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 ON PROGRESS OF DISCUSSION WITH BBVA AND OPERATING PERFORMANCE UPDATE

This announcement is made by CITIC International Financial Holdings Limited (the "Company") to update the Company's shareholders, the investment community and the general public on the progress of discussions to advance the strategic alliance and business cooperation contemplated under the Cooperation MOU signed on 22 November 2006 with Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"). All terms with initial capitals used herein without definition have the meanings given to them in the Company's announcement dated 23 November 2006. The Company also provides below an update of its operating performance further to its announcement of 26 November 2007, in particular in relation to recent developments at its wholly-owned subsidiary, CITIC Ka Wah Bank Limited ("CKWB" or the "Bank").

Further to the 23 November 2006 announcement and the Company's further announcement dated 24 July 2007, the Company wishes to confirm that the Company and BBVA are continuing to work towards finalising all key aspects of their strategic alliance and business cooperation regarding CKWB.

Subject to completion of the final equity structure negotiations between BBVA and the Company's majority shareholder, CITIC Group ("CITIC"), relevant parties will then enter into definitive agreements. Both the proposed business cooperation and the eventual proposed final equity structure would be subject to approval by independent shareholders and relevant regulatory bodies.

BUSINESS COOPERATION BETWEEN THE COMPANY AND BBVA

The Company and BBVA have conducted extensive legal and business due diligence, and have been in discussions with each other, in preparation for the establishment of an Asia regional business cooperation framework and the proposed merger or acquisition by the Company and/or CKWB of BBVA's existing wholesale banking business in Asia. The Company, CITIC and BBVA have also been discussing a possible increase by BBVA of its shareholding interest in the Company and/or a subscription for CKWB shares such that BBVA will have a significant investment in the Company and/or CKWB and significant influence at the board level of the Company and/or CKWB. In this regard, all relevant parties have agreed in principle that as part of the business cooperation mentioned above, looking forward, CKWB shall be their primary banking platform for all Asian business, and for new business expansion in Asia.

If the above transaction materialises, exclusivity shall be agreed to facilitate the relevant parties' long-term alliance and cooperation and a non-competition agreement shall be put in place to protect CKWB's position as the Asian platform for CIFH and BBVA.

In order to achieve their mutual vision and aspirations in Asia, the Company and BBVA will extend the time to finalise all relevant agreements, based on the foregoing principles, up to and including 31 May 2008.

OPERATING PERFORMANCE UPDATE

CKWB Operating Performance

Capital Injection

Further to the Company's 26 November 2007 announcement, the Company has signed a HK$4.24 billion term loan and has drawn down the full amount. HK$1.74 billion of the proceeds will be used to repay loans obtained in April 2007 for the purpose of subscribing for additional shares in China CITIC Bank Corporation Limited ("CNCB") at the time of CNCB's listing in order to maintain the Company's 15% stake in CNCB, and the remaining HK$2.5 billion has already been injected into CKWB to strengthen the Bank's core capital. The Bank launched its US$2 billion medium term note programme on 30 November 2007 and completed the sale of US$250 million lower tier two subordinated notes (the "Sale") on 11 December 2007. The proceeds of the Sale were used to redeem its outstanding subordinated notes due 2011 in the same amount to maintain its capital adequacy ratio. The completion of the afore-mentioned capital exercises takes into account the Bank's 2008 growth plans and current provisioning relating to investments in Structured Investment Vehicles ("SIVs") which is covered in more detail in sections below. The Bank's capital adequacy ratio is currently within its target range of 14% to 16%.

Overall

Since its interim results, the Bank has continued to deliver strong income momentum in both its wholesale and retail banking groups and across a wide range of products and customer segments. Net interest income performance is supported by strong volume growth while fee income generation remains robust. Net interest margin remained stable compared to the first half of the year. Expense growth is closely managed to be matched by income growth whilst also meeting the Bank's strategic expansion needs.

The Bank's deposit base is supported by strong inflows from both wholesale and retail customers. Loans to deposit ratio remained at an average of around 75% throughout the period. Asset quality remains satisfactory and loan impairment provisioning remains low.

The Bank continues to be a provider of liquidity to the interbank money market. The Bank's overall liquidity ratio currently is approximately 39% and a healthy 33% in terms of cash, net interbank placements and marketable assets as a percentage of the balance sheet.

Wholesale Banking

Wholesale Banking continues to demonstrate success in expanding and upgrading its customer base as well as deepening penetration of core customer segments. Overall business momentum is buoyed by robust economic growth in China, with little impact yet to be seen from the market turbulence in the US and Europe. Syndication and other fee based activities in the second half of the year continue to perform strongly. China-related businesses remain a key growth driver, supported both by increased client activities and by growing traction in collaboration with and cross-referrals from CNCB.

Performance run-rates are being sustained at first half levels. Net interest income is growing at a similar pace compared to the first half of the year, while fee income growth remains sturdy and is underpinned by a strong deal pipeline. As a result, the share of fee income to total income has increased to 35% for the business unit.

Increased investments have been made to strengthen Wholesale Banking's core competencies and to expand its product capabilities, particularly in areas related to interest rates and foreign exchange, as well as in structured and project finance.

Retail Banking

Retail Banking continues to report record growth in operating profit and fee income performance, driven by the success of its differentiated wealth management platform CITIC*first*.

In November, CITIC*first* reached a major milestone with total customers exceeding 10,000 and total client assets under management exceeding HK$33 billion in less than two years since its launch. Given the excellent growth of its premium affluent client base and coupled with strong equity market activities, the Bank's wealth management related income is experiencing substantial year-on-year growth supported by strong investment- and bancassurance-related fee incomes.

These achievements were recognised when in November the Bank was named "2007 Retail Bank of the Year – Hong Kong" by Asian Banking & Finance magazine for its ability to achieve record growth in a mature consumer banking market, especially vis-a-vis the marketing excellence and strong service delivery of its CITIC*first* platform.

Investments in SIVs

Subsequent to the Company's 26 November 2007 announcement, the credit rating agencies downgraded to "sub investment" grade the Capital Notes of the three remaining SIVs in the Bank's funds investment portfolio. The Bank's exposure to these SIVs is as follows:

SIV Name	**Established & Managed by**	**Investment**
Beta Finance Corporation ("Beta")	Citibank International Plc	US$120M
Five Finance Corporation ("Five")	Citibank International Plc	US$10M Euro40M
Whistlejacket Capital Ltd. ("Whistlejacket")	Standard Chartered Bank	US$40M

On 13 December 2007, Citigroup Inc. ("Citi") announced that it has committed to provide a support facility that will resolve uncertainties regarding senior debt repayment currently facing the Citi-advised SIVs, including Beta and Five. As stated in the Citi press release, its actions are "designed to support the current ratings of the SIVs' senior debt and to allow the SIVs to continue to pursue their current orderly asset reduction plan. As a result of this commitment, Citi will consolidate the SIVs' assets and liabilities onto its balance sheet under applicable accounting rules".

The Bank is confident that the afore-mentioned restructuring of Beta and Five as well restructuring plans for Whistlejacket that are currently under discussion will substantially reduce the risk of any one of these SIVs entering into an enforcement event and will enable the managers of the SIVs to reduce their assets in an orderly fashion. From time to time the Bank will make provisions for the value of its SIV investments by reference to the then present Net Asset Values ("NAVs") of the SIVs. As at the end of November 2007, the reported NAVs of the three remaining SIVs stood at an average of 57% of the original investment by CKWB. There will also be provision on the same basis arising from the exchange of the capital note in Victoria Finance Limited for a capital note in Farmington Finance Limited ("Farmington"), the details of which were described in the Company's 26 November 2007 announcement. As at the end of November 2007, the reported NAV of Farmington was 66%.

In present markets it is difficult to determine "fair value" for assets such as SIVs and further write-downs may be required in the future. However, with the substantial new capital injection into CKWB and a clear determination to ensure these assets reflect their perceived market values, the Board considers that the above provides investors with a fair basis to appraise the financial condition and prospects of CKWB. The Bank also confirms that it has no other investments which the general market classifies to be in this, the sub-prime or other such impaired categories.

Associated Companies' Performance

The Company's 15%-owned associate CNCB has had a successful year as reflected in its strong third quarter performance which has exceeded market expectations. The Company will continue to benefit from the strong growth outlook of CNCB as well as from its strong operating environment.

Meanwhile, the Company's two other associates, CITIC Capital Holdings Limited and CITIC International Assets Management Limited, in which the Company has a 50% and 40% stake respectively, are both performing well.

Conclusion

At the level of provisioning indicated above and taking into account the strong operating performance of the various group constituents, the Company continues to believe that the net profits for the year should be close to present analyst consensus opinions.

Risk management processes are being strengthened further and investment strategies are being re-assessed in the light of the changing markets.

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

Hong Kong, 20 December 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.