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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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 19.9% INTEREST IN CHINA CITIC BANK

On 30th March, 2006, the Company entered into the Framework Agreement, pursuant to which, amongst other things, the Company conditionally agreed to acquire and CITIC Group conditionally agreed to sell to the Company the Sale Interest at the Consideration. The Consideration is to be satisfied by the issue of the Consideration Shares (subject to adjustments) at HK\$3.41 per Share. The Company and CITIC Group expect that the Formal Sale and Purchase Agreement in respect of the Sale Interest shall be signed on or before 13th April, 2006. A further announcement will be made upon the signing of the Formal Sale and Purchase Agreement.

Based on the unaudited management accounts of CNCB for the year ended 31st December, 2005 prepared in accordance with PRC GAAP, the estimated Consideration (based on an exchange rate of RMB1.00 to HK\$0.96636) is approximately HK\$5,544 million and it is estimated that approximately 1,626 million Consideration Shares (subject to adjustments) will be issued, representing approximately 50.8% of the existing issued share capital of the Company and approximately 33.7% of the issued share capital of the Company (subject to adjustments) enlarged by the issue of such Consideration Shares. On such basis, the market value of the Consideration Shares is approximately HK\$5,544 million, calculated on the basis of the average closing price of approximately HK\$3.41 per Share as quoted on the Stock Exchange for the period of 5 consecutive trading days ended on 23rd March, 2006 (being the last trading day prior to suspension of trading in the Shares pending this announcement). However, the above figures are for reference purposes only and the actual number of Consideration Shares to be issued is subject to the finalization of the audited net book value of CNCB prepared in accordance with IAS and the valuation of the net assets of CNCB required to be prepared pursuant to requirements under PRC laws and to be approved by the PRC Ministry of Finance. Completion of the Acquisition is conditional upon the fulfillment of a number of conditions precedent described below.

As certain of the percentage ratios calculated under the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition by the Company and requires Independent Shareholders' approval under Rule 14.49 of the Listing Rules. In addition, as CITIC Group is the controlling shareholder of the Company, the Acquisition constitutes a connected transaction of the Company. Given the size of the Acquisition, the transaction contemplated under the Framework Agreement falls under Rule 14A.16(5) of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules pursuant to Rule 14A.17.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CITIC Group and its associates, no other Shareholder has a material interest in the Acquisition and accordingly, only CITIC Group and its Associates are required to abstain from voting on the resolution to approve the Formal Sale and Purchase Agreement and the transactions contemplated therein at the EGM.

An Independent Board Committee comprising of Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul has been appointed to advise the Independent Shareholders as to whether the terms of the Formal Sale and Purchase Agreement are fair and reasonable and whether such transaction is in the interest of the Company and its shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the transactions contemplated under the Formal Sale and Purchase Agreement. An Independent Financial Advisor will be appointed to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Formal Sale and Purchase Agreement are fair and reasonable and whether the transaction contemplated under the Formal Sale and Purchase Agreement is in the interests of the Company and its shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the Formal Sale and Purchase Agreement and the transactions contemplated therein.

A circular containing, among other things, the advice of the Independent Financial Advisor, the recommendation of the Independent Board Committee, a notice convening the EGM to approve the Formal Sale and Purchase Agreement and the transactions contemplated therein and further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended from 9:30 a.m. on Friday, 24th March, 2006 pending the release of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange at 9:30 a.m. on Monday, 3rd April, 2006.

The Directors are pleased to announce that on 30th March, 2006, the Company and CITIC Group entered into the Framework Agreement, further information relating to which are set out in section A below.

A. THE FRAMEWORK AGREEMENT

Date

30th March, 2006

Parties

- (a) the Company (as purchaser)
- (b) CITIC Group, a state-owned enterprise incorporated in the People's Republic of China (as vendor). CITIC Group is also the controlling shareholder of the Company and, as at the date of this announcement, owns approximately 56% of the Shares in issue.

Summary of the Acquisition

Subject to fulfillment of the conditions precedent described below, the Company agreed to buy and CITIC Group agreed to sell to the Company the Sale Interest at the Consideration. The consideration will be satisfied by the issue and allotment by the Company of the Consideration Shares to CITIC Group (subject to adjustments set out in the section headed "Adjustments to the Consideration Shares" below) at HK\$3.41 per Share.

Sale Interest to be acquired

The Sale Interest represents 19.9% of the existing interest in CNCB. As at the date of this announcement, CNCB is wholly owned by CITIC Group.

Consideration

The Consideration is to be satisfied by the issue of the Consideration Shares (subject to adjustments set out in the section headed "Adjustments to the Consideration Shares" below) at HK\$3.41 per Share. The number of Consideration Shares to be issued will be equal to the quotient obtained by dividing the Consideration by HK\$3.41 which is the average closing price per Share as quoted on the Stock Exchange for the period of 5 consecutive trading days ended on 23rd March, 2006 (being the last trading day before trading in the Shares was suspended pending this announcement), subject to the adjustments set out in the section headed "Adjustments to the Consideration Shares" below.

The Consideration Shares will, when issued, rank *pari passu* in all respects with the Shares then in issue. Based on the unaudited management accounts of CNCB for the year ended 31st December, 2005 prepared in accordance with PRC GAAP, the estimated Consideration (based on an exchange rate of RMB1.00 to HK\$0.96636) is approximately HK\$5,544 million and it is estimated that approximately 1,626 million Consideration Shares (subject to adjustments) will be issued upon completion of the Acquisition, representing approximately 50.8% of the existing issued share capital of the Company and approximately 33.7% of the issued share capital of the Company enlarged by the issue of the Consideration Shares, resulting in CITIC Group holding approximately 70% of the enlarged issued share capital of the Company. On such basis, the market value of the Consideration Shares is approximately HK\$5,544 million, calculated on the basis of the average closing price of approximately HK\$3.41 per Share as quoted on the Stock Exchange for the period of 5 consecutive trading days ended on 23rd March, 2006 (being the last trading day prior to suspension of trading in the Shares pending this announcement). However, the above figures are for reference purposes only and the actual number of Consideration Shares to be issued is subject to the finalization of the audited net book value of CNCB prepared in accordance with IAS and the valuation of the net assets of CNCB required to be prepared pursuant to requirements under PRC laws and to be approved by the PRC Ministry of Finance.

Adjustments to the Consideration Shares

In the event the Completion Exchange Rate is lower than the Circular Exchange Rate, the number of Consideration Shares to be issued and allotted to CITIC Group shall be based on the Completion Exchange Rate provided that the maximum number of additional Consideration Shares shall not be more than 3% of the Consideration Shares that would be allotted and issued based on the Circular Exchange Rate.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and CITIC Group after taking into account a number of factors including the average closing price of approximately HK\$3.41 per Share as quoted on the Stock Exchange for the period of 5 consecutive trading days ended on 23rd March, 2006 (being the last trading day prior to suspension of trading in the Shares pending this announcement), the potential advantages that would accompany the Acquisition (further details of which are described in the section headed "C. Reasons for and Effects/Benefits of the Acquisition") and the terms of investments by other foreign investors into Chinese banks (including their pricing).

The issue of the Consideration Shares at HK\$3.41 per Share is at a discount of 1.87% to the closing price of HK\$3.475 per Share as quoted on the Stock Exchange on 23rd March, 2006 and at a premium of 1.49% to the average closing price of approximately HK\$3.36 per Share as quoted on the Stock Exchange for the period of 10 consecutive trading days ended on 23rd March, 2006.

Conditions precedent

Completion of the Acquisition will be subject to, among other things, the following conditions being satisfied or waived:

- (a) completion of business, financial and legal due diligence on CNCB and the results thereof being reasonably satisfactory to the Company;
- (b) delivery by CITIC Group to the Company of legal opinions on the legal status of CNCB, necessary approval for CNCB to operate its business, legality of the transaction under applicable laws, legality of the transfer of the Sale Interest, all in a form and substance reasonably satisfactory to the Company, such opinions to be provided by legal counsel designated by the Company;
- (c) delivery by the Company to CITIC Group of:
 - (i) Hong Kong legal opinions on the legal status of the Company and its material operating subsidiaries, necessary approvals for them to operate their respective businesses, legality of the transaction (in respect of the issue of Consideration Shares) under Hong Kong law; and
 - (ii) PRC legal opinions on compliance with requirements of Chinese law by the Company as a foreign investor of CNCB, such opinions to be provided by legal counsel designated by CITIC Group;
- (d) completion of all relevant legal documentation, in form satisfactory to both CITIC Group and the Company, for the acquisition of the Sale Interest;
- (e) obtaining all necessary external and internal consents, licenses and approvals for the transaction, including the internal approvals of the Company and CITIC Group and all relevant regulatory, shareholders' and Hong Kong, US and PRC government approvals, if necessary, including without limitation, the approval of the acquisition of the Sale Interest by the Independent Shareholders and the Stock Exchange approving the listing of and permission to deal in the Consideration Shares;
- (f) representations and warranties are true and correct in all material respects at time of Completion; and
- (g) State Valuation is not more than 120% of the Transaction Value.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The longest date for the fulfillment or waiver by the Purchaser or the Vendor in writing (as the case may be) on the above conditions is eight months from the date of the Formal Sale and Purchase Agreement (or such later dates as the Company and CITIC Group may agree in writing).

The Company and CITIC Group expect that the Formal Sale and Purchase Agreement in respect of the Sale Interest shall be signed on or before 13th April, 2006. A further announcement will be made upon the signing of the Formal Sale and Purchase Agreement.

Completion

Completion shall take place within ten business days after the fulfillment or (if applicable) waiver of all conditions precedent to the Formal Sale and Purchase Agreement.

CITIC Group Support

- (a) Subject to relevant regulatory approvals and legal requirements, CITIC Group is supportive of the Company acquiring more equity interests in CNCB (being its existing equity or new equity). In this regard, the Company will comply with the Listing Rules as appropriate. To the extent permitted by legal and regulatory requirements, subject to the terms to be agreed, the Company does not rule out the possibility that it may increase its stake to more than 19.9% in the future, although there are no plans for such increase at the present time.

- (b) CITIC Group has undertaken that if CNCB deems it desirable to increase its capital prior to the investment by a strategic investor and/or the listing of CNCB, such capital injection shall be the responsibility of CITIC Group and any such capital injection shall not result in the value of the Company's equity interest in CNCB falling below the equity value accorded to the Company on the date of Completion and that the Company's equity interest in CNCB will not be less than 15%.
- (c) CITIC Group will support the nomination of at least one director designated by the Company to be a director on the board of CNCB. Currently, the board of CNCB is comprised of 5 directors, two of whom also sit on the Board of the Company.
- (d) CITIC Group is supportive of cooperation between the Company and CNCB so as to establish or strengthen ties in the areas of retail banking, corporate banking, treasury activities and wealth management businesses.

B. INFORMATION ON CNCB AND CITIC GROUP

CNCB is principally engaged in the business of provision of banking and financing services in the PRC.

The following table shows the audited, consolidated financial information of CNCB for the year ended 31st December, 2004 and the unaudited, consolidated financial information of CNCB for the year ended 31st December, 2005 (both prepared in accordance with PRC GAAP):

	Audited, consolidated financial information for the year ended 31st December, 2004	Unaudited, consolidated financial information for the year ended 31st December, 2005
Net profit before taxation and extraordinary items	RMB924 million (approximately HK\$893 million)	RMB4,965 million (approximately HK\$4,798 million)
Net profit after taxation and extraordinary items	RMB318 million (approximately HK\$307 million)	RMB2,962 million (approximately HK\$2,863 million)

The unaudited consolidated net book value of CNCB as at 31st December, 2005 was RMB25,002 million (approximately HK\$24,161 million).

Shareholders should be aware that the Consideration will be determined by reference to the audited net book value of CNCB for the year ended 31st December, 2005 (based on IAS), which will be prepared. Shareholders should be mindful when considering the above financial information of CNCB for the year ended 31st December, 2005 as the management accounts are prepared based on PRC GAAP and are unaudited.

CITIC Group was approved by the PRC's State Council and established in 1979. CITIC Group operates a wide range of businesses in the financial, services and industrial investment sectors. One of its main focuses is the development of financial businesses, with substantial interests in two commercial banks and non-banking financial institutions including securities firms, an insurance company, as well as a trust company. CITIC Group, the vendor of the Sale Interest is the controlling shareholder of the Company and therefore, is a connected person of the Company.

C. REASONS FOR AND EFFECTS/BENEFITS OF THE ACQUISITION

The Company is an investment holding company and is the holding company of CITIC Ka Wah Bank Limited, a Hong Kong licensed bank and CITIC International Assets Management, an asset management company which specializes in distressed assets management, direct investment and financial advisory services. The Company also holds 50% of CITIC Capital Markets Holdings Limited, which focuses on China-related merchant banking and investment management services.

A board meeting of the Directors, present in person or by proxy, (other than Mr. Tsang Yiu Keung Paul who was not available) was held to consider the Acquisition. The Directors including the Independent Non-executive Directors who were present (whose views are subject to the advice of the Independent Financial Advisor) consider the Acquisition to be in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition including the Consideration and the terms on which the Consideration Shares are to be issued to be fair and reasonable.

The Directors present believe that the Acquisition is beneficial to the Company for the following reasons:

- (a) the strategic stake in CNCB will improve the Company's service capability and its ability to provide "one-stop" solutions to Greater China and overseas customers who are active in cross-border business and trade with the PRC;
- (b) the strategic investment by the Company in CNCB is expected to strengthen the co-operation between the Company and CNCB in the areas of retail banking, corporate banking, treasury activities and wealth management businesses, prompting further integration of operations and co-operation between the Company and CNCB to achieve further scale and synergy;
- (c) where the Company is currently constrained by its scale to enter into certain product areas, information technology and personnel investments, the Acquisition will create economies of scale for the Company to expand capabilities in business and product developments;
- (d) the expanded platform and additional development opportunities from the strengthened ties between the Company and CNCB will enable the Company to better attract and retain top talents;
- (e) the sharing of expertise and know-how with CNCB will further deepen the Company's knowledge in developing business and relationships in China;
- (f) the historical operational performance of CNCB and the proposed transaction structure of the Acquisition will improve overall shareholders' return for the Company; and
- (g) given the significant equity stake of the Acquisition and the strength of CNCB's operations in the PRC, the Acquisition represents a good opportunity for the Company to invest into the PRC to capture growth opportunities in the banking business in the PRC.

D. GENERAL

As certain of the percentage ratios calculated under the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company and requires Independent Shareholders' approval under Rule 14.49 of the Listing Rules. In addition, as CITIC Group is the controlling shareholder of the Company, the Acquisition constitutes a connected transaction of the Company. Given the size of the Acquisition, the transaction contemplated under the Framework Agreement falls under Rule 14A.16(5) of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules pursuant to Rule 14A.17.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CITIC Group and its associates, no other Shareholder has a material interest in the Acquisition and accordingly, only CITIC Group and its associates are required to abstain from voting on the resolution to approve the Formal Sale and Purchase Agreement and the transactions contemplated therein at the EGM.

An Independent Board Committee comprising of Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul has been appointed to advise the Independent Shareholders as to whether the terms of the Formal Sale and Purchase Agreement are fair and reasonable and whether such transaction is in the interest of the Company and its shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the transactions contemplated under the Formal Sale and Purchase Agreement. An Independent Financial Advisor will be appointed to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Formal Sale and Purchase Agreement are fair and reasonable and whether the transaction contemplated under the Formal Sale and Purchase Agreement is in the interests of the Company and its shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the Formal Sale and Purchase Agreement and the transactions contemplated therein.

A circular containing, among other things, the advice of the Independent Financial Advisor, the recommendation of the Independent Board Committee, a notice convening the EGM to approve the Formal Sale and Purchase Agreement and the transactions contemplated therein and further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended from 9:30 a.m. on Friday, 24th March, 2006 pending the release of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange at 9:30 a.m. on Monday, 3rd April, 2006.

E. DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Acquisition”	the proposed acquisition of the Sale Interest by the Company from CITIC Group pursuant to the Formal Sale and Purchase Agreement;
“associate”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“CNCB”	China CITIC Bank;
“Circular Exchange Rate”	the mid-rate of the HK\$ to 1 RMB exchange rate quoted by the People’s Bank of China on the third business day immediately prior to the date of the circular to the Shareholders in respect of the Acquisition;
“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC;
“Company”	CITIC International Financial Holdings Limited (stock code: 183), a company incorporated in Hong Kong and the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Acquisition;
“Completion Exchange Rate”	mid-rate of the HK\$ to 1 RMB exchange rate quoted by the People’s Bank of China on the 3rd business day immediately prior to the date of completion of the Acquisition;
“Consideration”	the HK\$ amount equivalent to the Transaction Value provided that the Consideration shall not be less than the HK\$ amount equivalent to the State Valuation;
“Consideration Shares”	such number of new Shares equal to the quotient obtained by dividing the Consideration by HK\$3.41, subject the adjustments set out in the section headed “Adjustments to the Consideration Shares”;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, amongst other things, the Formal Sale and Purchase Agreement and the transactions contemplated thereunder;
“Formal Sale and Purchase Agreement”	the formal sale and purchase agreement to be entered into between the Company and CITIC Group in respect of the Acquisition;
“Framework Agreement”	the binding framework agreement dated 30th March, 2006 entered into between the Company and CITIC Group in relation to, among other things, the Acquisition;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IAS”	International Accounting Standards or International Financial Reporting Standards issued by the International Accounting Standards Board;
“Independent Board Committee”	the independent board committee of the Company comprising of Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul;
“Independent Financial Advisor”	the independent financial advisor to be appointed to make recommendations to the Independent Board Committee and the Independent Shareholders;
“Independent Shareholders”	Shareholders other than CITIC Group and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“PRC GAAP”	generally accepted accounting principles in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	19.9% of the existing interest in CNCB (including rights to receive dividends declared from the profits of CNCB as may be allowed under PRC law);
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“State Valuation”	19.9% of the valuation stated in RMB of the net assets of CNCB required to be prepared pursuant to requirements under PRC laws and to be approved by the PRC Ministry of Finance; and
“Transaction Value”	1.153 times of 19.9% of the audited net book value in RMB of CNCB prepared in accordance with IAS.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1.00 to HK\$0.96636. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at those rates or at any other rates.

By Order of the Board of
CITIC International Financial Holdings Limited
Kyna Y. C. Wong
Company Secretary

Hong Kong, 31st March, 2006

As at the date of this announcement, the Chairman of the Company is Mr. Kong Dan; 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. Chang Zhenming, Mr. Chen Xiaoxian, Mr. Ju Weimin, Mr. Liu Jifu, Mr. Wang Dongming and Mr. Yang Chao; and the independent non-executive directors of the Company are Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul.

Please also refer to the published version of this announcement in South China Morning Post, Wen Wei Po Post and Hong Kong Economic Times.