

### (33) Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

#### (a) Transactions with group companies

During the period, the Group entered into a number of transactions with related parties, in the normal course of its banking business including, inter alia, lending, acceptance and placement of inter-bank deposits, participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the directors, these transactions were conducted on normal commercial terms.

The amount of related party transactions during the period and outstanding balances at the end of the period are set out below:

	Ultimate controlling party		Fellow subsidiaries		Associates	
			Six months ended 30 June			
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	-	-	2,088	3,197	8,102	4,911
Interest expense	-	(6,917)	(39,952)	(32,841)	(52,694)	(10,537)
Other operating income	-	-	-	-	620	10,858
Operating expenses	(511)	(503)	(5,108)	(1)	(19,041)	(1,709)
	<b>(511)</b>	<b>(7,420)</b>	<b>(42,972)</b>	<b>(29,645)</b>	<b>(63,013)</b>	<b>3,523</b>
<b>Lending activities:</b>						
At 1 January	-	-	475,381	369,418	221,798	200,000
At 30 June 2007/31 December 2006	-	-	18,987	475,381	388,811	221,798
Average for the period/for the year	-	-	19,020	378,778	357,720	241,617
<b>Other receivables:</b>						
At 1 January	-	-	2,462	4,805	124,728	10,810
At 30 June 2007/31 December 2006	-	-	5,198	2,462	21,464	124,728
Average for the period/for the year	-	-	6,477	2,463	11,365	36,302



	Ultimate controlling party		Fellow subsidiaries		Associates	
			Six months ended 30 June			
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Acceptance of deposits:</b>						
At 1 January	<b>109,415</b>	72,392	<b>958,228</b>	2,219,663	<b>1,349,019</b>	876,868
At 30 June 2007/31 December 2006	–	109,415	<b>1,848,570</b>	958,228	<b>2,653,903</b>	1,349,019
Average for the period/for the year	–	376,306	<b>2,089,853</b>	1,719,453	<b>2,096,983</b>	895,996
<b>Other payables:</b>						
At 1 January	<b>145</b>	–	<b>1,599</b>	1,383	<b>369</b>	2,452
At 30 June 2007/31 December 2006	–	145	<b>669</b>	1,599	<b>3,358</b>	369
Average for the period/for the year	–	253	<b>4,399</b>	2,328	<b>2,998</b>	1,950

No impairment allowances was made in respect of the above loans to and placements with related parties.

(b) *Transactions with key management personnel*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain employees with the highest emoluments, are as follows:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Short-term employee benefits	<b>17,646</b>	17,105
Share-based payments	<b>3,707</b>	1,521
	<b>21,353</b>	18,626

Total remuneration is included in "staff costs" (note 9(a)).

During the period, the Group provided credit facilities to key management personnel of the Group and its holding companies and their close family members and companies controlled or significantly influenced by them. The credit facilities were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

	2007	2006
	HK\$'000	HK\$'000
	At 1 January	<b>13,462</b>
At 30 June 2007/31 December 2006	<b>13,539</b>	13,462
Maximum amount during the period/year	<b>21,077</b>	28,292

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no individually assessed impairment allowances has been made on balances with key management personnel and their immediate relatives at the period end.

### (34) Derivatives

#### (a) Notional amounts of derivatives

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

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

	As at 30 June 2007			As at 31 December 2006		
	Trading	Hedging	Total	Trading	Hedging	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Currency derivatives</b>						
Forwards	14,262,535	–	14,262,535	29,142,597	–	29,142,597
Swaps	26,844,011	–	26,844,011	8,649,601	–	8,649,601
Options purchased	266,990	–	266,990	182,800	–	182,800
Options written	264,997	–	264,997	179,579	–	179,579
<b>Interest rate derivatives</b>						
Swaps	15,202,308	5,988,070	21,190,378	12,325,280	6,238,456	18,563,736
Options purchased	–	–	–	933,162	–	933,162
Options written	–	–	–	933,162	–	933,162
	<b>56,840,841</b>	<b>5,988,070</b>	<b>62,828,911</b>	<b>52,346,181</b>	<b>6,238,456</b>	<b>58,584,637</b>

The above transactions are undertaken by the Group in the foreign exchange, interest rate and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

Trading includes the Group's and the Company's proprietary positions in financial instruments, positions which arise from the execution of trade orders from customers and market making, and positions taken in order to hedge other elements of the trading book.

#### (b) Fair values and credit risk-weighted amounts of derivatives

	As at 30 June 2007			As at 31 December 2006		
	Fair value assets	Fair value liabilities	Credit risk-weighted amount	Fair value assets	Fair value liabilities	Credit risk-weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate derivatives	72,975	246,354	38,649	104,010	307,380	44,213
Currency derivatives	246,099	123,869	345,668	251,081	121,268	158,912
	<b>319,074</b>	<b>370,223</b>	<b>384,317</b>	<b>355,091</b>	<b>428,648</b>	<b>203,125</b>

The credit risk-weighted amount is the amount which has been calculated in accordance with the Banking (Capital) Rules effective on 1 January 2007 on capital adequacy and depends on the status of the counterparty and the maturity characteristics. In the year of 2006, credit risk-weighted amount referred to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance. The risk weights used range from 0% to 150% (2006: 0% to 100%) for contingent liabilities and commitments, and from 0% to 150% (2006: 0% to 50%) for exchange rate, interest rate and other derivatives contracts.

The Group did not enter into any bilateral netting arrangements during the period and accordingly these amounts are shown on a gross basis.

(c) *Fair value of derivatives designated as hedging instruments*

The following is a summary of the fair values of derivatives held for hedging purposes by product type entered into by the Group:

	As at 30 June 2007		As at 31 December 2006	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate contracts	<b>22,580</b>	<b>103,254</b>	25,679	137,507

Fair value hedges are principally consisted of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate assets or liabilities due to movements in the market interest rates.

(d) *Remaining life of derivatives*

The following tables provide an analysis of the notional amounts of derivatives of the Group by relevant maturity grouping based on the remaining periods to settlement at the balance sheet date:

	As at 30 June 2007			
	Notional amounts with remaining life of			
	Total	1 year or less	Over 1 year to 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate derivatives	<b>21,190,378</b>	<b>5,354,674</b>	<b>15,523,031</b>	<b>312,673</b>
Currency derivatives	<b>41,638,533</b>	<b>35,398,201</b>	<b>6,240,332</b>	–
	<b>62,828,911</b>	<b>40,752,875</b>	<b>21,763,363</b>	<b>312,673</b>

	As at 31 December 2006			
	Notional amounts with remaining life of			
	Total	1 year or less	Over 1 year to 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate derivatives	20,430,060	5,593,283	12,348,344	2,488,433
Currency derivatives	38,154,577	37,612,963	463,614	78,000
	<b>58,584,637</b>	<b>43,206,246</b>	<b>12,811,958</b>	<b>2,566,433</b>

### (35) Contingent liabilities and commitments

#### (a) Contingent liabilities and commitments to extend credit

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

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
Direct credit substitutes	3,432,201	1,723,211
Transaction-related contingencies	84,161	73,740
Trade-related contingencies	1,725,541	1,659,341
Forward forward deposits placed	650,996	–
Other commitments:		
– which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	14,204,948	12,915,501
– with an original maturity of under 1 year	3,440,235	2,556,234
– with an original maturity of 1 year or over	3,724,486	2,938,186
	<u>27,262,568</u>	<u>21,866,213</u>
Credit risk-weighted amounts	<u>4,216,429</u>	<u>2,762,347</u>

Contingent liabilities and commitments are credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2006: 0% to 100%).

#### (b) Capital commitments

Capital commitments for purchase of equipment outstanding at balance sheet date not provided for in the financial statements were as follows:

	As at 30 June 2007	As at 31 December 2006
	HK\$'000	HK\$'000
<b>Authorized and contracted for:</b>		
Property and equipment	9,901	8,593
<b>Authorized but not contracted for:</b>		
Property and equipment	–	6,983
	<u>9,901</u>	<u>15,576</u>

### (36) Non-adjusting post balance sheet events

Subsequent to the balance sheet date, China International Finance Company Limited (Shenzhen) (“CIFC”), a wholly-owned subsidiary of the Group, received official approval from the China Banking Regulatory Commission to upgrade CIFC to a locally incorporated bank. As at 30 June 2007, CIFC is a wholly-owned subsidiary of CITIC Ka Wah Bank Ltd. The upgrade project of CIFC will be completed before December 2007.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

### (A) Summary of financial position

	As at <b>30 June 2007</b>	As at 31 December 2006
	<b>HK\$'000</b>	HK\$'000
Loans and advances to customers and trade bills	<b>61,392,600</b>	51,177,344
Impairment allowances	<b>343,518</b>	329,526
Total assets	<b>124,003,662</b>	102,141,725
Total deposits	<b>82,344,816</b>	72,679,550
Total equity attributable to equity shareholders of the Company	<b>25,855,049</b>	20,232,071
<b>Financial ratios</b>		
Average liquidity ratio for the period/year ended*		
(30 June 2006: 45.72%)	<b>40.75%</b>	40.35%
Loans to deposits	<b>74.56%</b>	70.42%
Loans to total assets	<b>49.51%</b>	50.10%
Cost to income	<b>46.85%</b>	50.70%
Return on assets	<b>2.52%</b>	1.30%
Return on average total equity attributable to equity shareholders of the Company	<b>11.95%</b>	11.30%

\* *The average liquidity ratio for the period is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis covering CITIC Ka Wah Bank Limited ("CKWB") and certain of its subsidiaries as required by the Hong Kong Monetary Authority ("HKMA") for its regulatory purposes, and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.*

CITIC International Financial Holdings Limited ("the Company") received the notice issued by HKMA regarding the revised reporting requirements dated 23 March 2007. Under the revised reporting requirement, the Company is no longer required to submit the Capital Adequacy Ratio Return on the Company consolidated basis. The consent is given under section 70 of the Banking Ordinance for the Company to continue to be a majority shareholder controller of CKWB.

**(B) Segmental information***By geographical areas*

	As at 30 June 2007			As at 31 December 2006		
	Total assets	Total liabilities	Contingent liabilities and commitments	Total assets	Total liabilities	Contingent liabilities and commitments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	105,252,806	96,285,744	24,594,999	90,309,891	81,395,717	19,449,537
Mainland China	21,482,225	4,091,510	551,062	13,043,465	2,890,442	140,346
USA	1,519,274	1,419,194	834,391	1,792,687	1,670,814	896,550
Others	1,724,782	1,723,295	1,282,116	2,789,290	2,783,338	1,379,780
Inter-segment items	(5,975,425)	(5,371,130)	–	(5,793,608)	(6,830,657)	–
	<b>124,003,662</b>	<b>98,148,613</b>	<b>27,262,568</b>	<b>102,141,725</b>	<b>81,909,654</b>	<b>21,866,213</b>

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

	As at 30 June 2007				
	Loans and advances to customers	Overdue loans and advances	Impaired loans and advances	Individual impairment allowance	Collective impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	46,814,828	239,417	234,440	56,609	144,362
Mainland China	7,947,616	472,241	472,241	29,995	54,841
USA	1,819,718	–	–	–	31,501
Others	3,738,652	114,430	167,733	–	26,210
	<b>60,320,814</b>	<b>826,088</b>	<b>874,414</b>	<b>86,604</b>	<b>256,914</b>

	As at 31 December 2006				
	Loans and advances to customers	Overdue loans and advances	Impaired loans and advances	Individual impairment allowance	Collective impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	39,910,144	197,448	184,848	40,036	162,393
Mainland China	6,703,093	469,794	469,794	30,034	43,609
USA	1,429,400	–	–	–	28,846
Others	2,642,713	191,997	191,997	6,290	18,318
	<b>50,685,350</b>	<b>859,239</b>	<b>846,639</b>	<b>76,360</b>	<b>253,166</b>

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Overdue loans and advances are loans that have been overdue more than three months.

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis.

**(C) Overdue loans and advances to customers**

	As at 30 June 2007		As at 31 December 2006	
	HK\$'000	% on total loans and advances to customers	HK\$'000	% on total loans and advances to customers
The gross amount of loans and advances has been overdue for periods of:				
– 6 months or less but over 3 months	215,183	0.36	36,759	0.07
– 1 year or less but over 6 months	33,178	0.05	258,965	0.51
– over 1 year	577,727	0.96	563,515	1.11
	<b>826,088</b>	<b>1.37</b>	859,239	1.69
Secured overdue loans and advances	800,928		767,533	
Unsecured overdue loans and advances	25,160		91,706	
	<b>826,088</b>		859,239	
Market value of collateral held against the secured overdue loans and advances	<b>1,348,799</b>		1,179,363	
Individual impairment allowance made	<b>51,559</b>		70,702	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year end, loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2007 and 31 December 2006.

Majority of collateral held in respect of the overdue loans and advances is real estate properties. The eligible collateral should generally satisfy the following:

- (a) The market value of the asset is readily determinable or can be reasonably established and verified;
- (b) The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- (c) The Bank's right to repossess the asset is legally enforceable and without impediment; and
- (d) The Bank is able to secure control over the asset if necessary.

The main types of "Eligible Collateral" is "Eligible Physical Collateral" mainly comprises real estate.

**(D) Other overdue assets**

	<b>As at 30 June 2007</b>	As at 31 December 2006
	<b>HK\$'000</b>	HK\$'000
The gross amount of trade bills which has been overdue for:		
– over 1 year	<u>–</u>	<u>1,198</u>
Held-to-maturity investments which has been overdue for:		
– over 1 year	<u><b>15,634</b></u>	<u>15,553</u>

**(E) Rescheduled loans**

	<u>As at 30 June 2007</u>		<u>As at 31 December 2006</u>	
	<b>HK\$'000</b>	<b>% on total loans and advances to customers</b>	HK\$'000	% on total loans and advances to customers
Rescheduled loans	<u><b>199,723</b></u>	<u><b>0.33</b></u>	<u>16,393</u>	<u>0.03</u>

Rescheduled loans are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group. Rescheduled loans to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note (C).

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2007 and 31 December 2006.



**(F) Repossessed assets**

	<b>As at 30 June 2007</b>	<b>As at 31 December 2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Included in loans and advances to customers and other accounts	<b>180,158</b>	176,216

The amount represents the estimated market value of the repossessed assets as at 30 June 2007 and 31 December 2006.

**(G) Currency risk**

The Group's foreign exchange risk stems from taking foreign exchange position, commercial dealing, investment in foreign currency securities, operations of overseas branches and subsidiaries. Foreign exchange positions of CKWB are subject to exposure limits approved by ALCO.

Significant foreign currency exposures at the balance sheet date are as follows:

Equivalent in HK\$'000	As at 30 June 2007				As at 31 December 2006			
	US dollars	Renminbi	Others	Total	US dollars	Renminbi	Others	Total
Spot assets	34,567,813	945,424	3,791,666	39,304,903	29,281,696	755,622	3,166,650	33,203,968
Spot liabilities	(31,236,488)	(502,362)	(5,718,585)	(37,457,435)	(27,368,864)	(443,806)	(4,589,986)	(32,402,656)
Forward purchases	19,062,342	4,670,700	7,298,105	31,031,147	18,010,065	996	7,523,379	25,534,440
Forward sales	(21,948,920)	(4,665,926)	(5,365,129)	(31,979,975)	(19,944,897)	-	(6,086,158)	(26,031,055)
Net options position	(994)	-	994	-	869	-	(869)	-
Net long/(short) position	<b>443,753</b>	<b>447,836</b>	<b>7,051</b>	<b>898,640</b>	(21,131)	312,812	13,016	304,697
Net structural position	-	<b>205,408</b>	<b>48,818</b>	<b>254,226</b>	-	199,226	48,565	247,791

The net options position is calculated using the model user approach which has been approved by HKMA.

## (H) Cross-border claims

Cross-border claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate cross-border claims are shown as follows:

	<b>Banks and other financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>At 30 June 2007</b>				
Asia and Pacific excluding Hong Kong	8,714,372	94,049	10,012,305	18,820,726
of which Australia	2,407,709	772	360,986	2,769,467
of which Mainland China	3,531,702	92,310	7,793,702	11,417,714
Caribbean	–	–	4,606,799	4,606,799
of which Bermuda	–	–	874,922	874,922
of which Cayman Islands	–	–	3,332,449	3,332,449
Western Europe	12,606,991	1,496	3,837,190	16,445,677
of which France	1,166,991	–	806,598	1,973,589
of which Germany	2,863,826	–	–	2,863,826
of which Netherlands	1,062,032	–	851,789	1,913,821
of which United Kingdom	3,970,861	503	704,733	4,676,097
<b>At 31 December 2006</b>				
Asia and Pacific excluding Hong Kong	8,531,581	93,794	8,001,926	16,627,301
of which Australia	2,607,386	649	17,401	2,625,436
of which Mainland China	2,667,315	92,325	6,604,283	9,363,923
Caribbean	–	–	4,611,483	4,611,483
of which Bermuda	–	–	840,479	840,479
of which Cayman Islands	–	–	3,450,214	3,450,214
Western Europe	10,491,879	1,880	4,138,607	14,632,366
of which France	705,617	–	818,122	1,523,739
of which Germany	1,785,231	–	3,963	1,789,194
of which Netherlands	912,490	–	828,935	1,741,425
of which United Kingdom	2,933,954	734	1,036,088	3,970,776

## (I) Non-bank mainland exposures

Non-bank mainland exposures are the mainland exposures to non-bank counterparties. The categories follow the non-bank mainland exposures submitted by the institution to the HKMA pursuant to section 63 of the Hong Kong Banking Ordinance.

	As at 30 June 2007			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland entities	12,058,349	5,828,457	17,886,806	29,994
Companies and individuals outside mainland where the credit is granted for use in Mainland	11,049,429	5,768,710	16,818,139	14,355
	<u>23,107,778</u>	<u>11,597,167</u>	<u>34,704,945</u>	<u>44,349</u>
	As at 31 December 2006			
	On-balance sheet exposure	Off-balance sheet exposure	Total	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland entities	11,313,971	3,374,338	14,688,309	28,427
Companies and individuals outside mainland where the credit is granted for use in Mainland	9,885,249	4,795,268	14,680,517	34,547
	<u>21,199,220</u>	<u>8,169,606</u>	<u>29,368,826</u>	<u>62,974</u>

## (J) Risk management

The Group manages various types of risks mainly through CKWB under the delegation and close supervision of the Board. The Risk Management Group of CKWB which is entrusted with the responsibilities, consists of group credit, inter-bank credit, market risk, risk asset management and policy & portfolio risk management functions. The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products, best practice and regulatory requirements.

In mid 2006, CKWB segregated operational risk as a distinct category of risk under Risk Management Group's direct management; following that, an operational risk management team staffed with experienced personnel was formed, and the operational risk framework and policies were finalised in the first half of 2007.

CKWB successfully reengineered the core banking system for calculation of capital charges under Standardised Approach of Basel II in September 2006. A working committee has also been formed in the second quarter of 2007 for the further implementation of the New Accord requirements under Pillar II (“Supervisory Review”) and Pillar III (“Market Discipline”).

The Group manages the following main types of risks:

(i) *Credit risk management*

Credit risk is managed by regular analyses of the current and potential risk of loss arising from a customer’s or counterparty’s inability to meet financial obligations. The Group is exposed to credit risk through its lending, trading and capital markets activities. The Group defines the credit exposure to a customer as the amount of maximum potential loss arising from all these activities. These exposures include both on- and off-balance sheet transactions, including unfunded lending commitments such as loan commitments, letters of credit and financial guarantees.

Credit risk management is effected by monitoring implementation of adopted credit policies that determine the borrower’s creditworthiness, credit risks classification, loan application procedure and procedures for making lending decisions. The Group applies the same credit policy in respect of contingent liabilities as in respect of financial instruments recorded on the balance sheet, based on loan approval procedures, use of limits to reduce risk and monitoring. Credit risk is also minimized by obtaining collateral in the form of pledged assets and guarantees from borrowers and third parties.

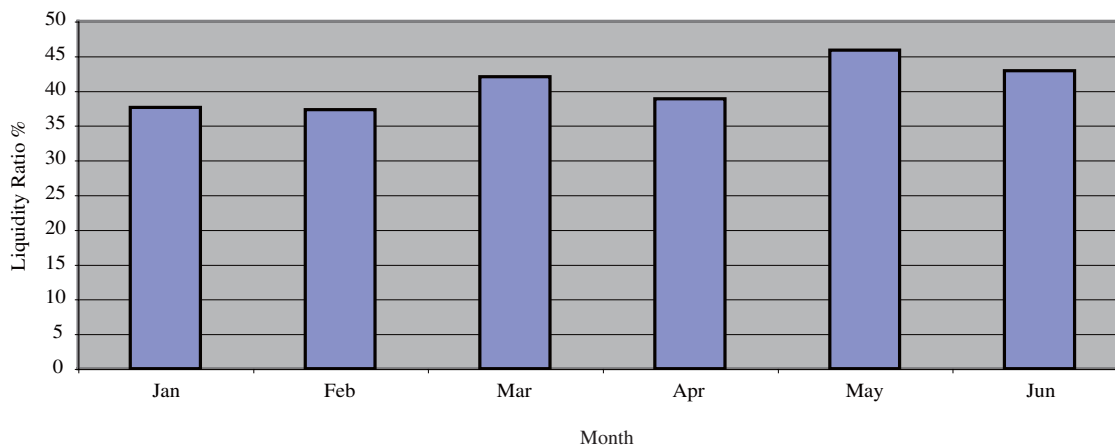
The Group’s credit risk management practices are designed to preserve the independence and integrity of the risk assessment process. The Group assesses credit risk based upon the risk profile of the borrower, the source of repayment and the nature of the underlying collateral after giving consideration to current events and market developments. Credit risk is also managed at portfolio levels in terms of obligor credit rating, collateral, product, industry and geography to manage concentration risk.

(ii) *Liquidity risk management*

It is CKWB’s policy to exercise prudence in its funding and liquidity management. CKWB has a Liquidity Management Policy which needs to be strictly followed. The Policy covers the important aspects of CKWB’s liquidity management. CKWB is committed to apply the best market practices in liquidity management by adopting the guidelines and recommendations of HKMA. The structure of this Policy conforms to the “LM-1 Liquidity Risk Management” issued by the Hong Kong Monetary Authority (“HKMA”) in 2004. The Policy applies to CKWB and its overseas branches and subsidiaries. CKWB expects all business units to contribute to the success of managing liquidity under normal and contingency situations by maintaining a rapport with depositors, customers, interbank counterparties, related companies and HKMA.

A high liquidity ratio was always maintained, and stress tests were performed regularly to ensure that CKWB could handle sudden drains in market liquidity due to adverse or unexpected economic events. In 2007, CKWB's average liquidity ratio was 40.75% (2006: 40.35%). CKWB holds a portfolio of high-grade securities with short maturities which can generate liquidity if necessary through the re-purchase arrangements or out-right selling in the secondary market. It is also active in wholesale funding through the issuances of one-year Hong Kong dollar certificates of deposit ("CDs") so as to secure a stable source of funding. Up till 30 June 2007, a total of HK\$3.68 billion was raised through several successful CD issuances.

### The Group's Average Monthly Liquidity Ratio for Jan – Jun 2007



#### (iii) Market risk management

Market risk is the risk of loss arising from the movements in market variables such as foreign exchange rates, interest rates, equity and commodity prices. The Group's major market risk exposure is mainly derived from CKWB. Both short-term trading positions and long-term strategic businesses of CKWB generate market risk exposure. Other subsidiaries of the Group have also engaged in investments prone to market risk but in relatively small scales.

CKWB manages its market risk within a hierarchy of limits approved by the Bank's Credit and Risk Management Committee ("CRMC"), Asset and Liability Management Committee ("ALCO") and its delegated sub-committees or members. The hierarchy is composed of limits at 3 levels: policy, business and transaction. Each level in the hierarchy consists of limits on a series of risk measurements, including profit and loss limits, position limits and sensitivity limits. Limit excesses will set off alert signals or trigger adequate actions at different management levels.

CKWB's Treasury is the central point to take and manage market risk exposure within the prescribed limit hierarchy.

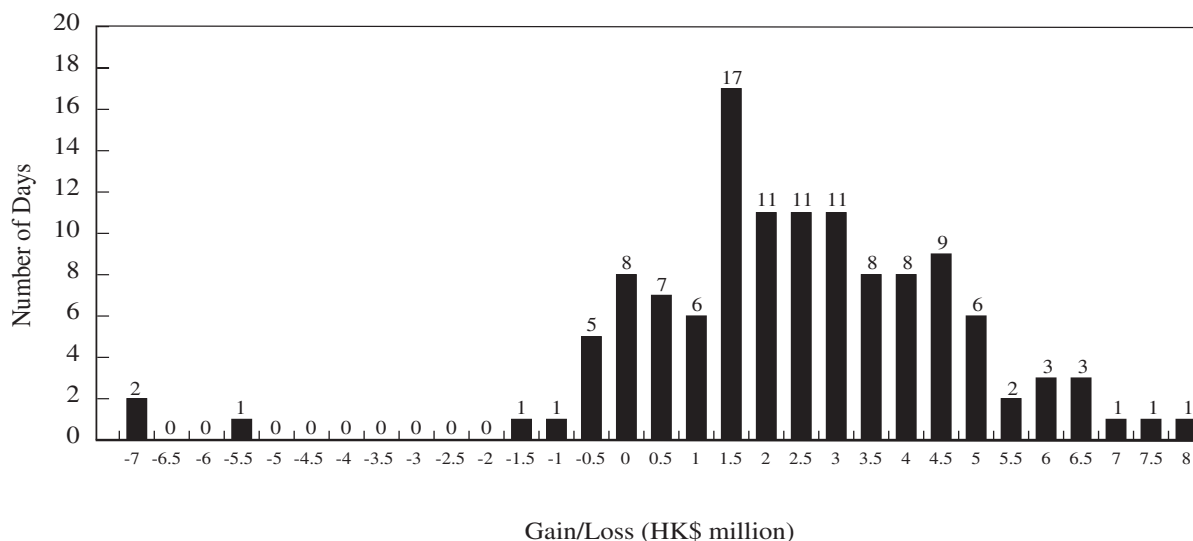
Operating as an unit under the Risk Management Group, Market Risk Management is responsible for the daily monitoring and reporting of market risk exposure to ensure that CKWB's market risk exposure measures are within the prescribed limits.

CKWB measures the overall market risk of its trading book in terms of Value-at-Risk (VaR). VaR is a statistical tool to estimate the potential loss of an investment portfolio over a selected time horizon and given a confidence level. CKWB adopts a 99% 1-day VaR and implements historical simulation to compute the VaR figure. The simulating process reflects the historical relationships among different market variables. CKWB's average VaRs for the trading portfolio were HK\$3,187,527 and HK\$517,947 during the first half-year of 2006 and 2007, respectively.

CKWB also implemented stress testing for its trading portfolio to assess the potential adverse effects under the "stressed" conditions. Two types of stressed scenarios are adopted: historical and hypothetical scenarios. Historical scenarios are "stressed conditions" which happened in the past, including the Asian Crisis in 1997, the LTCM event in 1998 and the Terror Attacks in 2001. Hypothetical scenarios are developed in view of the key risk factors affecting the trading portfolio. Examples of hypothetical scenarios are a parallel yield curve shift by 200 basis points, steepening and flattening of yield curve, HKD strengthening against USD by 10% and G7 Currencies appreciating against USD by 10%.

For the half-year ended 30 June 2007, the average daily mark-to-market revenue from the Group's trading portfolio and fund investments was a gain of HK\$2,147,928. The standard deviation of the daily revenue was HK\$2,388,216. The graph below shows a histogram of the Group's daily mark-to-market revenue for the half-year ended 30 June 2007.

#### Daily Distribution of Mark-to-Market Revenue for the 1st Half Year of 2007



From the graph above, the maximum daily mark-to-market gain was HK\$7,878,856 and the maximum daily mark-to-market loss was HK\$7,357,346. Out of the 123 trading days for the period, there were 105 days with mark-to-market gains and 18 days with mark-to-market losses. The most frequent range of daily mark-to-market revenue was between HK\$1,000,000 and HK\$1,500,000, with the highest occurrence of 17 days.

(iv) *Foreign currency risk management*

The Group's foreign exchange risk stems from foreign exchange positions, commercial dealings, investments in foreign currency securities and operations of CKWB and its overseas branches and subsidiaries. Foreign exchange positions of CKWB are subject to exposure limits approved by ALCO. For the half-year ended 30 June 2007, the Group's average daily trading profit and loss from foreign exchange positions was a profit of HK\$34,027 with a standard deviation of HK\$135,875.

(v) *Interest rate risk management*

The interest rate risk for the Group mainly comes from CKWB. CKWB's ALCO oversees all interest rate risks arising from the interest rate profile of CKWB's assets and liabilities. These interest rate risks are comprised of maturity gaps, basis risks among different interest rate benchmarks, yield curve movements, interest rate re-pricing risks and risks from embedded options, if any. ALCO supervises the interest rate risks of the banking book through gap mismatch reports, sensitivity analyses and various stress testings. To mitigate interest rate risks, CKWB has used interest rate derivatives, mainly interest rate swaps, to hedge both assets and liabilities such as available-for-sale securities (AFS) and non-trading liabilities (NTL). CKWB has also adopted hedge accounting principles, under which the fair value changes of the AFS/NTL securities and the corresponding hedging derivative instruments are offset with each other. For the half-year ended 30 June 2007, the Group's average daily trading profit and loss from interest rate positions was a loss of HK\$40,108 with a standard deviation HK\$248,342.

(vi) *Other trading and investment activities*

The Group, by itself and via CKWB, has invested part of its excess liquidity into external funds to enhance the return. For the half-year ended 30 June 2007, the average daily revenue from these funds was a gain of HK\$2,154,008 with a standard deviation of HK\$2,343,939.

The Group's derivatives transactions, including interest rate and foreign exchange swaps, futures, forwards and options, are mainly from CKWB. CKWB's derivatives trading activities stem from customer transactions as well as position taking and hedging. Option derivative transactions of CKWB mainly come from customers' demands for structured products.

(vii) *Operational risk management*

CKWB's Board of Directors, through the establishment of the CRMC

- recognises the major aspects of CKWB's operational risks as a distinct risk category that should be managed;
- approves and periodically reviews CKWB's operational risk management framework; and
- ensures that CKWB's senior management is taking the necessary steps to implement the operational risk management policies, processes and procedures.

CKWB's senior management, through the establishment of the Operations & Control Committee ("OCC")

- implements the operational risk management framework approved by the CRMC;
- defines CKWB's organisational structure for operational risk management;
- assigns authority, responsibility and reporting relationships to encourage and maintain accountability; and
- ensures that sufficient human and technical resources are devoted to operational risk management.

CKWB's Risk Management Group has established the Operational Risk Management Section

- to coordinate operational risk management activities across CKWB and to manage these risks as an independent, centralised function, including the approval of operational risk and control limits under authorities delegated by the OCC where necessary;
- to set bank-wide policies and procedures in relation to operational risk management and control; and
- to ensure adequacy of design and implementation of operational risk assessment methodology tool and reporting system within individual business lines and functional units.

CKWB currently manages its operational risks through a number of ways

- Operations and technology policies and manuals are developed and reviewed annually to ensure processes are adequately considered and defined.
- Human resources policies and practices are established to define and encourage proper staff behaviour, and to ensure that staff are qualified and trained for their roles.
- New products and services are evaluated to ensure that staff, processes, and technology can adequately support prior to launching.
- Disaster recovery and business continuity plans are set up and tested annually for major events such as major failure of data centre caused by fire or other events; loss of operating site and sudden and massive customer withdrawal due to market rumours or other reasons.



*(viii) Legal risk management*

The Group remains abreast of all legal and regulatory requirements applicable to its governance and operations, and continuously seeks to develop its people, to enhance its systems and processes to create awareness and to implement necessary change. Policies and procedures, incorporated with relevant legal and regulatory requirements, are set and regularly reviewed. These policies and procedures are promulgated through internal communications and trainings. There is a strong process in place to ensure legal risk is under control. Any significant failings are reported by the legal and compliance function to the Group's Audit Committee and senior management.

The General Counsel and Compliance Officer of the Group ("Legal and Compliance") has played an important role to the Group in providing legal and compliance advice and support to all parts of the Group. In the first half of 2007, Legal and Compliance was actively involve in strategically important transactions and commercial agreements as well as day-to-day matters arising from the business that is diverse both geographically and in scope. In the second half of 2007, we will continue to support Legal and Compliance as a critical mission-important function of the Group.

*(ix) Strategic and reputational risk management*

In order to keep pace with the ever-evolving operating and regulatory environment of the Group, the Board places a high priority on ensuring that our business and operational strategies are appropriately defined and executed in a professional and time-relevant manner. Great care is taken to protect our reputation and maximise our brand equity. The Management Committee of the Group meets regularly to monitor and manage the Group's strategic and reputational risks, and is responsible for enforcing high-level policies approved by the Board to identify and assess such risks, as well as to improve controls.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Performance

As Hong Kong celebrated the 10th anniversary of its return to Chinese sovereignty in 2007, its economy also benefited from China's fast economic growth and sustained another period of good performance. The PRC central government reaffirmed its support to Hong Kong with the introduction of a number of economic and trade initiatives that attracted a generous inflow of capital from Mainland China and overseas, and in turn reinforced Hong Kong's standing as an international financial centre.

Riding on the vibrant economic development in China and Hong Kong, CITIC International Financial Holdings Limited (the "Group" or "CIFH") is focused on capturing business opportunities arising in particular from the financial sector integration of the two economies. The Group is fully committed to its vision to create the CITIC international commercial banking franchise, and strives to do so by leveraging its parent CITIC Group's dynamic domestic and overseas financial businesses, and by fully unleashing the synergies that exist within the group.

The Group's operating performance during the first six months of 2007 was derived primarily from CITIC Ka Wah Bank Limited ("CKWB"), its wholly-owned commercial banking subsidiary in Hong Kong. During this period, the Group reported operating profit before impairment allowances of approximately HK\$697 million, representing a 52.3% year-on-year growth. Underlying this strong performance was a rebound in net interest income, which grew 26.8% year-on-year to HK\$631 million, and continued strong momentum in non-interest income, which grew by 38.7% year-on-year to HK\$681 million. After taking into consideration a modest HK\$43 million charge in impairment loss arising from the reversion to a normalised credit cycle, operating profit stood at HK\$655 million, or a 36.9% growth compared to the previous year.

The Group's net profit attributable to shareholders surged 207.2% year-on-year to HK\$1,510 million on the back of strong profit contribution from its other commercial banking and non-bank financial associates. Of these, the Group's 15%-owned China CITIC Bank Corporation Limited ("CNCB") contributed HK\$545 million. In the non-bank financial businesses, its 50%-owned CITIC Capital Holdings Limited ("CCHL") contributed HK\$155 million, while its 40%-owned CITIC International Assets Management Limited ("CIAM") contributed HK\$37 million. Meanwhile, the Group also benefited from the gain on dilution of investment in associate of HK\$202 million arising from its aggregate stake holding in CNCB upon the latter's A- and H-share initial public offering in April 2007.

Basic earnings per share for the first half of 2007 amounted to 27.39 HK cents, representing a 78.2% increase over the previous year.

Details on the performances of the Group's commercial banking and non-bank financial businesses are outlined in the Business Overview section below.

### Interim Dividend

With the change in CIFH's earnings structure, the Group's associates contributed close to 60% of its profits on an equity accounting basis. Accordingly, the Group has adjusted its dividend payout considerations to align with the needs and decisions of its Group subsidiaries and associates.

The Board of Directors has agreed on CKWB's decision to retain the bank's earnings to support its capital and business needs given its organic expansion needs as well as the proposed transfer of Asian assets from BBVA. Meanwhile, in accordance with market practices of A-share listed banks, CNCB has confirmed that only final dividends will be payable simultaneously to its A- and H-share holders for the year ended 31 December 2007.

As such, the Board does not recommend an interim dividend for 2007 (2006 interim dividend at 7.7 HK cents per share).

## **Corporate Developments**

Last year, the Group added a series of strategic building blocks to its solid business foundation, which included the acquisition of a strategic stake in CNCB and the forging of a strategic partnership with Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"). These moves essentially created a unique tripartite commercial banking business model – indeed the first of its kind in the history of China's banking industry – that is to take the overall financial business capabilities of the CITIC Group to a new level.

On 9 February 2007, the Group's independent shareholders gave approval for BBVA to become a 15% strategic investor in CIFH, and the transaction was duly completed on 1 March 2007. The Group and BBVA are currently making steady progress in the second-stage discussions regarding a further stake increase in CIFH by BBVA, and the transfer of BBVA's Asian wholesale banking assets to CKWB. In order to allow sufficient time to address the legal and regulatory issues in the related jurisdictions, both parties have agreed to extend the time frame for completing such discussions up to and including 22 December 2007.

Meanwhile, with the successful dual listing of CNCB on the Hong Kong and Shanghai stock exchanges on 27 April 2007, the Group has also completed its top-up investment to maintain its 15% shareholding in CNCB.

Given the changes in the Group's corporate structure over the past 18 months, CIFH has transformed from being a bank operating entity into becoming a financial holding company. Accordingly, certain adjustments have been made in the analysis of the Group's financial performance and position in order to provide clearer and more relevant information to its shareholders and investors.

## **Financial Position**

The Group registered significant increases in its total assets and total equity during the period, given the strong growth in the asset base of its core business CKWB as well as its increased shareholding in CNCB. Since 2006 year-end, the Group's total assets have grown by 21.4% to HK\$124.0 billion, and its total equity by 27.8% to HK\$25.9 billion.

As a financial holding company, CIFH's total debt registered during the period amounted to HK\$2.6 billion, which was used to finance the top-up investment in CNCB to maintain the Group's 15% shareholding. Its debt-to-equity ratio and double leverage ratio stood at a healthy level of 12.9% and 107.1%, respectively.

Meanwhile, the Group's significantly improved profitability helped to lift its return on assets from 1.3% at the end of 2006 to 2.5%, while its return on average shareholders' equity also increased from 11.3% to 12.0%.

## Key Financial Indicators

	<b>30 June 2007</b>	31 December 2006
<b>Company</b>		
Total debt ( <i>in HK\$ billion</i> )	<b>2.6</b>	0.3
Shareholders' equity ( <i>in HK\$ billion</i> )	<b>20.3</b>	16.4
Debt-to-equity	<b>12.9%</b>	1.9%
Double leverage	<b>107.1%</b>	91.3%
<b>Group</b>		
Consolidated total assets ( <i>in HK\$ billion</i> )	<b>124.0</b>	102.1
Total equity ( <i>in HK\$ billion</i> )	<b>25.9</b>	20.2
Return on assets	<b>2.5%</b>	1.3%
Return on average shareholders' equity	<b>12.0%</b>	11.3%

## Business Overview

### *Commercial Banking Business*

#### 1. CITIC Ka Wah Bank Limited (“CKWB”)

##### 1.1 Operating Environment

Hong Kong's banking industry thrived during the first half of 2007, benefiting from the continued economic growth in Hong Kong and Mainland China, a benign credit environment, and the zealous investment sentiment fuelled by a buoyant stock market. However, the sharp uptrend in the Hong Kong Interbank Offered Rate (“HIBOR”) during the period cast an overhang in the operating environment of banks, as it continuously narrowed the gap between the Prime Lending Rate (“Prime”) and HIBOR.

Guided by clear business strategies and resolve, all of CKWB's core businesses reported outstanding performances in the first half of the year. More importantly, strengthened collaboration between CKWB and CNCB to complement each other's strengths has resulted in a notable increase in wholesale banking deals that were jointly participated by the two banks, scoring encouraging early successes in efforts to build an international banking business under the CITIC brand.

Having built solid platforms and achieved sustained performances for all its business lines, CKWB is now prepared to enter a new era of growth, with expansion into new markets and product areas by leveraging synergies and opportunities to be created through its strategic partnership with BBVA.

## 1.2 Business Performance

### **Earnings**

CKWB reported satisfactory performances across all its business lines for the first half of 2007. Net interest income and non-interest income rose by 25.2% and 35.5% respectively compared to the same period last year. As a result, CKWB recorded a significant 45.1% rise in operating profit before impairment allowances to HK\$696 million. With the credit cycle normalising, CKWB's charge in impairment allowances rose to HK\$43 million in the first half of 2007 from HK\$13 million in the corresponding period last year. After taking other items into account, CKWB reported a 47.8% year-on-year increase in profit attributable to shareholders to HK\$539 million.

### **Net Interest Income**

CKWB's net interest income rose by 25.2% to HK\$616 million in the first half of 2007. After adjusting for the funding cost of its fund investments, its net interest margin stood at 1.86%, up 10 basis points year-on-year, compared to a 18 basis point contraction in the Prime-HIBOR spread during the same period.

The growth in net interest income was primarily due to a significant increase in interest income from the bank's expanded loan portfolio. Meanwhile, CKWB's strategy since last year to run down its held-to-maturity fixed income investment portfolio also had a positive impact on improving its net interest income; the size of this portfolio on 30 June 2007 has already fallen to HK\$7,966 million.

### **Non-Interest Income**

For the first half of 2007, CKWB continued to deliver an outstanding 35.5% year-on-year growth in non-interest income to HK\$672 million. The main drivers for this growth were a 77.7% increase in gross income from fund investments, over 70% increase in wealth management-related income, in particular from the sales of unit trust, structured products and bancassurance, and a 48.4% increase in corporate loans related fees. The share of non-interest income in its operating income rose to 52.2% from 50.2% for the same period last year.

### **Operating Expenses**

The rapidly developing financial services industry in Hong Kong and China has created a tremendous demand on professional talents. This is in turn posing a serious staff turnover challenge for the banking industry as a whole. In order to attract and retain high quality professionals and management talents, both to maintain the quality of its business and to start investing resources to prepare for its development into a regional bank, CKWB's staff costs increased by 27.2% during the period. Although this has pushed operating expenses up by 16.5%, the bank's significant increase in operating income helped to reduce its cost-to-income ratio from 51.5% in the first half of 2006 to 46.0% in the current period.

## **Impairment Allowances**

CKWB lends conservatively and strives to continually improve its asset quality. For the first half of 2007, the charge in its individually assessed loans fell 22.1% to HK\$55 million, while bad debts recovered increased by 20.1% to HK\$26 million. However, with the gradual normalisation of the credit cycle, the bank reported a HK\$14 million charge in its collectively assessed loans. As a result, CKWB recorded HK\$43 million in net impairment losses charged on loans and advances for the first half of 2007. Including impairment losses on other assets, the bank registered a HK\$72 million net charge in impairment losses, compared to a net charge of HK\$13 million for the first half of 2006.

### 1.3 Asset Quality

#### **Asset, Loan, and Deposit Sizes**

For the first half of 2007, CKWB's total assets were HK\$103.8 billion, representing a 15.7% increase over 2006 year-end. Total loans rose significantly by 20.0% from 2006 year-end to HK\$61.4 billion, driven mainly by a rise in lending to securities brokerages for IPO financing, loans for use outside Hong Kong, and manufacturing sector related loans. Total deposits grew by 12.8% from 2006 year-end to HK\$82.6 billion.

#### **Asset Quality Indicators**

CKWB made improvements in several asset quality indicators during the period. As at end-June 2007, its impaired loans ratio fell from 1.67% at 2006 year-end to 1.45%. Its coverage ratio expanded from 98.0% at 2006 year-end to 99.6%. Meanwhile, its mortgage delinquency ratio fell further from 0.14% to 0.11%.

The improvement in CKWB's financial strength was also recognised by the market. In May 2007, Moody's Investors Service upgraded the bank's credit rating from "Baa2" to "Baa1". In August 2007, FITCH affirmed the bank's credit rating at "BBB+" and revised its outlook from "stable" to "positive".

## Financial Position

As at end-June 2007, CKWB's capital adequacy ratio was 15.3%. Its average liquidity ratio was 40.8%. Its loans to deposits ratio was 74.3% and its loans to total assets ratio was 59.2%.

### *CKWB's Key Financial Ratios*

	<b>30 June 2007</b>	31 December 2006
Capital adequacy <sup>1</sup>	<b>15.3%</b>	16.7%
Core capital adequacy	<b>8.8%</b>	9.3%
Average liquidity	<b>40.8%</b>	40.4%
Loans to deposits	<b>74.3%</b>	69.9%
Loans to total assets	<b>59.2%</b>	57.1%
Impaired loans Coverage <sup>2</sup>	<b>1.45%</b>	1.67%
Loan loss coverage	<b>99.6%</b>	98.0%
Collective assessment coverage	<b>39.3%</b>	38.9%
Mainland loans to total customer advances	<b>0.42%</b>	0.49%
	<b>13.2%</b>	13.2%

<sup>1</sup> 2006 CAR on an adjusted basis.

<sup>2</sup> Calculated by dividing the sum of individually assessed impairment allowances and collateral of impaired loans by the gross impaired loans.

## 1.4 Business Development

### **Retail Banking Group (“RBG”)**

RBG achieved outstanding results despite fierce market competition, thanks to the successful launch of its uniquely positioned wealth management platform.

Since its official launch in March 2006, CITIC*first* wealth management service has established a base of over 8,000 customers and has attracted total assets under management amounting to HK\$28 billion. The Bank's wealth management fee income grew substantially by over 70% in the first half of 2007, of which investment and bancassurance fee income surged 77.7% and 70.1% respectively on a year-on-year basis. CKWB attributed the outstanding performance of its wealth management business to its ability to provide timely and value-added solutions that are tailored to the specific needs of its customers. Indeed, of the 280 wealth management related products launched by RBG in the first half of the year, 102 were private placement offerings.

Other RBG business lines also reported satisfactory performances. Although CKWB did not match the mortgage rate-cutting competition by its peers, the outstanding balance of its mortgage portfolio as at 30 June 2007 grew by 14.0% year-on-year. This was achieved through the offer of a diversified range of mortgage solutions and other value-added services. Meanwhile, loans related to small- and medium-sized enterprise business also grew by 69.2% year-on-year.

## **Wholesale Banking Group (“WBG”)**

Firmly guided by its mission to provide value-added solutions to customers and to position CKWB as a solutions bank, WBG was able to maintain the strong growth momentum in all its business lines. For the first half of 2007, not only did it achieve a loan growth of 32% compared to 2006 year-end, its operating profit after impairment allowances also rose by nearly 28% compared to the same period last year.

From a customer solution perspective, its core Centre of Excellence, the syndication and structured finance business doubled its revenue year-on-year for the first half of 2007. Cross-selling of solutions with the Treasury & Markets Group also increased notably.

From a client segment perspective, its Commercial Real Estate and Project Finance Department delivered an outstanding growth in operating profit of nearly 36% compared to the same period last year. Its Commercial Banking Department also performed well with an increase in trade loans by over 20%. Another business focus for WBG this year is to restructure and develop its International Banking and Financial Institutions Department. The department met expectations by delivering over 3 times growth in operating profit for the first half of 2007.

Meanwhile, WBG also works closely with the China Banking Division to implement the Global Account Management/Field Account Management operating model when working with CNCB, so as to jointly deliver one-stop cross-border value-added financial solutions to customers. This will form the groundwork for building the tripartite collaboration model between CKWB, CNCB and BBVA, and will become the foundation for developing a regional commercial banking franchise in Asia.

## **China Banking**

The China Banking Division reported satisfactory progress by its New Initiatives Office which was established last year to promote cross-border cooperation and business referrals among CKWB and CNCB and other CITIC Group subsidiaries. In the first half of 2007, the New Initiatives Office successfully referred over HK\$3.1 billion in approved facilities; another area that saw strong developments was cross-referrals in treasury-related businesses between CNCB and CKWB.

Separately, CKWB’s wholly-owned subsidiary, China International Finance Company Limited (Shenzhen) (“CIFC”), received formal approval from the China Banking Regulatory Commission on 11 May 2007 to prepare for its restructuring to establish a foreign-invested locally-incorporated bank in the Mainland. The new bank will be named CITIC Ka Wah Bank (China) Limited (“CKWB China”) and will be headquartered in Shenzhen, it will also set up a Shanghai branch and a Beijing branch in accordance with China’s current laws and regulations. CKWB will retain its existing Shanghai branch under its foreign bank licence to operate its foreign currency wholesale banking business. CKWB China is expected to officially commence business within 2007, and will create more flexibility for future collaboration with CNCB and BBVA in the future.



## Treasury and Markets Group (“TMG”)

TMG’s efforts to develop its client-driven business delivered excellent results during the period. In the first half of 2007, TMG continued to broaden its structured product distribution channels by deepening its cooperation with RBG and WBG. TMG launched a total of 6 structured products during the period, including a three-month Euro-linked deposit in the Mainland market. Meanwhile, selling of treasury-related products targeted at WBG customers generated an increase of over four times in related fee income compared to the same period last year.

Separately in the area of fund investments, albeit a generally positive investment environment in the first half of the year, the market grew wary towards the mid-year as the US sub-prime mortgage crisis worsened. CKWB’s fund investments portfolio operates under a strict and prudent risk management framework that stipulates selection of fund managers with outstanding credit rating, risk management and performance track record. As such, it was not impacted by these market developments. On 30 June 2007, the size of the bank’s fund investments portfolio was maintained at approximately HK\$5.6 billion, annualised gross return achieved was approximately 8.6%, generating an 88.1% increase in gross income compared to the same period last year, and representing an important contribution to the bank’s non-interest income.

### 1.5 Awards

CKWB received the Silver Award in the 2007 Hong Kong Management Association Quality Award in recognition of its outstanding achievement in Quality Management. The bank adopted the all-rounded and comprehensive Malcolm Baldrige Management Model since 2000 in driving total quality management. It is the bank’s intention to further elevate and implement its quality management practices in its pursuit to become the best PRC Asian regional bank, with the best international standards and capabilities.

Other awards received by CKWB during the period included the Productivity and Quality Certificate of Merit in the Hong Kong Awards for Industries 2006 bestowed by the Hong Kong Productivity Council, the “2006 Outstanding Retail Sales Volume – Silver Prize” awarded by VISA International, and the “Caring Company Logo” awarded by the Hong Kong Council of Social Service for the fourth consecutive year.

## 2. China CITIC Bank Corporation Limited (“CNCB”)

### 2.1 Corporate Developments

On 27 April 2007, CNCB was successfully listed in Hong Kong and Shanghai. The bank raised over HK\$40 billion from the new share issuance of approximately 5.6 billion H shares at HK\$5.86 per share and approximately 2.3 billion A shares at RMB5.80 per share. Subsequent to its listing, the respective shareholdings of CITIC Group, CIFI and BBVA in CNCB are 62.3%, 15.0% and 4.8%.

## 2.2 Business Performance

CNCB's net profits for the first half of 2007 surged 82.4% year-on-year to RMB3.2 billion on the back of strong net interest income and non-interest income performance during the period.

## 2.3 Asset Quality

### **Asset, Loan, and Deposit Sizes**

As at 30 June 2007, CNCB's total assets were RMB868.4 billion, representing a 23% increase over 2006 year-end. Total loans rose by 15.6% from 2006 year-end to RMB535.5 billion. Total deposits grew by 7.8% from 2006 year-end to RMB666.4 billion.

### **Asset Quality Indicators**

In addition to strengthening its overall credit risk management quality, CNCB has adopted a strict policy of lending only to quality industries and quality enterprises and targeting only at mainstream market and major customers. As a result, the bank was able to control its non-performing loan ("NPL") ratio to below 2%. In fact, CNCB has managed to reduce both its total NPL outstanding and NPL ratio for four consecutive years, and its asset quality is considered to be among the best of all listed banks in the Mainland.

## 2.4 Business Development

### **Wholesale Banking Business**

CNCB's wholesale banking business reported strong growth, with corporate deposits increasing 12.0% to RMB574 billion compared to 2006 year-end, and total loans rising 15.4% to RMB478.6 billion over the same period. The volume of its international settlement business reached US\$43.3 billion, lifting its market share to 5.1%, and further strengthening its leadership position in this area.

### **Retail Banking Business**

In line with the development of China's capital markets and the evolving wealth management concepts of Mainland residents, CNCB has been actively developing and marketing its wealth management product offering, with sales volume reaching RMB54.4 billion in the first half of 2007. This exceeded the full-year sales volume of such products in 2006, and helped to generate significant increases in both the number of customers and in its non-interest income. Its credit card business continued to be profitable, supported by the rapid growth in card issuance. During the period under review, the total number of cards in issuance, loans outstanding and card sales rose by 86%, 229% and 183% respectively year-on-year. Given the fast growth registered by the retail banking business, its share in CNCB's total operating income grew by 3 percentage points to 16.3% compared to the same period last year.

## **Treasury Operations**

Despite an environment of increased market volatility given the changes in the interest rate and foreign exchange regimes in China as well as developments in its primary capital market, CNCB managed to register relatively high growth in its foreign exchange trading volume and number of clients by adopting effective risk management practices, strengthening its client sales efforts and aggressively developing its client driven treasury services. Meanwhile, CNCB's bond underwriting business reported a new breakthrough by becoming the second commercial bank in the Mainland to issue financial debts for other financial institutions in the role of lead underwriter.

### **2.5 Collaboration with subsidiaries within CITIC Group**

CNCB continues to leverage the competitive strengths of the CITIC Group's integrated financial services platform through intra-group collaborative efforts to develop and cross-sell products. During the period, CNCB successfully attracted over 70,000 new customers through working with a securities business within the CITIC Group to launch third party deposit account services, as well as fund transfer services between banking and securities accounts. As a result of collaboration with various CITIC Group companies last year to jointly develop wealth management products, the number of such products and related sales volume were three times and seven times respectively those of last year. Meanwhile, joint sales efforts were made to clients to offer integrated financial solutions, and the bank also started to share sales network and sale team resources with 38 CITIC Group financial services companies.

### **2.6 Collaboration with BBVA**

CNCB has started active discussions and preparation work with BBVA to further their strategic collaboration. Both parties have agreed on eight key areas of business cooperation and on the framework for such cooperation, these will cover retail banking business, wholesale banking business, treasury operations, risk management, wealth management, information technology, customer management system and organisational structure.

### 3. CITIC Capital Holdings Limited (“CCHL”)

#### 3.1 Business Performance

CCHL achieved strong revenue growth across all its investment management businesses in the first half of the year, resulting in a net profit of HK\$308 million, representing a 238% increase compared to the same period last year. The significant bottom-line growth was primarily driven by an increase in management fees, performance fees, advisory fees as well as realised and unrealised investment gains. Total assets under management reached US\$1.3 billion at the end of June 2007, compared to US\$1.1 billion at the end of December 2006 and US\$0.9 billion at the end of June 2006. This is a strong validation of its management’s vision to reposition the firm as a leading China-focused international investment management and advisory firm that is specialised in alternative investment products, an area that has seen growing interest both internationally and within China. The management of CCHL is confident to capture the attractive investment opportunities that abound in Mainland China across different asset classes, and is planning to launch several new funds in the next 12 months.

#### 3.2 Business Development

##### **Private Equity**

CITIC Capital China Partners, L.P. (“CCCP”), CCHL’s flagship China private equity fund, achieved its final closing at US\$425 million in April 2007, which far exceeded its target fund size of US\$250 million. Leveraging on CITIC Group’s extensive business network in China, CCCP has developed a solid deal pipeline with a focus on state-owned enterprises. Having already made an anchor investment in Harbin Pharmaceutical Holding Co., Limited, one of the largest Chinese pharmaceutical companies, it is expected to execute several new investments by the end of the year. On the international front, CCHL’s US-China and Japan-China private equity funds have invested in three US-based and three Japan-based companies respectively to-date, and these have been performing well on an overall basis.

##### **Asset Management**

CITIC Capital China Plus Fund, CCHL’s flagship China hedge fund offering, has been growing steadily on the back of the overall bullish sentiment in the China equity markets. Equipped with a successful track record in proprietary investments in similar strategies, CCHL will be launching the new CITIC Capital China Access Fund within this year. This new fund will invest in pre-initial public offering securities and concentrated investments in listed securities.

Meanwhile, CCHL is also working with a CITIC affiliated institution to manage a Qualified Domestic Institutional Investor portfolio to capture opportunities from increasing capital flows from Mainland China to Hong Kong.

Internationally, CCHL will collaborate with BBVA to launch BBVA CITIC Capital China Equity Fund within this year, a mutual fund registered for public distribution in Spain. This will be the first China investment product offered by BBVA in Spain and will bring CCHL’s presence into the European market.

## **Real Estate and Structured Finance**

In April 2007, CITIC Capital China Property Investment Fund, the first real estate fund managed by CCHL, exited its property investment in Shanghai profitably and as planned. CITIC Capital Vanke China Property Development Fund, which focuses on residential property development projects in partnership with China Vanke, the largest Chinese property developer, completed its final closing at US\$150 million in January 2007. The fund has already invested in five projects by June 2007 and expects to be fully invested before the end of 2007.

In the structured finance area, CITIC Allco Investments Limited, a mezzanine fund that CCHL co-manages with a leading Australian structured finance group, closed its fourth investment in a regional supermarket chain in China in May 2007, and has invested 34% of its capital by June 2007. On the advisory front, the firm acted as the lead arranger for one of the largest loan syndications done in the property sector in Mainland China during the period under review.

## **Others**

As part of CCHL's strategy in developing new fund products, it continuously seeks to identify potential asset classes, sectors, or investment strategies of interest, make anchor investments and develop an investment pipeline. Accordingly, several new anchor investments were made during the period under review. Meanwhile, several divestitures in both listed and non-listed securities were also made with the aim of creating an investment track record for managing third party capital in future.

Separately, CCHL's remaining stake in CITIC Securities International Company Limited ("CSI") was diluted from 20% to 11.6% after an additional capital injection by CITIC Securities Co., Limited in early 2007. Riding on the buoyant Hong Kong stock market and the initial public offering of CNCB for which CSI acted as a joint sponsor, the brokerage firm achieved a strong financial performance during the period under review.

## **4. CITIC International Assets Management Limited ("CIAM")**

### **4.1 Business Performance**

Following the successful introduction of its three foreign investors at the end of 2006, namely, Japan's Asset Managers Co., Ltd, Bahrain's Ithmaar Bank B.S.C., and Mega Rider Offshore Limited which is backed by business persons in Southeast Asia, CIAM has focused its efforts this year on internal integration, and is gradually formulating the investment strategy of the new management team. CIAM's objective is to establish a new roadmap and a solid foundation for its future development, while in the meantime maintain a sound business performance.

Riding on the performances of the buoyant Asia Pacific stock markets and the continued appreciation of the Renminbi, CIAM reported total income for the first half of 2007 of HK\$90 million, an increase of 420% compared to the same period last year. Its operating profit for the same period rose 960% year-on-year to HK\$73 million. Its profit before tax was HK\$70 million, representing a 221% increase compared to the same period last year. Profit attributable to shareholders amounted to HK\$60 million, a rise of 244% compared to the same period last year.

## 4.2 Business Development

### **Strengthened Cooperation with Strategic Shareholders**

The three new foreign shareholders in CIAM come from different backgrounds and provide expertise to CIAM in different areas. To strengthen its cooperation with the shareholders, CIAM has redefined and enhanced its governance structure in the first half of 2007. In addition to the board of directors, CIAM has established the executive board and several committees to allow the shareholders to participate in and contribute their expertise to the company's business at different levels. By leveraging the strengths and business network of the new shareholders, projects have been referred; various co-investments and co-advisory opportunities have been explored. As a result, CIAM was able to complete a number of new investments and advisory services in the first half of 2007.

Looking into the second half of 2007, CIAM will continue to review and improve its internal operational and management procedures, further enhance its efficiency and strengthen the cooperation between the shareholders in order to fully realise the potential synergies in their collaboration.

### **Progress in Managing Problem Loans and Debt-Swapped Assets**

CIAM continued to make progress in managing its problem loans and asset portfolio. During the period, in addition to resolving HK\$6 million in problem loans and interest, the increase in value of some collaterals and repossessed properties helped to offset impairment charges on certain individual problem loans and debt-swapped equity interests. As a result, CIAM managed to record over HK\$21 million contribution from this business area.

CIAM has successfully resolved over half of its aggregate problem loans portfolio since its establishment in 2002. As at end-June 2007, its aggregate problem loans and debt-swapped assets accounted for less than 25% of its total assets. CIAM expects to make further progress in resolving its problem loans in the latter half of this year.

### **Increase in Direct Investment and Structured Loan Portfolio**

In the first half of 2007, apart from the efforts and progress that were made on internal integration after the corporate restructuring, CIAM was also active in managing treasury funds and enhancing the returns of its cash-on-hand. On the other hand, it made HK\$77 million in new direct investments during the period. As CIAM gradually formulates its investment strategy, it expects to further expand its investment portfolio in the second half of this year, including larger capital investments in the real estate, resources and niche consumer industries.

Regarding the direct investment and structured loan portfolio established before its corporate restructuring, the appreciated value of certain listed investments helped to offset impairment charges on certain individual investments and contributed a valuation gain of HK\$32 million. Meanwhile, CIAM's co-invested funds, Shenzhen Guocheng Century Venture Capital Company Limited and Xuan Huang China Realty Investment Fund Ltd, have almost completed their investments on high quality projects, and are expected to generate returns in future.

## **Future Outlook**

In line with CITIC Group's vision to establish financial services as its core business and to build an international financial services franchise, CIFH has laid down its blueprint for strategic business development in 2005 and has adopted a two-pronged approach of strengthening its core business capabilities while striving to create a business framework that can fully leverage the CITIC international financial services brand.

As the Group continues its journey along this strategic blueprint, its business priorities in 2007 are to deepen its collaboration with CNCB and to complete its second-stage discussions with BBVA. Its destination is clear: To establish the PRC Asian regional bank of choice. The Group believes that the key to its success lies in the execution of its tripartite commercial banking business model. This will involve fully leveraging CITIC Group's unique positioning and strengths, CIFH's excellent talent base and corporate governance standards, and BBVA's world-class financial capabilities and global reach, and to optimise the mutually created unique competitive advantages. Building on its efforts over the past two years, the Group has now established a firm foundation for the CITIC international commercial banking franchise, and is now well-poised for its strategic breakthrough.

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended 30 June 2007.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance. Throughout the six months ended 30 June 2007, the Company has complied with the Code Provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the following deviations.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term, but same as all other Directors of the Company, are subject to retirement and eligible for re-election at each annual general meeting in accordance with article 98 of the Articles of Association of the Company. The Directors believe that subjecting the Non-executive Directors to annual re-election achieves the intended aims of the Code.

Code Provision B.1.1 stipulates that a majority of the members of the remuneration committee should be independent non-executive directors. The composition of the Nomination and Remuneration Committee of the Company (the "N&R Committee") does not include a majority of members who are Independent Non-executive Directors of the Company. The Directors believe that the terms of the delegation of duties by the Board subject the decisions of the N&R Committee to the oversight of the full Board, which in itself satisfies the independence requirements under the Code. The members of the N&R Committee shall not vote in decisions concerning each of their own remuneration or any other matters which he/she has any direct or indirect interest. All Non-executive Directors of the Company have the right to attend the meetings of the N&R Committee. The composition and the terms of reference of the N&R Committee shall be reviewed from time to time.

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Company was unable to attend the annual general meeting of the Company held on 17 May 2007 due to other important business engagements. Nevertheless, other board members (including the Chairman of the Audit Committee) attended the meeting to answer questions from shareholders.

### **COMPLIANCE WITH THE “MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS”**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Company (the “Model Code”). Having made specific enquiry of the Directors of the Company, all Directors of the Company had complied with the required standards as set out in the Model Code during the six months ended 30 June 2007.

### **REVIEW BY THE AUDIT COMMITTEE**

The financial statements of the Company for the six months ended 30 June 2007 have been reviewed by the Company’s Audit Committee, which comprises three Independent Non-executive Directors and one Non-executive Director of the Company.

By Order of the Board  
**CITIC International Financial Holdings Limited**  
**Dou Jianzhong**  
*Director and Chief Executive Officer*

Hong Kong, 23 August 2007

*As at the date of this announcement, the Chairman of the Company is Mr. Kong Dan; the Vice Chairman of the Company is Mr. Chang Zhenming; the executive directors of the Company are Mr. Dou Jianzhong, Mrs. Chan Hui Dor Lam Doreen, Mr. Lo Wing Yat Kelvin, Mr. Roger Clark Spyer and Mr. Zhao Shengbiao; the non-executive directors of the Company are Mr. Jose Barreiro, Mr. Chen Xiaoxian, Mr. Fan Yifei, Mr. Feng Xiaozeng, Mr. Manuel Galatas, Mr. Ju Weimin, Mr. Liu Jifu and Mr. Wang Dongming; and the independent non-executive directors of the Company are Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul.*