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**GLORYSHARE INVESTMENTS LIMITED**  
*(incorporated in the British Virgin Islands with limited liability)*



**中信國際金融控股有限公司**  
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED  
*(incorporated in Hong Kong with limited liability)*  
**(Stock Code: 183)**

**JOINT ANNOUNCEMENT**

**PROPOSAL TO PRIVATISE CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 166 OF THE COMPANIES ORDINANCE**

**PROPOSED WITHDRAWAL OF LISTING OF  
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED**

**RESUMPTION OF TRADING IN SHARES OF  
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED**

**Financial adviser to  
Gloryshare Investments Limited**

**LEHMAN BROTHERS**  
**Lehman Brothers Asia Limited**

**THE PROPOSAL**

The board of directors of the Offeror and the Board jointly announce that on 3 June 2008, the Offeror requested the Board to put forward to the Minority Shareholders the Proposal for the privatisation of the Company which, if approved, would result in the withdrawal of listing of the Shares on the Hong Kong Stock Exchange. The Offeror is a wholly-owned subsidiary of CITIC Group and owns approximately 55.16% of the issued share capital of the Company as at the date of this announcement. The Board has reviewed the Proposal and has agreed to put it forward to the Minority Shareholders.

The Proposal will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror. As soon as practicable after the Scheme of Arrangement becomes effective, the Company will make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

Under the Scheme of Arrangement, the Offeror has proposed that the holders of the Scheme Shares will receive from the Offeror as Cancellation Consideration:

One CNCB H Share and HK\$1.46 in cash . . . . .for every Scheme Share cancelled

Based on the closing price of HK\$5.44 per CNCB H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day, the Cancellation Consideration of one CNCB H Share and HK\$1.46 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents (i) a premium of approximately 21% over the closing price of HK\$5.70 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day; (ii) a premium of approximately 30% over the average closing price of approximately HK\$5.30 per Share as quoted on the Hong Kong Stock Exchange for the one month up to and including the Last Trading Day; (iii) a premium of approximately 50% over the average closing price of approximately HK\$4.60 per Share as quoted on the Hong Kong Stock Exchange for the three months up to and including the Last Trading Day; (iv) a premium of approximately 52% over the average closing price of approximately HK\$4.54 per Share as quoted on the Hong Kong Stock Exchange for the six months up to and including the Last Trading Day; and (v) a premium of approximately 50% over the audited consolidated net asset value of approximately HK\$4.59 per Share as at 31 December 2007.

Based on the closing price of HK\$5.20 per CNCB H Share as quoted on the Hong Kong Stock Exchange on the date of this announcement, the Cancellation Consideration of one CNCB H Share and HK\$1.46 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents (i) a premium of approximately 17% over the closing price of HK\$5.70 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day; (ii) a premium of approximately 26% over the average closing price of approximately HK\$5.30 per Share as quoted on the Hong Kong Stock Exchange for the one month up to and including the Last Trading Day; (iii) a premium of approximately 45% over the average closing price of approximately HK\$4.60 per Share as quoted on the Hong Kong Stock Exchange for the three months up to and including the Last Trading Day; (iv) a premium of approximately 47% over the average closing price of approximately HK\$4.54 per Share as quoted on the Hong Kong Stock Exchange for the six months up to and including the Last Trading Day; and (v) a premium of approximately 45% over the audited consolidated net asset value of approximately HK\$4.59 per Share as at 31 December 2007.

The Scheme of Arrangement is conditional upon the fulfilment or waiver, as applicable, of the conditions described in the section of this announcement headed “Conditions of the Proposal”, which include, among others, the approval by the Minority Shareholders at the Court Meeting and the sanction by the High Court of the Scheme of Arrangement. If the conditions are not fulfilled or, if applicable, not waived on or before 31 December 2008 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted by the Takeovers Code), the Proposal will lapse. The listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn if the Proposal is withdrawn, not approved or lapses.

The Shares beneficially owned by CITIC Group and BBVA, representing approximately 55.16% and 14.51% of the issued Shares respectively, will not form part of the Schemes Shares and, as such, will not be voted at the Court Meeting. Although the Shares beneficially owned by parties acting in concert with them in respect of the Company may form part of the Scheme Shares, such Shares will not, in compliance with the Takeovers Code, be voted at the Court Meeting.

## **OFFERS TO THE OPTIONHOLDERS AND BONDHOLDER**

As required under the Takeovers Code, in parallel with, but conditional upon, implementation of the Scheme of Arrangement, the Offeror will:

1. make a cash offer to the Optionholders to cancel their Options. The cash offer for every Option to be cancelled will be calculated by deducting the exercise price of the relevant Option from the value of the Cancellation Consideration; and
2. make a cash offer to the Bondholder to acquire the outstanding Convertible Bonds. The cash offer will be determined by deducting the conversion price of the Convertible Bonds from the value of the Cancellation Consideration.

## **FINANCIAL RESOURCES**

The total share portion and cash payments under the Proposal will be 1,746,303,920 CNCB H Shares and approximately HK\$2,592 million respectively, assuming full acceptance of the cash offers for the Options and the outstanding Convertible Bonds, or 1,783,538,036 CNCB H Shares and approximately HK\$2,604 million respectively assuming the Options will be fully exercised and the outstanding Convertible Bonds will be fully converted prior to the Record Time.

Lehman Brothers Asia Limited, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this announcement, the authorised share capital of the Company is HK\$8,000,000,000 divided into 8,000,000,000 Shares and the issued share capital of the Company is HK\$5,758,416,916 divided into 5,758,416,916 Shares.

As at the date of this announcement, CITIC Group (through the Offeror) and BBVA are interested in 3,176,395,029 and 835,717,967 Shares respectively, representing approximately 55.16% and 14.51% of the issued Shares, and the Minority Shareholders are interested in an aggregate of 1,742,129,920 Shares, representing approximately 30.25% of the issued Shares. Other concert parties including Lehman Brothers Asia Limited (as financial adviser to the Offeror) and its affiliates have, as at the date of this announcement, a long position of 4,174,000 Shares, representing approximately 0.07% of the issued Shares (and a short position in respect of 1,819,000 Shares and, through interests in derivative products, a long position in respect of 9,000 Shares and a short position in respect of 2,035,546 Shares). Save as aforesaid, CITIC Group, the Offeror, BBVA and any Minority Shareholders who are parties acting in concert with them do not hold any other Shares or securities convertible into Shares.

As at the date of this announcement, apart from the Options (which entitle the Optionholders to subscribe for an aggregate of 35,418,000 new Shares, representing approximately 0.61% of the enlarged issued share capital of the Company) and the outstanding Convertible Bonds (which entitle the Bondholder to convert into an aggregate of 1,816,116 new Shares if converted on the date of

this announcement, representing approximately 0.03% of the enlarged issued share capital of the Company), the Company does not have in issue any outstanding options, warrants, derivatives or securities convertible into Shares.

Assuming that no Options will be exercised, no outstanding Convertible Bonds will be converted and no other new Shares will be issued after the date of this announcement up to the Record Time, CITIC Group and BBVA will immediately after implementation of the Proposal together be interested in 5,758,416,916 Shares, representing all of the Shares then in issue. Immediately upon the transfer of 50% of the New Shares by the Offeror to BBVA after implementation of the Proposal, CITIC Group (through the Offeror) will be interested in 4,049,546,989 Shares, representing approximately 70.32% of the Shares then in issue, and BBVA will be interested in 1,708,869,927 Shares, representing approximately 29.68% of the Shares then in issue.

Mrs. Chan Hui Dor Lam Doreen and Mr. Zhao Shengbiao, each an executive Director, are interested in an aggregate of 5,108,803 Shares, representing approximately 0.09% of the issued Shares as at the date of this announcement. Based on their confirmation that they are not acting in concert with CITIC Group, the Offeror, BBVA and parties acting in concert with them, they will be entitled to vote at the Court Meeting since their rights under the Scheme of Arrangement will not be any different from those of any other Minority Shareholder.

#### **INFORMATION ON CITIC GROUP**

CITIC Group is a state-owned enterprise established in 1979 with the approval of the State Council of the PRC. CITIC Group operates a wide range of businesses in the financial services and industrial investment sectors. One of CITIC Group's 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.

#### **INFORMATION ON BBVA**

The BBVA Group is a highly diversified international finance group with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has a portfolio of investments in some of Spain's leading companies. The BBVA Group is a leading financial institution in Spain and Latin America, with strong presence in the USA, Europe and Asia. BBVA has its securities listed on the Madrid Stock Exchange, the London Stock Exchange, the Frankfurt Stock Exchange, the Paris Stock Exchange, the Luxembourg Stock Exchange, the Borsa Italiana, the SWX Swiss Exchange, the New York Stock Exchange (ADRs only) and Bolsa Mexicana de Valores. As of 31 December 2007, BBVA had over 111,913 employees with 8,028 branches, among which 31,106 employees and 3,595 branches were located in Spain. At present, BBVA holds 835,717,967 Shares, representing approximately 14.51% of the issued share capital of the Company. BBVA also holds approximately 4.83% of the issued share capital of CNCB through holding CNCB H Shares (excluding any attributable interest in CNCB H Shares held by the Company). BBVA has no ultimate controlling shareholder as all its beneficial owners hold less than 5% of its issued share capital.

Owing to the transactions contemplated by the Framework Agreement, BBVA is a party acting in concert with the Offeror in respect of the Company.

## **INFORMATION ON CNCB**

CNCB is principally engaged in the business of provision of banking and financing services in the PRC. CNCB H Shares are listed on the Hong Kong Stock Exchange and CNCB A Shares are listed on the Shanghai Stock Exchange.

As at the date of this announcement, approximately 62.33%, 15.00% and 4.83% of the issued share capital of CNCB are held by CITIC Group, the Company and BBVA respectively. However, the Framework Agreement provides that subject to the Scheme of Arrangement becoming effective and relevant regulatory approvals being obtained, all of the Company's shareholding in CNCB H Shares (currently representing approximately 15% of the issued share capital in CNCB) will be distributed pro rata to CITIC Group (through the Offeror) and BBVA so that, after taking into account further transfers agreed between such shareholders, their interests in CNCB H Shares and CNCB A Shares are expected to be as follows:–

<b>Shareholders of CNCB</b>	<b>Approximate percentage interest in CNCB</b>
CITIC Group	62.33% in CNCB in the form of CNCB A Shares
The Offeror	4.93% in CNCB in the form of CNCB H Shares
BBVA	10.07% in CNCB in the form of CNCB H Shares

Pursuant to the Framework Agreement, the shareholdings of the Offeror and BBVA in CNCB may be adjusted in certain circumstances. However, such adjustments are not expected to be material.

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company and is the holding company of CKWB, a Hong Kong licensed bank. It also accounts for the following companies as associates, namely CITIC International Assets Management Limited (a company which specializes in assets management, direct investment and financial advisory services) and CITIC Capital Holdings Limited (a company which specializes in asset management, private equity and real estate and structured finance).

## **STRATEGIC ALLIANCE BETWEEN CITIC GROUP AND BBVA**

By its announcements dated 23 November 2006, 24 July 2007, 26 November 2007 and 20 December 2007, the Company announced that the Company and BBVA were in discussions regarding strategic alliance, business cooperation and increase in the shareholding of the Company. In connection with such discussions, CITIC Group and BBVA also initiated discussions which resulted in the Proposal and the transactions contemplated in the Framework Agreement. The successful implementation of the Proposal and the transactions contemplated in the Framework Agreement are part of CITIC Group's overall plan to better develop, after the successful privatisation of the Company, the potential synergies between CKWB, BBVA and CITIC Group's commercial banking business in Mainland China operated by CNCB. In order to better facilitate such plan, CITIC Group formulated the Proposal to simplify potential regulatory requirements for transactions between itself, CKWB and BBVA and, at the same time, provide Shareholders with an opportunity to realise their investment in the Company and to participate in CITIC Group's commercial banking business in Mainland China. CITIC Group believes that the synergies contemplated as part of its overall plan (including, subject to terms and regulatory approvals, the possible injection of the Company into CNCB), if successfully implemented, would also significantly contribute to CNCB's commercial banking business.

## **FUTURE PLANS FOR THE CIFH GROUP**

It is the intention of CITIC Group and BBVA to continue the core businesses of the CIFH Group in banking and financial services after the successful privatisation of the Company. CKWB will continue on course to be CITIC Group's exclusive vehicle for the development of commercial banking business in Hong Kong and an independent banking platform for new business expansion in Asia. CITIC Group and BBVA currently do not have any intention to introduce any major changes to the existing operations, management or employees of CKWB or change the commitment of CKWB to its customers after the successful privatisation of the Company. CITIC Group believes that CKWB's position will be further strengthened with the full support of CITIC Group and BBVA, and CKWB can benefit from the potential of enhanced credit rating support and reduced funding costs to support its required strategy. Subject to the successful implementation of the Proposal and the increase in BBVA's stake in the Company thereafter, both CITIC Group and BBVA have agreed that the Company shall use part of the consideration received from the First CNCB Transfer to fund the repayment of the Bridge Loans in the amount of approximately HK\$5.1 billion and provide a further commitment of HK\$3 billion to CKWB to support the funding and expansion requirements of CKWB.

## **SCHEME OF ARRANGEMENT**

### **Independent board committee of the Company**

An independent committee of the Board comprising Mr. Fan Yifei and Mr. Feng Xiaozeng, being non-executive Directors, Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul, being independent non-executive Directors, has been formed to advise the Minority Shareholders, the Optionholders and the Bondholder in connection with the Proposal. As for the other non-executive Directors, (1) Mr. Chang Zhenming and Mr. Ju Weimin are directors of the Offeror, (2) Mr. Chen Xiaoxian, Mr. Liu Jifu and Mr. Wang Dongming are associated with CITIC Group, and (3) Mr. Jose Barreiro and Mr. Manuel Galatas are associated with BBVA. They have not been included on the independent board committee of the Company so as to avoid a conflict of interest.

The Company, with the approval of the independent committee of the Board, has appointed Somerley Limited as independent financial adviser to advise the independent committee of the Board on these matters.

### **Scheme document**

A scheme document including further details of the Proposal, the Scheme of Arrangement, the Framework Agreement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the independent committee of the Board, the letter of advice from the independent financial adviser and notices of the Court Meeting and the EGM will be despatched to the Shareholders, the Optionholders and the Bondholder within 35 days from the date of this announcement or such later date as may be permitted under the Takeovers Code. A further announcement will be made regarding the expected timetable for the Proposal.

## **Suspension of trading in the Shares**

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended from 9:41 a.m. on 3 June 2008 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 11 June 2008.

**The Shareholders and potential investors should be aware that the implementation of the Proposal and subsequent transactions in the Framework Agreement are subject to the conditions set out below being fulfilled or waived, as applicable, and thus the Proposal and subsequent transactions in the Framework Agreement may or may not become effective. Accordingly, they are advised to exercise caution when dealing in the Shares and CNCB Shares.**

## **INTRODUCTION**

On 3 June 2008, the Offeror requested the Board to put forward to the Minority Shareholders the Proposal which, if implemented, will result in the Company becoming wholly-owned by CITIC Group (through the Offeror) and BBVA. The Offeror is a wholly-owned subsidiary of CITIC Group and owns approximately 55.16% of the issued Shares. The Proposal will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror.

Following a meeting of the Board on 3 June 2008, the Board has agreed to put forward the Proposal for consideration by the Minority Shareholders. If the Scheme of Arrangement becomes effective, the Company will, as soon as practicable thereafter, make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

## **THE PROPOSAL**

Under the Proposal, if the Scheme of Arrangement becomes effective, the holders of the Scheme Shares will receive from the Offeror as Cancellation Consideration:

One CNCB H Share and HK\$1.46 in cash . . . . . for every Scheme Share cancelled

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this announcement, the authorised share capital of the Company is HK\$8,000,000,000 divided into 8,000,000,000 Shares and the issued share capital of the Company is HK\$5,758,416,916 divided into 5,758,416,916 Shares.

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately upon the Scheme of Arrangement becoming effective and upon transfer of 50% of all New Shares by the Offeror to BBVA as contemplated in the Framework Agreement (assuming no Options will be exercised, no outstanding Convertible Bonds will be converted and no other new Shares will be issued prior thereto):

Shareholders	As at the date of this announcement		Upon the Scheme of Arrangement becoming effective and upon transfer of 50% of the New Shares by the Offeror to BBVA	
	Number of Shares	%	Number of Shares	%
CITIC Group (through the Offeror)	3,176,395,029	55.16	4,049,546,989	70.32
BBVA	835,717,967	14.51	1,708,869,927	29.68
Other concert parties*	4,174,000	0.07	0	0
The Offeror and parties acting in concert with it	4,016,286,996	69.75	5,758,416,916	100
Minority Shareholders	1,742,129,920	30.25	0	0
Total issued share capital	5,758,416,916	100	5,758,416,916	100

\*Note: The 4,174,000 Shares represent the interests that Lehman Brothers Asia Limited and its affiliates hold in the Company as at the date of this announcement. In addition, Lehman Brothers Asia Limited and its affiliates have a further short position in respect of 1,819,000 Shares and, through interests in derivative products, long positions in respect of 9,000 Shares and short positions in respect of 2,035,546 Shares. These interests have been disclosed herein pursuant to Lehman Brothers Asia Limited's role as the financial adviser to the Offeror. Shares held by Lehman Brothers Asia Limited will form part of the Scheme Shares but will not be entitled to be voted at the Court Meeting.

As at the date of this announcement, CITIC Group (through the Offeror) and BBVA are interested in 3,176,395,029 Shares and 835,717,967 Shares respectively, representing approximately 55.16% and 14.51% of the issued Shares respectively. The Shares beneficially owned by CITIC Group (partly registered in the name of the Offeror and partly held through a nominee custodian account on account of the Offeror) and BBVA will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Other concert parties including Lehman Brothers Asia Limited (as financial adviser to the Offeror) and its affiliates have, as at the date of this announcement, a long position of 4,174,000 Shares, representing approximately 0.07% of the issued Shares (and a short position in respect of 1,819,000 Shares and, through interests in derivative products, a long position in respect of 9,000 Shares and a short position in respect of 2,035,546 Shares). Although the Shares beneficially owned by parties in concert with them in respect of the Company may form part of the Scheme Shares, such Shares will not, in compliance with the Takeovers Code, be voted at the Court Meeting.

Mrs. Chan Hui Dor Lam Doreen and Mr. Zhao Shengbiao, each an executive Director, are interested in an aggregate of 5,108,803 Shares, representing approximately 0.09% of the issued Shares as at the date of this announcement. Based on their confirmation that they are not acting in concert with CITIC Group, the Offeror, BBVA and parties acting in concert with them, they will be entitled to vote at the Court Meeting since their rights under the Scheme of Arrangement will not be any different from those of any other



Minority Shareholders. In addition, 16 Directors hold Options which entitle them to subscribe for an aggregate of 17,140,000 Shares. The Shares resulting from the exercise of such Options (excluding those in respect of Directors who are acting in concert with the Offeror) as from the date of this announcement will be entitled to be voted at the Court Meeting upon their confirmation that they are not acting in concert with CITIC Group, the Offeror, BBVA or parties acting in concert with CITIC Group, the Offeror or BBVA.

As at the date of this announcement, apart from the Options (which entitle the Optionholders to subscribe for an aggregate of 35,418,000 new Shares (out of which Options over 11,280,000 Shares are attributable to Options held by Directors who are acting in concert with the Offeror), representing approximately 0.61% of the issued Shares as enlarged by the issue of Shares pursuant to such Options but assuming the outstanding Convertible Bonds are not converted) and the outstanding Convertible Bonds (which entitle the Bondholder to convert into an aggregate of 1,816,116 new Shares if converted on the date of this announcement, representing approximately 0.03% of the issued Shares as enlarged by the issue of Shares upon full exercise of the Options and full conversion of the outstanding Convertible Bonds), the Company does not have in issue any outstanding options, warrants, derivatives or securities convertible into Shares.

Save as aforesaid, CITIC Group, the Offeror, BBVA and any parties acting in concert with them do not hold any other Shares or securities convertible into Shares. As at the date of this announcement, the Minority Shareholders are interested in an aggregate of 1,742,129,920 Shares, representing approximately 30.25% of the issued Shares, and they will be entitled to vote at the Court Meeting.

As of the date of this announcement, none of CITIC Group, the Offeror, BBVA or parties acting in concert with them have received any irrevocable voting commitment from the Minority Shareholders in respect of the Court Meeting.

## **CONDITIONS OF THE PROPOSAL**

The Scheme of Arrangement will become effective and binding on the Company, the Offeror, BBVA and all the Minority Shareholders subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme of Arrangement (by way of poll) by a majority in number of the Minority Shareholders, representing not less than three-fourths in nominal value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting, provided that:
  - (i) the Scheme of Arrangement is approved by at least 75% of the votes attaching to the Scheme Shares held by the Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Minority Shareholders;
- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the EGM to give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled;

- (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme of Arrangement by the High Court and the delivery to the Registrar of Companies of a copy of the order of the High Court for registration;
- (d) the compliance with the procedural requirements of Section 61 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company;
- (e) all Authorisations in connection with the Proposal and the Stock Borrowing having been obtained from or granted by (as the case may be) the Relevant Authorities in Hong Kong and any other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective; and
- (g) all necessary consents which may be required under any existing contractual obligations of the CIFH Group having been obtained and remaining in full force and effect without modification (including but not limited to the consent required under the Bridge Loans).

The Offeror reserves the right to waive condition (g) either in whole or in part in respect of any particular matter. In the event that condition (e) or condition (f) is not fulfilled, the Offeror reserves the right to assess the materiality of such non-fulfilment and to waive the fulfilment of any such condition to such extent as it considers appropriate. Conditions (a) to (d) cannot be waived in any event. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31 December 2008 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted by the Takeovers Code), otherwise the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

## **COMPARISON OF VALUE**

Based on the closing price of HK\$5.44 per CNCB H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day, the Cancellation Consideration of one CNCB H Share and HK\$1.46 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents (i) a premium of approximately 21% over the closing price of HK\$5.70 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day; (ii) a premium of approximately 30% over the average closing price of approximately HK\$5.30 per Share as quoted on the Hong Kong Stock Exchange for the one month up to and including the Last Trading Day; (iii) a premium of approximately 50% over the average closing price of approximately HK\$4.60 per Share as quoted on the Hong Kong Stock Exchange for the three months up to and including the Last Trading Day; (iv) a premium of approximately 52% over the average closing price of approximately HK\$4.54 per Share as quoted on the Hong Kong Stock Exchange for the six months up to and including the Last Trading Day; and (v) a premium of approximately 50% over the audited consolidated net asset value of approximately HK\$4.59 per Share as at 31 December 2007.

Based on the closing price of HK\$5.20 per CNCB H Share as quoted on the Hong Kong Stock Exchange on the date of this announcement, the Cancellation Consideration of one CNCB H Share and HK\$1.46 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents (i) a premium of approximately 17% over the closing price of HK\$5.70 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day; (ii) a premium of approximately 26% over the average closing price of approximately HK\$5.30 per Share as quoted on the Hong Kong Stock Exchange for the one month up to and including the Last Trading Day; (iii) a premium of approximately 45% over the average closing price of approximately HK\$4.60 per Share as quoted on the Hong Kong Stock Exchange for the three months up to and including the Last Trading Day; (iv) a premium of approximately 47% over the average closing price of approximately HK\$4.54 per Share as quoted on the Hong Kong Stock Exchange for the six months up to and including the Last Trading Day; and (v) a premium of approximately 45% over the audited consolidated net asset value of approximately HK\$4.59 per Share as at 31 December 2007.

### **OFFER FOR THE OPTIONS**

In parallel with, but conditional upon, the Scheme of Arrangement becoming effective, the Offeror will make a cash offer to the Optionholders to cancel their Options (whether or not such Options have vested). The cash offer for every Option to be cancelled will be calculated by deducting the exercise price per Share of the Option from the value of the Cancellation Consideration in the amount of HK\$6.90 per Share, which is equal to the the closing price of HK\$5.44 per CNCB H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day plus HK\$1.46 in cash per Scheme Share cancelled.

As at the date of this announcement, Options over 1,104,000, 1,336,000, 1,704,000, 5,444,000 Shares each with exercise prices of HK\$3.54, HK\$3.775, HK\$2.925 and HK\$4.275 per Share respectively have vested (of which 3,280,000 Options are held by 6 Directors). Therefore, Options over 9,588,000 Shares have currently vested and may be exercised in accordance with their terms. There are also 25,830,000 Options each with an exercise price of HK\$6.57 per Share which have not vested and will not be exercisable before the Record Time. In the event that any Option is exercised after the date of this announcement and new Shares are issued pursuant to such exercise up to the Record Time, such Shares (including those Shares issued to any Directors referred to above pursuant to any exercise of their Options) will constitute Scheme Shares and their holders shall be eligible to receive the Cancellation Consideration under the Scheme of Arrangement. Any Shares so issued (save to any Director who is acting in concert with CITIC Group, the Offeror, BBVA or parties acting in concert with them) will be entitled to be voted at the Court Meeting upon their confirmation that they are not acting in concert with CITIC Group, the Offeror, BBVA and parties acting in concert with CITIC Group, the Offeror or BBVA.

**Further information on the offer to the Optionholders will be set out in the scheme document referred to under the section below headed “Scheme document” and the offer will be made by or on behalf of the Offeror in a letter to the Optionholders to be despatched on the same day as the scheme document.**

### **OFFER FOR THE CONVERTIBLE BONDS**

The Company has in issue and outstanding Convertible Bonds in the principal amount of US\$1 million as of the date of this announcement. The Convertible Bonds are convertible into Shares at a price of HK\$4.269 per Share and if so converted would result in the issue of an aggregate of 1,816,116 new Shares. In parallel with, but conditional upon, the Scheme of Arrangement becoming effective, the Offeror will make a cash offer to acquire all the outstanding Convertible Bonds. The cash offer will be

determined by deducting the conversion price of the Convertible Bonds per Share from the value of the Cancellation Consideration in the amount of HK\$6.90 per Share, which is equal to the the closing price of HK\$5.44 per CNCB H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day plus HK\$1.46 in cash per Scheme Share cancelled.

In the event that the Convertible Bonds or part thereof are converted after the date of this announcement and new Shares are issued pursuant to such conversion up to the Record Time, such Shares will form part of the Scheme Shares and their holders shall be eligible to receive the Cancellation Consideration under the Scheme of Arrangement. Any Shares so issued would be entitled to be voted at the Court Meeting. The Convertible Bonds are not held by CITIC Group, the Offeror and BBVA or parties acting or presumed to be acting in concert with any of them.

Under the terms of the Convertible Bonds, the Company may redeem the Convertible Bonds if at least 90 per cent in aggregate of the principal amount of the Convertible Bonds has already been converted, redeemed or purchased and cancelled. Since the outstanding Convertible Bonds represent less than 10 per cent in aggregate of the principal amount of the Convertible Bonds, if the offer for the Convertible Bonds is not accepted, the Company will issue a notice of mandatory redemption to redeem all outstanding Convertible Bonds at their principal amount, together with accrued interest on the redemption date.

**Further information on the offer to the Bondholder will be set out in the scheme document referred to under the section below headed “Scheme document” and the offer will be made by or on behalf of the Offeror in a letter to the Bondholder to be despatched on the same day as the scheme document.**

## **TOTAL CASH AND SHARE CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES**

The total share portion and cash payments under the Proposal will be 1,746,303,920 CNCB H Shares and approximately HK\$2,592 million respectively, assuming full acceptance of the cash offers for the Options and the outstanding Convertible Bonds, or 1,783,538,036 CNCB H Shares and approximately HK\$2,604 million respectively assuming the Options will be fully exercised and the outstanding Convertible Bonds will be fully converted prior to the Record Time.

As part of the Stock Borrowing Agreement, the total share portion of the Cancellation Consideration will be financed by CNCB H Shares lent to the Offeror by BBVA at the rate of 1.25% per annum on the value of CNCB H Shares. The total cash consideration, which will be paid by the Offeror, will be financed in equal amounts by CITIC Group and BBVA respectively.

Lehman Brothers Asia Limited, the financial advisor to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

## **THE OFFEROR’S REASONS FOR THE PROPOSAL**

As at the date of this announcement, apart from its core business in CKWB, the Company holds 5,855,002,200 CNCB H Shares, representing approximately 15% of the issued share capital of CNCB.

The Shares have been generally trading with a thin premium beyond, and sometimes at a discount to, the value attributable to the Company's shareholding of CNCB H Shares. The table below sets out the price of the Shares, the value attributable to the Company's shareholding of CNCB H Shares during the same time period and their difference (the "Differential"), which approximates the value of the Shares attributable to the Company exclusive of its holding of CNCB H Shares.

<b>Time Period</b>	<b>Trading price per Share</b>	<b>Trading price per CNCB H Share</b>	<b>Value per Share attributable to CNCB Share (adjusted for share count exchange ratio of 1:1.02 for the Company: CNCB)</b>	<b>Differential</b>
6 month period from 3 December 2007 up to the Last Trading Day	HK\$4.54	HK\$4.66	HK\$4.75	(HK\$0.21)
3 month period from 3 March 2008 up to the Last Trading Day	HK\$4.60	HK\$4.57	HK\$4.65	(HK\$0.05)
1 month period from 2 May 2008 up to the Last Trading Day	HK\$5.30	HK\$5.07	HK\$5.17	HK\$0.13
The Last Trading Day	HK\$5.70	HK\$5.44	HK\$5.54	HK\$0.16

CITIC Group believes that the above demonstrates that the Cancellation Consideration is at a significant premium to the prices at which the market had valued the Company. CITIC Group formulated the Proposal to simplify potential regulatory requirements for transactions for further synergies in the tripartite cooperation between CKWB, BBVA and CNCB and, at the same time, provide Shareholders with an opportunity to realise their investment in the Company and to participate in CITIC Group's commercial banking business in Mainland China. CITIC Group believes that the synergies contemplated as part of its overall plan, if successfully implemented, would also significantly contribute to CNCB's commercial banking business.

Further information about the future intention for the CIFH Group and the strategic alliance between CITIC Group and BBVA are set out in the sections below headed "Future Plans for the CIFH Group" and "Strategic Alliance between CITIC Group and BBVA".

## **INFORMATION ON CITIC GROUP**

CITIC Group is a state-owned enterprise established in 1979 with the approval of the State Council of the PRC. CITIC Group operates a wide range of businesses in the financial services and industrial investment sectors. One of CITIC Group's 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.

The Offeror is incorporated in the British Virgin Islands and a wholly-owned subsidiary of CITIC Group and owns approximately 55.16% of the issued share capital of the Company.

## **INFORMATION ON BBVA**

The BBVA Group is a highly diversified international finance group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has a portfolio of investments in some of Spain's leading companies. The BBVA Group is a leading financial institution in Spain and Latin America, with strong presence in the USA, Europe and Asia. BBVA is listed on the Madrid Stock Exchange, the London Stock Exchange, the Frankfurt Stock Exchange, the Paris Stock Exchange, the Luxembourg Stock Exchange, the Borsa Italiana, the SWX Swiss Exchange, the New York Stock Exchange (ADRs only) and the Bolsa Mexicana de Valores. As of 31 December 2007, BBVA had over 111,913 employees with 8,028 branches, among which 31,106 employees and 3,595 branches were located in Spain. At present, BBVA holds 835,717,967 Shares, representing approximately 14.51% of the issued share capital of the Company. BBVA also holds approximately 4.83% of the issued share capital of CNCB through holding CNCB H Shares (excluding any attributable interest in CNCB H Shares held by the Company). BBVA has no ultimate controlling shareholder as all its beneficial owners hold less than 5% of its issued share capital.

Owing to the transactions contemplated by the Framework Agreement, BBVA is a party acting in concert with the Offeror in respect of Company.

Save for the Proposal itself, the Framework Agreement and Stock Borrowing, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company or CNCB of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which may be material to the Proposal.

## **INFORMATION ON CNCB**

CNCB is principally engaged in the business of provision of banking and financing services in the PRC. CNCB has two classes of shares, namely CNCB H Shares which are listed on the Hong Kong Stock Exchange and CNCB A Shares which are listed on the Shanghai Stock Exchange.

As at 31 December 2007, the total issued share capital of CNCB was approximately RMB39,033 million comprising 12,401,802,481 CNCB H Shares and 26,631,541,573 CNCB A Shares.

As at the date of this announcement, 24,329,608,919 CNCB A Shares, 5,855,002,200 and 1,885,311,281 CNCB H Shares, representing approximately 62.33%, 15.00% and 4.83% of the issued share capital of CNCB are held by CITIC Group, the Company and BBVA respectively. Other concert parties including Lehman Brothers Asia Limited (as financial adviser to the Offeror) and its affiliates have a long position in respect of 74,269,500 CNCB H Shares, a short position in respect of 54,079,000 CNCB H Shares, and, through interests in derivative products, a long position in respect of 93,383,612 CNCB H Shares and a short position of 165,636,539 CNCB H Shares. Save as aforesaid, CITIC Group, the Offeror, BBVA and parties acting in concert with them do not hold any other CNCB shares or securities convertible into CNCB shares.

Further details of the changes in shareholdings as a result of the transactions contemplated by the Proposal and the Framework Agreement are referred to below.

## INFORMATION ON THE COMPANY

The Company is an investment holding company and is the holding company of CKWB, a Hong Kong licensed bank. It also accounts for the following companies as associates, namely CITIC International Assets Management Limited (a company which specializes in assets management, direct investment and financial advisory services) and CITIC Capital Holdings Limited (a company which specializes in asset management, private equity and real estate and structured finance).

A summary of the audited consolidated results of the Company for each of the two financial years ended 31 December 2006 and 2007 is set out below:

	<b>For the year ended 31 December</b>		<b>Increase compared to previous year</b>
	<b>2006</b>	<b>2007</b>	<b>%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Operation income	2,259,792	1,274,132	(43.6)
Profit before taxation	1,333,644	1,852,677	38.9
Profit after taxation	1,127,518	1,852,461	64.3
Profit attributable to Shareholders	1,126,135	1,852,461	64.5
Dividends	567,517	–	not applicable
Basic earnings per Share ( <i>HK cents</i> )	34.66	32.86	(5.2)

The audited consolidated net assets attributable to the Shareholders were approximately HK\$20,232 million as at 31 December 2006 and approximately HK\$26,484 million as at 31 December 2007.

## STRATEGIC ALLIANCE BETWEEN CITIC GROUP AND BBVA

By its announcements dated 23 November 2006, 24 July 2007, 26 November 2007 and 20 December 2007, the Company announced that the Company and BBVA were in discussions regarding strategic alliance, business cooperation and increase in the shareholding of the Company. In connection with such discussions, CITIC Group and BBVA also initiated discussions which resulted in the Proposal and the transactions contemplated in the Framework Agreement. The successful implementation of the Proposal and the transactions contemplated in the Framework Agreement are part of CITIC Group's overall plan to better develop, after the successful privatisation of the Company, the potential synergies between CKWB, BBVA and CITIC Group's commercial banking business in Mainland China operated by CNCB. In order to better facilitate such plan, CITIC Group formulated the Proposal to simplify potential regulatory requirements for transactions between itself, CKWB and BBVA and, at the same time, provide Shareholders with an opportunity to realise their investment in the Company and to participate in CITIC Group's commercial banking business in Mainland China. CITIC Group believes that the synergies contemplated as part of its overall plan (including, subject to terms and regulatory approvals, the possible injection of the Company into CNCB), if successfully implemented, would also significantly contribute to CNCB's commercial banking business.

## **FUTURE PLANS FOR THE CIFH GROUP**

It is the intention of CITIC Group and BBVA to continue the core businesses of the CIFH Group in banking and financial services after the successful privatisation of the Company. CKWB will continue on course to be CITIC Group's exclusive vehicle for the development of commercial banking business in Hong Kong and an independent banking platform for new business expansion in Asia. CITIC Group and BBVA do not have any current intention to introduce any major changes to the existing operations, management or employees of CKWB or change the commitment of CKWB to its customers after the privatisation of the Company. CITIC Group believes that CKWB's position will be further strengthened with the full support of CITIC Group and BBVA, and CKWB can benefit from the potential of enhanced credit rating support and reduced funding costs to support its required strategy. Subject to the successful implementation of the Proposal and the increase in BBVA's stake in the Company thereafter, both CITIC Group and BBVA have agreed that the Company shall use part of the consideration received from the First CNCB Transfer to fund the repayment of the Bridge Loans in the amount of approximately HK\$5.1 billion and provide a further commitment of HK\$3 billion to CKWB to support the funding and expansion requirements of CKWB.

## **FRAMEWORK AGREEMENT**

On 3 June 2008, CITIC Group, the Offeror and BBVA entered into the Framework Agreement pursuant to which the Offeror requested the Board to put forward the Proposal. On the same date, the same parties entered into the Stock Borrowing Agreement. As part of the Stock Borrowing Agreement, CITIC Group and BBVA would, together, be funding the Proposal. Pursuant to the Framework Agreement, CITIC Group, the Offeror and BBVA have agreed that part of the consideration received by the Company in the First CNCB Transfer shall be used by the Company to fund the repayment of the Bridge Loans and to provide a further commitment of HK\$3 billion for the future funding and expansion requirements of CKWB.

## **EFFECT ON SHAREHOLDING IN THE COMPANY**

Upon the Scheme of Arrangement becoming effective, the Offeror will transfer to BBVA 50% of the New Shares which, after taking into account BBVA's payment of 50% of the cash consideration payable under the Proposal and the payment to the Offeror of an additional cash sum, would mean an effective price per Share which approximates the Cancellation Consideration.



The table below sets out information on the respective percentage holdings of Shares by CITIC Group, the Offeror and BBVA as at the date of this announcement, upon the Scheme of Arrangement becoming effective, and upon the transfer to BBVA of 50% of the New Shares after the Scheme of Arrangement becomes effective (assuming that no Options will be exercised, no Convertible Bonds will be converted and no other new Shares will be issued prior thereto):

Name of Shareholder	Percentage ownership in the Company as at the date of this announcement	Percentage ownership in the Company upon the Scheme of Arrangement becoming effective	Percentage ownership in the Company upon the Scheme of Arrangement becoming effective and the Offeror transferring 50% of the New Shares to BBVA
CITIC Group (through the Offeror)	55.16%	85.49%	70.32%
BBVA	14.51%	14.51%	29.68%
Total	<u>69.67%</u>	<u>100%</u>	<u>100%</u>

On 3 June 2008, CITIC Group, the Offeror and BBVA also entered into a conditional shareholders' agreement relating to the operations of the CIFH Group, and the rights and obligations of their holdings of the Shares, which will only become effective upon the transfer to BBVA of 50% of the New Shares. Further information about their vision for the CIFH Group is set out in the section above headed "Future Plans for the CIFH Group."

#### **EFFECT ON CNCB'S SHAREHOLDING**

As at the date of this announcement, the Company and BBVA are respectively interested in approximately 15.00% and approximately 4.83% of the issued share capital of CNCB through CNCB H Shares held by them. As at the date of the announcement, CITIC Group is interested in approximately 62.33% of the issued share capital of CNCB through CNCB A Shares.

Pursuant to the Framework Agreement, upon the Scheme of Arrangement becoming effective and subject to obtaining relevant regulatory approvals, BBVA will increase its shareholding in CNCB:

- (i) by the Company transferring all its CNCB Shares currently representing approximately 15% of the issued share capital of CNCB to the Offeror and BBVA pro rata to their shareholdings in the Company immediately after the transfer of 50% of the New Shares by the Offeror to BBVA. The sale price per CNCB H Share is expected to be determined by reference to the trading prices of CNCB H Shares immediately prior the transfer;
- (ii) by the Offeror transferring 52,892,289 CNCB H Shares to BBVA currently representing approximately 0.14% of the issued share capital of CNCB pursuant to the exercise of an option granted by CITIC Group under the SOPA. The sale price for such shares was determined and agreed by the parties in 2006 when the SOPA was entered into and will be equal to RMB180,676,000 plus an amount representing cost of funds to CITIC Group from then to the time of the completion of such transfer; and

(iii) by the Offeror transferring such number of CNCB H Shares to BBVA such that BBVA will hold 10.07% of the issued share capital of CNCB. The sale price per CNCB H Share will be the higher of: (a) HK\$5.06 (being approximately the average closing price for the month of May 2008); and (b) the highest closing price per CNCB H Share from 3 June 2008 to the Effective Date, subject to a maximum price of HK\$5.86 per CNCB H share, being the price per CNCB H Share at its initial public offering in 2006. The Third CNCB Transfer may constitute a special deal under Rule 25 of the Takeovers Code, and the Executive has indicated that it is prepared to consent to such transfer if (a) the Minority Shareholders have approved such a transfer by a majority vote at the EGM, and (b) the independent financial adviser to the Company has stated in its letter to the independent board committee of the Board that the Third CNCB Transfer is fair and reasonable.

The table below sets out information on the respective holdings of CNCB Shares by CITIC Group, the Offeror, the Company and BBVA as at the date of this announcement, upon the completion of each of the First CNCB Transfer, the Second CNCB Transfer and the Third CNCB Transfer, assuming none of the relevant shareholders has disposed of any other CNCB Shares:

Name of shareholder	Number of shares in CNCB as at the date of this announcement	Percentage ownership in CNCB as at the date of this announcement	Percentage ownership in CNCB upon the First CNCB Transfer	Percentage ownership in CNCB upon the Second CNCB Transfer	Percentage ownership in CNCB upon the Third CNCB Transfer
CITIC Group	24,329,608,919	62.33%	62.33%	62.33%	62.33%
The Offeror	0	0	5.67%	5.53%	4.93%
The Company	5,855,002,200	15.00%	0	0	0
BBVA	1,885,311,281	4.83%	9.33%	9.47%	10.07%
Total	<u>32,069,922,400</u>	<u>82.16%</u>	<u>82.16%</u>	<u>82.16%</u>	<u>82.16%</u>

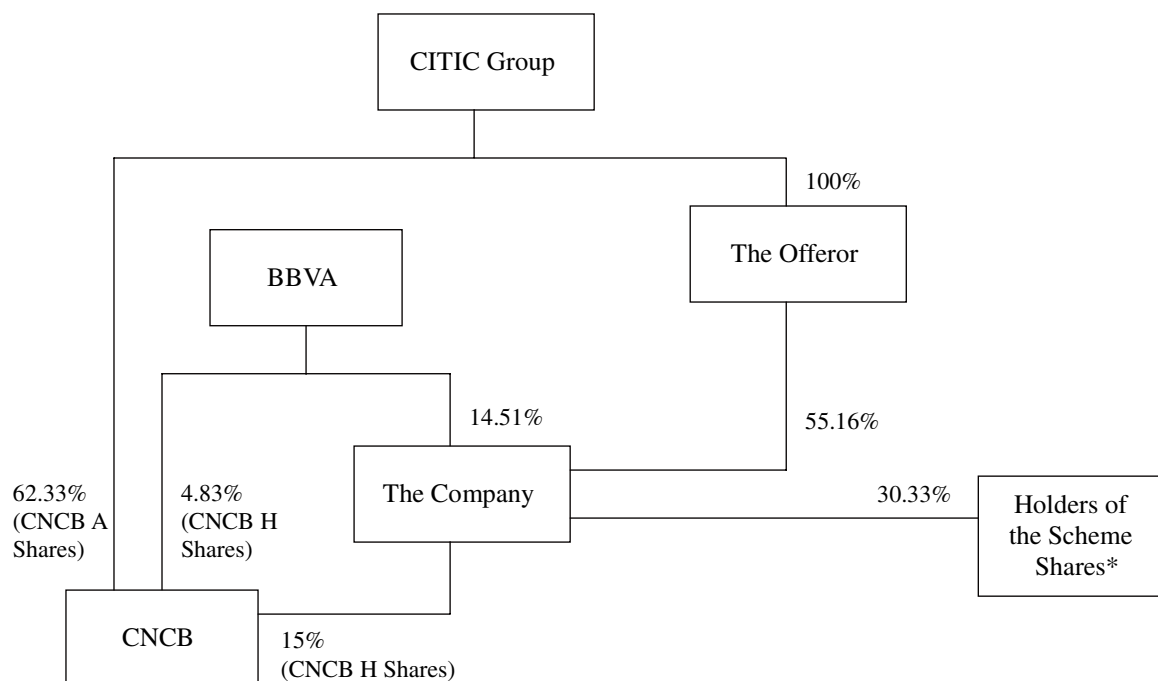
\*Note: The shares in CNCB held by CITIC Group are CNCB A Shares. The shares in CNCB held by the Company and BBVA are CNCB H Shares.

Pursuant to the Framework Agreement, the shareholdings of the Offeror and BBVA in CNCB may be adjusted in certain circumstances. However, such adjustments will not be material.

## **SIMPLIFIED SHAREHOLDING STRUCTURE OF THE COMPANY AND CNCB**

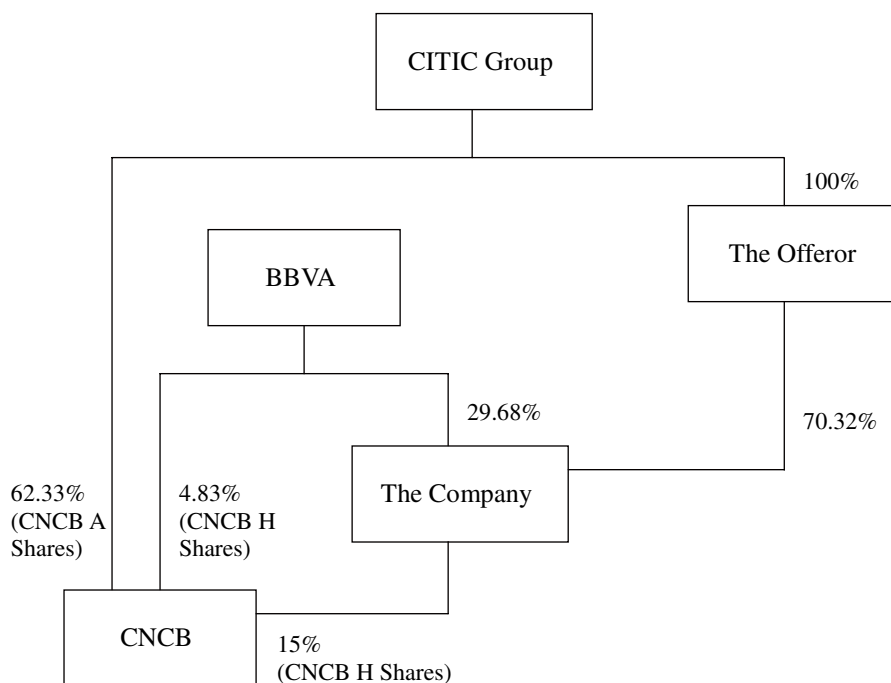
The charts below illustrate the change in shareholding of CIFH and CNCB from at the date of this announcement, upon the transfer of 50% of the New Shares from the Offeror to BBVA, and upon completion of the First CNCB Transfer, the Second CNCB Transfer and the Third CNCB Transfer.

**1. Simplified Shareholding Structure of the Company and CNCB as at the date of this announcement**

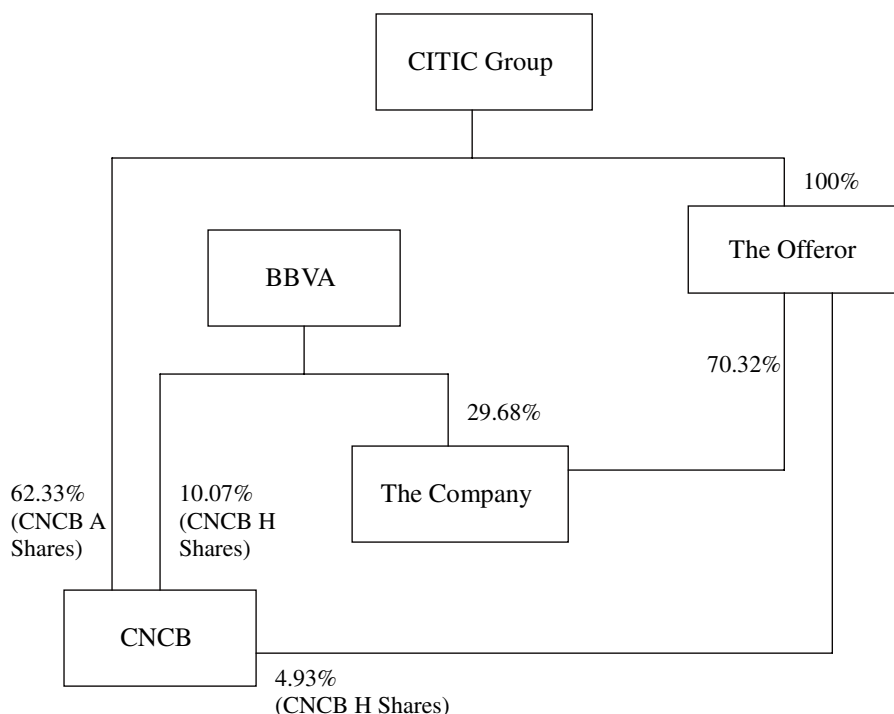


*\*Note:* The Scheme Shares include 4,174,000 Shares held by Lehman Brothers Asia Limited and its affiliates as at the date of this announcement.

**2. Simplified Shareholding Structure of the Company and CNCB upon the completion of the transfer of 50% of the New Shares by the Offeror to BBVA**



### 3. Simplified Shareholding Structure of the Company and CNCB upon the completion of the First CNCB Transfer, the Second CNCB Transfer and the Third CNCB Transfer



#### WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme of Arrangement becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Hong Kong Stock Exchange for the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules as soon as practicable after the Effective Date. The Scheme of Arrangement will lapse if any of the conditions described in the section headed “Conditions of the Proposal” has not been fulfilled or waived, as applicable, on or before 31 December 2008 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and as may be permitted under the Takeovers Code). The holders of the Scheme Shares will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange will become effective. A detailed timetable of the Scheme of Arrangement will be included in the scheme document referred to in the section headed “Scheme document” below. The scheme document will also contain, among other things, further details of the Proposal and the Scheme of Arrangement.

If the Scheme of Arrangement is withdrawn or not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

## **OVERSEAS SHAREHOLDERS**

Offers made under the Proposal to those Minority Shareholders, Optionholders and Bondholder who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Minority Shareholders, Optionholders and Bondholder are located. Such Minority Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Minority Shareholders, Optionholders and Bondholder wishing to accept the offers under the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

## **SCHEME OF ARRANGEMENT**

### **Independent committee of the Board**

An independent committee of the Board comprising Mr. Fan Yifei and Mr. Feng Xiaozeng, being non-executive Directors, Mr. Rafael Gil-Tienda, Mr. Lam Kwong Siu and Mr. Tsang Yiu Keung Paul, being independent non-executive Directors, has been formed to advise the Minority Shareholders, the Optionholders and the Bondholder as to what action they should take in respect of the Scheme of Arrangement and the offers for the cancellation of the Options and the acquisition of the Convertible Bonds respectively. As for the other non-executive Directors, (1) Mr. Chang Zhenming and Mr. Ju Weimin are directors of the Offeror, (2) Mr. Chen Xiaoxian, Mr. Liu Jifu and Mr. Wang Dongming are associated with CITIC Group, and (3) Mr. Jose Barreiro and Mr. Manuel Galatas are associated with BBVA. They have not been included on the independent board committee of the Company so as to avoid a conflict of interest.

The Company, with the approval of the independent committee of the Board, has appointed Somerley Limited as the independent financial adviser to advise the independent committee of the Board on these matters.

### **Scheme document**

A scheme document including, among other things, further details of the Proposal and the Scheme of Arrangement, the Framework Agreement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the independent committee of the Board, the letter of advice from the independent financial adviser and notices of the Court Meeting and the EGM will be despatched to the Shareholders, the Optionholders and the Bondholder within 35 days from the date of this announcement or such later date as may be permitted under the Takeovers Code. A further announcement will be made regarding the expected timetable for the Proposal.

### **Suspension of trading in the Shares**

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended from 9:41 a.m. on 3 June 2008 pending the release of this announcement. Application has been made to the Hong Kong Stock Exchange for a resumption of trading in the Shares with effect from 9:30 a.m. on 11 June 2008.

## GENERAL

Associates of the Company and the Offeror are reminded to disclose their dealings in any securities in the Company and CNCB.

Stockbrokers, banks and others who deal in the securities of the Company and CNCB on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to Associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw to their attention the relevant rules under the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in the securities of the Company and CNCB undertaken for a client during any 7 day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, Associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive under the Takeovers Code in its dealings enquiries. Therefore, those who deal in the securities of the Company and CNCB should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

## WARNING

**The Shareholders and potential investors should be aware that the implementation of the Proposal and subsequent transactions in the Framework Agreement are subject to the conditions set out above being fulfilled or waived, as applicable, and thus the Proposal and the subsequent transactions in the Framework Agreement may or may not become effective. Accordingly, they are advised to exercise caution when dealing in the Shares and CNCB Shares.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” and “concert parties” shall be construed accordingly
“Associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary in connection with the Proposal or for the implementation of the Scheme of Arrangement
“BBVA”	Banco Bilbao Vizcaya Argentaria, S.A., a company incorporated in the Kingdom of Spain
“Board”	the board of directors of the Company

“Bondholder”	the holder of the Convertible Bonds
“Bridge Loans”	means (i) the HK\$4,240,000,000 facility agreement entered into between the Company as borrower and Barclays Bank plc as agent for the lenders dated 1 December 2007; and (ii) HK\$870,000,000 drawn pursuant to the committed loan facility with The Hongkong and Shanghai Banking Corporation Limited dated 23 April 2007 (as amended on 8 January 2008 and 18 February 2008);
“Cancellation Consideration”	the consideration of one CNCB H Share and HK\$1.46 in cash for every Scheme Share cancelled
“CIFH Group”	the Company and its subsidiaries
“CITIC Group”	CITIC Group, a state-owned enterprise incorporated in the PRC
“CKWB”	CITIC Ka Wah Bank Limited, a company incorporated in Hong Kong, an authorised institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a wholly-owned subsidiary of the Company
“CNCB”	China CITIC Bank Corporation Limited, a company incorporated under the laws of the PRC whose H shares are listed on the Hong Kong Stock Exchange and whose A shares are listed on the Shanghai Stock Exchange
“CNCB A Shares”	domestic shares of RMB1.00 each of CNCB, all of which are listed on the Shanghai Stock Exchange
“CNCB H Shares”	overseas listed foreign shares of RMB1.00 each of CNCB, all of which are listed on the Hong Kong Stock Exchange
“CNCB Shares”	CNCB A Shares and CNCB H Shares
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	CITIC International Financial Holdings Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Hong Kong Stock Exchange
“controlling shareholder”	has the meaning given to it in the Listing Rules
“Convertible Bonds”	the 0.25 per cent guaranteed convertible bonds due 2008 issued by CIFH (CB-I) Limited, a wholly-owned subsidiary of the Company, and guaranteed by the Company in the principal amount of US\$180,000,000 (of which US\$1,000,000 is outstanding) which entitles the Bondholder to convert all or a portion of the convertible bonds into Shares at an initial conversion price of HK\$4.269 per Share, subject to adjustment

“Court Meeting”	a meeting of the Minority Shareholders to be convened at the direction of the High Court for the purpose of approving the Scheme of Arrangement
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement becomes effective
“EGM”	an extraordinary general meeting of the Company to be held immediately following the Court Meeting for the purpose of approving (1) the reduction of the share capital of the Company and implementing the Scheme of Arrangement, and (2) the Third CNCB Transfer
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First CNCB Transfer”	the transfer of all the CNCB H Shares held by the Company currently representing approximately 15% of the entire issued share capital of CNCB by the Company to the Offeror and BBVA in proportion to their shareholding following the completion of the transfer of 50% of the New Shares from the Offeror to BBVA
“Framework Agreement”	an agreement dated 3 June 2008 and entered into between CITIC Group, the Offeror and BBVA for the bilateral co-operation between CITIC Group and BBVA and for the implementation of the Proposal
“High Court”	High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	the Main Board of The Stock Exchange of Hong Kong Limited
“Last Trading Day”	2 June 2008, being the last full trading day in the Shares immediately before the suspension of trading in the Shares pending publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Minority Shareholders”	Shareholders other than those holding the Shares owned by CITIC Group and BBVA or parties acting in concert with any of them
“New Shares”	new Shares to be issued to the Offeror pursuant to the Scheme of Arrangement, and being the same in number as the number of the Scheme Shares
“Offeror”	Gloryshare Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by CITIC Group as at the date of this announcement



“Optionholder(s)”	holder(s) of Options granted under the Option Scheme
“Options”	the options granted to the Optionholders under the Option Scheme which remain unexercised
“Option Scheme”	the share option scheme of the Company adopted on 16 May 2003
“PRC”	People’s Republic of China
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement, the offers to cancel the Options and the acquisition of the Convertible Bonds
“Record Time”	4:00 p.m. Hong Kong time on the trading day immediately preceding the day when the Scheme of Arrangement becomes effective, being the record time for determining entitlements of the holders of the Scheme Shares under the Scheme of Arrangement and the Optionholders and the Bondholder under the offers to cancel the Options and to acquire the Convertible Bonds
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, courts or institutions including the SFC and the Hong Kong Stock Exchange
“Scheme of Arrangement”	the scheme of arrangement under Section 166 of the Companies Ordinance for the implementation of the Proposal
“Scheme Share(s)”	Share(s) in issue at the Record Time, including any Share(s) which may be issued by the Company following the date of this announcement other than those beneficially owned by CITIC Group, the Offeror and BBVA
“Second CNCB Transfer”	the transfer of 52,892,289 CNCB H Shares, currently representing approximately 0.14% of the entire issued share capital of CNCB, by the Offeror to BBVA in satisfaction of CITIC Group’s obligations to BBVA under the SOPA
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary shares of HK\$1.00 each in the capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“SOPA”	the Share and Option Purchase Agreement dated 22 November 2006 and entered into between CITIC Group and BBVA, as amended by an amendment agreement dated 31 January 2007

“Stock Borrowing”	the borrowing of up to 1,783,538,036 CNCB H Shares by the Offeror from BBVA to fund the share portion of the Cancellation Consideration pursuant to the Stock Borrowing Agreement
“Stock Borrowing Agreement”	the stock borrowing agreement dated 3 June 2008 and entered into between the Offeror, BBVA and CITIC Group
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers (as revised from time to time)
“Third CNCB Transfer”	the transfer of such number of CNCB H Shares by the Offeror to BBVA such that BBVA will hold 10.07% the entire issued share capital of CNCB immediately after the transfer
“US\$”	United States dollar(s), the lawful currency of the United States of America

By Order of the Board  
**GLORYSHARE INVESTMENTS LIMITED**  
**Chang Zhenming**  
*Director*

By Order of the Board  
**CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED**  
**Dou Jianzhong**  
*Director and Chief Executive Officer*

Hong Kong, 10 June 2008

*The directors of CITIC Group jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than those relating to the Company, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement other than those expressed by the Company have been arrived at after due and careful consideration and there are no facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than those relating to the Company, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement other than those expressed by the Company have been arrived at after due and careful consideration and there are no facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than those relating to CITIC Group, the Offeror, CNCB or BBVA, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement other than those expressed by CITIC Group, the Offeror or BBVA have been arrived at after due and careful consideration and there are no facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, the directors of the Offeror are Mr. Chang Zhenming, Mr. Dou Jianzhong and Mr. Ju Weimin.*

*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.*