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锦州银行股份有限公司

Bank of Jinzhou Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

- (1) PROPOSED PRIVATE PLACEMENT OF NEW DOMESTIC SHARES UNDER THE SPECIFIC MANDATE;**
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;
AND
(4) RESUMPTION OF TRADING

PROPOSED PRIVATE PLACEMENT OF NEW DOMESTIC SHARES UNDER THE SPECIFIC MANDATE

In order to further improve the Bank's comprehensive competitiveness, optimize its shareholding structure, enhance its risk resistance capability, improve its capital adequacy ratio and core capital adequacy ratio and improve its continuous development, the Board is pleased to announce that on 23 January 2020 (after trading hours), the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion Subscription Shares at the subscription price of RMB1.950 (equivalent to approximately HK\$2.165 and subject to the Price Adjustment) per Subscription Share, representing approximately 79.67% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 44.34% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement; and approximately 145.39% of the existing issued Domestic Shares of the Bank before the completion of the Proposed Private Placement, and approximately 59.25% of the enlarged issued Domestic Shares of the Bank after the completion of the Proposed Private Placement (without taking into account the conversion of the Offshore Preference Shares). Net proceeds from the issue of the Subscription Shares are expected to be approximately RMB12.09 billion (equivalent to approximately HK\$13.42 billion, without taking into account any Price Adjustment) and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be issued under the Specific Mandate granted at the AGM and the 2019 Class Meetings.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Chengfang Huida and parties acting in concert with it do not hold any Shares. After completion of the Proposed Private Placement and assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement, Chengfang Huida will hold approximately 37.69% of the Bank's enlarged total issued share capital. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, Chengfang Huida will be required to make a mandatory general offer for all the issued shares in the share capital of the Bank not already owned or agreed to be acquired by Chengfang Huida and parties acting in concert with it in the absence of the Whitewash Waiver.

An application will be made on behalf of Chengfang Huida to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the subscription of the Subscription Shares by Chengfang Huida under the Proposed Private Placement. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the Independent Shareholders by way of poll at the EGM and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transaction of the Whitewash Waiver (including the Subscription Agreement). The Subscribers and the parties acting in concert with any of them and any Shareholder who is involved or interested in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Whitewash Waiver and the Subscription Agreement at the EGM. There are no Shareholders having a material interest in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver, therefore no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM regarding the Whitewash Waiver and the Subscription Agreement.

Completion of the Proposed Private Placement is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. In the event that the Whitewash Waiver is not granted by the Executive and/or not approved by the Independent Shareholders, the Subscription Agreement shall lapse and the Proposed Private Placement to the Subscribers will not proceed.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Takeovers Code, the Independent Board Committee (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver) has been formed to advise the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement) and to make recommendations on voting. In this connection, Somerley Capital Limited has been approved and appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement) and to make recommendations on voting.

EGM

In accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, the Board will submit the above matters, including but not limited to the Whitewash Waiver and the Subscription Agreement, to the EGM for consideration and approval by the Independent Shareholders. The voting at the EGM will be conducted by way of poll.

DESPATCH OF CIRCULAR

According to Rule 8.2 of the Takeovers Code, a circular containing, among others: (i) details of the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement); and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement) will be required to be despatched 21 days from the date of this announcement.

The Bank may require additional time for finalizing the information for inclusion in the circular, hence if required, the Bank will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code and to the Stock Exchange for the extension of time for the despatch of the circular and the accompanying forms of proxy. Further announcement(s) will be made by the Bank as and when appropriate.

As the completion of the Proposed Private Placement is subject to the satisfaction of certain conditions precedents as set out in the section headed “Conditions precedent to the Subscription Agreement” below in this announcement, including but not limited to the granting of the Whitewash Waiver by the Executive, the Proposed Private Placement may or may not proceed. Accordingly, shareholders and potential investors of the Bank are advised to exercise caution in dealing in the Shares or other securities of the Bank. Persons who are in doubt as to the action to be taken should consult their stockbroker, bank manager or other professional advisers.

RESUMPTION OF TRADING

At the request of the Bank, trading in H Shares and Offshore Preference Shares on the Stock Exchange have been suspended with effect from 9:00 a.m. on 27 December 2019. An application has been made by the Bank to the Stock Exchange for the resumption of trading in H Shares and Offshore Preference Shares with effect from 9:00 a.m. on 11 March 2020.

I. PROPOSED PRIVATE PLACEMENT OF THE SUBSCRIPTION SHARES UNDER THE SPECIFIC MANDATE

References are made to the Bank’s announcement dated 27 September 2019, the circular dated 8 October 2019 and the announcement of poll results dated 18 October 2019 of the AGM and the 2019 Class Meetings, in relation to, among other things, the proposed private placement of not more than 6.2 billion New Domestic Shares by the Bank.

The Board is pleased to announce that on 23 January 2020 (after trading hours), the Bank and the Subscribers entered into the Subscription Agreement. The principal terms of the Subscription Agreement are set out below.

1. THE SUBSCRIPTION AGREEMENT

Date:

23 January 2020 (after trading hours)

Parties:

- (i) the Bank;
- (ii) Chengfang Huida; and
- (iii) Liaoning Financial Holding.

Number of the New Domestic Shares subscribed for

Chengfang Huida will subscribe for an aggregate of 5,270 million Subscription Shares, with an aggregate nominal value of RMB5,270 million, representing approximately 67.72% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 37.69% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. Liaoning Financial Holding will subscribe for an aggregate of 930 million Subscription Shares, with an aggregate nominal value of RMB930 million, representing approximately 11.95% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 6.65% of the total enlarged issue share capital of the Bank after the completion of the Proposed Private Placement. The Subscription Shares amount to 6.2 billion New Domestic Shares, representing approximately 79.67% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 44.34% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement; and representing approximately 145.39% of the existing issued Domestic Shares of the Bank before the completion of the Proposed Private Placement, and approximately 59.25% of the enlarged issued Domestic Shares of the Bank after the completion of the Proposed Private Placement (without taking into account the conversion of the Offshore Preference Shares). The Subscription Shares will be issued under the Specific Mandate and their transfer and subsequent sale are subject to the requirements of the relevant provisions of the Articles of Association and the applicable PRC laws.

Ranking of the Subscription Shares

The Subscription Shares shall rank, upon issue, *pari passu* in all respects among themselves and with all other existing Domestic Shares in issue.

Subscription Price

The subscription price is RMB1.950 per Subscription Share (equivalent to HK\$2.165 and subject to the Price Adjustment). For the purpose of this announcement, all figures in HK\$ are calculated based on the exchange rate of HK\$1 to RMB0.90067 as quoted by the PBoC as at the Last Trading Day. The subscription price per Subscription Share represents:

- (i) a discount of approximately 10.91% to the closing price of HK\$2.430 per H Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 11.49% to the closing price of HK\$2.446 per H Share as quoted on the Stock Exchange for the last five (5) trading days prior to and including the Last Trading Day;
- (iii) a discount of approximately 11.70% to the closing price of HK\$2.452 per H Share as quoted on the Stock Exchange for the last ten (10) trading days prior to and including the Last Trading Day; and
- (iv) a discount of approximately 67.61% to the audited net asset value of RMB6.02 per Share as at 31 December 2018 and 66.78% to the unaudited net asset value of RMB5.87 per Share as at 30 June 2019.

The subscription price per Subscription Share was determined after arm's length negotiations between the Bank and the Subscribers based on a discount of approximately 11.49% of the higher of:

- (i) the closing price of the H Shares as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) the average closing price of the H Shares for the five (5) trading days immediately prior to the earlier of:
 - (a) the date of this announcement;
 - (b) the date of the Subscription Agreement; and
 - (c) the date on which the subscription price per Subscription Share is fixed,

pursuant to which the theoretical dilution effect of the Proposed Private Placement is below 25% in compliance with Rule 7.27B of the Listing Rules.

The said percentage discount was determined by the Bank in consultation with the Subscribers, taking into account factors including:

- (i) the recent declining trend of trading prices of the H Shares and the market condition;
- (ii) that the relevant capital adequacy ratios of the Bank as at 30 June 2019, including but not limited to capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio, were below the regulatory requirements as set out in the Capitals Rules for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)). As such, the Bank has imminent needs to replenish its capital;
- (iii) the marketability of the New Domestic Shares among potential investors in the Domestic Shares; and
- (iv) the substantial size of the Proposed Private Placement.

Conditions precedent to the Subscription Agreement

The completion of the Proposed Private Placement is conditional upon the fulfillment or waiver of the following conditions precedent:

- (i) the substantive performance of and compliance with all the agreements, obligations and conditions by the Bank as required under the Subscription Agreement to be performed and complied with on or before the Closing Date, such as the making of the representations and warranties and making relevant disclosures;
- (ii) the substantive performance of and compliance with all the agreements, obligations and conditions by the Subscribers as required under the Subscription Agreement to be performed and complied with on or before the Closing Date, such as the making of the representations and warranties and payment of subscription consideration;
- (iii) the representations and warranties made by the Bank pursuant to the Subscription Agreement being true, accurate, complete and valid as at the date of the Subscription Agreement and the Closing Date, which shall be deemed as being made on the Closing Date;
- (iv) the representations and warranties made by the Subscribers pursuant to the Subscription Agreement being true, accurate, complete and valid as at the date of the Subscription Agreement and the Closing Date, which shall be deemed as being made on the Closing Date;
- (v) the necessary approval from CBIRC Liaoning Branch on the plan of the Proposed Private Placement as required by applicable laws such as the Commercial Banking Law of the PRC being obtained;
- (vi) the necessary approvals from CBIRC Liaoning Branch on the qualification of each Subscriber as a substantial Shareholder of the Bank as required by applicable laws such as the Commercial Banking Law of the PRC being obtained;
- (vii) the Executive granting the Whitewash Waiver to Chengfang Huida;
- (viii) the approval from the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) at the EGM in accordance with the Takeovers Code;
- (ix) there being no existing judgment, verdict, decision or injunction of any PRC court, tribunal or relevant governmental authority, which would restrict, prohibit, or terminate the Proposed Private Placement and there being no existing unresolved lawsuit or arbitration that causes material adverse effect to the Proposed Private Placement; and
- (x) there being no change that causes material adverse effect to the Bank from the date of the Subscription Agreement to the Closing Date.

The above conditions (ii) and (iv) may be waived by the Bank in writing on or before the Closing Date. The above conditions (i), (iii) and (x) may be waived by each of the Subscribers in writing on or before the Closing Date. Unless otherwise permitted by the applicable laws and regulations, the above conditions (v) to (ix) cannot be waived under the Subscription Agreement. Conditions (v), (vi) and (ix) relate to the approvals required to be granted by relevant regulatory authorities and Shareholders pursuant to applicable laws and regulations, and such conditions may be deemed unnecessary and therefore be waivable if changes in the applicable laws and regulations render such approvals unnecessary for the implementation of the Proposed Private Placement. Notwithstanding the above, the Directors are of the view that there are no circumstance in the near future that may render such conditions waivable. The Bank and the Subscribers shall make best efforts to fulfill the above conditions (v) to (viii). The Bank shall provide the updates on the status of the fulfillment of such conditions precedents to the Subscribers in a timely manner, while the Subscribers shall cooperate with the Bank in respect of its relevant actions for fulfilling such conditions precedents.

Completion

The completion of the Proposed Private Placement will take place within 10 Business Days after the date upon which the conditions precedent under the Subscription Agreement shall have been fulfilled or waived, or such other date as may be agreed between the Bank and the Subscribers in writing.

Termination

The Subscription Agreement may be terminated by either party without any liability by notice in writing given to the other party upon the occurrence of the following events:

- (i) in the event that the conditions precedent set out above not having been fulfilled or waived (if applicable) on or prior to 30 June 2020, or such conditions precedent are proved impossible to be fulfilled on or prior to such date; and
- (ii) the party requesting the termination has no substantive breach of its obligations under the Subscription Agreement.

Notwithstanding the conditions precedent to be fulfilled or waived and the related right to terminate the Subscription Agreement by the Subscribers, if the Whitewash Waiver is not granted by the Executive and/or not approved by the Independent Shareholders, the Subscription Agreement shall lapse and the Proposed Private Placement to the Subscribers will not proceed. In such event, Liaoning Financial Holding will, subject to compliance with relevant rules and regulations such as obtaining the approval on the qualifications to be a substantial Shareholder of the Bank and rules regarding foreign investments by state owned enterprises, subscribe for Domestic Shares in a separate arrangement. For further details of the implications of the Takeovers Code and the Whitewash Waiver, please refer to the paragraph headed “I. Proposed Private Placement of the Subscription Shares under the Specific Mandate – 7. Implications under the Takeovers Code and application for Whitewash Waiver” in this announcement.

2. EFFECT ON THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Bank as at the date of this announcement and immediately after the completion of the Proposed Private Placement (assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement):

	As at the date of this announcement		Immediately after the completion of the Proposed Private Placement	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
Non-public Domestic Shareholders				
- ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) <i>(Note 1)</i>	841,822,258	10.82	-	-
- Chengfang Huida and parties acting in concert with it	-	-	5,270,000,000	37.69
	<u>841,822,258</u>	<u>10.82</u>	<u>5,270,000,000</u>	<u>37.69</u>
Public Domestic Shareholders				
- ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) <i>(Note 1)</i>	-	-	841,822,258	6.02
- Cinda Investment Co., Ltd.* (信達投資有限公司) <i>(Note 2)</i>	505,093,350	6.49	505,093,350	3.61
- Liaoning Financial Holding and parties acting in concert with it	-	-	930,000,000	6.65
- Other public Domestic Shareholders	2,917,380,076	37.49	2,917,380,076	20.87
	<u>3,422,473,426</u>	<u>43.98</u>	<u>5,194,295,684</u>	<u>37.15</u>
	<u>4,264,295,684</u>	<u>54.80</u>	<u>10,464,295,684</u>	<u>74.84</u>
H Shares	<u>3,517,320,000</u>	<u>45.20</u>	<u>3,517,320,000</u>	<u>25.16</u>
Total	<u>7,781,615,684</u>	<u>100.00</u>	<u>13,981,615,684</u>	<u>100.00</u>

Notes:

- Such Domestic Shares are directly held by ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司). Upon completion of the Proposed Private Placement, the effective interest of ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) in the total issued share capital of the Bank will be diluted from 10.82% to 6.02%. Accordingly, it will no longer be a substantial shareholder of the Bank and shall be deemed as a public Domestic Shareholder upon the completion of the Proposed Private Placement.
- Such Domestic Shares are directly held by Cinda Investment Co., Ltd.* (信達投資有限公司), a wholly-owned subsidiary of China Cinda. China Cinda indirectly held all the equity interests in Huida Asset Management and Chengfang Huida. For further details of the relationship between China Cinda, Huida Asset Management and Chengfang Huida, please refer to the paragraph headed "II. Information on the Parties - Information of Chengfang Huida".

The Bank considers that it can comply with the public float requirement under Rule 8.08(1) of the Listing Rules after the completion of the Proposed Private Placement.

3. SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued by the Bank pursuant to the Specific Mandate granted at the AGM and the 2019 Class Meetings. Pursuant to the Specific Mandate, the Board was authorized to allot and issue not more than 6.2 billion New Domestic Shares. As at the date of this announcement, the Bank has not issued any Domestic Shares pursuant to the Specific Mandate.

4. REASONS FOR THE PROPOSED PRIVATE PLACEMENT

Reference is made to the announcement of the Bank dated 26 December 2019 in relation to its proposed significant asset reorganization in order to improve its assets quality and internal delicacy-management level of the assets, and further optimize its asset structure. The Bank has, accordingly, formulated a plan for reorganization which, as at the date of this announcement, is being discussed and negotiated and is therefore subject to change, shall mainly consist of:

- (i) the Proposed Private Placement;
- (ii) the disposal of certain assets held by the Bank the original book value of the principal amount of which is approximately RMB150.00 billion (the “**Intended Disposal**”) to Chengfang Huida; and
- (iii) the subscription of a directional debt instrument in the principal amount of approximately RMB75.00 billion with an initial maturity period of 15 years issued by a partnership set up by corporations controlled by Liaoning Financial Holding and the Deposit Insurance Fund Management Co., Ltd.* (存款保險基金管理有限責任公司) (the “**Intended Debt Instrument Subscription**”, together with the Intended Disposal, the “**Intended Asset Reorganization**”).

Through the above plan for reorganization, the Bank expects to improve its capital adequacy ratio, effectively improve its risk resistance ability, strengthen its corporate governance level and control its development direction, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development.

The Proposed Private Placement is independent from and not inter-conditional with the Intended Asset Reorganization. Accordingly, the Proposed Private Placement shall proceed even if the Intended Disposal and Intended Debt Instrument Subscription, which are under discussion and negotiation between the Bank and relevant parties as at the date of this announcement, do not materialize at all. In addition, the subscription amount to be paid by Chengfang Huida under the Proposed Private Placement will not be used to set off against any consideration for the Intended Disposal, and the proceeds to be raised from the Proposed Private Placement will not be used for the Intended Debt Instrument Subscription.

As also disclosed in the circular dated 8 October 2019 issued by the Bank, the Bank conducts the Proposed Private Placement to further improve the Bank’s comprehensive competitiveness, optimize its shareholding structure, enhance its risk resistance capability, improve its capital adequacy ratio and core capital adequacy ratio and improve the continuous development of the Bank.

The Directors (excluding the Directors forming the Independent Board Committee who will express their view in a separate letter to be included in the circular relating to the Whitewash Waiver and the underlying transaction(s), including the Subscription Agreement) consider that the terms of the Subscription Agreement, including but not limited to the subscription price per Subscription Share, and the transactions contemplated thereunder, are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

5. USE OF PROCEEDS

Both the gross proceeds and the net proceeds (after deducting the relevant fees) from the Proposed Private Placement are expected to be approximately RMB12.09 billion (equivalent to approximately HK\$13.42 billion), without taking into account any Price Adjustment. On such basis, the net price per Subscription Share will be approximately RMB1.950, without taking into account of any Price Adjustment. The net proceeds from the Proposed Private Placement are intended to be used to replenish the core tier-one capital of the Bank.

6. EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Bank has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

7. IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Chengfang Huida and parties acting in concert with it do not hold any Shares. After completion of the Proposed Private Placement and assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement, Chengfang Huida will hold approximately 37.69% of the Bank's enlarged total issued share capital. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, Chengfang Huida will be required to make a mandatory general offer for all the issued Shares in the share capital of the Bank not already owned or agreed to be acquired by Chengfang Huida and parties acting in concert with it in the absence of the Whitewash Waiver.

An application will be made on behalf of Chengfang Huida to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the Subscription of the New Domestic Shares by Chengfang Huida under the Proposed Private Placement. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the Independent Shareholders by way of poll at the EGM and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transaction of the Whitewash Waiver (including the Subscription Agreement). The Subscribers and the parties acting in concert with any of them and any Shareholder who is involved or interested in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Whitewash Waiver and the Subscription Agreement at the EGM. There are no Shareholders having a material interest in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver, therefore no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM regarding the Whitewash Waiver and the Subscription Agreement.

Completion of the Proposed Private Placement is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. In the event that the Whitewash Waiver is not granted by the Executive and/or not approved by the Independent Shareholders, the Subscription Agreement shall lapse, the Proposed Private Placement to the Subscribers will not proceed and neither Chengfang Huida or Liaoning Financial would subscribe for any Subscription Share under the Subscription Agreement. In such event, Liaoning Financial Holding will, subject to compliance with relevant rules and regulations such as obtaining the approval on the qualifications to be a substantial Shareholder of the Bank and rules regarding foreign investments by state owned enterprises, subscribe for Domestic Shares in a separate arrangement.

As at the date of this announcement, the Bank does not believe that the Proposed Private Placement gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules or the Takeovers Code). If a concern should arise after the release of this announcement, the Bank will endeavor to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Bank notes that the Executive may not grant the Whitewash Waiver if the Proposed Private Placement does not comply with other applicable rules and regulations.

As at the date of this announcement, none of the Subscribers nor any party acting in concert with any of them:

- (i) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of or otherwise deal in any voting rights in the Bank within the six months prior to the date of the Subscription Agreement;
- (ii) owns, controls or has direction over any voting rights or rights over the Shares or any warrants, options, or convertible securities or derivatives of the Bank, nor has entered into any outstanding derivative in respect of securities in the Bank;
- (iii) has made any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the Shares or shares of the Subscribers which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver, with any other persons;
- (iv) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (v) has received any irrevocable commitment from anyone to vote for the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver; and
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Bank.

Apart from the consideration of the Subscription Shares, there are no other consideration, compensation or benefit in whatever form paid or to be paid by the Subscribers or parties acting in concert with any of them in respect of the Whitewash Waiver and the underlying transaction(s). There has been no understanding, arrangement or agreement or special deals (within the meaning of the Takeovers Code) between any Shareholders, and (i) the Subscribers or parties acting in concert with any of them; and (ii) the Bank, its subsidiaries or associated companies.

II. INFORMATION ON THE PARTIES

Information of the Group

The Bank is a joint stock company incorporated in the PRC with limited liability on 22 January 1997, whose H Shares and Offshore Preference Shares are listed on the Main Board of the Stock Exchange (stock code: 0416; stock code of Offshore Preference Shares: 4615). The Group mainly engages in the banking businesses in the PRC, including the collection and payment agency services and payroll services.

Information of Chengfang Huida

Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which mainly engages in enterprise management, market research and economy and trading consultancy. As at the date of this announcement, Chengfang Huida has not commenced operations. Chengfang Huida has registered capital of RMB1,000,000 and net assets of approximately RMB0.5 million. Albeit its registered capital and net assets, it is intended that Chengfang Huida will obtain capital for the subscription of the Subscription Shares through shareholders' loan. As at the date of this announcement, Mr. Huang Mudong* (黃慕東先生) is the sole director of Chengfang Huida. Chengfang Huida is wholly-owned by Huida Asset Management, which is in turn held as to 90% by China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司) (“China Cinda”), a company listed on the Main Board of the Stock Exchange (stock code: 1359), and 10% by Zhongrun Economic Development Co., Ltd.* (中潤經濟發展有限責任公司), a wholly-owned subsidiary of China Cinda. Although all the equity interests of Huida Asset Management is held by China Cinda directly and indirectly as a nominal shareholder, each of Huida Asset Management and Chengfang Huida is managed by the PBoC in which all its economic benefits and voting power are held and controlled by the PBoC. Neither Huida Asset Management or Chengfang Huida is regarded as a subsidiary of China Cinda. Accordingly, each of Chengfang Huida and its ultimate beneficial owner, namely, the PBoC, is a party independent from the Bank and its connected persons.

Information of Liaoning Financial Holding

Liaoning Financial Holding is a limited liability company incorporated in the PRC on 18 December 2019 and is mainly engaged in investment and capital management, provision of investment services, private placement of securities, investment funds, equity investment and provision of financial information services. As at the date of this announcement, Liaoning Financial Holding has not commenced operations. Liaoning Financial Holding has registered capital of RMB20 billion. As at the date of this announcement, Mr. Liu Bo* (劉波先生) is the sole director of Liaoning Financial Holding. Liaoning Financial Holding is wholly-owned by the Liaoning Province Finance Department. Each of Liaoning Financial Holding and its ultimate beneficial owner, namely Liaoning Province Finance Department, is a party independent from the Bank and its connected persons.

III. INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Takeovers Code, the Independent Board Committee (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver) has been formed to advise the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement) and to make recommendations on voting. In this connection, Somerley Capital Limited has been approved and appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement) and to make recommendations on voting.

IV. EGM

In accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, the Board will submit the above matters, including but not limited to the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement), to the EGM for consideration and approval by the Independent Shareholders. The voting at the EGM will be conducted by way of poll.

V. VOTING BY HOLDERS OF OFFSHORE PREFERENCE SHARES AT THE EGM

Pursuant to the Articles of Association, holders of Offshore Preference Shares are not entitled to convene, attend or vote at any Shareholders' general meeting, other than for (i) amendments to the Articles of Association that relate to preference shares; (ii) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis; (iii) merger, division, dissolution or change of corporate form of the Bank; (iv) issuance of preference shares by the Bank; and (v) other events specified in the laws, administrative rules and departmental regulations and the Articles of Association. As neither the Subscription Agreement or the Whitewash Waiver fall under the categories above, holders of Offshore Preference Shares are not entitled to vote at the EGM.

In addition, as at the date of this announcement, none of the events stipulated under the terms of the Offshore Preference Shares that would convert Offshore Preference Shares into H Shares or otherwise entitle holders of Offshore Preference Shares to vote at the EGM had occurred.

VI. DESPATCH OF CIRCULAR

According to Rule 8.2 of the Takeovers Code, a circular containing, among others: (i) details of the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement); and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement) will be required to be despatched 21 days from the date of this announcement.

The Bank may require additional time for finalizing the information for inclusion in the circular, hence if required, the Bank will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code and to the Stock Exchange for the extension of time for the despatch of the circular and the accompanying forms of proxy. Further announcement(s) will be made by the Bank as and when appropriate.

As the completion of the Proposed Private Placement is subject to the satisfaction of certain conditions precedents as set out in the section headed “Conditions precedent to the Subscription Agreement” above in this announcement, including but not limited to the granting of the Whitewash Waiver by the Executive, the Proposed Private Placement may or may not proceed. Accordingly, shareholders and potential investors of the Bank are advised to exercise caution in dealing in the Shares or other securities of the Bank. Persons who are in doubt as to the action to be taken should consult their stockbroker, bank manager or other professional advisers.

VII. RESUMPTION OF TRADING

At the request of the Bank, trading in H Shares and Offshore Preference Shares on the Stock Exchange have been suspended with effect from 9:00 a.m. on 27 December 2019. An application has been made by the Bank to the Stock Exchange for the resumption of trading in H Shares and Offshore Preference Shares with effect from 9:00 a.m. on 11 March 2020.

VIII. DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below shall have the following meanings:

“2019 Class Meetings”	the 2019 first class meeting of Domestic Shareholders and the 2019 first class meeting of H Shareholders held on 18 October 2019
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“AGM”	the annual general meeting of the Bank held on 18 October 2019
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”	Bank of Jinzhou Co., Ltd,* (錦州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange and Offshore Preference Shares are listed on the Stock Exchange
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong and the PRC

“CBIRC Liaoning Branch”	Liaoning Regulatory Bureau of China Banking and Insurance Regulatory Commission
“Chengfang Huida”	Beijing Chengfang Huida Enterprise Management Co., Ltd.* (北京成方匯達企業管理有限公司), a company with limited liability established in the PRC on 15 May 2019
“Closing Date”	the closing date of the Proposed Private Placement under the Subscription Agreement, being within 10 Business Days after the date upon which the conditions precedent under the Subscription Agreement shall have been fulfilled or waived, or such other date as may be agreed between the Bank and the Subscribers in writing
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary share(s) in the capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in RMB
“Domestic Shareholder(s)”	the holder(s) of the Domestic Shares
“EGM”	the 2020 first extraordinary general meeting of the Bank to be held, or any adjournment thereof, to consider, among other things, the Whitewash Waiver and the Subscription Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of its delegates
“Group”	the Bank and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“H Share(s)”	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	the holder(s) of the H Shares
“Huida Asset Management”	Huida Asset Management Ltd. Co.* (匯達資產託管有限責任公司), a company established in the PRC on 1 August 2005 and managed by the PBoC
“Independent Board Committee”	the independent board committee of the Board comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver, namely Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei, Mr. Luo Nan, Mr. Xiao Geng, Mr. Xie Taifeng, Mr. Wu Jun, Mr. Wang Xiongyuan and Mr. Su Mingzheng

“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Whitewash Waiver and the underlying transaction(s) (including the Subscription Agreement)
“Independent Shareholders”	Shareholders other than persons (if any) who are involved or interested in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver
“Last Trading Day”	the last trading day of H Shares immediately before the release of this announcement, being 24 December 2019
“Liaoning Financial Holding”	Liaoning Financial Holding Group Co., Ltd.* (遼寧金融控股集團有限公司), a company with limited liability established in the PRC on 18 December 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Domestic Shares”	the new Domestic Shares to be issued upon the exercise of the Specific Mandate
“Offshore Preference Shares”	the US\$1,496,000,000 5.50% non-cumulative perpetual offshore preference shares issued by the Bank on 27 October 2017 and listed on the Stock Exchange (stock code: 4615)
“PBoC”	The People’s Bank of China
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Price Adjustment”	the adjustment which may be made to the subscription price per Subscription Share where there occurs any ex-dividend or ex-rights event (such as distribution of cash dividend and/or bonus issue) to the Bank between the date of the Subscription Agreement and the Closing Date
“Proposed Private Placement”	the proposed private placement of not more than 6.2 billion New Domestic Shares under the Specific Mandate
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time

“Share(s)”	the Domestic Share(s) and the H Share(s), but excluding the Offshore Preference Shares
“Shareholder(s)”	the holders of the Share(s)
“Specific Mandate”	the specific mandate granted by the Shareholders to the Board at the AGM and the 2019 Class Meetings to issue not more than 6.2 billion New Domestic Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Chengfang Huida and Liaoning Financial Holding
“Subscription Agreement”	the subscription agreement dated 23 January 2020 entered into between the Bank and the Subscribers
“Subscription Share(s)”	an aggregate of 6.2 billion New Domestic Shares to be issued by the Bank pursuant to the Specific Mandate and subject to the terms and conditions precedent set out in the Subscription Agreement
“Takeovers Code”	the Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations of Chengfang Huida to make a mandatory general offer for all the securities of the Bank (other than those already owned or agreed to be acquired by Chengfang Huida and parties acting in concert with it) which would otherwise arise as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement
“%”	percent

By order of the Board
Bank of Jinzhou Co., Ltd.*
Wei Xuekun
Chairman

Jinzhou, Liaoning Province, the PRC
10 March 2020

As at the date of this announcement, the Board comprises Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun, as executive Directors; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan, as non-executive Directors; and Mr. Xiao Geng, Mr. Xie Taifeng, Mr. Wu Jun, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than the information in relation to the Subscribers and the parties acting in concert with each of them) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the directors of the Subscribers only) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the directors of Huida Asset Management are Mr. Huang Mudong (黃慕東先生) and Ms. Jiang Shan* (姜姍女士); Mr. Huang Mudong* (黃慕東先生) is the sole director of Chengfang Huida; Mr. Liu Bo* (劉波先生) is the sole director of Liaoning Financial Holding.*

The directors of Huida Asset Management and Chengfang Huida jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information in relation to the Bank, Liaoning Financial Holding and the parties acting in concert with each of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Directors and the sole director of Liaoning Financial Holding only) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The sole director of Liaoning Financial Holding accepts full responsibility for the accuracy of the information contained in this announcement (other than the information in relation to the Bank, Huida Asset Management, Chengfang Huida, China Cinda and the parties acting in concert with each of them) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Directors and the directors of Huida Asset Management and Chengfang Huida) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

* *Bank of Jinzhou Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*