
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bank of Jinzhou Co., Ltd*, you should at once hand this circular, together with the accompanying revised form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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(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) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL
OF ASSETS OF THE BANK;
AND
(4) SUPPLEMENTAL NOTICE OF 2020 FIRST EXTRAORDINARY
GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A "Letter from the Board" is set out on pages 7 to 32 of this circular. A "Letter from the Independent Board Committee" is set out on pages 33 to 34 of this circular. A "Letter from the Independent Financial Adviser" is set out on pages 35 to 60 of this circular.

This circular should be read together with the December Circular and the Original Notice convening the EGM to be held at the meeting room of 34th Floor, No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC on Friday, 10 July 2020. Supplemental notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular. Revised proxy form (the "**Revised Proxy Form**") for use at the EGM is also enclosed with this circular. If you intend to attend the EGM by proxy, you are required to complete and return the enclosed Revised Proxy Form in accordance with the instructions printed thereon to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), or to the Bank's registered office in the PRC at No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC (in respect of Domestic Shares) as soon as possible but in any event by not later than 24 hours before the time appointed for holding of the EGM (i.e. by 9:30 a.m. on Thursday, 9 July 2020) (the "**Closing Time**") or any adjournment thereof. Completion and return of the Revised Proxy Form shall not preclude you from attending and voting in person at the EGM or any adjourned meeting(s) should you so wish.

* *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.*

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DEFINITIONS

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

“2019 AGM”	the annual general meeting of the Bank held on 18 October 2019
“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
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Capital Administrative Measures (Provisional)”	Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》)
“CBIRC”	China Banking and Insurance Regulatory Commission
“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 limited liability company established in the PRC

DEFINITIONS

“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
“Consideration”	the consideration payable by the Purchaser to the Bank in respect of the Disposal
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Core Indicators (Provisional)”	Core Indicators for Supervision of Risks of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) issued by the CBIRC
“Crowe (HK)”	Crowe (HK) CPA Limited, Certified Public Accountants
“Debt Instrument Subscription”	the subscription by the Bank of a directional debt instrument issued by Jinzhou Jinyin Enterprise Management Partnership (LLP)* (錦州錦銀企業管理合夥企業(有限合夥)) pursuant to the Debt Instrument Subscription Agreement
“Debt Instrument Subscription Agreement”	the directional debt instrument subscription agreement dated 31 March 2020 entered into between Jinzhou Jinyin Enterprise Management Partnership (LLP)* (錦州錦銀企業管理合夥企業(有限合夥)) and the Bank in relation to the Debt Instrument Subscription
“December Circular”	the circular of the Bank dated 27 December 2019 in relation to the EGM
“Director(s)”	the director(s) of the Bank
“Disposal”	the disposal of the Disposal Assets to Chengfang Huida by the Bank and related transactions as contemplated under the Framework Disposal Agreement
“Disposal Announcement”	the announcement published by the Bank dated 3 April 2020 in relation to the Disposal
“Disposal Assets”	certain credit assets and other assets held by 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

DEFINITIONS

“Domestic Shareholder(s)”	the holder(s) of Domestic Shares
“EGM”	the 2020 first extraordinary general meeting of the Bank to be held, or any adjournment thereof, to approve, among other things, the Whitewash Waiver, the Subscription Agreement and the Framework Disposal Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate
“Framework Disposal Agreement”	the asset disposal framework agreement dated 31 March 2020 entered into between the Bank and Chengfang Huida in respect of the Disposal
“Group”	the Bank and its subsidiaries
“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 Share Registrar”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Bank
“H Shareholder(s)”	the holder(s) of the H Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huida Asset Management”	Huida Asset Management Ltd. Co.* (匯達資產託管有限公司), 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 pursuant to Rule 2.8 of the Takeovers Code, 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

DEFINITIONS

“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 appointed 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
“Intended Asset Reorganization”	the Disposal and the Debt Instrument Subscription
“Last Trading Day”	the last trading day of the H Shares immediately before the date of the Subscription Agreement, being 24 December 2019
“Latest Practicable Date”	26 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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)
“Original Notice”	the notice of the Bank dated 27 December 2019 in relation to the EGM
“Original Proxy Form”	the proxy form of the Bank sent together with the December Circular

DEFINITIONS

“PBoC”	The People’s Bank of China
“PRC”	the People’s Republic of China and, for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Price Adjustment”	the adjustment which may be made to the subscription price 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
“Purchaser”	Chengfang Huida
“Relevant Period”	the period from 11 September 2019, being the date six months before the Whitewash Announcement Date, up to and including the Latest Practicable Date
“Restructured Group”	the remaining Group upon the completion of the Intended Asset Reorganization and the Proposed Private Placement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	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/or the H Share(s), but excluding the Offshore Preference Shares
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate granted by the Shareholders to the Board at the 2019 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

DEFINITIONS

“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
“Supervisor(s)”	the supervisor(s) of the Bank
“Supervisory Committee”	the supervisory committee of the Bank
“Takeovers Code”	the Code on Takeovers and Mergers
“Whitewash Announcement”	the announcement published by the Bank dated 10 March 2020 in relation to, among others, the Subscription Agreement and the Whitewash Waiver
“Whitewash Announcement Date”	10 March 2020, being the date of the Whitewash Announcement
“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
“%”	per cent

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LETTER FROM THE BOARD



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)

Executive Directors:

WEI Xuekun
GUO Wenfeng
KANG Jun
YANG Weihua
YU Jun

Registered office:

No. 68 Keji Road
Jinzhou City
Liaoning Province
The PRC

Non-executive Directors:

ZHAO Chuanxin
NING Jie
GU Jihong
LYU Fei
LUO Nan

*Principal place of business
in Hong Kong:*

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wan Chai
Hong Kong

Independent non-executive Directors:

XIAO Geng
XIE Taifeng
WU Jun
WANG Xiongyuan
SU Mingzheng

30 June 2020

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED PRIVATE PLACEMENT OF NEW DOMESTIC SHARES
UNDER THE SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL
OF ASSETS OF THE BANK;
AND
(4) SUPPLEMENTAL NOTICE OF 2020 FIRST EXTRAORDINARY
GENERAL MEETING**

INTRODUCTION

References are made to the Bank's (i) announcement dated 27 September 2019; (ii) circular dated 8 October 2019; (iii) announcement of poll results dated 18 October 2019 of the 2019 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;

LETTER FROM THE BOARD

(iv) announcement dated 26 December 2019 in relation to its proposed significant asset reorganization; (v) circular dated 27 December 2019 in relation to the EGM; (vi) Whitewash Announcement; and (vii) Disposal Announcement.

The Proposed Private Placement, Subscription Agreement, the Whitewash Waiver and the Intended Asset Reorganization was considered and approved at the meeting of the Board held on 20 January 2020. In accordance with the Company Law of the PRC and legal regulations and the relevant requirements of the Articles of Association, (i) on 13 February 2020, ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司), a shareholder of the Bank holding approximately 10.82% of the total voting shares of the Bank, submitted by written submission to the Board the proposal regarding the Proposed Private Placement, Subscription Agreement and the Whitewash Waiver, as requested by the Board; and (ii) on 14 February 2020, China Great Wall Assets Management Co., Ltd.* (中國長城資產管理股份有限公司), a shareholder of the Bank holding approximately 4.33% of the total voting shares of the Bank, submitted by written submission to the Board the proposal regarding the Intended Asset Reorganization, as requested by the Board. Pursuant to Article 90 of the Articles of Association, shareholders that solely or collectively hold three percent or more of the voting shares of the Bank may put forward a proposal and submit it to the convener in written form within ten days before the meeting is held. According to the relevant requirements, the Board included the above proposals in the agenda of the EGM.

This circular should be read together with the December Circular which contains, inter alia, the Original Notice. The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Private Placement, the Subscription Agreement and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee on the Proposed Private Placement, the Subscription Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the Proposed Private Placement, the Subscription Agreement and the Whitewash Waiver; (iv) details of the Framework Disposal Agreement and the transactions contemplated thereunder; (v) financial information of the Group; (vi) financial information of the Disposal Assets; and (vii) unaudited pro forma financial information of the Restructured Group, to enable you to make informed decisions on whether to vote for or against the additional resolutions to be proposed at the EGM.

(1) PROPOSED PRIVATE PLACEMENT OF THE SUBSCRIPTION SHARES UNDER THE SPECIFIC MANDATE

I. The Subscription Agreement

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:

Date:

23 January 2020 (after trading hours)

LETTER FROM THE BOARD

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 of 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 circular, 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;

LETTER FROM THE BOARD

- (ii) a discount of approximately 11.49% to the average 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 average 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 Whitewash Announcement Date;
 - (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, in particular, the price of the H Shares as traded on the Stock Exchange has decreased from HK\$7.70 on 3 January 2019 to HK\$7.00 during 1 April 2019 to 30 August 2019 when the H Shares were suspended in trading, and further to HK\$2.43 on the Last Trading Day immediately prior to the determination of the terms of the Subscription Agreement and the announcement of the Proposed Private Placement and the Intended Asset Reorganization by the Bank. For further details of the trend in trading prices of the H Shares, please refer to the paragraph headed "Appendix IV. General Information – 2. Market Price" in this circular;

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- (ii) that the relevant capital adequacy ratios and assets quality ratios of the Bank, including but not limited to capital adequacy ratio, tier-one capital adequacy ratio, core tier-one capital adequacy ratio, return on average equity, return on average total assets and provision coverage ratio as at 31 December 2018 was and have since been below the regulatory requirements as set out in the Capital Administrative Measures (Provisional) and Core Indicators (Provisional) and the non-performing loan ratio as at 30 June 2019 was and have since been over the regulatory requirements. As such, the Bank has imminent needs to replenish its capital and reorganize its assets and improve its assets structure;
- (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) necessary approvals 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;

LETTER FROM THE BOARD

- (vi) 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 government 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 fulfil the above conditions (v) to (viii). The Bank shall provide the updates on the status of the fulfilment of such conditions precedent 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 precedent.

As at the Latest Practicable Date, no condition precedent to the Subscription Agreement has been satisfied yet. The Bank is preparing the materials to be submitted for obtaining the relevant regulatory approvals in respect of the Proposed Private Placement and the Subscription. The Directors do not expect any difficulties in the satisfaction of any of the conditions precedent.

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.

LETTER FROM THE BOARD

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 “(1) Proposed Private Placement of the Subscription Shares under the Specific Mandate – VIII. Implications under the Takeovers Code” in this circular.

II. Effect on the Shareholding Structure

The following table illustrates the shareholding structure of the Bank as at the Latest Practicable Date 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 Latest Practicable Date		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) ^(Note 1)	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>

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after the completion of the Proposed Private Placement	
	Number of shares	%	Number of shares	%
Public Domestic Shareholders				
– ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) ^(Note 1)	–	–	841,822,258	6.02
– Cinda Investment Co., Ltd.* (信達投資有限公司) ^(Note 2)	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>
<i>H Shares</i>	<u>3,517,320,000</u>	<u>45.20</u>	<u>3,517,320,000</u>	<u>25.16</u>
<i>Total</i>	<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 “(1) Proposed Private Placement of New Domestic Shares Under the Specific Mandate – IX. Information on the Parties – Information of Chengfang Huida” in this circular.

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.

III. 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 2019 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 Latest Practicable Date, the Bank has not issued any Domestic Shares pursuant to the Specific Mandate.

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IV. 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 mainly consists of:

- (i) the Proposed Private Placement;
- (ii) the Disposal; and
- (iii) the Debt Instrument Subscription, further details of which are provided in the paragraph headed “(3) Very Substantial Disposal In Relation to the Disposal of Assets of the Bank – V. Reasons and benefits for the Disposal” in this circular.

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 Disposal and Debt Instrument Subscription, the completion details of which are stated in the paragraph headed “(3) Very Substantial Disposal in relation to the Disposal of Assets of the Bank – I. The Framework Disposal Agreement – Conditions precedent and completion” in this circular, do not complete 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 Disposal, and the proceeds to be raised from the Proposed Private Placement will not be used for the 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 as set out in section headed “Letter from the Independent Board Committee” in this circular) 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.

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V. 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 of 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.

VI. 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 Latest Practicable Date.

VII. Future Intention of Chengfang Huida Regarding the Bank and its Employees

The Bank is pleased to note that Chengfang Huida intends that the existing business of the Bank will continue, save as the Intended Asset Reorganization which is conducted to improve the asset quality of the Bank, and it does not intend to introduce any major changes to the existing operations and businesses of the Bank (including any redeployment of the fixed assets of the Bank save as disclosed herein). As at the Latest Practicable Date, Chengfang Huida has no intention to make any major changes to the continued employment of the existing employees of the Group.

Chengfang Huida is optimistic about the future development of the Bank. In view of the fact that the Bank currently has a real need to raise its level of capital adequacy, Chengfang Huida as the single largest shareholder in the Bank is willing to assume the responsibility and participate in this capital increase exercise. The capital increase will enable the Bank to increase its core capital adequacy ratio, supplement its capital, and ensure the Bank's continued and stable development in the future.

VIII. Implications Under the Takeovers Code

As at the Latest Practicable Date, 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 in the absence of the Whitewash Waiver.

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IX. 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 established in the PRC on 15 May 2019 which mainly engages in enterprise management, market research and economy and trading consultancy. As at the Latest Practicable Date, 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. 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.

As at the Latest Practicable Date, 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.

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. Liaoning Financial Holding has registered capital of RMB20 billion. As at the Latest Practicable Date, Liaoning Financial Holding has not commenced operation and its sole director is Mr. Liu Bo* (劉波先生). 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.

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X. Independent Board Committee

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.

XI. Independent Financial Adviser

Somerley Capital Limited has been 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.

(2) APPLICATION FOR WHITEWASH WAIVER

On 3 April 2020, an application was made on behalf of Chengfang Huida to the Executive for 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, will 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 being involved or are interested 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 approved by the Independent Shareholders, 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.

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As at the Latest Practicable Date, 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). If a concern should arise after the Latest Practicable Date, the Bank will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. 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.

Interest of the Subscribers and parties acting in concert with any of them in the securities of the Bank

Pursuant to paragraph 3 of Schedule VI to the Takeovers Code, the Executive will not normally waive an obligation to make a mandatory general offer with respect to a company under Rule 26 of the Takeovers Code if there occurs any disqualifying transaction prior to the grant of such waiver. Disqualifying transactions include transactions where the person seeking a waiver or any person acting in concert with it has acquired voting rights in such company in the six months prior to the announcement of the proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of such company in relation to the relevant proposal. Further, a waiver will not be granted or if granted will be invalidated if, without the prior consent of the Executive, any acquisitions or disposals of voting rights are made by such persons between the time of announcement of the proposals and the completion of the subscription.

As at the Latest Practicable Date, save as disclosed, 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;

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- (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.

(3) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF ASSETS OF THE BANK

I. The Framework Disposal Agreement

On 31 March 2020 (after trading hours), the Bank and the Purchaser entered into the Framework Disposal Agreement, pursuant to which the Bank has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposal Assets for the Consideration of RMB45 billion.

Set out below are the principal terms of the Framework Disposal Agreement.

Date:

31 March 2020

Parties:

- (i) the Bank (as vendor); and
- (ii) Chengfang Huida (as purchaser).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of Chengfang Huida and its ultimate beneficial owner is a party independent from the Bank and its connected persons. For further details of the relationship between Chengfang Huida and the Bank, please refer to the paragraph headed "(1) Proposed Private Placement of the Subscription Shares under the Specific Mandate – IX. Information on the Parties" in this circular.

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The Disposal Assets

Pursuant to the Framework Disposal Agreement, the Bank has conditionally agreed to sell, and Chengfang Huida has conditionally agreed to purchase the Disposal Assets, being certain credit assets and other assets held by the Bank. The interests in, benefits and obligations in relation to such assets, rights to request, demand, obtain and accept the receivables arising therefrom, sum of any loan repayment, and the rights and power in relation to the execution and realization of the value of such assets, shall thereby be transferred from the Bank to Chengfang Huida. The balance of debt investment of such Disposal Assets was approximately RMB150 billion. The parties shall further enter into particular disposal agreements under the scope of the Framework Disposal Agreement to implement the Disposal.

Consideration

The Consideration payable by Chengfang Huida to the Bank for the Disposal shall be RMB45 billion. The Consideration was determined based on arm's length negotiation between the Bank and Chengfang Huida with reference to (i) the balance of debt investment of such Disposal Assets; (ii) the marketability of the Disposal Assets among its potential purchasers; (iii) the prerequisite requirements for potential purchasers to satisfy in order to participate in the Disposal and purchase the Disposal Assets; (iv) the general market price of and similar discount made to assets of similar nature to the Disposal Assets or risk assets to be offloaded by creditors to potential purchasers such as financial asset management companies in the PRC or assets listed for transfer on assets exchanges in the PRC such as the China Beijing Equity Exchange; (v) overall financial impact of the Disposal and the Debt Instrument Subscription on the Bank; and (vi) that certain relevant capital adequacy ratios and assets quality ratios of the Bank as at 31 December 2018 was and have since been below the regulatory requirements as set out in the Capital Administrative Measures (Provisional) and Core Indicators (Provisional) and as such the Bank has imminent needs to reorganize and dispose of the Disposal Assets to improve its assets structure and quality to comply with the abovementioned regulatory requirements.

Payment of the Consideration

The payment schedule for the sale and purchase of each relevant Disposal Asset shall be governed by each specific disposal agreement to be entered into between the Bank and Chengfang Huida. It is expected that standard form specific disposal agreements will be entered into and the relevant Consideration shall be paid by cash after satisfaction of the agreed payment conditions of each relevant disposal agreement pursuant to the payment terms thereunder.

As at the Latest Practicable Date, (i) all relevant assets to be disposed of under the Framework Disposal Agreement have been ascertained and the relevant standard form specific disposal agreements are expected to be executed on or around the date of the EGM; and (ii) the Consideration had been fully settled.

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Conditions precedent and completion

The completion of the Disposal will be subject to the satisfaction of certain conditions precedent, including the following:

- (a) the signature (or stamping of signatory's stamp) by the legal representative, responsible person or authorized person of the Bank and Chengfang Huida and the stamping of the company seal;
- (b) the approval of the Framework Disposal Agreement and the transactions contemplated thereunder by the shareholders of the Bank at the EGM;
- (c) the approval of the Framework Disposal Agreement and the transactions contemplated thereunder by Chengfang Huida; and
- (d) the Debt Instrument Subscription Agreement having been signed and becoming effective upon all necessary approvals required by the parties thereto being obtained in accordance with laws.

Completion shall take place on the date which all the conditions to the Framework Disposal Agreement and the relevant specific disposal agreements have been fulfilled or waived or such other date as the parties may agree in writing. As at the Latest Practicable Date, conditions precedent (a), (c) and (d) have been satisfied. Accordingly, upon the consideration and approval of the Framework Disposal Agreement and the transactions contemplated thereunder by the Shareholders at the EGM, condition precedent (b) will be satisfied and the Framework Disposal Agreement shall proceed to completion.

II. Information on the Disposal Assets

The Disposal Assets comprise certain credit assets and other assets of the Bank, including corporate loans and beneficial interest transfer plans (comprising beneficial interests in trust plans and asset management plans issued by trust companies, securities companies, insurance companies and asset management companies), representing approximately 65.6% and 34.4% of the Disposal Assets respectively. The balance of debt investment of the Disposal Assets is approximately RMB150 billion. The following tables set forth the breakdown of the Disposal Assets based on their (i) industry sector of the end customer; (ii) overdue period; and (iii) loan quality.

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Industry Sectors of the Disposal Assets

The table below sets forth the breakdown of the balance of the Disposal Assets by industry as at 31 December 2019:

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	Corporate loans		Beneficial interest transfer plans		Total	
	Amount	% of total	Amount	% of total	Amount	% of total
Wholesale and retail trade	46,832,689	47.61	32,876,406	63.68	79,709,095	53.14
Manufacturing	20,424,155	20.76	9,256,323	17.93	29,680,478	19.79
Scientific research and technical services	3,685,000	3.75	8,449,000	16.36	12,134,000	8.09
Leasing and commercial services	10,023,092	10.19	–	–	10,023,092	6.68
Real estate	4,875,893	4.96	1,048,000	2.03	5,923,893	3.95
Transportation, storage and postal services	4,634,370	4.71	–	–	4,634,370	3.09
Electricity, gas and water production and supply	1,964,560	2.00	–	–	1,964,560	1.31
Mining	3,113,346	3.16	–	–	3,113,346	2.07
Construction	1,289,742	1.31	–	–	1,289,742	0.86
Water, environment and public utility management	428,000	0.43	–	–	428,000	0.28
Agriculture, forestry, animal husbandry and fishery	220,165	0.22	–	–	220,165	0.15
Others	880,599	0.90	–	–	880,599	0.59
Total	98,371,611	100.00	51,629,729	100.00	150,001,340	100.00

Overdue Period of the Disposal Assets

The table below presents the ageing analysis of the Disposal Assets as at 31 December 2019:

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	Corporate loans		Beneficial interest transfer plans		Total	
	Amount	% of total	Amount	% of total	Amount	% of total
Normal	46,178,869	46.94	36,717,729	71.12	82,896,598	55.26
Overdue within 3 months (inclusive)	7,934,238	8.07	13,522,000	26.19	21,456,238	14.30

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<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	Corporate loans		Beneficial interest transfer plans		Total	
	Amount	% of total	Amount	% of total	Amount	% of total
Overdue more than 3 months to 6 months (inclusive)	29,315,899	29.80	1,000,000	1.94	30,315,899	20.21
Overdue more than 6 months to 1 year (inclusive)	10,344,484	10.52	390,000	0.75	10,734,484	7.16
Overdue more than 1 year	4,598,121	4.67	–	–	4,598,121	3.07
Total	98,371,611	100.00	51,629,729	100.00	150,001,340	100.00

Loan Quality of the Disposal Assets

The table below sets forth the analysis of the Disposal Assets by the five-tier loan classification as at 31 December 2019:

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	Corporate loans		Beneficial interest transfer plans		Total	
	Amount	% of total	Amount	% of total	Amount	% of total
Normal	15,509,500	15.77	25,855,659	50.08	41,365,159	27.58
Special-mention	52,783,931	53.66	24,894,070	48.22	77,678,001	51.78
Substandard	22,567,761	22.94	490,000	0.95	23,057,761	15.37
Doubtful	6,790,866	6.90	390,000	0.75	7,180,866	4.79
Loss	719,553	0.73	–	–	719,553	0.48
Total	98,371,611	100.00	51,629,729	100.00	150,001,340	100.00

In addition, the unaudited net loss attributable to the Disposal Assets for the financial years ended 31 December 2018 and 31 December 2019 are approximately RMB3,838.3 million and RMB5,466.7 million, respectively. For further details of the profit and loss attributable to the Disposal Assets, please refer to Appendix II of this circular.

III. Financial effect of the Disposal on the Bank

It is estimated that pursuant to the Disposal, (i) the Bank shall receive the Consideration of RMB45 billion, which had been fully settled as at 31 December 2019 and recorded in the Bank's 2019 consolidated statement of financial position as deposits from banks and other financial institutions, accordingly the balance of deposits from banks and other financial institutions of the Bank will decrease by RMB45 billion upon completion of the Disposal; (ii) taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, and as such the Bank's financial

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assets (debt investment) measured at amortized cost will increase by approximately RMB75 billion representing the principal amount of the directional debt instrument; and (iii) disposal of assets the balance of debt investment amount of which is approximately RMB150 billion (comprising of RMB98.37 billion of corporate loans and RMB51.63 billion of beneficial interest transfer plans). As impairment losses on assets of approximately RMB29.227 billion in respect of the Disposal Assets (including approximately RMB26.004 billion and RMB3.223 billion being attributable to corporate loans and beneficial interest transfer plans, respectively) had been accounted for in the audited accounts of the Bank over the years up to and including the year ended 31 December 2019, the book value of the Disposal Assets as at 31 December 2019 is approximately RMB120.773 billion. Accordingly, it is estimated that the Bank will record a pre-tax loss on disposal of approximately RMB0.773 billion.

The structure of the assets and liabilities of the Bank will be improved as loans and advances to customers of the Bank will decrease by approximately RMB72.37 billion, financial assets measured at amortized cost (other than debt investments) will decrease by approximately RMB38.42 billion and financial assets at fair value through profit or loss will decrease by RMB9.99 billion. Taking into account the Debt Instrument Subscription, the overall financial assets measured at amortized cost will increase by approximately RMB36.58 billion. The total assets and total liabilities of the Bank will decrease by approximately RMB52.83 billion and RMB52.25 billion respectively, thereby leading to a decrease in net assets of the Bank of approximately RMB0.58 billion.

For further details and breakdown of the financial effect of the Disposal and the Debt Instrument Subscription (as a series of transactions under the reorganization plan of the Bank), please refer to the paragraph headed “Appendix III. – 1. Unaudited Pro Forma Financial Information of the Restructured Group” in this circular. Please note that the above-mentioned estimation may be different from the actual financial effect of the Intended Asset Reorganization.

IV. Use of proceeds

The net proceeds from the Disposal after deduction of expenses are estimated to be approximately RMB45 billion, which are intended to be used for the general working capital of the Bank, improve assets quality, reduce use of capital and accordingly, improve the capital adequacy ratio and liquidity of the Bank.

V. Reasons and Benefits of the Disposal

As also stated in the paragraph headed “(1) Proposed Private Placement of the Subscription Shares under the Specific Mandate – IV. Reasons for the Proposed Private Placement” in this circular, the Bank intended 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 mainly consists of:

- (i) the Proposed Private Placement;

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- (ii) the Disposal; and
- (iii) the Debt Instrument Subscription, being the subscription of a directional debt instrument in the principal amount of RMB75 billion, in which the Debt Instrument Subscription Agreement was entered into on 31 March 2020 and is effective from the later of the date on which it has been duly signed by the parties thereto and the effective date of the Framework Disposal Agreement, and the directional debt instrument with an initial maturity period of 15 years (which could be extended upon agreement between the parties thereto) or until the full repayment of the principal amount by the issuer within such debt period, issued by Jinzhou Jinyin Enterprise Management Partnership (LLP)* (錦州錦銀企業管理合夥企業 (有限合夥)), being an entity set up by a corporation wholly-owned by Liaoning Financial Holding as limited partner and a corporation wholly-owned by the PBoC's wholly-owned subsidiary Deposit Insurance Fund Management Co., Ltd.* (存款保險基金管理有限責任公司) as general partner, pursuant to which, among others, (a) the obligations of the Bank to make payment for such subscription amount shall be waived; and (b) the Bank shall obtain from the issuer repayment of premium and interest at a rate of 2.25% per annum, totaling to not less than RMB5,000 million per year in principle.

In addition, the Directors are of the view that the discount represented by the Consideration to the balance of debt investment of the Disposal Assets is fair and reasonable and the Intended Asset Reorganization is beneficial and in the interest of the Bank and the Shareholders as a whole after taking into account the following factors:

- (i) the Disposal Assets are risk assets the recoverability of which is expected to be rather low, coupled with its substantial balance of debt investment being RMB150 billion, the practicability of offloading such Disposal Assets at their original value is low. The intended arrangement of the Bank to dispose of all Disposal Assets in bulk and at similar timeframe also led to a further discount generally required to attract potential purchasers;
- (ii) faced with the recent capital market volatility, suspension of businesses and widespread economic downturn caused by the pandemic in the first quarter of 2020, the market sentiment for corporate activities and transfers of assets have significantly reduced, in which the banking industry has also been indirectly affected, leading to a decrease in investment interests in the Bank's assets and the uncertain attitude of potential purchasers towards acquiring risk assets in the banking industry;
- (iii) as the Disposal Assets comprise of credit assets held by the Bank, which is a banking corporation licensed and regulated by the CBIRC, the pool of eligible owners and potential purchasers of the Disposal Assets are relatively limited when compared to the group of potential purchasers of assets in less restricted or regulated industries. Accordingly, potential purchasers of the Disposal Assets mainly include corporations that satisfy the prerequisite requirements and regulations imposed by the relevant PRC regulatory authorities, thereby reducing the bargaining power of the Bank in negotiating the Consideration;

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- (iv) taking reference to the price of and discount made to similar risk assets to be offloaded by creditors to potential purchasers such as financial asset management companies in the PRC or assets listed for transfer on assets exchanges in the PRC such as the China Beijing Equity Exchange, the discount represented by the Consideration to the original book value of the Disposal Assets were in line with the general market trend;
- (v) the loan quality of the Bank will improve through the disposal of the Disposal Assets with its non-performing loan ratio decreasing from 7.70% to 1.95%, and decrease in the amount in each of the five-tier loan categorization of the Bank's loans upon the completion of the Disposal as below:

	As at 31 December 2019		As if the Disposal had completed		Indicative Change %
	Amount	% of total	Amount	% of total	
Normal	376,304,315	76.94	360,794,815	92.33	(4.12)
Special-mention	75,127,596	15.36	22,343,665	5.72	(70.26)
Substandard	28,725,027	5.87	6,157,266	1.58	(78.56)
Doubtful	8,171,797	1.67	1,380,931	0.35	(83.10)
Loss	788,212	0.16	68,659	0.02	(91.29)
Total	489,116,947	100.00	390,745,336	100.00	(20.11)
Non-performing loan	37,685,036	7.70	7,606,856	1.95	(5.95)

Note: the figures above had been prepared as if the Disposal had completed on 31 December 2019.

- (vi) the Bank is able to revamp its asset structure and reduce its risks exposure to risk assets. In particular, 53.14% and 19.79% of the balance of debt investment of the Disposal Assets are loans and beneficial interest transfer plans provided to customers in the wholesale and retail trade and manufacturing industry, respectively, which are industries affected by the epidemic COVID-19. The Disposal could therefore reduce the Bank's exposure to such industries and better control its financial stability during the volatile 2020. Instead, the Intended Asset Reorganization would decrease the Bank's deposits from banks and other financial institutions by RMB45.00 billion from RMB178.12 billion as at 31 December 2019 to RMB133.12 billion upon completion of the Intended Asset Reorganization, representing a 25.3% decrease. This will in turn decrease the interest expense of the Bank in the coming year. With the Debt Instrument Subscription and the Disposal being a series of transactions under the reorganization plan of the Bank, the debt investment of the Bank would also be increased by RMB75.00 billion from RMB65.0 billion as at 31 December 2019 to RMB140.1 billion upon completion of the Intended Asset Reorganization, representing an 115.4% increase. This enables the Bank to widen its investment portfolio and reduce its risk of concentration; and

LETTER FROM THE BOARD

- (vii) the Intended Asset Reorganization, which includes the Disposal and Debt Instrument Subscription, addresses the Bank’s imminent needs to replenish its capital and reorganize its assets and improve its assets structure, in which the relevant capital adequacy ratios and assets quality ratios of the Bank that have been non-compliant with the regulatory requirements since 31 December 2018 and 30 June 2019 will improve upon the completion of the Intended Asset Reorganization as below:

	As at 31 December 2019	As if the Intended Asset Reorganization had completed	Indicative Change
Assets Quality Indicators (%)			
Non-performing loan ratio	7.70	1.95	(5.75)
Provision coverage ratio	115.01	227.94	112.93
Provision to loans ratio	8.86	4.44	(4.42)
Capital Adequacy Indicators (%)			
Core tier-one capital adequacy ratio	5.15	6.96	1.81
Tier-one capital adequacy ratio	6.47	8.49	2.02
Capital adequacy ratio	8.09	10.67	2.58
Total equity to total assets	7.11	7.52	0.41
Other Indicators (%)			
Loan-to-deposit ratio	105.58	84.65	(20.93)

Note: the figures above had been prepared as if the Intended Asset Reorganization (including the Disposal and the Debt Instrument Subscription) had completed on 31 December 2019.

Together with the impact to be brought about by the Proposed Private Placement, the relevant capital adequacy ratios and assets quality ratios of the Bank will improve to satisfy and comply with the relevant regulatory requirements upon the completion of the Proposed Private Placement and the Intended Asset Reorganization. For further details of the expected improvements, please refer to the paragraph headed “Appendix III – 2. Financial Performance Indicators of the Restructured Group” in this circular.

Accordingly, while it is estimated that the overall financial effect of the Disposal and the Debt Instrument Subscription will be an unaudited pre-tax loss on disposal of approximately RMB0.773 billion, through the above plan for reorganization, the Bank expects to improve its capital adequacy ratio, improve its assets quality and reduce bad debt ratio to 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.

LETTER FROM THE BOARD

In addition, the Intended Asset Reorganization is independent from and not inter-conditional with the Proposed Private Placement. The Intended Asset Reorganization will proceed even if the Proposed Private Placement does not complete at all.

Based on the above, the Directors are of the view that the terms of the Framework Disposal Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

VI. Information on the Parties

For information on the Bank and Chengfang Huida, please refer to the paragraph headed “(1) Proposed Private Placement of the Subscription Shares under the Specific Mandate – IX. Information on the Parties” in this circular.

VII. Implications under the Listing Rules

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Bank pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules. As no existing Shareholder has any material interest in the Disposal, no Shareholder is required to abstain from voting in the resolution(s) to be proposed at the EGM to approve the Framework Disposal Agreement and the transactions contemplated thereunder.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, none of the Directors has a material interest in the transactions under the Framework Disposal Agreement and accordingly, no Director has abstained from voting on the Board resolution(s) to approve the Disposal.

(4) EGM

The EGM will be convened to consider and, if thought fit, pass resolutions to approve, among other things, (i) the Whitewash Waiver; (ii) the Subscription Agreement and the transactions contemplated thereunder; (iii) the Framework Disposal Agreement and the transactions contemplated thereunder; and (iv) matters stated in the December Circular. The voting at the EGM will be conducted by way of poll.

I. Supplemental Notice of the EGM

The supplemental notice convening the EGM to be held at the meeting room of 34th Floor, No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC at 9:30 a.m. on Friday, 10 July 2020, and the Revised Proxy Form(s) are expected to be despatched to the Shareholders on or before 30 June 2020.

LETTER FROM THE BOARD

Since the Original Notice does not contain the abovementioned additional resolutions to be approved at the EGM, the supplemental notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

II. Revised Proxy Form

Shareholders who intend to attend the EGM by proxy are required to complete and return the Revised Proxy Form, in accordance with the instructions printed thereon as soon as possible and in any event not later than the Closing Time. Completion and return of the Revised Proxy Form will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

A Shareholder who has not yet lodged the Original Proxy Form(s) with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares) is requested to lodge the Revised Proxy Form(s) if he/she wishes to appoint proxy to attend, speak and vote at the EGM on his/her behalf. In this case, the Original Proxy Form(s) should not be lodged with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares).

A Shareholder who has already lodged the Original Proxy Form(s) should note that:

- (1) If no Revised Proxy Form(s) is lodged with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares), the Original Proxy Form(s), if correctly completed, will be treated as a valid proxy form lodged by him/her. The proxy so appointed by the Shareholder will be entitled to cast the vote at his/her discretion or to abstain from voting on any resolution properly put to the EGM except for those resolutions to which the Shareholder has indicated his/her voting direction in the Original Proxy Form(s);
- (2) If the Revised Proxy Form(s) is lodged with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares) before the Closing Time, the Revised Proxy Form(s), if correctly completed, will revoke and supersede the Original Proxy Form(s) previously lodged by him/her. The Revised Proxy Form(s) will be treated as a valid proxy form lodged by the Shareholder; and
- (3) If the Revised Proxy Form(s) is lodged with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares) after the Closing Time, or if lodged before the Closing Time but is incorrectly completed, the proxy appointment under the Revised Proxy Form(s) will be invalid. The proxy so appointed by the Shareholder under the Original Proxy Form(s), if correctly completed, will be entitled to vote in the manner as mentioned in (1) above as if no Revised Proxy Form(s) was lodged with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares). Accordingly, Shareholders are advised to complete the Revised Proxy

LETTER FROM THE BOARD

Form(s) carefully and lodge the Revised Proxy Form(s) with the H Share Registrar (in respect of H Shares) or the Bank's registered office in the PRC (in respect of Domestic Shares) before the Closing Time.

III. Voting by Poll at the EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions to be proposed at the EGM must be taken by poll. The chairman of the EGM will therefore demand a poll for every such resolution put to the vote at the EGM. On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each Share registered in his or her name in the register of Shareholders. A Shareholder entitled to more than one vote need not use all his or her votes or cast all the votes he or she uses in the same way.

The Whitewash Waiver and the Subscription Agreement will be proposed by way of a resolution to be passed by at least 75% and 50% of the independent vote, respectively, that is cast either in person or by proxy at the EGM for approval by the Independent Shareholders.

The Framework Disposal Agreement and the transactions contemplated thereunder will be proposed by way of ordinary resolution at the EGM for approval by the Shareholders.

As there are no existing Shareholders being involved or are interested in (i) the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver; or (ii) the Framework Disposal Agreement and/or the Disposal, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM regarding the Whitewash Waiver, the Subscription Agreement, the Framework Disposal Agreement and the respective transactions contemplated thereunder.

(5) CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Bank has been closed from Tuesday, 21 January 2020 to Friday, 10 July 2020 (both days inclusive), during which period no transfer of Shares will be effected. The record date for entitlement to attend and vote at the EGM is Tuesday, 21 January 2020. In order to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), or to the Bank's registered office in the PRC at No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC (in respect of Domestic Shares) no later than 4:30 p.m. on Monday, 20 January 2020.

LETTER FROM THE BOARD

(6) RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” set out on pages 33 to 34 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders on the terms of the Subscription Agreement and the Whitewash Waiver; (ii) the “Letter from the Independent Financial Adviser” set out on pages 35 to 60 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions approving, inter alia, the Subscription Agreement and the Whitewash Waiver.

The Board considers that all resolutions set out in the supplemental notice of the EGM for the consideration and approval of the Shareholders (including the Independent Shareholders) are in the best interests of the Bank, the Shareholders and the Independent Shareholders. As such, the Board recommends the Shareholders and the Independent Shareholders to vote in favour of the resolutions set out in the supplemental notice of the EGM which are to be proposed at the EGM.

(7) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular including further financial information of the Group, further unaudited financial information of the Disposal Assets, the unaudited pro forma financial information of the Restructured Group and the notice of the EGM.

Warning: The completion of the Proposed Private Placement is subject to the satisfaction of certain conditions precedent, including the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the EGM. Accordingly, the Proposed Private Placement may or may not proceed.

As the completion of the Disposal is subject to the satisfaction of certain conditions precedent, including but not limited to the approval of the Shareholders, the Disposal may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Bank, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions they should take.

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

Jinzhou, Liaoning Province, the PRC
30 June 2020

* *For identification purposes only*



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)

30 June 2020

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATE PLACEMENT OF NEW DOMESTIC SHARES
UNDER THE SPECIFIC MANDATE
AND
APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Bank to the shareholders of the Bank dated 30 June 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee under the Takeovers Code to advise the Independent Shareholders as to whether, in our opinion, the Subscription Agreement and the Whitewash Waiver, details of which are set out in the “Letter from the Board” in the Circular, are fair and reasonable so far as the Independent Shareholders are concerned and if they are in the interests of the Bank and the Independent Shareholders, and to recommend how the Independent Shareholders should vote at the EGM. Somerley Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board”, the “Letter from the Independent Financial Adviser” and the additional information set out in the appendices of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Recommendation of the Independent Board Committee

Having taken into account the terms of the Proposed Private Placement and the Subscription Agreement, and the principal factors and reasons considered by the Independent Financial Adviser as set out in the “Letter from Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Bank and the Shareholders (including the Independent Shareholders) as a whole.

Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM for approving the Subscription Agreement and the Whitewash Waiver.

Yours faithfully
the Independent Board Committee of
Bank of Jinzhou Co., Ltd.

ZHAO Chuanxin	NING Jie	GU Jihong	LYU Fei	LUO Nan
<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>

XIAO Geng	XIE Taifeng	WU Jun	WANG Xiongyuan	SU Mingzheng
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive</i>	<i>non-executive</i>	<i>non-executive</i>	<i>non-executive</i>	<i>non-executive</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>

* *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.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor, China Building

29 Queen's Road Central

Hong Kong

30 June 2020

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**(1) PROPOSED PRIVATE PLACEMENT OF NEW DOMESTIC SHARES
UNDER THE SPECIFIC MANDATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Whitewash Waiver and the underlying transaction(s) (i.e. the Subscription Agreement). Details of the Whitewash Waiver and the Subscription Agreement are set out in the “Letter from the Board” contained in the circular of the Bank to the Shareholders dated 30 June 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 23 January 2020 (after trading hours), the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers will subscribe in cash for an aggregate of 6.2 billion New Domestic Shares at the subscription price of RMB1.950 (equivalent to approximately HK\$2.165 based on the exchange rate of HK\$1 to RMB0.90067 as quoted by the PBoC as at the Last Trading Day, subject to the Price Adjustment) per Subscription Share.

As at the Latest Practicable Date, Chengfang Huida (as one of the Subscribers) 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 would 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. On 3 April 2020, an application was made on behalf of Chengfang Huida to the Executive for granting of the Whitewash Waiver pursuant to Note 1 on dispensations

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, will be subject to, among other things, approval by at least 75% of the Independent Shareholders (being Shareholders other than persons who are involved or interested in the Proposed Private Placement, the Subscription Agreement and/or the Whitewash Waiver) 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 Subscription Agreement). The Subscribers and 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 being involved or are interested 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.

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), 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, 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. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Whitewash Waiver and the underlying transaction(s) (i.e. the Subscription Agreement).

During the past two years, there have been no engagements between the Bank and Somerley Capital Limited. We are not associated with and have no significant connection, financial or otherwise, with the Bank, the Subscribers, or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Whitewash Waiver and the underlying transaction(s) (i.e. the Subscription Agreement). Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Bank, the Subscribers, or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, (i) the Circular; (ii) the Subscription Agreement; (iii) the annual report of the Bank for the year ended 31 December 2018 and the annual results announcement of the Bank for the year ended 31 December 2019; (iv) the announcements published by the Bank on the website of the Stock Exchange since 1 January 2019; and (v) the material change statement set out in Appendix I to the Circular. We

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Bank and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain so up to the date of the EGM. We have sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Bank, or the Subscribers, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular are true as at the Latest Practicable Date. Pursuant to Rule 9.1 of the Takeovers Code, up to the date of the EGM, Independent Shareholders will be notified as soon as reasonably practicable if we become aware of any material changes to the information contained in the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering (1) whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (2) whether the entering into of the Subscription Agreement and the Whitewash Waiver are in the interests of the Bank and the Shareholders (including the Independent Shareholders) as a whole, we have taken into account the principal factors and reasons set out below:

1. Background of the Bank and the Subscribers

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 banking businesses in the PRC, including collection and payment agency services and payroll services.

The two subscribers are Chengfang Huida and Liaoning Financial Holding. Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which is intended to mainly engage in, among other things, enterprise management and market research. As at the Latest Practicable Date, Chengfang Huida has not commenced operations. Chengfang Huida has registered capital of RMB1,000,000 and net assets value of approximately RMB0.5 million. It is intended that Chengfang Huida will obtain capital for the subscription of the Subscription Shares through shareholders' loan. 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

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Development Co., Ltd.* (中潤經濟發展有限責任公司), a wholly-owned subsidiary of China Cinda. 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, the PBoC, is a party independent from the Bank and its connected persons.

Liaoning Financial Holding is a limited liability company incorporated in the PRC on 18 December 2019 and is intended to mainly engage 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 Latest Practicable Date, Liaoning Financial Holding has not commenced operations. Liaoning Financial Holding is wholly-owned by the Liaoning Province Finance Department. Each of Liaoning Financial Holding and its ultimate beneficial owner, Liaoning Province Finance Department, is a party independent from the Bank and its connected persons. Further details of the Subscribers are set out in the section headed “Information on the Parties” in the “Letter from the Board” contained in the Circular.

2. Background to and reasons for the Proposed Private Placement

According to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transition Period (《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知) announced by the CBIRC in 2012, as a commercial bank, the Bank is required to maintain its core tier-one capital adequacy ratio above 7.5%, its tier-one capital adequacy ratio above 8.5% and its capital adequacy ratio above 10.5%. According to the Bank’s 2018 annual report and 2019 annual results announcement, the capital adequacy ratios of the Group as at 31 December 2018 and 2019 have fallen below the regulatory requirement. Further discussions on the Bank’s capital adequacy indicators are set out in the sub-section headed “Capital adequacy indicators” of this letter below.

According to the announcements of the Bank dated 26 December 2019 and 3 April 2020 in relation to its proposed significant asset reorganisation, the Bank expects to, among other things, improve its capital adequacy ratio through the proposed significant asset reorganisation. As set out in the Circular, the reorganisation mainly consists of the Proposed Private Placement, the Disposal, and the Debt Instrument Subscription. The Proposed Private Placement is independent from and not inter-conditional with the Intended Asset Reorganization (i.e. the Disposal and the Debt Instrument Subscription). Further details regarding the conditions precedent to the Subscription Agreement are set out in the sub-section headed “Conditions precedent to the Subscription Agreement” under the section headed “The Subscription Agreement” in the “Letter from the Board” contained in the Circular. If the approval from the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) cannot be obtained at the EGM (being one of the conditions precedent to the Subscription Agreement), the Proposed Private Placement will not proceed. The completion of the Disposal will be subject to the satisfaction of another set of conditions precedent as set out in the sub-section headed “Conditions precedent and completion” under the section headed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“The Framework Disposal Agreement” in the “Letter from the Board” contained in the Circular. Further details of the Intended Asset Reorganization and its financial effects on the Bank (including improvement on the Bank’s capital adequacy ratios) are set out in the section headed “Very Substantial Disposal in Relation to the Disposal of Assets of the Bank” in the “Letter from the Board” and Appendix III “Unaudited Pro Forma Financial Information of the Restructured Group” contained in the Circular respectively.

In order to enhance the Bank’s capital base and to improve its overall capital adequacy ratios, the Bank and the Subscribers entered into the Subscription Agreement on 23 January 2020 (after trading hours), pursuant to which the Subscribers, Chengfang Huida and Liaoning Financial Holding, shall subscribe for an aggregate of 5,270 million and 930 million Subscription Shares respectively, representing approximately 37.69% and 6.65% of the total enlarged issue share capital of the Bank after the completion of the Proposed Private Placement respectively. The net proceeds (after deducting the relevant fees and without taking into account any Price Adjustment) from the Proposed Private Placement are expected to be approximately RMB12.09 billion (equivalent to approximately HK\$13.42 billion, based on the exchange rate of HK\$1 to RMB0.90067 as quoted by the PBoC as at the Last Trading Day) and are intended to be used to replenish the core tier-one capital of the Bank.

On 18 October 2019, the Specific Mandate was granted by the Shareholders to the Board at the 2019 AGM and the 2019 Class Meetings to issue not more than 6.2 billion New Domestic Shares. The Subscription Shares will be allotted and issued by the Bank pursuant to the Specific Mandate. According to the Bank’s circular in relation to the Specific Mandate dated 8 October 2019, the issue price of the New Domestic Shares under the Proposed Private Placement is to be determined by the Board based on a discount of no more than 25% from the higher of: (a) the closing price of the H Shares as quoted on the Stock Exchange on the date of the Subscription Agreement; and (b) the average closing price of the H Shares for the five (5) trading days immediately prior to the earlier of (i) the Whitewash Announcement Date; (ii) the date of the Subscription Agreement; and (iii) the date on which the subscription price per Subscription Share is fixed. Further details are set out in the Bank’s announcement dated 27 September 2019, the circular dated 8 October 2019 and the announcement dated 18 October 2019 with respect to poll results of the 2019 AGM and the 2019 Class Meetings.

After the completion of the Proposed Private Placement, Chengfang Huida, which is managed by the PBoC, will become the largest single Shareholder of the Bank. Therefore, the Proposed Private Placement is expected by the executive Directors to strengthen the shareholding structure of the Bank, to enhance the risk resistance capability and to improve the continuous development of the Bank.

In view of the imminent need to improve the Bank’s overall capital adequacy ratios, the executive Directors have explored different fund raising alternatives for the Group, including debt fund raising and other forms of equity fund raising, such as a rights issue or open offer. The executive Directors consider that substantial debt fund financing is not attractive as it will not strengthen the core capital adequacy and would increase finance costs, which would detract from the retained earnings and could lead to a further decrease in the capital adequacy ratio and

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the core capital adequacy ratio of the Bank. The executive Directors have also considered a rights issue or open offer but commercial underwriting of a rights issue or an open offer would be difficult and costly to obtain having considered, in particular, the financial position of the Group, the underwriting commission and professional fees for engagement of reporting accountants and lawyers. In addition, a rights issue or open offer would involve preparation and issue of a prospectus, which, together with the time needed to arrange for a shareholders' meeting if shareholders' approval is required, would result in extended timing for the process, increasing completion risks. Having considered the alternatives, the executive Directors consider the Proposed Private Placement, as part of the Bank's asset reorganisation, to be the most viable funding option available to the Bank to meet the Bank's urgent needs to improve its overall capital adequacy ratios.

Having considered the above, in particular (a) the Bank's urgent need for fund raising to improve its capital adequacy ratios which have fallen below regulatory requirements; (b) the shareholding structure of the Bank is expected to be strengthened with Chengfang Huida, which is managed by the PBoC, becoming the single largest Shareholder of the Bank after the completion of the Proposed Private Placement; and (c) the rationale for adopting the Proposed Private Placement as the preferred fund raising method as discussed above, we concur with the executive Directors that raising new equity capital is necessary and that the Proposed Private Placement is an appropriate method of doing so.

3. Financial information of the Group

(i) Financial performance

The following is a summary of the financial results of the Group for the three years ended 31 December 2017, 2018 and 2019 (2017 annual results having been extracted from the Bank's 2018 annual report; both 2018 and 2019 annual results having been extracted from the Bank's 2019 annual results announcement).

	For the year ended 31 December		
	2019	2018	2017
	(Audited)	(Audited)	(Audited)
	(RMB'million)	(RMB'million)	(RMB'million)
Interest income	47,820	46,003	39,944
Interest expense	(28,475)	(26,902)	(21,411)
Net interest income	19,345	19,101	18,533
Operating income	23,170	21,283	18,806
Operating profit before impairment	19,408	17,697	15,498
Impairment losses on assets	(20,846)	(23,684)	(3,445)
Profit/(loss) before tax	(1,438)	(5,987)	12,053
Net profit/(loss) attributable to equity shareholders of the Bank	(959)	(4,593)	8,977

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(a) 2018 vs 2017

In 2018, the Group recorded net interest income of approximately RMB19,101 million, representing an increase of approximately 3.1% as compared with approximately RMB18,533 million in 2017. For the two years ended 31 December 2018 and 2017, net interest income accounted for approximately 89.7% and 98.5% of the Group's operating income respectively. As disclosed in the Bank's 2018 annual report, approximately 79% of the Group's operating income was generated from the Jinzhou region.

The Group's interest income increased from approximately RMB39,944 million in 2017 to approximately RMB46,003 million in 2018, representing a year-on-year increase of approximately 15.2%. The Group's interest expense increased from approximately RMB21,411 million in 2017 to approximately RMB26,902 million in 2018, representing a year-on-year increase of approximately 25.6%.

Both of net interest spread and net interest margin recorded a decrease in 2018. Net interest spread (calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities) of the Group decreased from approximately 2.58% in 2017 to approximately 1.93% in 2018. Net interest margin (calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the interest earning assets)) of the Group decreased from approximately 2.88% in 2017 to approximately 2.46% in 2018. As disclosed in the Bank's 2018 annual report, the decrease in net interest spread and net interest margin in 2018 was primarily due to, among others, (i) the impact of the decrease in yield of interest-bearing assets, the increase in cost of interest-bearing liabilities; (ii) changes of interest rate in capital market; and (iii) the implementation of International Financial Reporting Standards 9 ("IFRS 9"), where the financial assets and financial liabilities measured at fair value through profit or loss are no longer presented as interest-earning assets and interest-bearing liabilities, and the net interest income generated is reclassified as income of transactions for accounting which resulted in lower net interest income.

The Group recorded operating profit before impairment of approximately RMB17,697 million in 2018, representing an increase of approximately 14.2% as compared with approximately RMB15,498 million in 2017. In 2018, impairment losses on assets of approximately RMB23,684 million was recorded, as compared with approximately RMB3,445 million in 2017. As disclosed in the Bank's 2018 annual report, the significant increase in impairment losses on assets was mainly attributable to (i) the increase of the balance of loans and advances to customers at the same time as an increase in the non-performing loan ratio; and (ii) the adoption of the expected loss model and increase in impairment provision of assets in response to the declining quality of assets and increase of non-performing assets.

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For the year ended 31 December 2018, there was a net loss attributable to equity shareholders of the Bank of approximately RMB4,593 million, as compared with a net profit attributable to equity shareholders of the Bank of approximately RMB8,977 million in 2017. The turnaround from profit to loss was mainly attributable to the significant increase in impairment losses on assets mentioned above.

(b) 2019 vs 2018

In 2019, net interest income of the Group was approximately RMB19,345 million, representing an increase of approximately 1.3% as compared with approximately RMB19,101 million in 2018. For the years ended 31 December 2019 and 2018, net interest income accounted for approximately 83.5% and 89.7% of the Group's operating income respectively. As disclosed in the Bank's 2019 annual results announcement, approximately 75% of the Group's operating income was generated from the Jinzhou region.

The Group's interest income increased from approximately RMB46,003 million in 2018 to approximately RMB47,820 million in 2019, representing a year-on-year increase of approximately 3.9%. The Group's interest expense increased from approximately RMB26,902 million in 2018 to approximately RMB28,475 million in 2019, representing a year-on-year increase of approximately 5.8%.

Both of net interest spread and net interest margin recorded an increase in 2019 as compared with 2018. Net interest spread of the Group increased from approximately 1.93% in 2018 to approximately 2.29% in 2019. Net interest margin of the Group increased from approximately 2.46% in 2018 to approximately 2.48% in 2019. As disclosed in the Bank's 2019 annual results announcement, the year-on-year increase in net interest spread and net interest margin in 2019 was primarily due to the increase in the average yield of the Group's interest-earning assets and the decrease in the average cost of the interest-bearing liabilities.

Operating profit before impairment of the Group was approximately RMB19,408 million in 2019, representing a year-on-year increase of approximately 9.7% as compared with approximately RMB17,697 million in 2018. In 2019, impairment losses on assets of approximately RMB20,846 million were recorded, as compared with approximately RMB23,684 million in 2018. As disclosed in the Bank's 2019 annual results announcement, the impairment losses on assets in 2019 was attributable to, among others, the decline in asset quality and the increase in the outstanding balance of non-performing assets.

For the year ended 31 December 2019, there was a net loss attributable to equity shareholders of the Bank of approximately RMB959 million, as compared with a net loss attributable to equity shareholders of the Bank of approximately RMB4,593 million for the year ended 31 December 2018. The decrease in net loss was mainly attributable to the increase in operating profit before impairment and a lower amount of impairment losses on assets mentioned above.

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(ii) *Financial position*

Set out below is an extract of the financial position of the Group as at 31 December 2017, 2018 and 2019 (2017 financial position having been extracted from the Bank's 2018 annual report; both 2018 and 2019 financial position having been extracted from the Bank's 2019 annual results announcement).

	As at 31 December		
	2019 (Audited) (RMB'million)	2018 (Audited) (RMB'million)	2017 (Audited) (RMB'million)
Total assets	836,694	845,923	723,418
Total liabilities	777,189	785,160	663,253
Total equity attributable to equity shareholders of the Bank	55,671	56,777	56,231

As at 31 December 2019, the Group's total assets were approximately RMB836,694 million. Total assets of the Group mainly include (a) loans and advances to customers of approximately RMB452,696 million; (b) financial assets measured at amortised cost of approximately RMB165,149 million; and (c) cash and deposits with the central bank of approximately RMB105,177 million, which accounted for approximately 54.1%, 19.7% and 12.6% of the Group's total assets respectively. The Group's loans and advances to customers mainly consist of corporate loans, which made up approximately 97.7% of the Group's total loans and advances to customers as at 31 December 2019. The Group's total corporate loans and advances mainly include loans offered to customers in the industries of (i) wholesale and retail trade; and (ii) manufacturing, which made up approximately 47.5% and approximately 20.4% of the Group's total corporate loans and advances as at 31 December 2019. As at the same date, non-performing loans of the Group amounted to approximately RMB37,685 million, equivalent to a non-performing loan ratio of approximately 7.70%, approximately 2.71 percentage points higher than that of approximately 4.99% a year earlier. As disclosed in the Bank's 2019 annual results announcement and as advised by the executive Directors, the increase in non-performing loan ratio was mainly due to (i) declining growth in China's macro-economy evidenced by a slowing GDP growth of 6.1% in China in 2019 compared with that of 6.6% in 2018¹; (ii) the declining growth in the economy in the Group's major operating region (i.e. the Jinzhou Region), evidenced by the lower GDP growth rate of 2.5% in 2019 in the Jinzhou Region comparing to that of 6.2% in 2018²; and (iii) customers in certain industries experiencing difficulties in their operation. The Group's financial assets measured at amortised cost were mainly composed of beneficial interest transfer plans, which were mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

¹ Source: National Bureau of Statistics of China

² Source: Jinzhou Bureau of Statistics

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As at 31 December 2019, the Group's total liabilities were approximately RMB777,189 million. The Group's total liabilities mainly consisted of (a) deposits from customers of approximately RMB407,113 million; (b) deposits from banks and other financial institutions of approximately RMB178,118 million; and (c) debt securities issued of approximately RMB110,109 million, which accounted for approximately 52.4%, 22.9% and 14.2% of the Group's total liabilities as at 31 December 2019.

Total equity attributable to equity shareholders of the Bank amounted to approximately RMB56,777 million and RMB55,671 million as at 31 December 2018 and 31 December 2019 respectively. The net asset value per Share attributable to ordinary shareholders of the Bank as at 31 December 2018 and 2019 (calculated based on (i) equity attributable to equity shareholders of the Bank (after deducting the value attributable to the Offshore Preference Shares of approximately RMB9,897 million as at 31 December 2018 and 31 December 2019); and (ii) 7,781,615,684 ordinary Shares in issue as at 31 December 2018 and 31 December 2019) is approximately RMB6.02 and RMB5.88 respectively. The subscription price of RMB1.950 per Subscription Share (equivalent to approximately HK\$2.165 subject to the Price Adjustment) represents a discount of approximately 67.6% and 66.8% to the net asset value per Share attributable to ordinary shareholders of the Bank as at 31 December 2018 and 31 December 2019 respectively.

(iii) Capital adequacy indicators

	As at 31 December		
	2019	2018	2017
	(%)	(%)	(%)
Core tier-one capital adequacy ratio ^{1,2}	5.15	6.07	8.44
Tier-one capital adequacy ratio ^{3,4}	6.47	7.43	10.24
Capital adequacy ratio ^{5,6}	8.09	9.12	11.67

¹ Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets

² Core tier-one capital includes share capital, qualifying portion of capital reserve, surplus reserve, general reserve, retained earnings and qualifying portions of non-controlling interests

³ Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets

⁴ Tier-one capital includes core tier-one capital and other tier-one capital

⁵ Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets

⁶ Total capital includes tier-one capital and tier-two capital, which in turn includes instruments issued and share premium, surplus provision for loan impairment, and qualifying portions of non-controlling interests

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As at 31 December 2019, the Group's core tier-one capital adequacy ratio was approximately 5.15%, representing a decrease of 0.92 percentage point as compared to that of 31 December 2018; the tier-one capital adequacy ratio was 6.47%, representing a decrease of 0.96 percentage points as compared to that of 31 December 2018; the capital adequacy ratio was 8.09%, representing a decrease of 1.03 percentage points as compared to that of 31 December 2018. The above-mentioned capital adequacy ratios were below the regulatory requirements of 7.5%, 8.5% and 10.5% for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio respectively as set out in the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transition Period (《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知) announced by the CBIRC.

As set out in the Bank's 2019 annual results announcement, the decrease in capital adequacy ratios was attributable to, among others, (i) the Bank's redemption of RMB1.5 billion, including tier-two capital debts with write-down clauses, and increased provision for impairment so as to enhance risk resilience, resulting in the decrease of net amount of capital; and (ii) the increase of the Bank's risk assets.

To summarise, the Group's net interest income saw an increase of approximately 3.1% in 2018 and approximately 1.3% in 2019 year-on-year. Both net interest spread and net interest margin dropped in 2018 but improved in 2019. Operating profit before impairment of the Group also saw an increase of approximately 14.2% in 2018 and approximately 9.7% in 2019 year-on-year. The Group, however, recorded net losses attributable to equity shareholders of the Bank for the two years ended 31 December 2018 and 2019 due to substantial impairment losses on assets. The decline of asset quality and the increasing balance of non-performing loans of the Group have also led to the deterioration of the Group's capital adequacy ratios in 2018 and 2019, which both fell below the regulatory requirements.

4. Principal terms of the Subscription Agreement

On 23 January 2020 (after trading hours), the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Subscribers will subscribe in cash for an aggregate of 6.2 billion New Domestic Shares at the subscription price of RMB1.950 (equivalent to approximately HK\$2.165 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. 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.

Set out below is a summary of the principal terms of the Subscription Agreement. Further details of the Subscription Agreement are set out in the section headed "The Subscription Agreement" in the "Letter from the Board" contained in the Circular.

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The Subscription Agreement

- Date:** 23 January 2020 (after trading hours)
- Parties:** (i) The Bank (as the issuer);
and
(ii) Chengfang Huida (as the subscriber) (ii) Liaoning Financial Holding (as the subscriber)
- 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.
- 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 approximately HK\$2.165 subject to the Price Adjustment).

The Price Adjustment is the adjustment which may be made to the subscription price 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.

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Conditions precedent: The completion of the Proposed Private Placement is conditional upon the fulfillment or waiver of, among others, (i) 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; (ii) 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; (iii) the Executive granting the Whitewash Waiver to Chengfang Huida; and (iv) the approval from the Independent Shareholders on the Whitewash Waiver and the underlying transaction(s) at the EGM in accordance with the Takeovers Code. Further details on the conditions precedent to the Subscription Agreement are set out in the sub-section headed “Conditions precedent to the Subscription Agreement” in the “Letter from the Board” contained in the Circular. As at the Latest Practicable Date, no condition precedent to the Subscription Agreement has been satisfied yet. The Bank is preparing the materials to be submitted for obtaining the relevant regulatory approvals in respect of the Proposed Private Placement and the subscription. The Directors do not expect any difficulties in the satisfaction of any of the conditions precedent.

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.

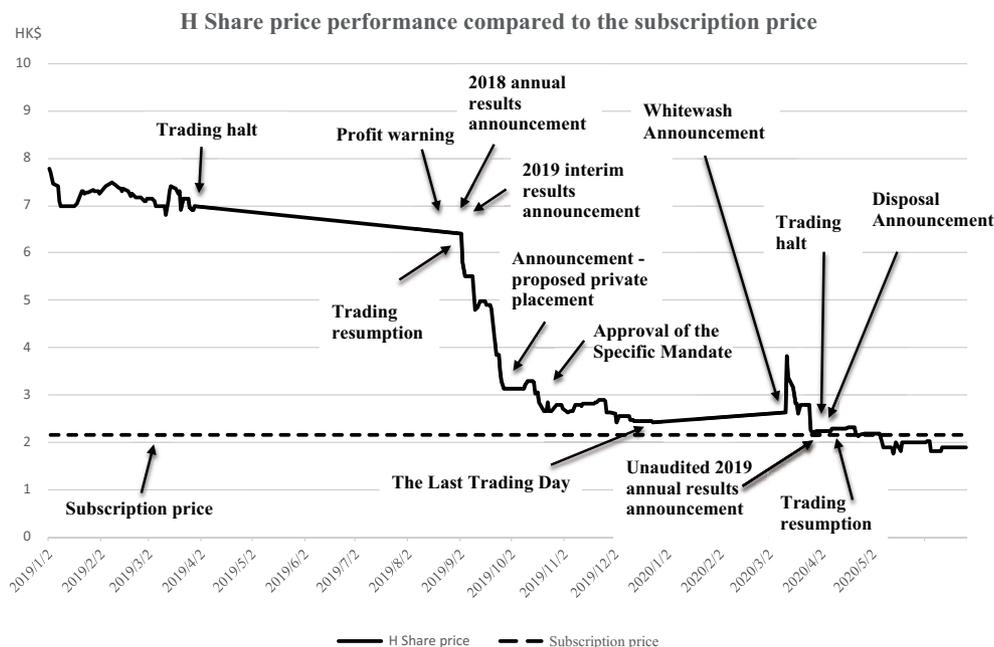
Notwithstanding the conditions precedent to be fulfilled or waived and the related right to terminate the Subscription Agreement by the Subscribers, if the Whitewash Waiver is not granted by the Executive and/or not approved by the Independent Shareholders, the Subscription Agreement shall lapse and 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.

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5. Evaluation of the subscription price

(a) Historical H Share price performance

The chart below illustrates the daily closing price per H Share from 1 January 2019 up to and including the Latest Practicable Date (the “**Review Period**”), and the comparison of the H Share price performance with the subscription price of RMB1.950 per Subscription Share (equivalent to approximately HK\$2.165 subject to the Price Adjustment).



As illustrated in the chart above, from the beginning of 2019 to the end of March 2019, the H Share price closed between HK\$6.80 and HK\$7.77 per H Share. On 29 March 2019, the last trading day before the trading halt, the H Share price closed at HK\$7.00. On 1 April 2019 (before trading hours), the Bank published an announcement in relation to, among others, a delay in publication of 2018 annual results of the Bank. Trading in the H Shares of the Bank was suspended on the same day. On 20 August 2019, the Bank published a profit warning for the year ended 31 December 2018 and the six months ended 30 June 2019. The Bank’s 2018 annual results and 2019 interim results were published on 30 August 2019 and 1 September 2019 respectively. The Group recorded net losses attributable to equity shareholders of the Bank of approximately RMB4,593 million for the year ended 31 December 2018 and approximately RMB999 million for the six months ended 30 June 2019. Trading in the Bank’s H Shares resumed on 2 September 2019. H Share price closed at HK\$6.4 on the same day, representing a decrease of approximately 8.6% as compared with the closing price of HK\$7.00 before trading suspension. Since then, the H Share price has shown a general downward trend and closed at HK\$3.12 on 27 September 2019. As advised by the executive Directors, the drop in H Share price during this period may be attributable to market reaction to the Bank’s 2018 annual results and 2019 interim results. On 29 September 2019, the Bank published an

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announcement in relation to, among other things, (i) the proposed private placement of not more than 6.2 billion New Domestic Shares by the Bank in order to improve its capital adequacy ratios; and (ii) seeking of shareholders' approval for a specific mandate for the proposed private placement. Afterwards, the H Share price continued to trend downwards and closed at HK\$2.43 on 24 December 2019 (being the Last Trading Day). On 27 December 2019, trading in the Bank's H Shares was suspended. On the same day, the Bank published an announcement in relation to the significant asset reorganisation contemplated by the Bank. The Whitewash Announcement was published on 10 March 2020. Trading in the Bank's H Shares resumed on the following day and closed at HK\$2.62, up 7.8% as compared with that on the Last Trading Day. Since then and up to 31 March 2020, the Bank's H Shares closed between HK\$2.20 and HK\$3.81. On 31 March 2020 (after trading hours), the Bank announced its unaudited annual results for the year ended 31 December 2019. On 1 April 2020, trading in the Bank's H Shares was suspended, pending the announcement in connection with significant asset reorganisation. On 3 April 2020 (after trading hours), the Bank published the Disposal Announcement in relation to the disposal of assets of the Bank which constitutes a very substantial disposal for the Bank. Trading in the Bank's H Shares resumed on 6 April 2020 and closed at HK\$2.24 on the same day. Since then and up to the date immediately preceding the Latest Practicable Date, the Bank's H Shares closed between HK\$1.75 and HK\$2.30. As at the Latest Practicable Date, the Bank's H Shares closed at HK\$1.90, representing a discount of approximately 12.2% to the subscription price.

(b) Comparison of subscription price to historical share prices

As set out in the sub-section headed "Subscription Price" in the "Letter from the Board" contained in the Circular, 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 Whitewash Announcement Date;
 - (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.

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The said percentage discount was determined by the Bank in consultation with the Subscribers, taking into account factors as summarised below (further details are set out in the sub-section headed “Subscription Price” in the “Letter from the Board” contained in the Circular):

- (i) the recent declining trend of trading prices of the H Shares and the market condition;
- (ii) the relevant capital adequacy ratios and assets quality ratios of the Bank and its imminent needs to replenish its capital and reorganise its assets and improve its assets structure;
- (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.

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 of RMB1.950 per Subscription Share (equivalent to approximately HK\$2.165 subject to the Price Adjustment) 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 average 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 average 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 premium of approximately 13.95% over the closing price of HK\$1.90 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

In summary, the subscription price of RMB1.950 per Subscription Share (equivalent to approximately HK\$2.165 subject to the Price Adjustment) represents (a) discounts in a range of approximately 10.91% to 11.70% to the closing H Share prices for different periods up to and including the Last Trading Day; and (b) a discount of approximately 67.6% and 66.8% to the net asset value per Share attributable to ordinary shareholders of the Bank as at 31 December 2018 and 31 December 2019 respectively.

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(c) *Comparable Banks*

As mentioned in the section headed “Background of the Bank and the Subscribers” of this letter above, the Bank mainly engages in banking businesses in the PRC. As set out in the section headed “Financial information of the Group” of this letter above, approximately 75% of the Bank’s operating income in 2019 was generated from the Jinzhou region.

Accordingly, we have conducted a search on Bloomberg for provincial and regional banks in the PRC listed on the Main Board of the Stock Exchange (the “**Comparable Banks**”). The Comparable Banks set out below represent an exhaustive list of banks comparable to the Bank based on the above criteria.

	Closing market capitalisation as at the date immediately prior to the Latest Practicable Date <i>(Approximate HK\$ million)</i> <i>(Note 1)</i>	Net asset value attributable to the shareholders of the Comparable Banks <i>(Approximate HK\$ million)</i> <i>(Note 2)</i>	Historical P/B ratio <i>(Approximate times)</i> <i>(Note 3)</i>	Core tier-one capital adequacy ratio <i>(%)</i> <i>(Note 4)</i>	Tier-one capital adequacy ratio <i>(%)</i> <i>(Note 4)</i>	Capital adequacy ratio <i>(%)</i> <i>(Note 4)</i>
China Zheshang Bank Co., Ltd. (Stock code: 2016) (“ CZ Bank ”) <i>(Note 5)</i>	88,597	122,246	0.72	9.64	10.94	14.24
Shengjing Bank Co., Ltd. (Stock code: 2066)	62,456	86,290	0.72	11.48	11.48	14.54
Chongqing Rural Commercial Bank Co., Ltd. (Stock code: 3618)	53,716	96,899	0.55	12.42	12.44	14.88
Bank of Guizhou Co., Ltd. (Stock code: 6199)	36,324	37,226	0.98	12.30	12.30	14.45
Guangzhou Rural Commercial Bank Co., Ltd. (Stock code: 1551)	34,329	64,288	0.53	9.96	11.65	14.23
Huishang Bank Corporation Limited (Stock code: 3698)	32,453	78,231	0.41	8.85	10.85	13.21
Bank of Jiujiang Co., Ltd. (Stock code: 6190)	26,433	27,160	0.97	9.01	9.01	11.68
Bank of Qingdao Co., Ltd. (Stock code: 3866)	24,093	24,234	0.99	8.36	11.33	14.76
Zhongyuan Bank Co., Ltd. (Stock code: 1216)	23,287	51,750	0.45	8.51	10.31	13.02

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	Closing market capitalisation as at the date immediately prior to the Latest Practicable Date <i>(Approximate HK\$ million)</i> <i>(Note 1)</i>	Net asset value attributable to the shareholders of the Comparable Banks <i>(Approximate HK\$ million)</i> <i>(Note 2)</i>	Historical P/B ratio <i>(Approximate times)</i> <i>(Note 3)</i>	Core tier-one capital adequacy ratio <i>(%)</i> <i>(Note 4)</i>	Tier-one capital adequacy ratio <i>(%)</i> <i>(Note 4)</i>	Capital adequacy ratio <i>(%)</i> <i>(Note 4)</i>
Bank of Zhengzhou Co., Ltd. (Stock code: 6196)	21,927	33,794	0.65	7.98	10.05	12.11
Jiangxi Bank Co., Ltd. (Stock code: 1916)	20,784	37,849	0.55	9.96	9.97	12.63
Bank of Tianjin Co., Ltd. (Stock code: 1578)	18,090	55,356	0.33	10.62	10.63	15.24
Harbin Bank Co., Ltd. (Stock code: 6138)	12,535	54,732	0.23	10.22	10.24	12.53
Bank of Chongqing Co., Ltd. (Stock code: 1963)	12,352	35,195	0.35	8.51	9.82	13.00
Bank of Gansu Co., Ltd. (Stock code: 2139)	10,573	27,085	0.39	9.92	9.92	11.83
Jilin Jiutai Rural Commercial Bank Corporation Limited (Stock code: 6122)	9,669	14,653	0.66	9.55	9.66	11.98
Jinshang Bank Co., Ltd. (Stock code: 2558)	8,583	22,118	0.39	11.47	11.47	13.60
Luzhou Bank Co., Ltd. (Stock code: 1983)	6,840	7,568	0.90	9.31	9.31	12.09
Mean (simple average)			0.60	9.89	10.63	13.33
Median			0.55	9.78	10.47	13.12
Maximum			0.99	12.42	12.44	15.24
Minimum			0.23	7.98	9.01	11.68
The Bank/the Proposed Private Placement	14,785	50,281	0.33 <i>(Note 6)</i>	5.15	6.47	8.09

Notes:

1. Closing market capitalisation of the Comparable Banks and the Bank are sourced from Bloomberg as at the date immediately prior to the Latest Practicable Date.
2. The net asset value attributable to the shareholders of the Comparable Banks and the Bank (calculated based on the exchange rate of HK\$1 to RMB0.91037 as quoted by the PBoC as at the the date immediately prior to the Latest Practicable Date) excludes other equity instruments such as preference shares and perpetual bonds, if any.

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3. Historical P/B ratio of the Comparable Banks are calculated based on their respective net asset value attributable to the shareholders of the Comparable Banks as at 31 December 2019 (excluding other equity instruments such as preference shares and perpetual bonds, if any) as set out in their 2019 annual reports and their respective closing market capitalisation as at the date immediately prior to the Latest Practicable Date.
4. Sourced from the 2019 annual reports published by the respective banks.
5. Although CZ Bank is a nationwide joint-stock commercial bank, we noted from its annual report for the year ended 31 December 2019 that a significant portion of its operation was based in the Yangtze River Delta region, accounting for approximately 60.1% of its total interest income. In contrast, only approximately 17.5%, 15.7% and 6.7% of the interest income were generated from midwestern China region, Bohai Rim region and Pearl River Delta Region respectively. As such, we are of the view that the geographical presence of CZ Bank is comparable to the provincial and regional banks in the PRC.
6. Implied P/B ratio of the Bank at the subscription price is calculated based on the (i) the subscription price of RMB1.950 per Subscription Share; (ii) the total number of Shares of 7,781,615,684 as at 31 December 2019; and (iii) total equity attributable to ordinary shareholders of the Bank (excluding preference shares) of approximately RMB45,774 million as at 31 December 2019.

The analysis on P/E ratio is not applicable due to the Bank's net loss position in 2018 and 2019. Alternatively P/B ratio was adopted in our analysis as it is a commonly used benchmark in valuation and banks are asset-based company earning a spread between the interest income they generate on their assets (loans) and their cost of funds (customer deposits). As set out in the table above, the implied P/B ratio of the Bank at the subscription price of RMB1.950 per Subscription Share of approximately 0.33 times is within the range but below the mean and median of historical P/B ratios of the Comparable Banks. However, considering (i) all of the Comparable Banks recorded profits for the last financial year while the Bank recorded net losses for the two years ended 31 December 2018 and 2019; (ii) the Bank's capital adequacy ratios (i.e. core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio) as at 31 December 2019 are notably lower than that of the Comparable Banks as set out in the table above; (iii) the Bank's capital adequacy ratios have fallen below the regulatory requirement as discussed in this letter above and the Bank's urgent need to improve these ratios and maintain stable and sustainable operations; (iv) the reasons for and benefits to be derived from the Proposed Private Placement and the rationale for adopting the Proposed Private Placement as set out in the section headed "Background to and the reasons for the Proposed Private Placement" of this letter above; and (v) the declining of the Bank's H Share price in recent periods and that the subscription price was set in accordance with the pricing mechanism approved by the Shareholders at the 2019 AGM and the 2019 Class Meetings, we consider the implied P/B ratio of the Bank at the subscription price of RMB1.950 per Subscription Share is acceptable.

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6. Financial effects

As set out in the section headed “Background to and reasons for the Proposed Private Placement” of this letter above, the Proposed Private Placement will enhance the Bank’s capital base and to improve its capital adequacy ratios. According to the Bank’s 2019 annual results announcement, the capital adequacy ratios of the Group as at 31 December 2019 have fallen below the regulatory requirement. As set out in Appendix III “Unaudited Pro Forma Financial Information of the Restructured Group” to the Circular, assuming the Proposed Private Placement had been completed on 31 December 2019, the Bank’s core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio would have been improved from approximately 5.15%, 6.47% and 8.09% to approximately 6.89%, 8.20% and 9.81% respectively. The Intended Asset Reorganisation, which is not inter-conditional with the Proposed Private Placement, addresses the Bank’s imminent needs to replenish the Bank’s capital and reorganise its assets and improve its assets structure. As further stated in Appendix III to the Circular, the Bank’s core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio would have been improved to 8.85%, 10.38% and 12.56% respectively to satisfy the relevant regulatory requirements assuming the Proposed Private Placement and Intended Asset Reorganisation had been completed on 31 December 2019.

As mentioned in the section headed “Financial information of the Group” of this letter above, as at 31 December 2019, the total equity attributable to equity shareholders of the Bank was approximately RMB55,671 million and the net asset value per Share attributable to ordinary shareholders of the Bank was approximately RMB5.88 (after deducting the value attributable to the Offshore Preference Shares of approximately RMB9,897 million). As set out in the “Letter from the Board” contained in the Circular, the net proceeds (after deducting the relevant fees and without taking into account any Price Adjustment) from the Proposed Private Placement is expected to be approximately RMB12.09 billion. Based on the consolidated financial position of the Bank as at 31 December 2019 and assuming completion of the Proposed Private Placement took place on the same day, the table below sets out, for illustration purpose, the effect on the Group’s net asset value per Share:

	<i>RMB million (approximate)</i>
Total equity attributable to equity shareholders of the Bank as at 31 December 2019	55,671
Less: Value attributable to the Offshore Preference Shares as at 31 December 2019	(9,897)
Add: Estimated net proceeds from the Proposed Private Placement	<u>12,090</u>
Total	<u><u>57,864</u></u>

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	<i>Number of Shares</i>
Number of ordinary shares in issue as at 31 December 2019	7,781,615,684
Add: Number of Subscription Shares to be issued	<u>6,200,000,000</u>
Total	<u><u>13,981,615,684</u></u>
Net asset value per share attributable to ordinary shareholders of the Bank immediately after the completion of the Proposed Private Placement	Approximately RMB4.14 per Share

As illustrated above, the net asset value of the Group would have been increased by approximately RMB12.09 billion, while the net asset value per Share attributable to ordinary shareholders of the Bank would have been reduced by approximately RMB1.74, representing a decrease of approximately 29.6% to approximately RMB4.14 per Share. As set out in the section headed “Unaudited Pro Forma Consolidated Statement of Financial Position of the Restructured Group” in Appendix III to the Circular, other than the Proposed Private Placement, assuming the Intended Asset Reorganisation was also completed on 31 December 2019, the total assets of the Restructured Group would decrease by approximately RMB40.75 billion and total liabilities would decrease by approximately RMB52.25 billion, giving rise to an increase of the net asset value by approximately RMB11.51 billion.

Based on (a) the reasons for and benefits to be derived by the Group from the Proposed Private Placement as set out in the section headed “Background to and the reasons for the Proposed Private Placement” of this letter above; and (b) the analysis set out in the section headed “Evaluation of the subscription price” of this letter above, we consider the impact of the Proposed Private Placement on the net asset value per Share as set out above to be acceptable.

7. Dilution effect

The Subscription Shares amount to 6.2 billion New Domestic Shares, representing (i) 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 (ii) 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 of the conversion of the Offshore Preference Shares). The following table illustrates the shareholding structure of the Bank as at the Latest Practicable Date and the date 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

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the Proposed Private Placement). Further details of the shareholding structure and associated notes are set out in the paragraph headed “Effect on the Shareholding Structure” in the “Letter from the Board” contained in the Circular.

	As at the Latest Practicable Date		Immediately after the completion of the Proposed Private Placement	
	Number of Shares	%	Number of Shares	%
<i>Domestic Shares</i>				
Non-public Domestic				
Shareholders	841,822,258	10.82	5,270,000,000	37.69
– ICBC Financial Asset Investment Co., Ltd.	841,822,258	10.82	–	–
– Chengfang Huida and parties acting in concert with it	–	–	5,270,000,000	37.69
Public Domestic				
Shareholders	3,422,473,426	43.98	5,194,295,684	37.15
– ICBC Financial Asset Investment Co., Ltd.	–	–	841,822,258	6.02
– Cinda Investment Co., Ltd.	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	<u>2,917,380,076</u>	<u>37.49</u>	<u>2,917,380,076</u>	<u>20.87</u>
	4,264,295,684	54.80	10,464,295,684	74.84
<i>H Shares</i>	<u>3,517,320,000</u>	<u>45.20</u>	<u>3,517,320,000</u>	<u>25.16</u>
Total	<u><u>7,781,615,684</u></u>	<u><u>100.00</u></u>	<u><u>13,981,615,684</u></u>	<u><u>100.00</u></u>

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As shown in the table above, upon completion of the Proposed Private Placement, the effective interest of ICBC Financial Asset Investment Co., Ltd. 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 completion of the Proposed Private Placement. Shareholdings of public Domestic Shareholders (including Cinda Investment Co., Ltd. and other public Domestic Shareholders) will be diluted from approximately 43.98% as at the Latest Practicable Date to approximately 24.48% after completion of the Proposed Private Placement, and shareholdings of the existing H Shareholders, all of which are public H Shareholders, will be diluted from approximately 45.20% as at the Latest Practicable Date to approximately 25.16% after completion of the Proposed Private Placement. The requirement for the Bank to raise substantial new equity capital and the difficulties (as discussed above) of successfully completing a rights issue or open offer necessarily imply a significant dilution in the percentage holdings of existing Shareholders.

8. The Whitewash Waiver

As at the Latest Practicable Date, Chengfang Huida and parties acting in concert with it do not hold any Shares. As set out in the section headed “Implications under the Takeovers Code” in the “Letter from the Board” contained in the Circular, 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 would 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. On 3 April 2020, an application was made on behalf of Chengfang Huida to the Executive for the granting of the Whitewash Waiver.

The Whitewash Waiver, if granted by the Executive, will 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 being involved or are interested 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.

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Independent Shareholders should note that the completion of the Proposed Private Placement is conditional upon the fulfillment or waiver of the conditions precedent as set out in the sub-section headed “Conditions precedent to the Subscription Agreement” in the “Letter from the Board” contained in the Circular, including 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 at the EGM, and the Proposed Private Placement to the Subscribers will not proceed and neither Chengfang Huida or Liaoning Financial Holding would subscribe for any Subscription Shares under the Subscription Agreement.

Having taken into consideration the reasons for and benefits to be derived by the Group from the Proposed Private Placement as set out in the section headed “Background to and the reasons for the Proposed Private Placement” of this letter above, the subscription price is considered to be fair and reasonable as discussed in the section headed “Evaluation of the subscription price” of this letter above and the degree of dilution effect on shareholdings held by public Domestic Shareholders and H Shareholders as set out in the section headed “Dilution effect” above is considered acceptable, we are of the view that the Whitewash Waiver (the granting of which is one of the conditions precedent to the Subscription Agreement being completed) is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Bank and the Shareholders (including the Independent Shareholders) as a whole.

DISCUSSION

As set out in the section headed “Financial information of the Group” above, the Group recorded net losses attributable to equity shareholders of the Bank for the year ended 2018 and 2019 due to substantial impairment losses on assets. The decline in asset quality and the increase in non-performing assets have also led to the deterioration of the Group’s capital adequacy ratios in 2018 and 2019, which both fell below the regulatory requirements.

Under the Subscription Agreement entered into between the Bank and the Subscribers, the Subscribers will subscribe in cash for an aggregate of 6.2 billion New Domestic Shares at the subscription price of RMB1.950 per Subscription Share. The net proceeds (after deducting the relevant fees and without taking into account any Price Adjustment) from the Proposed Private Placement are expected to be approximately RMB12.09 billion (equivalent to approximately HK\$13.42 billion) and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be allotted under the Specific Mandate approved by the Shareholders in October 2019. Chengfang Huida, which is managed by the PBoC, will become the largest single Shareholder of the Bank after the completion of the Proposed Private Placement. The executive Directors expected that the Proposed Private Placement will strengthen the shareholding structure of the Bank and support the future development of the Bank.

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Our analysis of the subscription price is set out in the section above headed “Evaluation of the subscription price”. The subscription price of RMB1.950 per Subscription Share (equivalent to approximately HK\$2.165 subject to the Price Adjustment) represents discounts of approximately 11% to the closing H Share prices for different periods up to and including the Last Trading Day, a discount of around 67% to the net asset value per Share attributable to ordinary shareholders of the Bank as at 31 December 2018 and 31 December 2019, and a premium of approximately 14% over the closing price of HK\$1.90 per H Share as quoted on the Stock Exchange on the Latest Practicable Date. As further set out in in the same sub-section, the implied P/B ratio of the Bank at the subscription price is within the range but below the mean and median of historical P/B ratios of the Comparable Banks. However, all the Comparable Banks recorded profits for the last financial year while the Bank recorded net losses for the two years ended 31 December 2018 and 2019. In addition, the Bank’s capital adequacy ratios are notably lower than those of the Comparable Banks. In fact, the Bank’s capital adequacy ratios have fallen below the regulatory requirement as discussed in this letter above. Consequently, there is an urgent need to improve the ratios and maintain sustainable operations. The reasons for and benefits of the Proposed Private Placement and the rationale for adopting the Proposed Private Placement are set out in the section headed “Background to and reasons for the Proposed Private Placement” of this letter above. We consider that the decline in the Bank’s H Share price in recent periods was possibly due to, among others, the weakened financial position of the Group. The subscription price was set in accordance with the pricing mechanism approved by the Shareholders at the 2019 AGM and the 2019 Class Meetings. On this basis, we consider the subscription price of RMB1.950 per Subscription Share to be fair and reasonable.

Assuming completion of the Proposed Private Placement took place on 31 December 2019, the net asset value of the Group would have been increased by approximately RMB12.09 billion, while the net asset value per Share attributable to ordinary shareholders of the Bank would have be reduced by approximately 29.6%. The dilution to (a) the shareholdings of the existing public Domestic Shareholders from approximately 43.98% as at the Latest Practicable Date to approximately 24.48% after completion of the Proposed Private Placement; and (b) the shareholdings of the existing H Shareholders from approximately 45.20% as at the Latest Practicable Date to approximately 25.16% after completion of the Proposed Private Placement, is substantial. However, in view of (i) the reasons for and benefits of the Proposed Private Placement; and (ii) the subscription price being considered to be fair and reasonable as discussed above, we consider that the impact on the net asset value per Share and the dilution effect is acceptable.

The Whitewash Waiver is a condition of the Subscription Agreement being completed, which on the basis of the principal factors set out above we consider an appropriate course of action for the Group in the financial position it finds itself in.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons which are summarised in the section headed “Discussion” above, we consider that (1) the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the entering into of the Subscription Agreement and the Whitewash Waiver are in the interests of the Bank and the Shareholders (including the Independent Shareholders) as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Whitewash Waiver and the Subscription Agreement.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over ten years’ experience in the corporate finance industry.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Bank for each of the three years ended 31 December 2019 (which is extracted from the annual reports and/or annual results announcement of the Bank for the relevant years):

	For the year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest income	39,943,533	46,002,674	47,820,476
Interest expense	<u>(21,410,609)</u>	<u>(26,901,602)</u>	<u>(28,475,443)</u>
Net interest income	<u>18,532,924</u>	<u>19,101,072</u>	<u>19,345,033</u>
Fee and commission income	832,833	842,123	422,292
Fee and commission expense	<u>(96,159)</u>	<u>(84,595)</u>	<u>(190,578)</u>
Net fee and commission income	<u>736,674</u>	<u>757,528</u>	<u>231,714</u>
Net trading gains/(losses)	(278,264)	1,491,100	3,372,617
Dividend income	640	880	1,200
Net gains arising from investment securities	30,796	100,234	240,556
Net foreign exchange losses	<u>(239,637)</u>	<u>(183,660)</u>	<u>(42,008)</u>
Other net operating income	<u>22,859</u>	<u>16,045</u>	<u>20,587</u>
Operating income	18,805,992	21,283,199	23,169,699
Operating expenses	<u>(3,308,138)</u>	<u>(3,586,646)</u>	<u>(3,761,683)</u>
Operating profit before impairment	15,497,854	17,696,553	19,408,016
Impairment losses on assets	<u>(3,444,523)</u>	<u>(23,683,718)</u>	<u>(20,846,120)</u>
(Loss)/profit before tax	12,053,331	(5,987,165)	(1,438,104)
Income tax credit/(expense)	<u>(2,963,273)</u>	<u>1,449,054</u>	<u>327,858</u>
Net (loss)/profit	<u>9,090,058</u>	<u>(4,538,111)</u>	<u>(1,110,246)</u>
(Loss)/profit for the year attributable to:			
–Equity shareholders of the Bank	8,976,990	(4,593,447)	(958,545)
–Non-controlling interests	113,068	55,336	(151,701)
Net (loss)/profit	<u>9,090,058</u>	<u>(4,538,111)</u>	<u>(1,110,246)</u>
Basic and diluted earnings/(loss) per share (in RMB)	<u>1.32</u>	<u>(0.77)</u>	<u>(0.12)</u>

Save as disclosed above, there are no items of any income or expense which are material in respect of the consolidated financial results of the Bank for each of the three financial years ended 31 December 2019.

The auditors of the Bank for the two years ended 31 December 2019 were Crowe (HK) CPA Limited and the auditors of the Bank for the year ended 31 December 2017 were KPMG. Their opinions on the consolidated financial statements of the Bank for each of the three years ended 31 December 2019, 2018 and 2017 were not modified and did not contain any emphasis of matter or material uncertainty related to going concern.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE BANK FOR THE THREE YEARS ENDED 31 DECEMBER 2019

The consolidated income statements, the consolidated statements of financial position, the consolidated cash flow statements, and any other primary statements as shown in the audited consolidated financial statements of the Bank for the three years ended 31 December 2019, together with the relevant notes thereto, are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Bank (www.jinzhoubank.com):

- (a) the annual report of the Bank for the year ended 31 December 2017 published on 18 April 2018 (pages 149-155);
- (b) the annual report of the Bank for the year ended 31 December 2018 published on 8 September 2019 (pages 162-168); and
- (c) the annual results announcement of the Bank for the year ended 31 December 2019 published on 26 June 2020 (pages 70-76).

The management discussion and analysis of the Bank for the three years ended 31 December 2019 are disclosed in the published annual reports and/or annual results announcements of the Bank. Please also see below the links to the relevant annual reports and/or annual results announcement of the Bank:

Annual results announcement of the Bank for the year ended 31 December 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0626/2020062601675.pdf>

Annual report of the Bank for the year ended 31 December 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0908/ltn20190908007.pdf>

Annual report of the Bank for the year ended 31 December 2017:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0418/ltn20180418031.pdf>

3. INDEBTEDNESS

As at the close of business on 31 May 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Bank had the following indebtedness:

- fixed rate tier 2 capital debts of RMB2,500 million with a term of ten years was issued on 26 December 2016. The Group has an option to redeem the debts on 27 December 2021 at the nominal amount;
- fixed rate tier 2 capital debts of RMB4,000 million with a term of ten years was issued on 26 March 2018. The Group has an option to redeem the debts on 28 March 2023 at the nominal amount;
- 125 interbank deposits amounting to a balance of approximately RMB125,929 million is outstanding;
- deposits from customers, borrowing from the central bank, deposits and placements from banks and other financial institutions, financial liabilities at fair value through profit or loss and financial assets sold under repurchase agreements that arose from the normal course of the Bank's banking business; and
- loan commitments, acceptances, letters of credit and letters of guarantee issued, other commitments and contingencies (including pending litigation) that arose from the normal course of banking business carried out by the Group.

Except as disclosed above, the Bank did not have, as of 31 May 2020, any material and outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

4. NO MATERIAL CHANGE

As set out in the Bank's 2019 audited annual results announcement dated 26 June 2020, the epidemic is expected to have certain impact on the overall macro economy and the production and operations of some enterprises, which will, to a certain extent, affect the income level and assets quality of the Bank's credit assets and investment assets.

Save as (a) disclosed above; (b) the proposed issue of financial bonds with issue size of not more than RMB14 billion, details of which are set out in the Bank's announcement dated 19 May 2020; and (c) the Proposed Private Placement, the Whitewash Waiver, and the Intended Asset Reorganization, further details of which are set out in this circular, the Directors confirm that there has been no material change (including any material adverse change) in the financial

or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. WORKING CAPITAL

Rule 14.66(10) and paragraph 30 of Appendix 1B of the Listing Rules require this circular to include a statement by our Directors that, in their opinion, the working capital available to the Restructured Group is sufficient for at least 12 months from the publication of this circular or, if not, how it is proposed to provide the additional working capital our Directors consider to be necessary. In addition, Rule 14.66(12) of the Listing Rules provides that if the circular contains a statement as to the sufficiency of working capital, the Stock Exchange will require a letter from the issuer's financial advisors or auditors confirming that (i) the statement has been made by the Directors after due and careful enquiry; and (ii) the persons or institutions providing finance have confirmed in writing that such facilities exist (the "**Confirmation Letter**").

We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, the PBoC and the CBIRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. As the business model of the Bank does not rely on holding sufficient cash to purchase goods in order to generate sales revenue, working capital is not regarded as a suitable indicator of solvency or liquidity for a banking entity. Our Directors believe that the more appropriate financial indicators are the capital adequacy indicators of the Bank, calculated as a ratio of the Bank's relevant capital base to its risk-weighted assets, and is widely used by regulators in the banking industry to assess and monitor the Bank's solvency, financial condition, strength and ability to meet its liabilities and other risks.

The Bank has applied for, and the Stock Exchange has granted, a waiver from complying with the working capital statement requirements under Rules 14.66(10) and 14.66(12) and paragraph 30 of Appendix 1B of the Listing Rules to the effect that (i) no statement as to the sufficiency of working capital of the Restructured Group needs to be disclosed in this circular, subject to the disclosure of the Restructured Group's expected capital adequacy and liquidity positions set out in the paragraph headed "Appendix III – 2. Financial Performance Indicators of the Restructured Group" in this circular; and (ii) the Stock Exchange does not require the Confirmation Letter with respect to the working capital sufficiency statement of the Restructured Group.

For further details of the expected improvement of the relevant capital adequacy ratios and assets quality ratios of the Bank as a result of the completion of the Proposed Private Placement and the Intended Asset Reorganization, please refer to the paragraph headed "Appendix III – 2. Financial Performance Indicators of the Restructured Group" in this circular.

6. FINANCIAL AND TRADING PROSPECT AND MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESTRUCTURED GROUP

Through the Intended Asset Reorganization, the capital position and liquidity of the Restructured Group will be improved. Taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, the Restructured Group's financial assets (debt investment) measured at amortized cost will increase by approximately RMB75 billion and is beneficial to the improvement of the Restructured Group's asset structure. The disposal of assets amounting to approximately RMB150 billion will improve the Restructured Group's assets quality and reduce non-performing loan ratio, improve capital adequacy ratio and effectively strengthen the risk resistance ability of the Restructured Group. Each regulatory indicator is expected to be significantly improved.

Upon the completion of the Intended Asset Reorganization, the Restructured Group will fully implement the principles of security, liquidity and efficiency of commercial banks. It will adopt the "1226" development strategy to actively implement the new development concepts of "compliance, innovation, coordination and quality". It will implement the fundamental management and quality and efficiency projects, strengthen the formulation of the Party and internal control compliance measures, implement the strategy of developing the Bank with talented personnel, and play the driving role of financial technology. It will also adhere to the connotative high-quality development to enhance development momentum and profitability, and achieve stable, healthy and sustainable development. By developing an innovative culture, it innovates a series of systems and mechanisms such as development strategies, operation philosophy, development models, organizational structure, corporate governance, business processes, product channels, risk control compliance and talent nurturing to boost development and drive future with innovation. Upon the completion of the Intended Asset Reorganization, the Restructured Group shall ensure the consistency of the "three views", namely risk view, performance view and development view, and be consistent with the implementation of the Party Central Committee's deployment of economic and financial work, as well as the regulatory policies and regulatory requirements. It shall achieve coordination between risk management and business development, business scale and capital position, high-tech applications and humanistic care for customers, and self-development and social responsibility. Through establishing a sustainable and healthy development model, achieving a series of sound operation indicators, establishing an advanced financial technology system, building a high-quality and professional talent team, the Restructured Group will strive to become a city commercial bank with a high-quality and connotative development model.

In addition, in 2019, the Bank had no material acquisition and disposal of subsidiaries, associates, assets and merger of business/enterprises. In 2019, the Bank (excluding its subsidiaries) had 5,021 full-time employees and 1,213 workers from third-party human resources agencies. These workers are not the Bank's employees and enter into employment contracts with third party human resources agencies. The Bank's remuneration policies are in line with the implementation of its strategic goals, the enhancement of its competitiveness, the talent cultivation and the risk control. These policies are developed based on the principles that

satisfy the Bank's corporate governance requirements thoroughly, give consideration to both the competitiveness and sustainability of the Bank, and are in line with the Bank's operating results adapted to risk cost and balance the Bank's short-term and long-term incentives. Remuneration of the Bank's employees comprises of fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control, and the unaudited staff cost in 2019 was RMB1.848 billion. Among various risks, the Bank is also exposed to foreign currency risks arising mainly from exchange rate fluctuations. Upon the completion of the Intended Asset Reorganization, the Restructured Group will continue to manage foreign currency risks by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis, and manage exchange rate risks by the following means: strict implementation of the process management of the foreign exchange business, strict management on the exchange business procedure, continuous improvement in the internal control system and operational procedures and continuous improvement in the risk management capability of the foreign exchange business. The Proposed Private Placement and the Intended Asset Reorganization will have no impact on the Bank's operations, and other aspects of the Restructured Group as described in the Bank's 2019 annual results announcement dated 26 June 2020. The Restructured Group will be proactive in its development and is dedicated to serving the Bank' customers.

1. UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL ASSETS

In accordance with Rule 14.68(2)(b)(i) of the Listing Rules, the unaudited profit and loss statement of the Disposal Assets for the years ended 31 December 2017, 2018 and 2019 are set out below:

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	Year ended 31 December		
	2017	2018	2019
Interest income	<u>2,575,512</u>	<u>5,641,179</u>	<u>9,528,820</u>
Net interest income	<u>2,575,512</u>	<u>5,641,179</u>	<u>9,528,820</u>
Net trading gains	<u>–</u>	<u>8,711</u>	<u>816,605</u>
Operating profit before impairment	<u>2,575,512</u>	<u>5,649,890</u>	<u>10,345,425</u>
Impairment losses on assets	<u>(489,987)</u>	<u>(10,767,617)</u>	<u>(17,634,318)</u>
Profit/(loss) before tax	<u>2,085,525</u>	<u>(5,117,727)</u>	<u>(7,288,893)</u>
Income tax (expense)/credit	<u>(521,381)</u>	<u>1,279,432</u>	<u>1,822,223</u>
Profit/(loss) for the period	<u><u>1,564,144</u></u>	<u><u>(3,838,295)</u></u>	<u><u>(5,466,670)</u></u>

In the opinion of the Directors, such information has been properly compiled and derived from the underlying books and records of the Bank. The Bank has engaged Crowe (HK) to conduct a review of such information in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. Crowe (HK) has reviewed and found such information has been properly compiled and derived from the underlying books and records of the Bank. For further information, please refer to the paragraph below.

2. REPORT ON UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL ASSETS BY THE REPORTING ACCOUNTANTS

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT ASSURANCE REPORT

To the Board of Directors of Bank Of Jinzhou Co., Ltd.

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of the unaudited financial information of the disposal assets of Bank Of Jinzhou Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) for the years ended 31 December 2017, 2018 and 2019 (the “Unaudited Financial Information of the Disposal Assets”) as set out in page II-1 in the circular of the Company dated 30 June 2020 (the “Circular”). The Unaudited Financial Information of the Disposal Assets is required to be reported on by us in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibilities

The directors of the Company are solely responsible for preparing the Unaudited Financial Information of the Disposal Assets on a basis consistent with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Company for the years ended 31 December 2017, 2018 and 2019. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Financial Information of the Disposal Assets that is free from material misstatement.

Our independence and quality control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

It is our responsibility to report, as required by Rule 14.68(2)(b)(i) of the Listing Rules and Rule 10 of the Code on Takeovers and Mergers in Hong Kong, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information of the Disposal Assets has been properly compiled on a basis consistent with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Company for the years ended 31 December 2017, 2018 and 2019, based on our reasonable assurance engagement, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our work consisted primarily of procedures such as a) obtaining an understanding of the principal accounting policies adopted in the preparation of the Unaudited Financial Information of the Disposal Assets through inquires primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Financial Information of the Disposal Assets, c) checking solely the arithmetical calculations relating to the financial numbers presented in the Unaudited Financial Information of the Disposal Assets, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE 3000. Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Financial Information of the Disposal Assets.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Financial Information of the Disposal Assets.

Opinion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information of the Disposal Assets has been properly compiled on a basis consistent with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Company for the years ended 31 December 2017, 2018 and 2019.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 30 June 2020

Chan Wai Dune, Charles

Practising Certificate Number P00712

3. REPORT ON UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL ASSETS BY THE INDEPENDENT FINANCIAL ADVISER**SOMERLEY CAPITAL LIMITED**

20th Floor, China Building
29 Queen's Road Central
Hong Kong

30 June 2020

The board of directors
Bank of Jinzhou Co., Ltd.
No.68 Keji Road
Jinzhou City
Liaoning Province
The PRC

Dear Sirs,

We refer to this circular of Bank of Jinzhou Co., Ltd. (the “**Bank**”, together with its subsidiaries, the “**Group**”) dated 30 June 2020 in relation to, among others, the proposed private placement of new domestic shares under the specific mandate, application for whitewash waiver and very substantial disposal in relation to the disposal of assets of the Bank. Capitalised terms used in this letter shall have the same meanings as defined in this circular unless otherwise specified.

The unaudited financial information of the Disposal Assets contained in section 1 of this Appendix (the “**Unaudited Financial Information**”) is regarded as profit forecast pursuant to Rule 10 of the Takeovers Code and is required to be reported on (as set out below).

We have relied on the information and facts supplied, and the opinion expressed by you, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied nor verified the computations leading to the Unaudited Financial Information.

We have discussed with you the bases upon which the Unaudited Financial Information was prepared. We have also considered the letter dated 30 June 2020 issued by Crowe (HK) CPA Limited set out in the section headed “Report on unaudited financial information of the Disposal Assets by the reporting accountants” in this Appendix.

Based on the above, we are satisfied that the Unaudited Financial Information, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
RESTRUCTURED GROUP**

(I) Introduction

The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) presented below is prepared to illustrate (a) the financial position of the Restructured Group as if the Intended Asset Reorganization and/or Proposed Private Placement had been completed on 31 December 2019; and (b) the financial results of the Restructured Group for the year ended 31 December 2019 as if the Intended Asset Reorganization and/or Proposed Private Placement had been completed on 1 January 2019. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position or financial results of the Restructured Group had the Intended Asset Reorganization and/or Proposed Private Placement been completed on 1 January 2019, 31 December 2019 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the Bank’s audited consolidated statement of financial position as at 31 December 2019 and its audited consolidated income statement for the year ended 31 December 2019 extracted from the audited consolidated financial information of the Group for the year ended 31 December 2019 as set out in the 2019 published audited annual results announcement of the Bank, and the financial information of the Disposal Assets after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information and is prepared in accordance with Rules 4.29 and 14.68(2)(b)(ii) of the Listing Rules.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

**(II) Unaudited Pro Forma Consolidated Statement of Financial Position of the
Restructured Group**

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	The Group as at 31 December 2019	Pro forma adjustments			The Restructured Group as at 31 December 2019
		<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
Assets					
Cash and deposits with the central bank	105,176,537			12,090,000	117,266,537
Deposits with banks and other financial institutions	8,301,592				8,301,592
Placements with banks and other financial institutions	5,643,864				5,643,864
Positive fair value of derivatives	84,969				84,969
Loans and advances to customers	452,695,511	(72,367,549)			380,327,962
Financial assets at fair value through profit or loss	55,157,171	(9,990,290)			45,166,881
Financial assets at fair value through other comprehensive income	12,559,843				12,559,843
Financial assets measured at amortized cost	165,149,391	(38,416,448)	75,000,000		201,732,943
Finance lease receivables	6,408,314				6,408,314
Property and equipment	7,015,575				7,015,575
Deferred tax assets	11,841,585	(7,060,834)			4,780,751
Other assets	6,659,839				6,659,839
Total assets	836,694,191	(127,835,121)	75,000,000	12,090,000	795,949,070
Liabilities and equity					
Liabilities					
Borrowing from the central bank	33,079,647				33,079,647
Deposits from banks and other financial institutions	178,117,754		(45,000,000)		133,117,754
Placements from banks and other financial institutions	27,731,363				27,731,363
Financial liabilities at fair value through profit or loss	6,282,210				6,282,210
Negative fair value of derivatives	100,011				100,011
Financial assets sold under repurchase agreements	10,106,602				10,106,602

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	The Group as at 31 December 2019			The Restructured Group as at 31 December 2019		
	Pro forma adjustments					
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>			
Deposits from customers	407,112,779					407,112,779
Accrued staff costs	334,976					334,976
Other taxes payable	412,966					412,966
Income tax payable/(recoverable)	1,622,478	(7,254,406)				(5,631,928)
Debt securities payable	110,108,837					110,108,837
Provisions	613,313					613,313
Other liabilities	1,565,806					1,565,806
Total liabilities	777,188,742	(7,254,406)	(45,000,000)		-	724,934,336
Equity:						
Share capital	7,781,616			6,200,000		13,981,616
Other equity instruments						
including: offshore preference shares	9,897,363					9,897,363
Capital reserve	20,583,321			5,890,000		26,473,321
Surplus reserve	2,994,679					2,994,679
General reserve	11,800,217					11,800,217
Retained earnings	2,614,222	(580,715)				2,033,507
Total equity attributable to equity shareholders of the Bank	55,671,418	(580,715)		12,090,000		67,180,703
Non-controlling interests	3,834,031					3,834,031
Total equity	59,505,449	(580,715)		12,090,000		71,014,734
Total liabilities and equity	836,694,191	(7,835,121)	(45,000,000)	12,090,000		795,949,070

Note 1: The adjustment reflects the assets and liabilities of the Bank after the exclusion of the Disposal Assets as if the Intended Asset Reorganization had been completed on 31 December 2019. As at 31 December 2019, among the Disposal Assets, (i) the balance of loans and advances to customers was RMB98.372 billion, the corresponding impairment provision was RMB26.004 billion and the book value was RMB72.368 billion; (ii) the book value of all relevant beneficial interest transfer plans was RMB48.407 billion, in which the balance of beneficial interest transfer plans measured at amortized cost was RMB41.64 billion (the corresponding impairment provision was RMB3.223 billion and the book value was RMB38.417 billion) and the book value of the beneficial interest transfer plans at fair value through profit or loss was RMB9.990 billion; and (iii) at the same time, deferred tax assets were adjusted for changes in impairment provision.

Note 2: The adjustment reflects the total consideration for the Intended Asset Reorganization as if the Intended Asset Reorganization had been completed on 31 December 2019, including (i) RMB45 billion of the Consideration, which has been fully settled as at 31 December 2019 and recorded in the Bank's 2019 consolidated statement of financial position as deposits from banks and other financial institutions; and (ii) taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, therefore the financial assets measured at amortized cost of the bank will increase by RMB75 billion accordingly.

Note 3: The adjustment reflects the assets and liabilities of the Restructured Group as if the Proposed Private Placement had been completed on 31 December 2019.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

(III) Unaudited Pro Forma Consolidated Income Statement of the Restructured Group

For the year ended 31 December 2019

<i>(Expressed in thousands of RMB, unless otherwise stated)</i>	The Group	Pro forma adjustments		The Restructured Group
		<i>Note 1</i>	<i>Note 2</i>	
Interest income	47,820,476	(5,178,339)	741,117	43,383,254
Interest expense	<u>(28,475,443)</u>			<u>(28,475,443)</u>
Net interest income	<u>19,345,033</u>	(5,178,339)	741,117	<u>14,907,811</u>
Fee and commission income	422,292			422,292
Fee and commission expense	<u>(190,578)</u>			<u>(190,578)</u>
Net fee and commission income	<u>231,714</u>			<u>231,714</u>
Net trading gains/(losses)	3,372,617	(19,225,210)		(15,852,593)
Dividend income	1,200			1,200
Net gains arising from investment securities	240,556			240,556
Net foreign exchange losses	(42,008)			(42,008)
Other net operating income	<u>20,587</u>			<u>20,587</u>
Operating income	23,169,699	(24,403,549)	741,117	(492,733)
Operating expenses	<u>(3,761,683)</u>			<u>(3,761,683)</u>
Operating profit/(loss) before impairment	19,408,016	(24,403,549)	741,117	(4,254,416)
Impairment losses on assets	<u>(20,846,120)</u>	17,634,318		<u>(3,211,802)</u>
(Loss)/profit before tax	(1,438,104)	(6,769,231)	741,117	(7,466,218)
Income tax credit	<u>327,858</u>	1,692,308	(185,279)	<u>1,834,887</u>
Net loss	<u>(1,110,246)</u>	<u>(5,076,923)</u>	<u>555,838</u>	<u>(5,631,331)</u>
Attributable to:				
– Equity shareholders of the Bank	(958,545)	(5,076,923)	555,838	(5,479,630)
– Non-controlling interests	<u>(151,701)</u>			<u>(151,701)</u>
Net loss	<u>(1,110,246)</u>	<u>(5,076,923)</u>	<u>555,838</u>	<u>(5,631,331)</u>
Basic and diluted losses per share (in RMB)	<u>(0.12)</u>			<u>(0.39)</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

Note 1: The adjustments reflects the loss of the Bank for the year ended 31 December 2019 as if the Intended Asset Reorganization had been completed on 1 January 2019. The income, net trading gains, impairment losses on assets and income tax charge of the Disposal Assets had been extracted from the unaudited profit and loss statement of the Disposal Assets for the year ended 31 December 2019 as set out in Appendix II to this circular. In this adjustment, (i) the interest income of the Restructured Group was estimated to decrease as a result of decrease in approximately RMB9,528.82 million of interest income attributable to the Disposal Assets, offset by estimated interest income of approximately RMB2,758.50 million derived from the Consideration and approximately RMB1,591.98 million of estimated interest income (after tax) from the Debt Instrument Subscription that has a 2.25% per annum interest rate; (ii) treatment for the estimated decrease in net trading gains of RMB19.225 billion (including approximately RMB816.61 million of net trading gains attributable to the Disposal Assets and approximately RMB18,408.61 million being the book value of the Disposal Assets as at 1 January 2019 and the original value of the new assets in 2019 which form part of the Disposal Assets, offset by the RMB45.00 billion of Consideration and RMB75.00 billion of principal amount of the Debt Instrument Subscription); (iii) decrease in impairment of losses of approximately RMB17,634.32 million attributable to the Disposal Assets; and (iv) increase in income tax credit of the Restructured Group based on the applicable tax rate of the Bank (25%) due to the increase in loss for the period is included, assuming the Intended Asset Reorganization had taken place on 1 January 2019 for the purpose of preparing this unaudited pro forma financial information of the Restructured Group.

Note 2: The adjustments reflects the interest income derived from the proceeds of RMB12.09 billion received by the Bank as if the Proposed Private Placement had been completed on 1 January 2019.

Through the Intended Asset Reorganization, the Bank expects to improve its capital adequacy ratio, effectively improve its risk resistance ability, enhance its asset quality and reduce its non-performing loan ratio, 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.

2. FINANCIAL PERFORMANCE INDICATORS OF THE RESTRUCTURED GROUP

Set out below is the indicative profitability indicators of the Restructured Group as if the Proposed Private Placement and/or the Intended Asset Reorganization had been completed on 1 January 2019:

	Prior to the completion of the Proposed Private Placement and Intended			Upon completion of the Proposed Private Placement and Intended Asset Reorganization			
	Asset Reorganization	Upon completion of only the Proposed Private Placement	Change	Upon completion of only the Intended Asset Reorganization	Change	Change	Change
For the year ended 31 December 2019							
Profitability Indicators (%)							
Return on average total assets ⁽¹⁾	(0.13)	(0.07)	0.06	(0.76)	(0.63)	(0.69)	(0.56)
Return on average equity ⁽²⁾	(2.07)	(0.76)	1.31	(13.78)	(11.71)	(10.93)	(8.86)
Net interest spread ⁽³⁾	2.29	2.30	0.01	1.78	(0.51)	1.79	(0.50)
Net interest margin ⁽⁴⁾	2.48	2.54	0.06	1.87	(0.61)	1.93	(0.55)
Net fee and commission income							
to operating income ratio	1.00	0.97	(0.03)	(18.78)	(19.78)	(47.03)	(48.03)
Cost-to-income ratio ⁽⁵⁾	15.02	14.55	(0.47)	(282.02)	(297.04)	(706.21)	(721.23)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

Set out below is the indicative financial indicators of the Restructured Group as if the Proposed Private Placement and/or the Intended Asset Reorganization had been completed on 31 December 2019:

	Prior to the completion of the Proposed Private Placement and Intended Asset Reorganization			Upon completion of only the Intended Asset Reorganization		Upon completion of the Proposed Private Placement and Intended Asset Reorganization	
	Asset Reorganization	Upon completion of only the Proposed Private Placement	Change	Intended Asset Reorganization	Change	Proposed Private Placement and Intended Asset Reorganization	Change
As at 31 December 2019							
Assets Quality Indicators (%)							
Non-performing loan ratio ⁽⁶⁾	7.70	7.70	–	1.95	(5.75)	1.95	(5.75)
Provision coverage ratio ^{(7), (8)}	115.01	115.01	–	227.94	112.93	227.94	112.93
Provision to loans ratio ^{(8), (9)}	8.86	8.86	–	4.44	(4.42)	4.44	(4.42)
Capital Adequacy Indicators (%)							
Core tier-one capital adequacy ratio ^{(10), (11)}	5.15	6.89	1.74	6.96	1.81	8.85	3.70
Tier-one capital adequacy ratio ^{(11), (12)}	6.47	8.20	1.73	8.49	2.02	10.38	3.91
Capital adequacy ratio ⁽¹¹⁾	8.09	9.81	1.72	10.67	2.58	12.56	4.47
Total equity to total assets	7.11	8.44	1.33	7.52	0.41	8.92	1.81
Other Indicators (%)							
Loan-to-deposit ratio ⁽¹³⁾	105.58	105.58	–	84.65	(20.93)	84.65	(20.93)
Liquidity ratio ⁽¹⁴⁾	48.80	54.40	5.60	60.43	11.63	67.50	18.70
Core liabilities ratio ⁽¹⁵⁾	51.60	51.60	–	54.77	3.17	54.77	3.17
Liquidity gap ratio ⁽¹⁶⁾	(61.75)	(49.29)	12.46	(60.30)	1.45	(47.49)	14.26

Notes:

- (1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year. Pursuant to the Core Indicators (Provisional), the return on assets of commercial banks shall not be less than 0.6%.
- (2) Represents the Bank's/Restructured Group's net profit attributable to the parent company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the parent company at the beginning and at the end of that year. Pursuant to the Core Indicators (Provisional), the return on equity of commercial banks shall not be less than 11%.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, which was calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers. Pursuant to the Core Indicators (Provisional), the non-performing loan ratios of commercial banks shall not be more than 5%.
- (7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.
- (8) Pursuant to Administrative Measures for Loan Loss Allowance of Commercial banks (商業銀行貸款損失準備管理辦法), the adequacy ratio of loan loss allowance of commercial banks is assessed based on its provision to loan ratio and its provision coverage ratio, the benchmarks of which are 2.5% and 150%, respectively, the higher of which shall be taken as the supervisory standard.
- (9) Provision-to-loans ratio = provision for impairment losses on loans/total loans and advances to customers.
- (10) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (11) Pursuant to the Capital Administrative Measures (Provisional), the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of commercial banks shall be no less than 5%, 6% and 8%, respectively. Commercial banks are also required to calculate and set aside their capital conservation buffer after meeting the minimum capital requirements. The capital reservation buffer is required to be equal to 2.5% of risk-weighted assets and is to be fulfilled by core tier-one capital. Under certain circumstances, commercial banks are also required to calculate and set aside additional capital for meeting countercyclical capital buffer requirements.
- (12) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (13) Such ratios represent the ratios the Bank submitted to the CBIRC, which were calculated in accordance with relevant financial data under PRC Generally Accepted Accounting Principles and the CBIRC requirements.
- (14) Calculated by dividing balance of the current assets by balance of the current liabilities. Pursuant to the Core Indicators (Provisional), the liquidity ratio of commercial banks shall not be less than 25%.
- (15) Calculated by dividing core liabilities by total liabilities. Pursuant to the Core Indicators (Provisional), the core liabilities ratio of commercial banks shall not be less than 60%.
- (16) Calculated by dividing the liquidity gap (being the amount of on and off balance sheet assets with maturities of 90 days or less minus the amount of on and off balance sheet liabilities with maturities of 90 days or less) by the amount of on and off balance sheet assets with maturities of 90 days or less. Pursuant to the Core Indicators (Provisional), the liquidity ratio of commercial banks shall not be less than -10%.
- (17) Save as the return on average total assets, return on average equity, core liabilities ratio and liquidity gap ratio, the relevant ratios of the Bank will improve and satisfy the regulatory requirements upon the completion of the Proposed Private Placement and the Intended Asset Reorganization. The Restructured Group will also continue to seek opportunities to increase its profit and improve its asset structure to achieve the other regulatory requirements.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

3. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP BY THE REPORTING ACCOUNTANTS

The following is the text of a report received from Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Independent Reporting Accountant’s Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

To the Directors of Bank of Jinzhou Co., Ltd.*,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bank of Jinzhou Co., Ltd. (the “**Bank**”) and its subsidiaries (collectively the “**Group**”) excluding the credit assets proposed for disposal (the “**Disposal Assets**”) (collectively the “**Remaining Group**”) by the Directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019 and the unaudited pro forma consolidated income statement for the year ended 31 December 2019, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in the section headed “Unaudited Pro Forma Financial Information of the Restructured Group”, except “Financial Performance Indicators of the Restructured Group”, on pages III-1 to III-5 of the Bank’s circular dated 30 June 2020, in connection with the proposed disposal of the Disposal Assets (the “**Proposed Disposal**”) by the Bank. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Disposal on the Group’s financial position as at 31 December 2019 and the Group’s financial performance for the year ended 31 December 2019 as if the Proposed Disposal had taken place at 31 December 2019 and 1 January 2019 respectively. As part of this process, information about the Group’s financial position and financial performance has been extracted by the directors from the Group’s annual report for the year ended 31 December 2019, on which an audit report has been published.

Directors’ responsibilities for Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules and Rule 10 of the Code on Takeovers and Mergers in Hong Kong, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 31 December 2019 and 1 January 2019 would have been as presented.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Bank on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group;
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules; and
- (d) so far as the accounting policies and calculations are concerned, we are satisfied that the Unaudited Pro Forma Financial Information of the Remaining Group for the year has been properly compiled on the bases set out under the heading "(I) Introduction" on page III-1 of this circular, and is presented on a basis consistent, in all material respects, with the accounting policies adopted by the Group in preparing the consolidated financial statements of the Group for the year ended 31 December 2019.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2020

Chan Wai Dune, Charles
Practising Certificate Number P00712

4. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
RESTRUCTURED GROUP BY THE INDEPENDENT FINANCIAL ADVISER



SOMERLEY CAPITAL LIMITED

20th Floor, China Building

29 Queen's Road Central

Hong Kong

30 June 2020

The board of directors
Bank of Jinzhou Co., Ltd.
No.68 Keji Road
Jinzhou City
Liaoning Province
The PRC

Dear Sirs,

We refer to this circular of Bank of Jinzhou Co., Ltd. (the “**Bank**”, together with its subsidiaries, the “**Group**”) dated 30 June 2020 in relation to, among others, the proposed private placement of new domestic shares under the specific mandate, application for whitewash waiver and very substantial disposal in relation to the disposal of assets of the Bank. Capitalised terms used in this letter shall have the same meanings as defined in this circular unless otherwise specified.

Certain figures contained in this Appendix (namely figures relating to operating profit/loss before impairment, impairment losses on assets, loss/profit before tax, income tax credit, net loss and figures under the section headed “Financial performance indicators of the Restructured Group”) (the “**Unaudited Financial Information**”) are regarded as profit forecast pursuant to Rule 10 of the Takeovers Code and are required to be reported on (as set out below).

We have relied on the information and facts supplied, and the opinion expressed by you, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not carried out any independent verification of the information supplied nor verified the computations leading to the Unaudited Financial Information.

We have discussed with you the bases upon which the Unaudited Financial Information was prepared. We have also considered the letter set out in the section headed “Report on unaudited pro forma financial information of the Restructured Group by the reporting

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE RESTRUCTURED GROUP**

accountants” dated 30 June 2020 issued by Crowe (HK) CPA Limited, and the text set out in the section headed “Report on financial performance indicators of the Restructured Group by the reporting accountants” in this Appendix.

Based on the above, we are satisfied that the Unaudited Financial Information, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

**5. REPORT ON FINANCIAL PERFORMANCE INDICATORS OF THE
RESTRUCTURED GROUP BY THE REPORTING ACCOUNTANTS**

Certain figures contained in the paragraph headed “2. Financial Performance Indicators of the Restructured Group” in this Appendix III (the “**Financial Indicators**”) are regarded as profit forecast pursuant to Rule 10 of the Takeovers Code and is required to be reported on.

Crowe (HK) CPA Limited has been engaged by the Board of Directors of the Bank to perform certain agreed-upon procedures in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants, in which Crowe (HK) CPA Limited has performed, inter alia, the following agreed upon procedures:

- (a) recalculated the arithmetical accuracy of the calculations set out in the spreadsheet (“**Spreadsheet**”) prepared by the Bank in respect of the Financial Indicators and found that the calculations set out in the Spreadsheet to be arithmetically accurate; and
- (b) compared the figures set out in the Spreadsheet were in agreement with the Financial Indicators as disclosed in the paragraph headed “2. Financial Performance Indicators of the Restructured Group” in this Appendix III.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained in this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. 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 circular and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed (other than those expressed by the directors of the Subscribers only) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

As at the Latest Practicable Date, 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 information in relation to Huida Asset Management and Chengfang Huida contained in this circular has been provided by the directors of Huida Asset Management and Chengfang Huida, respectively. The directors of Huida Asset Management and Chengfang Huida jointly and severally accept full responsibility for the accuracy of the information contained in this circular (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 circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The information in relation to Liaoning Financial Holding contained in this circular has been provided by the sole director of Liaoning Financial Holding. The sole director of Liaoning Financial Holding accepts full responsibility for the accuracy of the information contained in this circular (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 circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

2. MARKET PRICE

The table below shows the closing price of the H Shares as recorded on the Stock Exchange (i) on the last Business Day of each of the calendar months during the Relevant Period; (ii) on the last Business Day immediately preceding the Whitewash Announcement Date; and (iii) on the Latest Practicable Date.

Date	Closing price per H Share HK\$
30 September 2019	3.12
31 October 2019	2.80
29 November 2019	2.60
24 December 2019	2.43
31 January 2020	2.43
28 February 2020	2.43
9 March 2020 (last Business Day immediately preceding the Whitewash Announcement Date)	2.43
31 March 2020	2.22
29 April 2020	2.19
29 May 2020	2.00
26 June 2020 (Latest Practicable Date)	1.90

The highest and lowest closing prices of the H Shares as quoted on the Stock Exchange during the Relevant Period were HK\$7.00 per H Share during the period from 31 July 2019 to 1 September 2019 and HK\$1.75 per H Share on 14 May 2020, respectively.

3. SHARE CAPITAL

The registered and issued share capital of the Bank (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Proposed Private Placement are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Proposed Private Placement	
	Registered capital RMB	Issued and fully paid or credited as fully paid RMB	Registered capital RMB	Issued and fully paid or credited as fully paid RMB
Domestic Shares	4,264,295,684	4,264,295,684	10,464,295,684	10,464,295,684
H Shares	3,517,320,000	3,517,320,000	3,517,320,000	3,517,320,000
Total	<u>7,781,615,684</u>	<u>7,781,615,684</u>	<u>13,981,615,684</u>	<u>13,981,615,684</u>

All the issued Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting. The Subscription Shares will rank, upon issue, *pari passu* in all respects with the Domestic Shares in issue, respectively, at the time of allotment and issue of the New Domestic Shares.

Since 31 December 2019 (being the end of the last financial year of the Bank) and up to the Latest Practicable Date, no new Shares have been issued by the Bank.

On 27 October 2017, the Bank issued the US\$1,496,000,000 5.50% non-cumulative perpetual Offshore Preference Shares, which are listed on the Stock Exchange (stock code: 4615) and could be converted up to a maximum of 1,236,893,100 H Shares. Save as the Offshore Preference Shares, the Bank has no outstanding warrants, options or securities convertible into shares of the Bank as at the Latest Practicable Date.

4. DISCLOSURE OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date;

- (a) save as disclosed herein below, none of the Directors, Supervisors or chief executive of the Bank had any interests and short positions in the Shares, underlying Shares and/or debentures (as the case may be) of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which any such Directors, Supervisors or chief executive of the Bank were taken or deemed to have under such provisions of the SFO); (ii) entered in the register required to be kept by the Bank under section 352 of the SFO; or (iii) otherwise notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules; or (d) as required to be disclosed under the Takeovers Code:

Name	Position held in the Bank	Class of Shares	Nature of Interest	Number of Shares ^{Note}	Approximate percentage of Domestic Shares of the Bank ^(Note) (%)	Approximate percentage of the Total Issued Share Capital of ordinary Shares of the Bank ^(Note) (%)
Liu Liguo	Employee Representative Supervisor	Domestic Shares	Beneficial Owner	10,000 (L)	0.000235	0.000129
Wu Haiou	Employee Representative Supervisor	Domestic Shares	Beneficial Owner	10,000 (L)	0.000235	0.000129

Note: As at the Latest Practicable Date, the Bank had a total of 7,781,615,684 Shares in issue, including 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares. (L) represents long position.

- (b) save as our Supervisors, Mr. Zhao Chuanxin, Ms. Ning Jie and Ms. Gu Jihong, being employees of Industrial and Commercial Bank of China Limited, which is the ultimate beneficial owner of ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) which held approximately 10.82% of the Shares as at the Latest Practicable Date, none of the Directors or Supervisors is a director or employee of a substantial shareholder of the Bank;
- (c) none of the Directors or Supervisors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, the Bank since 31 December 2019, being the date to which the latest published audited financial statements of the Bank were made up;
- (d) none of the Directors or Supervisors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Bank; and
- (e) none of the Directors, Supervisors or the chief executive of the Bank and their respective associates (as defined under the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Bank which would fall to be disclosable under the Listing Rules.

5. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons had or was deemed or taken to have an interest and/or short position in the Shares or the underlying Shares and debentures of the Bank or its associated corporation which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Bank carrying rights to vote in all circumstances at general meeting of the Bank:

Name of Shareholders/Name	Name of Interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate	
				Approximate Percentage of the Total Issued Share Capital ⁽¹⁾ of Bank (%)	Percentage of the Issued Share Capital ⁽¹⁾ of Bank (%)
Domestic Shares					
ICBC Financial Asset Investment Co., Ltd. ⁽²⁾	Beneficial Owner	Domestic Shares	841,822,258 (L)	10.82	19.74

Name of Shareholders/Name	Name of Interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate	Approximate
				Percentage of the Total Issued Share Capital ⁽¹⁾ of Bank (%)	Percentage of the Issued Share Capital ⁽¹⁾ of Bank (%)
Industrial and Commercial Bank of China Limited ⁽²⁾	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	10.82	19.74
Central Huijin Investment Ltd. ⁽²⁾	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	10.82	19.74
Cinda Investment Co., Ltd. ⁽³⁾	Beneficial Owner	Domestic Shares	505,093,350 (L)	6.49	11.84
China Cinda Asset Management Co., Ltd. ⁽³⁾	Interest of Controlled Corporation	Domestic Shares	505,093,350 (L)	6.49	11.84
China Great Wall Assets Management Co., Ltd.	Beneficial Owner	Domestic Shares	336,728,900 (L)	4.33	7.90
Yinchuan Baota Refined Chemical Industry Co., Ltd. ⁽⁴⁾	Beneficial Owner	Domestic Shares	250,000,000 (L)	3.21	5.86
Ningxia Baota Energy Chemical Co., Ltd. ⁽⁴⁾	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Baota Petrochemical Group Co., Ltd. ⁽⁴⁾	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Sun Hengchao ⁽⁴⁾	Interest of Controlled Corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Li Dongjun ⁽⁵⁾	Interest of Controlled Corporation	Domestic Shares	213,507,565 (L)	2.74	5.01
	Interest of Controlled Corporation	Domestic Shares	33,179,021 (L)	0.43	0.78
H Shares					
Wah Li (Hong Kong) Limited ⁽⁶⁾	Beneficial Owner	H Shares	247,042,000 (L)	3.17	7.02
Zhao Yong ⁽⁶⁾	Interests of Controlled Corporation	H Shares	247,042,000 (L)	3.17	7.02

Name of Shareholders/Name	Name of Interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate	Approximate
				Percentage of the Total Issued Share Capital ⁽¹⁾ of Shares of the Bank (%)	Percentage of the Issued Share Capital ⁽¹⁾ of Shares of the Bank (%)
Wu Jing ⁽⁶⁾	Interests of Spouse	H Shares	247,042,000 (L)	3.17	7.02
Grand Fortune Venture Limited ⁽⁷⁾	Beneficial Owner	H Shares	201,700,000 (L)	2.59	5.73
Xuzhou Zhong'an Mining Services Limited ⁽⁷⁾	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Zhang Yuan ⁽⁷⁾	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Beijing Jingyuan Wanlong Investment Management Company Limited ⁽⁸⁾	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Li Feng ⁽⁸⁾	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Wang Xiaoliang ⁽⁸⁾	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69

Notes:

- (1) As at the Latest Practicable Date, the Bank had issued 7,781,615,684 Shares in aggregate, among which 4,264,295,684 were Domestic Shares and 3,517,320,000 were H Shares. (L) represents long positions. (S) represents short positions.
- (2) Such Shares are held by ICBC Financial Asset Investment Co., Ltd. (“**ICBC Financial**”), which is wholly owned by Industrial and Commercial Bank of China Limited (“**ICBC**”), which is in turn held by Central Huijin Investment Ltd. (“**Central Huijin**”) as to 34.71%. Under the SFO, ICBC and Central Huijin are deemed to be interested in all the Shares held by ICBC Financial.
- (3) Such Shares are held by Cinda Investment Co., Ltd. (“**Cinda Investment**”), which is wholly owned by China Cinda Asset Management Co., Ltd. (“**China Cinda**”). Under the SFO, China Cinda is deemed to be interested in all the Shares held by Cinda Investment.
- (4) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (“**Yinchuan Baota**”), which is wholly-owned by Ningxia Baota Energy Chemical Co., Ltd. (“**Baota Energy**”), which is in turn held by Baota Petrochemical Group Co., Ltd. (“**Baota Petrochemical**”) as to 90.20%. Baota Petrochemical is controlled by Sun Hengchao as to 43.79%. Under the SFO, Baota Energy, Baota Petrochemical and Sun Hengchao are deemed to be interested in all the Shares held by Yinchuan Baota.

- (5) Such Shares are held by Jincheng International Logistics Group Co., Ltd. (“**Jincheng Logistics**”) and Dalian Changxing Island Green-city Development Co., Ltd. (“**Changxing Island Green-city**”) for 213,507,565 Domestic Shares and 33,179,021 Domestic Shares, respectively. Jincheng Logistics’ equity interests are held by Jinlian Holding Group Co., Ltd. (“**Jinlian Holding Group**”) as to 99.82% and Li Dongjun hold 90% equity interests in Jinlian Holding Group; Changxing Island Green-city is owned by Jinlian Asset Management Co., Ltd. (“**Jinlian Assets**”) as to 99.76%, and Jinlian Assets is owned by Jinlian Holding Group as to 95.00%, Li Dongjun holds 90% equity interests in Jinlian Holding Group. Under the SFO, Li Dongjun is deemed to be interested in all the Shares held by Jincheng Logistics and Changxing Island Green-city.
- (6) Such Shares are held by Wah Li (Hong Kong) Limited, which is wholly-owned by Zhao Yong, and Ng Ching is the spouse of Zhao Yong. Under the SFO, Zhao Yong and Ng Ching are deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.
- (7) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong’an Mining Services Limited (“**Xuzhou Zhong’an**”), which is in turn held by Zhang Yuan as to 80%. Under the SFO, Xuzhou Zhong’an and Zhang Yuan are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.
- (8) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited, which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. (“**Jingyuan Wanlong**”), which is in turn held by Li Feng and Wang Xiaoliang as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

Save as disclosed above and so far as the Directors are aware, as at the Latest Practicable Date, no other person had an interest or short position in the Bank’s shares or underlying Shares and debentures of the Bank or its associated corporation (as the case may be), which would fall to be disclosed to the Bank and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Bank required to be kept under section 336 of the SFO.

6. ARRANGEMENT IN CONNECTION WITH THE PROPOSED PRIVATE PLACEMENT AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

- (a) save for the entering into of the Subscription Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between Chengfang Huida, Liaoning Financial Holding and any party acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders of the Bank having any connection with or dependence upon the Proposed Private Placement and/or the Whitewash Waiver;
- (b) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Proposed Private Placement or the Whitewash Waiver;
- (c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Proposed Private Placement or the Whitewash Waiver; and

- (d) there was no material contract entered into by Chengfang Huida in which any Director has a material personal interest.

7. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (a) neither Chengfang Huida nor any party acting in concert with it held any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) none of the directors of Chengfang Huida held any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver;
- (d) save for the Subscription Agreement and the transactions contemplated thereunder, none of Chengfang Huida nor any party acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (e) none of Chengfang Huida nor any party acting in concert with it had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (f) the Bank did not hold any shares of Chengfang Huida or any convertible securities, warrants, options or derivatives in respect of the shares of Chengfang Huida;
- (g) none of the Directors was interested in any Shares, shares of Chengfang Huida, or any convertible securities, warrants, options or derivatives in respect of the Shares or shares of Chengfang Huida;
- (h) none of the subsidiaries of the Bank owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (i) none of the pension fund of the Bank or of any of its subsidiaries owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (j) no person who is presumed to be acting in concert with the Bank by virtue of class (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Bank by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund manager owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (k) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Bank or any person who is presumed to be acting in concert with the Bank by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Bank by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (l) no shareholding in the Bank was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Bank;
- (m) none of the Bank or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (n) neither Chengfang Huida nor any party acting in concert with it had intention to transfer, charge or pledge the Subscription Shares to any other persons upon completion of the Proposed Private Placement.

During the Relevant Period:

- (a) save for the entering into of the Subscription Agreement, neither Chengfang Huida nor any party acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) none of the directors of Chengfang Huida had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) the Bank did not deal for value in any shares of Chengfang Huida or any convertible securities, warrants, options or derivatives in respect of the shares of Chengfang Huida;
- (d) none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, or any shares of Chengfang Huida or any convertible securities, warrants, options or derivatives in respect of the shares of Chengfang Huida;
- (e) none of the subsidiaries of the Bank had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (f) none of the pension fund of the Bank or of any of its subsidiaries had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (g) no fund managers who managed funds on a discretionary basis connected with the Bank had dealt for value in any Shares, convertible securities, warrants, options and derivatives of the Bank.

8. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, service contracts have been entered into between the Bank and the following Directors with the following particulars:

Name of Director	Position	Term of office ⁽¹⁾	Annual Remuneration (RMB)
Mr. WEI Xuekun	Executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. GUO Wenfeng	Executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. KANG Jun	Executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. YANG Weihua	Executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. YU Jun	Executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. ZHAO Chuanxin	Non-executive Director	14 November 2019 to expiration of the sixth session of the Board	N/A
Ms. NING Jie	Non-executive Director	14 November 2019 to expiration of the sixth session of the Board	N/A
Ms. GU Jihong	Non-executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. LYU Fei	Non-executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. LUO Nan	Non-executive Director	30 October 2019 to expiration of the sixth session of the Board	N/A
Mr. XIAO Geng	Independent non-executive Director	21 January 2020 to expiration of the sixth session of the Board	RMB150,000 after deduction of all relevant taxes
Mr. XIE Taifeng	Independent non-executive Director	30 October 2019 to expiration of the sixth session of the Board	RMB150,000 after deduction of all relevant taxes

Name of Director	Position	Term of office ⁽¹⁾	Annual Remuneration (RMB)
Mr. WU Jun	Independent non-executive Director	30 October 2019 to expiration of the sixth session of the Board	RMB150,000 after deduction of all relevant taxes
Mr. WANG Xiongyuan	Independent non-executive Director	30 October 2019 to expiration of the sixth session of the Board	RMB150,000 after deduction of all relevant taxes
Mr. SU Mingzheng	Independent non-executive Director	30 October 2019 to expiration of the sixth session of the Board	RMB150,000 after deduction of all relevant taxes
Mr. Zhang Tao	Employee representative Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	N/A ⁽²⁾
Mr. Liu Ligu	Employee representative Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	N/A ⁽²⁾
Ms. Wu Haiou	Employee representative Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	N/A ⁽²⁾
Mr. Wu Zhengkui	Shareholder representative Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	N/A
Ms. Tang Fang	Shareholder representative Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	N/A
Mr. Meng Xuefeng	External Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	RMB150,000 after deduction of all relevant taxes
Mr. Guo Limao	External Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	RMB150,000 after deduction of all relevant taxes
Mr. Hu Guojie	External Supervisor	18 October 2019 to expiration of the sixth session of the Supervisory Committee	RMB150,000 after deduction of all relevant taxes

Notes:

1. Pursuant to the Articles of Association, the term of each session of the Board and each session of the Supervisory Committee shall be three years and accordingly, the Directors of the sixth session of the Board and the Supervisors of the sixth session of the Supervisory Committee shall hold office until the general meeting of the Bank to be held in 2022 to elect and/or re-elect its Directors and/or Supervisors, respectively.
2. Each of the employee representative Supervisor is not entitled to any Supervisor's fees but is entitled to receive discretionary bonus payments as may be determined and recommended by the nomination and remuneration committee of the Board.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or Supervisors have any existing or proposed service contracts with the Group or any associated company of the Group which:

- (a) are expiring or which may be terminated by the Bank within one year without payment of compensation other than statutory compensation;
- (b) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period;
- (c) are continuous contracts with a notice period of 12 months or more; or
- (d) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

As at the Latest Practicable Date, neither the Bank nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Bank or any of its subsidiaries.

10. MATERIAL CONTRACTS

The following contracts are contracts which are or may be material and entered into after the date two years before the Whitewash Announcement Date, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Bank:

- (a) The placing agreement dated 14 December 2018 entered into between the Bank and CMB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Yuanyin Securities Limited, Profit Access Investments Limited and Parchment Investment Limited in relation to the placing of a total of up to 1,000,000,000 H Shares of the Bank;

- (b) The Subscription Agreement dated 23 January 2020 entered into between the Bank, Chengfang Huida and Liaoning Financial Holding in relation to the Proposed Private Placement;
- (c) The Framework Disposal Agreement dated 31 March 2020 entered into between the Bank and Chengfang Huida in relation to the Disposal; and
- (d) the Debt Instrument Subscription Agreement dated 31 March 2020 entered into between Jinzhou Jinyin Enterprise Management Partnership (LLP)* (錦州錦銀企業管理合夥企業 (有限合夥)) and the Bank in relation to the Debt Instrument Subscription.

11. EXPERTS AND CONSENTS

Name	Qualification
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Crowe (HK) CPA Limited	Certified Public Accountants

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters or opinions or advice and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of the Bank nor did they have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Bank nor did they have any interest, either direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Bank were made up), acquired or disposed of by or leased to the Bank or are proposed to be acquired or disposed of by or leased to the Bank.

12. GENERAL

- (a) The registered office of the Bank is situated at No. 68 Keji Road, Jinzhou City, Liaoning Province, The PRC.
- (b) The principal place of business of the Bank in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wan Chai, Hong Kong.
- (c) The registered office of Chengfang Huida is Room 306, 3/F, Zhongshang Building, 5 Sanlihe East Road, Xicheng district, Beijing, the PRC.

- (d) The registered address of Huida Asset Management is Room 01, 5/F, Zhongshang Building, 5 Sanlihe East Road, Xicheng district, Beijing, the PRC.
- (e) The branch share registrar and transfer office of the Bank in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The joint company secretaries of the Bank are Mr. YU Jun and Ms. LEUNG Wing Han Sharon.
- (g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) the headquarters and principal place of business of the Bank in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wan Chai, Hong Kong during normal business hours (i.e. 9:00 a.m. to 6:00 p.m.) from Monday to Friday (other than public holidays); (ii) the website of the Bank at www.jinzhoubank.com; and (iii) the website of the SFC at www.sfc.hk from the day of this circular up to and including the date of the EGM in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code:

- (a) the Articles of Association of the Bank;
- (b) the articles of association of Chengfang Huida;
- (c) the annual reports of the Bank containing the audited financial statements of the Group for the two years ended 31 December 2018;
- (d) the audited annual results announcement of the Bank for the year ended 31 December 2019;
- (e) the unaudited financial information of the Disposal Assets for the three years ended 31 December 2017, 2018 and 2019, respectively as set out in Appendix II of this circular;
- (f) the accountant's report from Crowe (HK) in respect of the unaudited financial information of the Disposal Assets for the three years ended 31 December 2017, 2018 and 2019, respectively as set out in Appendix II of this circular;
- (g) the independent financial adviser's report from Somerley Capital Limited in respect of the unaudited financial information of the Disposal Assets for the three years ended 31 December 2017, 2018 and 2019, respectively, as set out in Appendix II of this circular;

- (h) the unaudited pro forma financial information of the Restructured Group as set out in Appendix III of this circular;
- (i) the accountant's report from Crowe (HK) in respect of the unaudited pro forma financial information of the Restructured Group as set out in Appendix III of this circular;
- (j) the independent financial adviser's report from Somerley Capital Limited in respect of the unaudited pro forma financial information of the Restructured Group as set out in Appendix III of this circular;
- (k) the "Letter from the Board", the text of which is set out on pages 7 to 32 of this circular;
- (l) the "Letter from the Independent Board of Committee", the text of which is set out on pages 33 to 34 of this circular;
- (m) the "Letter from the Independent Financial Adviser", the text of which is set out on pages 35 to 60 of this circular;
- (n) the consent letters from the experts referred to in the paragraph headed "11. Experts and Consents" in this Appendix IV;
- (o) the material contracts referred to in the paragraph headed "10. Material Contracts" in this Appendix IV;
- (p) this circular; and
- (q) the service contracts of the Directors and Supervisors referred to in the section headed "8. Directors' and Supervisors' Service Contracts" in this Appendix IV.

SUPPLEMENTAL NOTICE OF THE EGM



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)

SUPPLEMENTAL NOTICE OF 2020 FIRST EXTRAORDINARY GENERAL MEETING

REFERENCE IS MADE TO the notice of 2020 first extraordinary general meeting (the “**EGM**”) issued on 27 December 2019 (the “**Original Notice**”) by Bank of Jinzhou Co., Ltd.* (the “**Bank**”) which sets out the resolutions to be considered by the shareholders of the Bank (the “**Shareholders**”) at the EGM. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as defined in the Original Notice and the circular of the Bank dated 30 June 2020 (the “**Circular**”). The Bank postpones the EGM originally scheduled to be held at 10:00 a.m. on Thursday, 20 February 2020 to 9:30 a.m. on Friday, 10 July 2020, and the venue of the EGM remains unchanged at the meeting room of 34th Floor, No. 68 Keji Road, Jinzhou City, Liaoning Province, the People’s Republic of China (the “**PRC**”).

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will consider and, if thought fit, to pass, the following resolutions, which were submitted to the Bank for consideration at the EGM by ICBC Financial Asset Investment Co., Ltd.* and China Great Wall Assets Management Co., Ltd.*, the shareholders of the Bank holding approximately 10.82% and 4.33% of the total number of voting shares of the Bank, respectively, in compliance with the laws and the Articles of Association of the Bank, in addition to the resolutions set out in the Original Notice. Apart from the amendments set out in this supplemental notice, all the information contained in the Original Notice remains valid and effective.

ORDINARY RESOLUTION

2. (a) To consider, approve, confirm and ratify the execution of the Framework Disposal Agreement, and to approve the Disposal and all transactions contemplated thereunder; and
- (b) the Directors be and are hereby authorized to execute all documents, exercise the powers of the Bank, do such acts and things and to take all steps as they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Framework Disposal Agreement and the transactions contemplated thereunder.

SUPPLEMENTAL NOTICE OF THE EGM

SPECIAL RESOLUTION

4. To consider and approve:
- (a) the Whitewash Waiver granted or to be granted by the Executive pursuant to the Takeovers Code waiving any obligation on the part of Chengfang Huida to make a mandatory general offer for all the securities of the Bank not already owned or agreed to be acquired by it or parties acting in concert with it as a result of the Bank allotting and issuing the Subscription Shares to Chengfang Huida under the Subscription Agreement; and
 - (b) the Subscription Agreement.

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

Jinzhou, the PRC, 30 June 2020

Notes:

1. For more information relating to the additional proposed resolutions (i.e. resolutions no. 2 and 4), please refer to the Circular. The original resolutions no. 2 as set out in the Original Notice is renumbered as resolution no. 3 accordingly.
2. Resolution 4(a) and 4(b) will be proposed by way of resolutions to be passed by at least 75% and 50%, respectively, of the independent vote that are cast either in person or by proxy at the EGM for approval by the Independent Shareholders.
3. The register of members of the Bank will be closed from Tuesday, 21 January 2020 to Friday, 10 July 2020, both days inclusive, during which period no transfer of the shares of the Bank (the “**Shares**”) will be effected. In order to be qualified to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Bank (in respect of H Shares), namely Computershare Hong Kong Investor Services Limited, or to the Bank’s registered office in the PRC (in respect of Domestic Shares) no later than 4:30 p.m. on Monday, 20 January 2020.
4. Shareholders of the Bank (the “**Shareholders**”) who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
5. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same.
6. In order to be valid, the Revised Proxy Form must be deposited, for the holders of H Shares, to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, or for the holders of Domestic Shares, to the Bank’s registered office in the PRC, not less than 24 hours before the time for holding the EGM (i.e. by Thursday, 9 July 2020 at 9:30 a.m.) (the “**Closing Time**”). If the Revised Proxy Form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the Revised Proxy Form. Completion and return of the Revised Proxy Form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should you so wish.

SUPPLEMENTAL NOTICE OF THE EGM

7. Shareholders shall produce their identity documents and supporting documents in respect of the Shares held when attending the EGM. If corporate Shareholders appoint authorized representative to attend the EGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarially certified documents allowed by the Bank. Proxies shall produce their identity documents and the Revised Proxy Form signed by the Shareholders or their attorney when attending the EGM.
8. If a Shareholder has not yet returned the original form of proxy for the EGM which was despatched by the Bank on 27 December 2019 (the “**Original Proxy Form**”) in accordance with the instructions printed thereon, and wishes to appoint a proxy to attend the EGM on his/her behalf, he/she is required to submit the Revised Proxy Form. In this case, the Shareholder shall not submit the Original Proxy Form.
9. If a Shareholder has already returned the Original Proxy Form in accordance with the instructions printed thereon, he/she should note that:
 - (a) If no Revised Proxy Form(s) is lodged, the Original Proxy Form(s), if correctly completed, will be treated as a valid proxy form lodged by the Shareholder. The proxy so appointed by the Shareholder will be entitled to cast the vote at his/her discretion or to abstain from voting on any resolution properly put to the EGM (including the additional resolutions as set out in the supplemental notice of EGM) except for those resolutions to which the Shareholder has indicated his/her voting direction in the Original Proxy Form(s);
 - (b) If the Revised Proxy Form(s) is lodged before the Closing Time, the Revised Proxy Form(s), if correctly completed, will revoke and supersede the Original Proxy Form(s) previously lodged by the Shareholder. The Revised Proxy Form(s) will be treated as a valid proxy form lodged by the Shareholder; and
 - (c) If the Revised Proxy Form(s) is lodged after the Closing Time, or if lodged before the Closing Time but is incorrectly completed, the proxy appointment under the Revised Proxy Form(s) will be invalid. The proxy so appointed by the Shareholder under the Original Proxy Form(s), if correctly completed, will be entitled to vote in the manner as mentioned in (a) above as if no Revised Proxy Form(s) was lodged.
10. The EGM is expected to be held for less than half a day. Shareholders who intend to attend the EGM shall arrange and bear their own transportation and accommodation expenses.
11. The name and address of the Bank’s H share registrar is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen’s Road East,
Wan Chai,
Hong Kong

Tel: 852-2862 8555
Fax: 852-2865 0990
12. The registered office of the Bank in the PRC is as follows:

No. 68 Keji Road
Jinzhou City
Liaoning Province
The PRC

Contact person: Liu Liguo
Tel: 86-0416-3220001

SUPPLEMENTAL NOTICE OF THE EGM

13. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Bank in respect of the joint holding.

As at the date of this supplemental notice, 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.

* *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.*

* *For identification purposes only*