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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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 licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold or transferred** all your shares in **Shengjing Bank Co., Ltd.\***, you should at once hand this circular and the accompanying forms of proxy to the purchaser or transferee or to the bank, licensed securities dealer of registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**This circular is for information purposes only and does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for the securities referred to in this circular.**

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### SHENGJING BANK CO., LTD.\* 盛京銀行股份有限公司\*

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 02066)**

## (1) CONNECTED TRANSACTION IN RESPECT OF PROPOSED SUBSCRIPTION AND ISSUANCE OF DOMESTIC SHARES UNDER SPECIFIC MANDATES (2) PROPOSED SUBSCRIPTIONS AND ISSUANCE OF H SHARES UNDER SPECIFIC MANDATES AND (3) APPLICATION FOR WHITEWASH WAIVER

Financial Advisers to the Bank



Independent Financial Adviser to the Independent Board Committees  
and the Independent Shareholders



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Capitalised 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 1 to 28 of this circular. A "Letter from the Connected Transaction IBC" is set out on pages 29 to 30 of this circular. A "Letter from the Whitewash Waiver IBC" is set out on pages 31 to 32 of this circular. A "Letter from Somerley" containing its advice to the Connected Transaction IBC, the Whitewash Waiver IBC and the Independent Shareholders is set out on pages 33 to 80 of this circular.

The notice convening the EGM, the Domestic Share Class Meeting and the H Share Class Meeting have been despatched to the Shareholders on 28 June 2019. The proxy forms for use for the EGM, the Domestic Share Class Meeting and the H Share Class Meeting have been despatched to the Shareholders on 28 June 2019. Whether or not you are able to attend the meetings, you are requested to complete and return the form of proxy (as applicable) in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meetings or any adjournment thereof to the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited (for holders of H Shares) or to the Bank's registered office at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, PRC (for holders of Domestic Shares). Computershare Hong Kong Investor Services Limited is located at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meetings or any adjournment thereof should you so wish.

30 July 2019

\* *Shengjing Bank Co., Ltd. is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*

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## DEFINITIONS

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*The following expressions have the meanings set out below unless the context requires otherwise:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement Date”	20 June 2019, being the date of the Whitewash Announcement
“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”, or “our”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Board”	the board of Directors of the Bank
“Business Day”	a day on which the Hong Kong Stock Exchange is open for the transaction of business
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), and, if the context requires, includes its predecessors, namely the China Banking Regulatory Commission and the China Insurance Regulatory Commission
“CBIRC Liaoning Office”	China Banking and Insurance Regulatory Commission Liaoning Office
“China Evergrande Group”	China Evergrande Group (中國恒大集團), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3333). It held 1,001,680,000 Domestic Shares, representing approximately 17.28% equity interest of the Bank through its wholly-owned subsidiary, Evergrande Nan Chang, as at the Latest Practicable Date
“Class Meetings”	Domestic Share Class Meeting and H Share Class Meeting
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Connected Transaction IBC”	an independent committee of the Board, comprising all the independent non-executive Directors, namely NI Guoju, KEUNG Chak, TAI Kwok Leung, Alexander, XING Tiancai and LI Jinyi, established pursuant to the requirements of the Listing Rules to advise the Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Specific Mandates
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSCI”	China Securities (International) Corporate Finance Company Limited, a company licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the financial advisers to the Bank in relation to the Proposed Subscriptions and Issuance
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“disqualifying transaction”	has the meaning ascribed to it under the Takeovers Code
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares
“Domestic Share(s)”	ordinary share(s) in the share capital of the Bank with nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“Domestic Share Class Meeting”	the class meeting of the Domestic Shareholders to be held at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, PRC immediately after the conclusion of EGM or any adjournment thereof on Friday, 16 August 2019 to consider and, if thought fit, approve, among other things, the Proposed Subscriptions and Issuance, the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver
“Domestic Share Issuance Date”	such date as may be notified by the Bank to Evergrande Nan Chang within the validity period of the CSRC approval and upon fulfilment of the conditions precedent under the Domestic Share Subscription Agreement

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## DEFINITIONS

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“Domestic Share Subscription Agreement”	the Domestic Share subscription agreement entered into between Evergrande Nan Chang and the Bank on 20 June 2019, pursuant to which, Evergrande Nan Chang has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 2,200,000,000 Domestic Shares at the subscription price of RMB6.00 per Domestic Share
“Domestic Subscription Shares”	new Domestic Shares to be allotted and issued by the Bank to Evergrande Nan Chang pursuant to the Domestic Share Subscription Agreement
“EGM”	an extraordinary general meeting of the Bank to be convened at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, PRC at 9:30 a.m. on Friday, 16 August 2019 to consider and, if thought fit, to approve, among other things, the Proposed Subscriptions and Issuance, the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver
“Evergrande Health”	Evergrande Health Industry Group Limited (恒大健康產業集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 708) and a non-wholly owned subsidiary of China Evergrande Group
“Evergrande Nan Chang”	Evergrande Group (Nan Chang) Co., Ltd. (恒大集團(南昌)有限公司), holding 1,001,680,000 Domestic Shares, representing approximately 17.28% equity interest of the Bank as at the Latest Practicable Date and the subscriber of the Domestic Subscription Shares
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“Financial Advisers”	CSCI and GF
“Future Capital”	Future Capital Group Limited, being one of the subscribers for the H Subscription Shares, a company incorporated in Hong Kong with limited liability and ultimately controlled by Ms. Lo Ki Yan, Karen

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## DEFINITIONS

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“Future Capital H Share Subscription Agreement”	the H Share subscription agreement entered into between Future Capital and the Bank on 20 June 2019, pursuant to which, Future Capital has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 400,000,000 H Shares at the subscription price of HK\$6.818182 (equivalent to approximately RMB6.00) per H Share
“GF”	GF Capital (Hong Kong) Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being one of the financial advisers to the Bank in relation to the Proposed Subscriptions and Issuance
“Group”	the Bank and its subsidiaries, and, if the context requires, includes its branches and sub-branches
“H Share(s)”	overseas-listed foreign shares in the share capital of the Bank with nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of the H Shares
“H Share Class Meeting”	the class meeting of the H Shareholders to be held at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, PRC immediately after the conclusion of the Domestic Share Class Meeting or any adjournment thereof on Friday, 16 August 2019 to consider and, if thought fit, approve among other things, the Proposed Subscriptions and Issuance, the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver
“H Share Issuance Date”	such date as may be notified by the Bank to the H Share Subscribers within the validity period of the CSRC approval and upon fulfillment of the conditions precedent under the H Share Subscription Agreements
“H Share Subscribers”	Zhengbo and Future Capital
“H Share Subscription Agreements”	the Zhengbo H Share Subscription Agreement and Future Capital H Share Subscription Agreement

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## DEFINITIONS

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“H Subscription Shares”	new H Shares to be allotted and issued by the Bank to the H Share Subscribers pursuant to the H Share Subscription Agreements
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committees”	the Connected Transaction IBC and the Whitewash Waiver IBC
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO, being the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in connection with the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the specific mandates proposed to be granted by the Independent Shareholders to the Directors at the EGM and the Class Meetings to allot and issue the Domestic Shares pursuant to the Domestic Share Subscription Agreement and the Whitewash Waiver and to make recommendations on voting
“Independent Shareholders”	Shareholders other than (i) Evergrande Nan Chang, its associates and parties acting in concert with it; (ii) Mr. Suen Cho Hung, Paul, Ms. Lo Ki Yan, Karen, their respective associates and parties acting in concert with any of them; and (iii) any other Shareholders who are interested or involved in the Proposed Subscriptions and Issuance and/or the Whitewash Waiver
“Last Trading Day”	19 June 2019, being the last full trading day immediately prior to the date of the Share Subscription Agreements
“Latest Practicable Date”	26 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Material Adverse Changes”	the occurrence of a situation or event which would have a material adverse effect on the Bank’s existence, business, operations, assets or financial indicators or would result in a decrease by more than 10% of the Bank’s net assets as compared with the audited net assets of the Bank as at 31 December 2018, except for such changes resulting from changes in International Financial Reporting Standards (if applicable), the PRC General Accepted Accounting Principles (including the PRC Accounting Standards for Business Enterprises issued by the Ministry of Finance and relevant regulations), or any other generally accepted accounting or auditing principles or standards
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Subscriptions and Issuance”	the Proposed Subscription and Issuance of Domestic Shares and the Proposed Subscriptions and Issuance of H Shares
“Proposed Subscription and Issuance of Domestic Shares”	the proposed subscription of 2,200,000,000 Domestic Shares by Evergrande Nan Chang pursuant to the Domestic Share Subscription Agreement
“Proposed Subscriptions and Issuance of H Shares”	the proposed subscription of 400,000,000 H Shares by Zhengbo and Future Capital pursuant to the H Share Subscription Agreements, respectively
“Relevant Period”	the period from 20 December 2018, being the date six months before the Announcement Date, up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Shares and the H Shares



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## DEFINITIONS

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“Shareholder(s)”	the holder(s) of ordinary share(s) of the Bank
“Share Subscription Agreements”	the Domestic Share Subscription Agreement and the H Share Subscription Agreements
“Six-Month Period”	the period from 20 December 2018, being the date six months before the Announcement Date, up to and including the Announcement Date
“Specific Mandates”	the specific mandates proposed to be granted by the Independent Shareholders to the Directors at the EGM and the Class Meetings to allot and issue the Domestic Shares and H Shares pursuant to the Domestic Share Subscription Agreement and the H Share Subscription Agreements
“Subscription Shares”	Domestic Subscription Shares and H Subscription Shares
“Supervisor(s)”	the supervisor(s) of the Bank
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	US dollar(s), the lawful currency of the United States of America
“Whitewash Announcement”	the joint announcement of the Bank and China Evergrande Group dated 20 June 2019 in respect of, among other things, the Proposed Subscriptions and Issuance, the Share Subscription Agreements, the Specific Mandates and the application for Whitewash Waiver
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Evergrande Nan Chang to make a general offer for all securities of the Bank (other than those already owned or agreed to be acquired by Evergrande Nan Chang and its concert parties) as a result of the allotment and issue of the Domestic Shares under the Domestic Share Subscription Agreement

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## DEFINITIONS

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“Whitewash Waiver IBC”	an independent committee of the Board, comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver, namely LIU Yanxue, LI Jianwei, LI Yuguo, YUEN Wing Shing, ZHAO Weiqing, NI Guoju, KEUNG Chak, TAI Kwok Leung, Alexander, XING Tiancai and LI Jinyi, established pursuant to the requirements of the Takeovers Code to provide recommendations to the Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver
“Zhengbo”	Zhengbo Holdings Limited, being one of the subscribers for the H Subscription Shares, a company incorporated in the British Virgin Islands with limited liability and ultimately controlled by Mr. Suen Cho Hung, Paul
“Zhengbo H Share Subscription Agreement”	the H Share subscription agreement entered into between Zhengbo and the Bank on 20 June 2019, pursuant to which, Zhengbo has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 400,000,000 H Shares at the subscription price of HK\$6.818182 (equivalent to approximately RMB6.00) per H Share
“%”	per cent

*In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.*

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LETTER FROM THE BOARD

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盛京銀行  
SHENGJING BANK

SHENGJING BANK CO., LTD.\*

盛京銀行股份有限公司\*

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

(Stock Code: 02066)

*Executive Directors:*

QIU Huofa  
ZHANG Qiang  
WANG Yigong  
WU Gang

*Registered Office:*

No. 109 Beizhan Road  
Shenhe District  
Shenyang  
Liaoning Province  
the PRC

*Non-executive Directors:*

ZHANG Qiyang  
LIU Yanxue  
LI Jianwei  
LI Yuguo  
YUEN Wing Shing  
ZHAO Weiqing

*Principal Place of Business in Hong Kong:*

Unit 3209, 32/F  
Office Tower, Convention Plaza  
No. 1 Harbour Road  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

NI Guoju  
KEUNG Chak  
TAI Kwok Leung, Alexander  
XING Tiancai  
LI Jinyi

*To the Shareholders*

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF PROPOSED  
SUBSCRIPTION AND ISSUANCE OF DOMESTIC SHARES UNDER  
SPECIFIC MANDATES  
(2) PROPOSED SUBSCRIPTIONS AND ISSUANCE OF H SHARES UNDER  
SPECIFIC MANDATES  
AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

Reference is made to the Whitewash Announcement. The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Subscriptions and Issuance, the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver; (ii) a letter of advice from the Connected Transaction IBC on the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and Specific Mandates; (iii) a letter of advice from the Whitewash Waiver IBC on the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver; and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committees and Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the Specific Mandates and the Whitewash Waiver.

### 2. PROPOSED SUBSCRIPTIONS AND ISSUANCE

On 20 June 2019, Evergrande Nan Chang, a wholly-owned subsidiary of China Evergrande Group, and the Bank entered into the Domestic Share Subscription Agreement, pursuant to which, Evergrande Nan Chang has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 2,200,000,000 Domestic Shares, representing approximately 37.95% of the issued share capital of the Bank as at the Latest Practicable Date and 25.01% of the enlarged issued share capital of the Bank after completion of the Proposed Subscriptions and Issuance, respectively, at the subscription price of RMB6.00 per Domestic Share.

On the same day, the Bank entered into an H Share Subscription Agreement with Zhengbo and Future Capital, respectively, pursuant to which, each of Zhengbo and Future Capital has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 400,000,000 H Shares, representing approximately 6.90% of the issued share capital of the Bank as at the Latest Practicable Date and 4.55% of the enlarged issued share capital of the Bank after completion of the Proposed Subscriptions and Issuance, respectively, at the subscription price of HK\$6.818182 (equivalent to approximately RMB6.00) per H Share.

Except that Mr. Suen Cho Hung, Paul, the ultimate beneficial owner of Zhengbo, directly and indirectly held in aggregate 20,898,500 H Shares, representing approximately 0.36% of the total issued capital of the Bank, and Ms. Lo Ki Yan, Karen, the ultimate beneficial owner of Future Capital, directly and indirectly held in aggregate 10,610,000 H Shares, representing approximately 0.18% of the total issued capital of the Bank, the H Share Subscribers and their respective ultimate beneficial owners are third parties independent of the Bank and the connected persons of the Bank as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The subscriber of the Domestic Subscription Shares and the H Share Subscribers are independent from each other as at the Latest Practicable Date, except that (i) Mr. Suen Cho Hung, Paul, the ultimate beneficial owner of Zhengbo, directly and indirectly held (a) 246,615,000 shares, representing approximately 2.85% equity interest in Evergrande Health and (b) corporate bonds issued by China Evergrande Group and/or its wholly-owned subsidiaries in the principal amount of US\$248,900,000; and (ii) Ms. Lo Ki Yan, Karen, the ultimate beneficial owner of Future Capital, directly and indirectly held (a) 123,000 shares, representing approximately 0.000937% equity interest in China Evergrande Group and (b) 160,280,000 shares, representing approximately 1.86% equity interest in Evergrande Health.

### **Principal Terms of the Domestic Share Subscription Agreement**

**Date:** 20 June 2019

**Parties:** The Bank (as the issuer); and  
  
Evergrande Nan Chang (as the subscriber).

**Subject matter:** 2,200,000,000 Domestic Shares to be issued by the Bank, with a par value of RMB1.00 each and an aggregate nominal value of RMB2,200,000,000, representing approximately 37.95% of the issued share capital of the Bank as at the Latest Practicable Date and 25.01% of the enlarged issued share capital of the Bank after the completion of the Proposed Subscriptions and Issuance, subject to the subscription amount finally approved by domestic and overseas regulatory authorities and in any event no more than 2,200,000,000 Domestic Shares.

Upon completion of the Proposed Subscriptions and Issuance, the shareholding of Evergrande Nan Chang and its ultimate controlling shareholder, being Mr. Hui Ka Yan, in the Bank will be increased from approximately 17.28% of the total number of issued Shares as at the Latest Practicable Date to approximately 36.40% of the total number of issued Shares.

**Subscription price:** RMB6.00 per Domestic Share.

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## LETTER FROM THE BOARD

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**Conditions precedent:** The Domestic Share Subscription Agreement will become effective upon the fulfilment of the following conditions:

- (i) the Proposed Subscription and Issuance of Domestic Shares having been duly approved by the board of directors of the subscriber and China Evergrande Group;
- (ii) the Proposed Subscriptions and Issuance having been duly approved by the Board;
- (iii) the Proposed Subscriptions and Issuance having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;
- (iv) CBIRC Liaoning Office having approved the Proposed Subscriptions and Issuance and the shareholder qualification of the subscriber;
- (v) CSRC having approved the Proposed Subscriptions and Issuance of H Shares;
- (vi) anti-monopoly review authorities in PRC having cleared issues regarding concentration of business operators involved in the Proposed Subscriptions and Issuance (if required);
- (vii) the Whitewash Waiver having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;
- (viii) the Executive having granted the Whitewash Waiver;
- (ix) the Hong Kong Stock Exchange having approved the listing of and dealing in the H Subscription Shares on the Main Board of the Hong Kong Stock Exchange;
- (x) the parties having obtained all other necessary domestic and overseas regulatory approvals required for the Proposed Subscription and Issuance of Domestic Shares (if required); and
- (xi) the conditions precedent No. (i) to (x) to the Proposed Subscriptions and Issuance of H Shares set out in the H Share Subscription Agreements having been fulfilled.

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## LETTER FROM THE BOARD

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For condition (x) set out above, as at the Latest Practicable Date, the parties to the Domestic Share Subscription Agreement are not aware of any other necessary domestic and overseas regulatory approval required for the Proposed Subscription and Issuance of Domestic Shares, and the Bank will further confirm if any other domestic or overseas regulatory approvals are required for the Proposed Subscription and Issuance of Domestic Shares before completion of the Proposed Subscription and Issuance of Domestic Shares.

None of the conditions above may be waived by any party to the Domestic Share Subscription Agreement. If any conditions above cannot be fulfilled (including but not limited to, if the Whitewash Waiver is not granted or approved as per conditions (vii) and (viii) above), the Proposed Subscription and Issuance of Domestic Shares will not proceed.

If the conditions above are not fulfilled by 30 April 2020, unless both parties agree to extend, the transactions contemplated under the Domestic Share Subscription Agreement will not proceed.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled except for (i) and (ii).

**Completion on  
Domestic Share  
Issuance Date**

The subscriber shall ensure the consideration is paid on the Domestic Share Issuance Date to the bank account designated by the Bank. The Bank shall deliver the following to the subscriber on the Domestic Share Issuance Date:

- (i) a written confirmation evidencing the Domestic Subscription Shares have been issued under the name of the subscriber;
- (ii) a receipt of the total purchase price to be paid by the subscriber under the Domestic Share Subscription Agreement; and
- (iii) a written confirmation confirming there has been no Material Adverse Changes of the Bank since the date of the Domestic Share Subscription Agreement.

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## LETTER FROM THE BOARD

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The subscriber shall deliver the following to the Bank on the Domestic Share Issuance Date:

- (i) a payment proof evidencing the total purchase price to be paid by the subscriber under the Domestic Share Subscription Agreement is duly paid; and
- (ii) a receipt of the written confirmation evidencing the Domestic Subscription Shares have been issued under the name of the subscriber delivered by the Bank.

**Lock-up:**

The subscriber shall not transfer any of the Domestic Subscription Shares within five (5) years from the date on which the registration of Domestic Subscription Shares is completed under the China Securities Depository and Clearing Corporation Limited, except for special circumstances such as (i) disposals as risk management measures approved by CBIRC or its dispatched institutions, (ii) transfer ordered by CBIRC or its dispatched institutions, (iii) transfer as part of judicial enforcement; (iv) transfer among different entities controlled by the subscriber; and other lock-up arrangements required by the regulatory authorities on the subscriber, provided that the transferees mentioned shall comply with relevant laws, regulations and other requirements stipulated by CBIRC.

**Arrangement  
in relation to  
undistributed  
retained profits,  
ex-rights and ex-  
dividend:**

The undistributed retained profits of the Bank before completion of the Proposed Subscription and Issuance of Domestic Shares will be shared by the Shareholders of the Bank after the completion of the Proposed Subscriptions and Issuance in proportion to their respective shareholding in the Bank. For the avoidance of doubt, this shall not apply to the profit distribution of the Bank for the year 2018 resolved at the 2018 annual general meeting of the Bank.

Except for the profit distribution for the year 2018, the Bank shall not make any ex-rights or ex-dividends arrangements, including but not limited to, dividends distribution, bonus issue, or conversion of its capital reserve into share capital from the date of the Domestic Share Subscription Agreement to the completion date of registration of the Domestic Subscription Shares with China Securities Depository and Clearing Corporation Limited without written consent of the subscriber.



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## LETTER FROM THE BOARD

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**Termination:** The subscriber has the right to unilaterally terminate the Domestic Share Subscription Agreement if there is any Material Adverse Changes in the Bank as of the Domestic Share Issuance Date.

Either party to the Domestic Share Subscription Agreement has the right to unilaterally terminate the Domestic Share Subscription Agreement if any of the relevant domestic and overseas regulatory approvals required in the conditions precedent above is revoked or withdrawn due to reasons unrelated to the parties to the Domestic Share Subscription Agreement as of the Domestic Share Issuance Date.

The Domestic Share Subscription Agreement may be terminated upon unanimous written consent of the parties.

Either party to the Domestic Share Subscription Agreement has the right to unilaterally terminate the Domestic Share Subscription Agreement, if the conditions above are not fulfilled by 30 April 2020, unless both parties agree to extend.

### Principal Terms of the H Share Subscription Agreements

	<b>Zhengbo H Share Subscription Agreement</b>	<b>Future Capital H Share Subscription Agreement</b>
<b>Date:</b>	20 June 2019	20 June 2019
<b>Parties:</b>	The Bank (as the issuer); and  Zhengbo (as the subscriber)	The Bank (as the issuer); and  Future Capital (as the subscriber)

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## LETTER FROM THE BOARD

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**Subject matter:** 400,000,000 H Shares to be issued by the Bank, with a par value of RMB1.00 each and an aggregate nominal value of RMB400,000,000, representing approximately 6.90% of the issued share capital of the Bank as at the Latest Practicable Date and 4.55% of the enlarged issued share capital of the Bank after completion of the Proposed Subscriptions and Issuance, respectively, subject to the subscription amount finally approved by domestic and overseas regulatory authorities.

400,000,000 H Shares to be issued by the Bank, with a par value of RMB1.00 each and an aggregate nominal value of RMB400,000,000, representing approximately 6.90% of the issued share capital of the Bank as at the Latest Practicable Date and 4.55% of the enlarged issued share capital of the Bank after completion of the Proposed Subscriptions and Issuance, respectively, subject to the subscription amount finally approved by domestic and overseas regulatory authorities.

Upon completion of the Proposed Subscriptions and Issuance, the shareholding of Zhengbo in the Bank will be increased from nil as at the Latest Practicable Date to approximately 4.55% of the total number of issued Shares, and the shareholding of Mr. Suen Cho Huang, Paul, being the ultimate beneficial owner of Zhengbo, will be increased from approximately 0.36% of the total number of issued Shares as at the Latest Practicable Date to approximately 4.78% of the total number of issued Shares.

Upon completion of the Proposed Subscriptions and Issuance, the shareholding of Future Capital in the Bank will be increased from nil as at the Latest Practicable Date to approximately 4.55% of the total number of issued Shares, and the shareholding of Ms. Lo Ki Yan, Karen, being the ultimate beneficial owner of Future Capital, will be increased from approximately 0.18% of the total number of issued Shares as at the Latest Practicable Date to approximately 4.67% of the total number of issued Shares.

**Subscription price:** HK\$6.818182 per H Share (equivalent to approximately RMB6.00 per H Share)

HK\$6.818182 per H Share (equivalent to approximately RMB6.00 per H Share)

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## LETTER FROM THE BOARD

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**Conditions precedent:** The H Share Subscription Agreement will become effective upon the fulfilment of the following conditions:

- (i) the Proposed Subscriptions and Issuance of H Shares having been duly approved by the board of directors or general meeting of the subscriber (subject to the articles of associations of the subscriber);
- (ii) the Proposed Subscriptions and Issuance having been duly approved by the Board;
- (iii) the Proposed Subscriptions and Issuance having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;
- (iv) CBIRC Liaoning Office having approved the Proposed Subscriptions and Issuance and the shareholder qualification of the subscriber under the Domestic Share Subscription Agreement;
- (v) CSRC having approved the Proposed Subscriptions and Issuance of H Shares;
- (vi) anti-monopoly review authority in PRC having cleared issues regarding concentration of business operators involved in the Proposed Subscriptions and Issuance (if required);
- (vii) the Whitewash Waiver having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;
- (viii) the Executive having granted the Whitewash Waiver;
- (ix) the Hong Kong Stock Exchange having approved the listing of and dealing in the H Subscription Shares on the Main Board of the Hong Kong Stock Exchange;
- (x) the parties having obtained all other necessary domestic and overseas regulatory approvals required for the Proposed Subscriptions and Issuance of H Shares (if required); and

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## LETTER FROM THE BOARD

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- (xi) the conditions precedent No. (i) to (x) to the Proposed Subscription and Issuance of Domestic Shares set out in the Domestic Share Subscription Agreement having been fulfilled.

For the condition (x) set out above, as at the Latest Practicable Date, the parties to the H Share Subscription Agreements are not aware of any other necessary domestic and overseas regulatory approval required for the Proposed Subscriptions and Issuance of H Shares, and the Bank will further confirm if any other domestic or overseas regulatory approvals are required for the Proposed Subscriptions and Issuance of H Shares before completion of the Proposed Subscriptions and Issuance of H Shares.

None of the conditions above may be waived by any party to the H Share Subscription Agreement. If any conditions above cannot be fulfilled (including but not limited to, if the Whitewash Waiver is not granted or approved as per conditions (vii) and (viii) above), the Proposed Subscriptions and Issuance of H Shares will not proceed.

If the conditions above are not fulfilled by 30 April 2020, unless both parties agree to extend, the transactions contemplated under the H Share Subscription Agreements will not proceed.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled except for (i) and (ii).

**Completion on H Share Issuance Date:** The subscriber shall ensure the consideration is paid to the bank account of the broker(s) designated by the Bank at least one business day prior to the H Share Issuance Date. Upon receipt of the total purchase price to be paid by the subscriber under the H Share Subscription Agreement, the Bank shall issue the H Subscription Shares under the name of the subscriber on the H Share Issuance Date.

The Bank shall subsequently register or procure the H Shares registrar of the Bank to register the subscriber as the Shareholder of the relevant H Subscription Shares subscribed by it and issue the share certificate of the relevant H Subscription Shares under the name of the subscriber and entrust the designated broker(s) to deliver such share certificate to the subscriber.

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## LETTER FROM THE BOARD

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**Lock-up:** The subscriber shall not transfer or entrust for management any of the H Subscriptions Shares within six (6) months from the date on which the Proposed Subscription and Issuance of H Shares is completed. The Bank shall not repurchase any of the H Subscription Shares during the aforesaid period.

**Arrangement in relation to undistributed retained profits:** The undistributed retained profits of the Bank before completion of the Proposed Subscriptions and Issuance of H Shares will be shared by the Shareholders of the Bank after the completion of the Proposed Subscriptions and Issuance in proportion to their respective shareholding in the Bank. For the avoidance of doubt, this shall not apply to the profit distribution of the Bank for the year 2018 resolved on the 2018 annual general meeting of the Bank.

**Termination:** The H Share Subscription Agreement may be terminated upon unanimous written consent of the parties to the relevant H Share Subscription Agreement.

Either party to the H Share Subscription Agreement has the right to unilaterally terminate the H Share Subscription Agreement if the conditions above are not fulfilled by 30 April 2020, unless both parties agree to extend.

### **Interconditionality of the Proposed Subscriptions and Issuance**

The Proposed Subscription and Issuance of Domestic Shares and the Proposed Subscriptions and Issuance of H Shares are inter-conditional upon each other for the following reasons: (1) assuming the Proposed Subscription and Issuance of Domestic Shares is completed, the Bank will only be able to fulfill the minimum public float requirement under the Listing Rules if the Proposed Subscriptions and Issuance of H Shares proceed. Given that the Domestic Shares held by Evergrande Nan Chang will not be treated as being held in public hands and completion of the Proposed Subscription and Issuance of Domestic Shares alone will significantly dilute shareholding of the H Shareholders which may cause the public float of the Bank to drop below 25% as required under the Listing Rules and as such, it is necessary for the completion of the Proposed Subscription and Issuance of Domestic Shares and the Proposed Subscriptions and Issuance of H Shares to be inter-conditional with each other in order to ensure that the Bank will continue to meet the minimum public float requirement under the Listing Rules after completion of the Proposed Subscriptions and the Issuance; and (2) the Proposed Subscription and Issuance of Domestic Shares and the Proposed Subscriptions and Issuance of H Shares shall form an integrated transaction from the Bank's perspective which reflects the Bank's genuine capital needs to strengthen the Bank's capital base for the purpose of supporting the ongoing growth of the Bank's business.

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## LETTER FROM THE BOARD

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Accordingly, if the Proposed Subscription and Issuance of Domestic Shares is not approved at the EGM and Class Meetings or by competent regulatory authorities, or cannot proceed due to other reasons, the Proposed Subscriptions and Issuance of H Shares will not proceed. If the Proposed Subscriptions and Issuance of H Shares are not approved at the EGM and Class Meetings or by competent regulatory authorities, or cannot proceed due to other reasons, then the Proposed Subscription and Issuance of Domestic Shares will not proceed.

### **Basis for determining the Subscription Price**

The subscription price per Domestic Share and the subscription price per H Share were determined after arm's length negotiations between the Bank and the subscribers, mainly considering the following major factors: (i) the audited net asset per Share attributable to Shareholders/equity holders of the Bank as at 31 December 2018, namely RMB9.73 per share, (ii) the average market price of the H Shares during the negotiations between all parties from 17 May 2019 to 5 June 2019, approximately HK\$4.4 per H Share, (iii) the profit distribution as resolved by the Bank at its 2018 annual general meeting, and (iv) the genuine need of the Bank to improve its Tier-one capital adequacy ratio, namely 8.52% as at 31 December 2018, which is close to 8.5%, the minimum regulatory requirement, thus supporting its future growth.

The subscription price per Domestic Share and the subscription price per H Share are the same after exchange rate adjustment. The exchange rate applied is the median exchange rate announced by the People's Bank of China on the date of the Share Subscription Agreements.

The subscription price per Domestic Share and the subscription price per H Share represent:

- a premium of approximately 21.75% to the closing price of HK\$5.60 per H Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- a premium of approximately 37.19% to the closing price of HK\$4.97 per H Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- a premium of approximately 31.12% to the average closing price of approximately HK\$5.20 per H Share as quoted on the Hong Kong Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 34.19% to the average closing price of approximately HK\$5.08 per H Share as quoted on the Hong Kong Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- a premium of approximately 41.60% to the average closing price of approximately HK\$4.82 per H Share as quoted on the Hong Kong Stock Exchange for the last 15 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 45.57% to the average closing price of HK\$4.68 per H Share as quoted on the Hong Kong Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day; and
- a discount of 38.34% to the latest published audited net assets per Share attributable to shareholders/equity holders of the Bank as at 31 December 2018, being RMB9.73 per Share.

The Board (except for Mr. Zhao Weiqing, a non-executive Director) considers the subscription price is fair and reasonable and in the interests of the Bank and its shareholders as a whole for the reasons as set out below:

- The subscription price of RMB6.00 represents significant premiums ranging from approximately 31% to approximately 78% over the average closing prices of the H Shares in the various periods, including the last five (5), last ten (10), last 30, last 90 and last 180 consecutive trading days up to and including the Last Trading Day, which are largely above those offered in comparable issues, according to the “Letter from Somerley” as set out in this circular;
- A subscription price being equivalent to, or representing a premium over, the net asset per Share is not commercially feasible on the following basis:
  - (i) the market valuations of the comparable banks, namely the 17 provincial or regional banks in the PRC listed on the Hong Kong Stock Exchange, has changed at the prevailing time as compared to the period of up to five years ago and in fact many of them dropped in terms of the average price-to-book multiples (the “**P/B Multiples**”), with 15 out of a total of the 17 comparable banks having P/B Multiples below 1.00

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## LETTER FROM THE BOARD

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times and the average P/B Multiples of all the 17 comparable banks was only 0.73 times as at the Latest Practicable Date. Relevant details are set out as below:

Name	Stock code	Market capitalisation as at the Latest Practicable Date (HK\$ million)	P/B Multiples (times)
China Zheshang Bank Co., Ltd.	2016	74,313.2	0.76
Bank of Jinzhou Co., Ltd.	416	54,471.3	0.98
Chongqing Rural Commercial Bank Co., Ltd.	3618	42,300.0	0.53
Guangzhou Rural Commercial Bank Co., Ltd.	1551	41,194.7	0.69
Zhongyuan Bank Co., Ltd.	1216	39,949.3	0.78
Huishang Bank Corporation Limited	3698	37,315.2	0.53
Bank of Qingdao Co., Ltd.	3866	29,854.1	1.21
Jiangxi Bank Co., Ltd.	1916	28,012.9	0.76
Bank of Jiujiang Co., Ltd.	6190	25,518.1	0.97
Bank of Tianjin Co., Ltd.	1578	23,614.4	0.44
Jinshang Bank Co., Ltd.	2558	21,881.0	1.03
Bank of Gansu Co., Ltd.	2139	18,629.1	0.65
Harbin Bank Co., Ltd.	6138	17,702.9	0.34
Bank of Zhengzhou Co., Ltd.	6196	17,232.8	0.51
Bank of Chongqing Co., Ltd.	1963	14,634.6	0.43
Jilin Jiutai Rural Commercial Bank Corporation Limited	6122	13,269.4	0.90
Luzhou Bank Co., Ltd.	1983	6,794.4	0.94
<b>Average</b>			<b>0.73</b>

*Source: Bloomberg and the website of the Hong Kong Stock Exchange*

*Note: For more details, please refer to relevant discussions under the subsection headed "6(e) Comparable Banks" from Letter from Somerley.*



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## LETTER FROM THE BOARD

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- (ii) the historical P/B Multiples of the Bank has been continuously below 1.00 times since 19 December 2016, among which the lowest is 0.30 times, and the average of historical P/B Multiples of the Bank in the last 180 consecutive trading days up to and including the Last Trading Day is merely 0.39 times. Thus, it is not feasible to persuade the subscribers to agree upon a price being equivalent to, or higher than the net asset per Share;
  - (iii) the subscription price of RMB6.00 per Share agreed after rounds of negotiations between the Bank and the subscribers implies a P/B Multiple of approximately 0.62 times which is significantly above the P/B Multiple of the Bank of approximately 0.45 times as at the Last Trading Day, and as such the Bank believes that the discount to the net asset per Share is reasonable and acceptable.
- As at 31 December 2018, the Bank's tier-one capital adequacy ratio of 8.52% is close to 8.5%, the minimum regulatory requirement, which would restrict future growth of the Bank. Therefore, the Bank is in an urgent need for replenishing its capital. As other fund raising methods such as rights issue are not feasible, the Proposed Subscriptions and Issuance, of which the subscription price represents a significant premium over the prevailing closing price of the Bank's H Shares, is an effective and practical approach for the Bank to replenish capital and realize a high financing efficiency.

### **Specific Mandates**

The 2,200,000,000 Domestic Subscription Shares and 800,000,000 H Subscription Shares will be issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the EGM and the Class Meetings.

## LETTER FROM THE BOARD

The Specific Mandates, if approved, will be valid for 12 months from the date on which the Specific Mandates are approved at the EGM and the Class Meetings.

### Ranking of Domestic Shares and H Shares to be Issued

The Domestic Subscription Shares and the H Subscription Shares to be issued pursuant to the Shares Subscription Agreements will rank, upon issue, *pari passu* in all respects with the existing Domestic Shares and H Shares in issue, respectively, at the time of allotment and issue of such Shares.

### Application for Listing of the H Subscription Shares

Application will be made by the Bank to the Listing Committee of the Hong Kong Stock Exchange for the grant of the listing of, and permission to deal in, the H Subscription Shares on the Main Board of the Hong Kong Stock Exchange.

### Effect on Shareholding Structure of the Bank

The following table illustrates the shareholding structure of the Bank as at the Latest Practicable Date and immediately after the completion of the Proposed Subscriptions and Issuance (assuming no other changes to the total issued share capital of the Bank prior to the completion of the Proposed Subscriptions and Issuance):

	Class of Shares	As at the Latest Practicable Date			Immediately after the completion of the Proposed Subscriptions and Issuance		
		Number of Shares held	Approximately Percentage of total issued Shares	Approximately Percentage of the relevant class of Shares	Number of Shares held	Approximately Percentage of total issued Shares	Approximately Percentage of the relevant class of Shares
Evergrande Nan Chang and parties acting in concert with it	Domestic Shares	1,001,680,000	17.28%	23.54%	3,201,680,000	36.40%	49.59%
Li Yuguo <sup>1</sup>	Domestic Shares	400,000,000	6.90%	9.40%	400,000,000	4.55%	6.20%
Wu Gang <sup>2</sup>	Domestic Shares	146,149	0.0025%	0.0034%	146,149	0.0017%	0.0023%
Shi Yang <sup>3</sup>	Domestic Shares	107,684	0.0019%	0.0025%	107,684	0.0012%	0.0017%
Other Domestic Shareholders	Domestic Shares	2,854,003,867	49.24%	67.06%	2,854,003,867	32.44%	44.21%
<b>Total Domestic Shares</b>		<b>4,255,937,700</b>	<b>73.42%</b>	<b>100%</b>	<b>6,455,937,700</b>	<b>73.39%</b>	<b>100%</b>

## LETTER FROM THE BOARD

	Class of Shares	As at the Latest Practicable Date			Immediately after the completion of the Proposed Subscriptions and Issuance		
		Number of Shares held	Approximately Percentage of total issued Shares	Approximately Percentage of the relevant class of Shares	Number of Shares held	Approximately Percentage of total issued Shares	Approximately Percentage of the relevant class of Shares
Suen Cho Hung, Paul <sup>4</sup>	H Shares	20,898,500	0.36%	1.36%	20,898,500	0.24%	0.89%
Zhengbo <sup>4</sup>	H Shares	0	0%	0%	400,000,000	4.55%	17.09%
Lo Ki Yan, Karen <sup>5</sup>	H Shares	10,610,000	0.18%	0.69%	10,610,000	0.12%	0.45%
Future Capital <sup>5</sup>	H Shares	0	0%	0%	400,000,000	4.55%	17.09%
Other Public							
H Shareholders	H Shares	1,509,234,000	26.04%	97.95%	1,509,234,000	17.16%	64.48%
<b>Total H Shares</b>		<b>1,540,742,500</b>	<b>26.58%</b>	<b>100%</b>	<b>2,340,742,500</b>	<b>26.61%</b>	<b>100%</b>
<b>Total issued Shares</b>		<b>5,796,680,200</b>	<b>100%</b>		<b>8,796,680,200</b>	<b>100%</b>	

*Notes:*

- 1) Mr. Li Yuguo, the non-executive Director of the Bank, indirectly controls voting rights of 400,000,000 Domestic Shares.
- 2) Mr. Wu Gang, the executive Director of the Bank, directly held 146,149 Domestic Shares.
- 3) Mr. Shi Yang, an employee representative supervisor of the Bank, directly held 107,684 Domestic Shares.
- 4) Mr. Suen Cho Hung, Paul, the ultimate beneficial owner of Zhengbo, directly and indirectly held in aggregate 20,898,500 H Shares representing approximately 0.36% of the total issued capital of the Bank as at the Latest Practicable Date and will be deemed to be further interested in the 400,000,000 H Shares to be subscribed by Zhengbo after the completion of the Proposed Subscriptions and Issuance. Mr. Suen Cho Hung, Paul will hold directly and indirectly in aggregate 420,898,500 H Shares representing approximately 4.78% of the total issued capital of the Bank after the completion of the Proposed Subscriptions and Issuance.
- 5) Ms. Lo Ki Yan, Karen, the ultimate beneficial owner of Future Capital, directly and indirectly held in aggregate 10,610,000 H Shares representing approximately 0.18% of the total issued capital of the Bank as at the Latest Practicable Date and will be deemed to be further interested in the 400,000,000 H Shares to be subscribed by Future Capital after the completion of the Proposed Subscriptions and Issuance. Ms. Lo Ki Yan, Karen will hold directly and indirectly in aggregate 410,610,000 H Shares representing approximately 4.67% of the total issued capital of the Bank after the completion of the Proposed Subscriptions and Issuance.

### Use of proceeds

Compared with the proceeds, the costs and expenses to be incurred by the Bank for the Proposed Subscriptions and Issuance are immaterial and negligible, and as such, the net proceeds from the Proposed Subscriptions and Issuance (after deducting all applicable costs and expenses, including the legal fees) are expected to be approximately RMB18 billion (equivalent to approximately HK\$20.4 billion). The net price (after deducting all applicable costs and expenses, including the legal fees) raised per Share upon completion of the Proposed Subscriptions and Issuance will be approximately RMB6.00 (equivalent to approximately HK\$6.818182).

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## LETTER FROM THE BOARD

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The net proceeds from the Proposed Subscriptions and Issuance are intended to be used to strengthen the Bank's capital base to support the ongoing growth of the Bank's business.

### **Reasons for and Benefit of the Proposed Subscriptions and Issuance**

References are made to the Bank's announcement dated 22 April 2019 and 17 May 2019 in relation to the possible fund-raising plan of the Bank. In order to further enhance the capital strength of the Bank, to improve its capital adequacy ratio and to support its future growth, on 19 April 2019 the Board resolved to conduct a proposed capital increase by way of issuing new shares and has preliminarily decided to conduct a rights issue on a pro rata basis to its existing Shareholders (the "**Rights Issue Plan**") as the Rights Issue Plan may offer the existing shareholders of the Bank an opportunity to participate in the potential growth of the Bank while at the same time maintaining their respective pro rata shareholding interests in the Bank and may ensure the continuous compliance by the Bank of the minimum public float requirements under the Listing Rules. However, based on its communication with some of the major Shareholders, the Bank notes that the Shareholders' interest in subscribing for the rights shares under the Rights Issue Plan does not meet the Bank's expectation, and the Bank considered that continuing to proceed with the Rights Issue Plan cannot serve its original purposes and decided not to proceed with the Rights Issue Plan.

Considering the genuine need of the Bank to improve its capital adequacy ratio, the Bank decides that the Proposed Subscriptions and Issuance, being the most conducive approach available to the Bank, will best serve the interest of the Shareholders and help enhance the Bank's capital base. The Bank's relevant capital adequacy ratios, which constantly meet the regulatory requirements in the PRC, are still in a relatively low level compared with its peers in the banking industry. Based on the latest audited financial statement of the Bank, as at 31 December 2018, the Bank's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 8.52%, 8.52%, and 11.86%, respectively. Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the CBIRC requires that the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio for non-systematically important banks shall not fall below 7.5%, 8.5% and 10.5% respectively as at 31 December 2018. The Board believes that the Proposed Subscriptions and Issuance will help improve the Bank's capital adequacy ratios, thus strengthening their risk management ability, supporting its future growth and maintaining sustainable development.

### **Fund Raising Activity of the Bank in the Past 12 Months**

The Bank did not conduct any fund raising activity through the issue of equity securities in the 12 months immediately before the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Information of the Parties

**a) *The Bank***

The Bank is a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws. The principal activities of the Bank and its subsidiaries are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the CBIRC. The Bank mainly operates in mainland China.

**b) *Evergrande Nan Chang***

Evergrande Nan Chang, being the subscriber of the Domestic Subscription Shares, is indirectly wholly-owned by China Evergrande Group. The principal activities of Evergrande Nan Chang are industrial investment and investment management. As at the Latest Practicable Date, Evergrande Nan Chang held 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total number of issued Shares.

**c) *China Evergrande Group***

China Evergrande Group is the ultimate beneficial owner of Evergrande Nan Chang, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3333). China Evergrande Group is a large-scale diversified group with “properties for the people” as its core foundation, cultural tourism and healthcare as supplemental growth businesses and new energy vehicle industry as its emerging segment. It ranked 230th in the Fortune Global 500 in 2018. As at the Latest Practicable Date, China Evergrande Group held 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total number of issued Shares through its indirectly wholly-owned subsidiary, Evergrande Nan Chang.

The ultimate controlling shareholder of China Evergrande Group is Mr. Hui Ka Yan. Mr. Hui Ka Yan is deemed to be interested in 10,162,119,735 shares of China Evergrande Group, representing approximately 77.41% of the total number of issued shares of China Evergrande Group as at the Latest Practicable Date.

**d) *Zhengbo***

Zhengbo, being one of the subscribers subscribing for 400,000,000 H Subscription Shares, is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Suen Cho Hung, Paul. The principal activity of Zhengbo is investment holding.

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## LETTER FROM THE BOARD

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Mr. Suen Cho Hung, Paul has over 20 years of experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. As at the Latest Practicable Date, Mr. Suen Cho Hung, Paul indirectly held approximately 18.14% equity interest in Courage Investment Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1145; and a company listed on the Singapore Exchange Securities Trading Limited, stock code: CIN), approximately 16.45% equity interest in EPI (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 689), approximately 16.83% equity interest in PT International Development Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 372), approximately 30.63% equity interest in Birmingham Sports Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2309) and approximately 9.89% equity interest in China Strategic Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 235).

Except for Mr. Suen Cho Hung, Paul directly and indirectly holding in aggregate 20,898,500 H Shares, representing approximately 0.36% of the total issued capital of the Bank as at the Latest Practicable Date, Zhengbo and Mr. Suen Cho Hung, Paul are both third parties independent of the Bank.

Zhengbo and Mr. Suen Cho Hung, Paul are independent from other subscribers under the Proposed Subscriptions and Issuance as at the Latest Practicable Date, except that Mr. Suen Cho Hung, Paul, directly and indirectly held (i) 246,615,000 shares, representing approximately 2.85% equity interest in Evergrande Health and (ii) corporate bonds issued by China Evergrande Group and/or its wholly-owned subsidiaries in the principal amount of US\$248,900,000.

**e) *Future Capital***

Future Capital, being one of the subscribers subscribing for 400,000,000 H Subscription Shares, is a company incorporated in Hong Kong with limited liability and wholly-owned by Ms. Lo Ki Yan, Karen. The principal activity of Future Capital is investment holding.

Ms. Lo Ki Yan, Karen is a seasoned investor with real estate investments in particular, properties in Hong Kong and the United States of America and other investments in Hong Kong and overseas.

Except for Ms. Lo Ki Yan, Karen directly and indirectly holding in aggregate 10,610,000 H Shares, representing approximately 0.18% of the total issued capital of the Bank, Future Capital and Ms. Lo Ki Yan, Karen are both third parties independent of the Bank as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Future Capital and Ms. Lo Ki Yan, Karen are independent from other subscribers under the Proposed Subscriptions and Issuance as at the Latest Practicable Date, except that Ms. Lo Ki Yan, Karen, directly and indirectly held (i) 123,000 shares, representing approximately 0.000937% equity interest in China Evergrande Group and (ii) 160,280,000 shares, representing approximately 1.86% equity interest in Evergrande Health

### **3. FUTURE INTENTION OF CHINA EVERGRANDE GROUP REGARDING THE BANK AND ITS EMPLOYEES**

As at the Latest Practicable Date, China Evergrande Group intends that the existing business of the Bank will continue, and it does not intend to introduce any major changes to the existing operations and business of the Bank (including any redeployment of the fixed assets of the Bank). As at the Latest Practicable Date, China Evergrande Group has no intention to make any major changes to the continued employment of the existing employees of the Group.

China Evergrande Group 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, Evergrande Nan Chang 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.

### **4. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Evergrande Nan Chang held 1,001,680,000 Domestic Shares, representing approximately 17.28% equity interest in the Bank and therefore is a connected person of the Bank under Chapter 14A of the Listing Rules. Accordingly, the Proposed Subscription and Issuance of Domestic Shares constitutes a connected transaction of the Bank and subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Board's Approval**

The connected Director, ZHANG Qiyang, who is also a vice president of Evergrande Group Limited (恒大集團有限公司), a wholly-owned subsidiary of China Evergrande Group, has abstained from voting at the Board meeting for approval of the relevant resolutions in respect of the Proposed Subscriptions and Issuance, the Specific Mandates and the Whitewash Waiver.

Save as disclosed above, none of the Directors has a material interest in the Proposed Subscriptions and Issuance or is required to abstain from voting on the Board resolutions for considering and approving the Proposed Subscriptions and Issuance, the Specific Mandates and the Whitewash Waiver pursuant to the Listing Rules and/or the Articles of Association.

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## LETTER FROM THE BOARD

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The Board has approved the resolutions for approving the Proposed Subscriptions and Issuance, the Specific Mandates and the Whitewash Waiver, subject to the Independent Shareholders' approval at the EGM and the Class Meetings, with one non-executive Director, Mr. Zhao Weiqing, having voted against the resolutions as he considers that issue of Shares at the subscription price below the net assets per Share of the Bank will impair the existing minority shareholders' interest.

### 5. TAKEOVERS CODE IMPLICATIONS AND WHITEWASH WAIVER

#### **Implications under the Takeovers Code**

As at the Latest Practicable Date, Evergrande Nan Chang held in aggregate 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total number of issued Shares of the Bank.

Upon completion of the Proposed Subscriptions and Issuance, 2,200,000,000 Domestic Subscription Shares will be issued to Evergrande Nan Chang, and the interests of Evergrande Nan Chang and parties acting in concert with it in the voting rights of the Bank will increase from approximately 17.28% to approximately 36.40% (assuming there are no other changes in the issued share capital of the Bank save for the allotment and issue of the Shares pursuant to the Proposed Subscriptions and Issuance).

Under Rule 26.1 of the Takeovers Code, Evergrande Nan Chang would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Bank not already owned or agreed to be acquired by Evergrande Nan Chang or parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders with at least 75% of the independent vote at the EGM and Class Meetings pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

#### **Application for Whitewash Waiver**

On 24 June 2019, an application was made on behalf of Evergrande Nan Chang to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed to grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders on the Proposed Subscriptions and Issuance and the Whitewash Waiver, by way of poll at the EGM and the Class Meetings.

Evergrande Nan Chang and parties acting in concert with it and Shareholders who are involved or interested in the Proposed Subscriptions and Issuance will abstain from voting on the resolutions to be proposed at the EGM and/or the Class Meetings to approve the Proposed Subscriptions and Issuance and the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver.



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## LETTER FROM THE BOARD

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Completion of the Proposed Subscriptions and Issuance are conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the EGM and the Class Meetings. The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. **The Proposed Subscriptions and Issuance will not proceed if the Whitewash Waiver is not granted or approved.**

As at the Latest Practicable Date, the Bank does not believe that the Proposed Subscriptions and Issuance 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 Subscriptions and Issuance does not comply with other applicable rules and regulations.

### **Interest of Evergrande Nan Chang and parties acting in concert with it 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, Evergrande Nan Chang held 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total number of issued Shares.

As at the Latest Practicable Date, save for entering into the Domestic Share Subscription Agreement and holding 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total number of the issued Shares, neither Evergrande Nan Chang nor any party acting in concert with it:

- (i) has acquired any voting rights in the Bank in the Relevant Period;
- (ii) owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants or options or derivatives of the Bank or holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Bank;

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## LETTER FROM THE BOARD

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- (iii) has received any irrevocable commitment to vote in favour of or against the resolutions in respect of the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the Specific Mandates and/or the Whitewash Waiver;
- (iv) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to shares of Evergrande Nan Chang or of the Bank which may be material to the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the Specific Mandates and/or the Whitewash Waiver, with any other persons;
- (v) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the Specific Mandates and/or the Whitewash Waiver, other than the conditions relating to the coming into effect of the Domestic Share Subscription Agreement; and
- (vi) has borrowed or lent any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in the Bank.

The Bank has no outstanding warrants, options or securities convertible into shares of the Bank as at the Latest Practicable Date.

There has been no understanding, arrangement, or agreement or special deals (within the meaning of the Takeovers Code) between any Shareholders, and (1) Evergrande Nan Chang or parties acting in concert with it; and (2) the Bank, its subsidiaries or associated companies, save for entering into the H Share Subscription Agreements between the Bank and the H Share Subscribers, being existing shareholders of the Bank.

### **6. INDEPENDENT BOARD COMMITTEES**

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Specific Mandates.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver) has also been formed to advise the Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver. ZHANG Qiyang, a non-executive Director, is also

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## LETTER FROM THE BOARD

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a vice-president of Evergrande Group Limited (恒大集團有限公司), a wholly-owned subsidiary of China Evergrande Group, and is considered to be interested in the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver. Therefore, he does not form part of the Whitewash Waiver IBC.

### 7. INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed with the approval of the Independent Board Committees as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in connection with the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the Specific Mandates and the Whitewash Waiver and to make recommendations on voting.

### 8. EGM AND CLASS MEETINGS

The EGM and the Class Meetings will be convened to consider and, if thought fit, pass resolutions to approve, among other things, (i) the Proposed Subscriptions and Issuance and the Share Subscription Agreements; (ii) the grant of Specific Mandates for the allotment and issue of the Domestic Subscription Shares and the H Subscription Shares; and (iii) the Whitewash Waiver.

The notices convening the EGM, the Domestic Share Class Meeting and the H Share Class Meeting to be held at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, PRC on Friday, 16 August 2019, at 9:30 a.m., immediately after the conclusion of the EGM or immediately after the conclusion of the Domestic Share Class Meeting, respectively, have been despatched to the Shareholders on 28 June 2019.

The proxy forms for use for the EGM, the Domestic Share Class Meeting and the H Share Class Meeting have been despatched to the Shareholders on 28 June 2019. Whether or not you are able to attend the meetings, you are requested to complete and return the form of proxy (as applicable) in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meetings or any adjournment thereof to the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited (for holders of H Shares) or to the Bank's registered office at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC (for holders of Domestic Shares). Computershare Hong Kong Investor Services Limited is located at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meetings or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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The H Share register of members of the Bank will be closed, for the purpose of determining the entitlement of holders of H Shares to attend the EGM and the H Share Class Meeting, from Wednesday, 17 July 2019 to Friday, 16 August 2019 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM and the H Share Class Meeting, all share certificates, together with the instruments of transfers, must be lodged for registration with the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares) at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 July 2019.

In order to determine the list of Domestic Shareholders who are entitled to attend the Domestic Share Class Meeting, the register of members of the Bank will be closed from Wednesday, 17 July 2019 to Friday, 16 August 2019, both days inclusive, during which period no transfer of Domestic Shares of the Bank will be effected. Domestic Shareholders whose names appear on the domestic share register of members of the Bank at the close of business on Tuesday, 16 July 2019 will be entitled to attend and vote at the Domestic Share Class Meeting.

The voting at the EGM and the Class Meetings will be conducted by way of poll.

The Proposed Subscriptions and Issuance, the Share Subscription Agreements and the Specific Mandates will be proposed by way of special resolutions at the EGM and Class Meetings for approval by the Independent Shareholders; the Whitewash Waiver will be proposed by way of a resolution to be passed by at least 75% of the independent vote that is cast either in person or by proxy at the EGM and Class Meetings for approval by the Independent Shareholders.

Evergrande Nan Chang, its associates and parties acting in concert with it, who are Shareholders of the Bank, holding 1,001,680,000 Domestic Shares representing approximately 17.28% of the total issued capital of the Bank as at the Latest Practicable Date, will be required to abstain from voting on the resolutions to be proposed at the EGM and the Domestic Share Class Meeting to approve the Proposed Subscriptions and Issuance and the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver.

Mr. Suen Cho Hung, Paul and its associates who are Shareholders of the Bank, holding 20,898,500 H Shares representing approximately 0.36% of the total issued capital of the Bank as at the Latest Practicable Date, will be required to abstain from voting on the resolutions to be proposed at the EGM and the H Share Class Meeting to approve the Proposed Subscriptions and Issuance and the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver.

Ms. Lo Ki Yan, Karen and its associates who are Shareholders of the Bank, holding 10,610,000 H Shares representing approximately 0.18% of the total issued capital of the Bank as at the Latest Practicable Date, will be required to abstain from voting on the resolutions to be proposed at the EGM and the H Share Class Meeting to approve the Proposed Subscriptions and Issuance and the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver.

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## LETTER FROM THE BOARD

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None of Mr. Li Yuguo (a non-executive Director, controlling voting rights of 400,000,000 Domestic Shares representing approximately 6.90% of the total issued capital of the Bank as at the Latest Practicable Date), Mr. Wu Gang (an executive Director, holding 146,149 Domestic Shares representing approximately 0.0025% of the total issued capital of the Bank as at the Latest Practicable Date) and Mr. Shi Yang (an employee representative supervisor of the Bank, holding 107,684 Domestic Shares representing approximately 0.0019% of the total issued capital of the Bank as at the Latest Practicable Date) has any involvement in the negotiation of the Proposed Subscriptions and Issuance and therefore they will not abstain from voting on the resolutions to be proposed at the EGM and the Domestic Share Class Meeting to approve the Proposed Subscriptions and Issuance and the Share Subscription Agreements, the Specific Mandates and the Whitewash Waiver.

### 9. RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Connected Transaction IBC” set out on pages 29 to 30 which contains its recommendation to the Independent Shareholders on the terms of the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Specific Mandates; (ii) the “Letter from the Whitewash Waiver IBC” set out on pages 31 to 32 which contains the recommendation of the majority of the Whitewash Waiver IBC to the Independent Shareholders and a statement of Mr. Zhao Weiqing (the dissenting member of the Whitewash Waiver IBC) on the terms of the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver; and (iii) the “Letter from Somerley” set out on pages 33 to 80 of this circular containing its advice to the Connected Transaction IBC, the Whitewash Waiver IBC 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 Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the Specific Mandates and the Whitewash Waiver.

The Directors (excluding Mr. Zhao Weiqing, a non-executive Director, but including members of the Connected Transaction IBC and the Whitewash Waiver IBC whose views are set out in the “Letter from the Connected Transaction IBC” and the “Letter from the Whitewash Waiver IBC” in this circular, respectively) consider that the terms of the Proposed Subscriptions and Issuance are fair and reasonable and that the Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandates and the Whitewash Waiver are in the interests of the Shareholders as a whole. Accordingly, the Board (excluding Mr. Zhao Weiqing, a non-executive Director, but including members of the Connected Transaction IBC and the Whitewash Waiver IBC whose views are set out in the “Letter from the Connected Transaction IBC” and the “Letter from the Whitewash Waiver IBC” in this circular, respectively) recommends all Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and/or the Class Meetings to approve the matters put forward at the EGM and/or the Class Meetings.

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## LETTER FROM THE BOARD

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Mr. Zhao Weiqing does not consider the terms of the Proposed Subscriptions and Issuance to be fair and reasonable, nor does he consider the share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandates and the Whitewash Waiver are in the interests of the Shareholders as a whole, and does not recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and/or the Class Meetings for approving the matters put forward at the EGM and/or the Class Meetings because he considers that the issue of Shares at the subscription price which is below the net assets value per Share of the Bank will impair the existing minority shareholders' interest.

**WARNING: THE COMPLETION OF THE PROPOSED SUBSCRIPTIONS AND ISSUANCE IS SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS, INCLUDING THE WHITEWASH WAIVER BEING GRANTED BY THE EXECUTIVE AND APPROVED BY THE INDEPENDENT SHAREHOLDERS AT THE EGM AND THE CLASS MEETINGS. ACCORDINGLY, THE PROPOSED SUBSCRIPTIONS AND ISSUANCE MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES, 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.**

### 10. OTHER INFORMATION

Your attention is drawn to other sections of and the appendixes to this circular.

By order of the Board  
**Shengjing Bank Co., Ltd.**  
**ZHOU Zhi**  
*Joint Company Secretary*

Shenyang, Liaoning Province, China

30 July 2019

\* *Shengjing Bank Co., Ltd. is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*



**SHENGJING BANK CO., LTD.\***  
**盛京銀行股份有限公司\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 02066)**

30 July 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RESPECT OF PROPOSED SUBSCRIPTION  
AND ISSUANCE OF DOMESTIC SHARES UNDER SPECIFIC MANDATES**

We refer to the circular issued by the Bank to the shareholders dated 30 July 2019 (the “**Whitewash Circular**”) of which this letter forms part. Terms defined in the Whitewash Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Connected Transaction IBC to advise the Independent Shareholders in respect of the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Specific Mandates, details of which are set out in the “Letter from the Board” in the Whitewash Circular, and to recommend how the Independent Shareholders should vote at the EGM and Class Meetings. Somerley has been appointed as the Independent Financial Adviser with our approval to advise the Connected Transaction IBC and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board”, the “Letter from Somerley” and the additional information set out in the appendixes of the Whitewash Circular. Having taken into the terms of the Proposed Subscription and Issuance of Domestic Shares, and the principal factors and reasons considered by Somerley as set out in the “Letter from Somerley” in the Whitewash Circular, we concur with the view of Somerley and consider, although the entering into of the Domestic Share Subscription Agreement is not in the ordinary and usual course of business of the Bank, the terms of the Domestic Share Subscription Agreement are on normal commercial terms and that the Proposed Subscription and Issuance of Domestic Shares is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Bank and the Shareholders as a whole.

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## LETTER FROM THE CONNECTED TRANSACTION IBC

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Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings for approving the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Specific Mandates.

Yours faithfully

For and on behalf of the Connected Transaction IBC of

**Shengjing Bank Co., Ltd.**

**TAI Kwok Leung,**

<b>NI Guoju</b>	<b>KEUNG Chak</b>	<b>Alexander</b>	<b>XING Tiancai</b>	<b>LI Jinyi</b>
<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>

\* *Shengjing Bank Co., Ltd. is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong*





盛京銀行  
SHENGJING BANK

SHENGJING BANK CO., LTD.\*

盛京銀行股份有限公司\*

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

**(Stock Code: 02066)**

30 July 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED SUBSCRIPTION AND ISSUANCE OF DOMESTIC SHARES  
APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Bank to the shareholders dated 30 July 2019 (the “**Whitewash Circular**”) of which this letter forms part. Terms defined in the Whitewash Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Whitewash Waiver IBC under the Takeovers Code to advise the Independent Shareholders as to whether, in our opinion, the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver, details of which are set out in the “Letter from the Board” in the Whitewash 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 and Class Meetings. Somerley has been appointed as the Independent Financial Adviser with our approval to advise the Whitewash Waiver IBC and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board”, the “Letter from Somerley” and the additional information set out in the appendixes of the Whitewash Circular.

**Recommendation of the Independent Board Committee (other than Mr. Zhao Weiqing)**

Having taken into the terms of the Proposed Subscription and Issuance of Domestic Shares, and the principal factors and reasons considered by Somerley as set out in the “Letter from Somerley” in the Whitewash Circular, we concur with the view of Somerley and consider that the terms of the Domestic Share Subscription Agreement are on normal commercial terms and that the Proposed Subscription and Issuance of Domestic Shares is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Bank and the Independent Shareholders as a whole.

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## LETTER FROM THE WHITEWASH WAIVER IBC

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Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings for approving the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver.

### **Dissenting view of Mr. Zhao Weiqing**

Mr. Zhao Weiqing does not consider the terms of the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver to be fair and reasonable and does not recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings for approving the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver because he considers that the issue of Shares at the subscription price which is below the net assets value per Share of the Bank will impair the existing minority shareholders' interest.

Yours faithfully

the majority of the Whitewash Waiver IBC of  
**Shengjing Bank Co., Ltd.**

			YUEN Wing			TAI Kwok		
			Shing	NI Guoju	KEUNG Chak	Leung,	XING Tiancai	LI Jinyi
LIU Yanxue	LI Jianwei	LI Yuguo	Shing	NI Guoju	KEUNG Chak	Alexander	XING Tiancai	LI Jinyi
<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>	<i>Non-executive</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</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>

The dissenting member of the Whitewash Waiver IBC

**ZHAO Weiqing**

*Non-executive Director*

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## LETTER FROM SOMERLEY

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*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committees and the Independent Shareholders in relation to the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Whitewash Waiver, 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 July 2019

To: *The Independent Board Committees and the Independent Shareholders of  
Shengjing Bank Co., Ltd.*

Dear Sirs,

**CONNECTED TRANSACTION IN RESPECT OF  
PROPOSED SUBSCRIPTION AND ISSUANCE OF DOMESTIC SHARES  
UNDER SPECIFIC MANDATE  
AND  
APPLICATION FOR WHITEWASH WAIVER**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committees and the Independent Shareholders in connection with the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Whitewash Waiver. Details of the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Whitewash Waiver are set out in the circular of the Bank dated 30 July 2019 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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## LETTER FROM SOMERLEY

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On 20 June 2019, the Bank and Evergrande Nan Chang entered into the Domestic Share Subscription Agreement, pursuant to which, Evergrande Nan Chang has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 2,200,000,000 Domestic Shares at the subscription price of RMB6.00 (equivalent to approximately HK\$6.818182, based on the median exchange rate announced by the People's Bank of China on the date of the Share Subscription Agreements, same below) per Domestic Share. On the same day, the Bank entered into the H Share Subscription Agreements with Zhengbo and Future Capital, respectively, pursuant to which, each of Zhengbo and Future Capital has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 400,000,000 H Shares at the subscription price of HK\$6.818182 (equivalent to approximately RMB6.00) per H Share. The Domestic Subscription Shares and the H Subscription Shares represent approximately (i) 37.95% and 13.80% of the issued Shares as at the Latest Practicable Date; and (ii) 25.01% and 9.09% of the issued Shares as enlarged by the issues of the Domestic Subscription Shares and the H Subscription Shares. The Domestic Subscription Shares and the H Subscription Shares will be allotted and issued under the Specific Mandates to be sought at the EGM and the Class Meetings. The Proposed Subscription and Issuance of Domestic Shares and the Proposed Subscriptions and Issuance of H Shares are inter-conditional upon each other.

As at the Latest Practicable Date, Evergrande Nan Chang held 1,001,680,000 Domestic Shares, representing approximately 17.28% equity interest in the Bank and therefore was a connected person of the Bank under Chapter 14A of the Listing Rules. Accordingly, the Proposed Subscription and Issuance of Domestic Shares constitutes a connected transaction of the Bank and subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, upon completion of the Proposed Subscriptions and Issuance, 2,200,000,000 Domestic Subscriptions Shares will be issued to Evergrande Nan Chang, and the interests of Evergrande Nan Chang and parties acting in concert with it in the voting rights of the Bank will increase from approximately 17.28% to approximately 36.40% (assuming there are no other changes in the issued share capital of the Bank save for the allotment and issue of the Shares pursuant to the Proposed Subscriptions and Issuance). Under Rule 26.1 of the Takeovers Code, Evergrande Nan Chang would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Bank not already owned or agreed to be acquired by Evergrande Nan Chang or parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders with at least 75% of the independent vote at the EGM and Class Meetings pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. An application was made on behalf of Evergrande Nan Chang to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of Independent Shareholders on the Proposed Subscriptions and Issuance and the Whitewash Waiver, by way of poll at the EGM and the Class Meetings.

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## LETTER FROM SOMERLEY

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Pursuant to the Listing Rules, the Connected Transaction IBC comprising all of the independent non-executive Directors, namely NI Guoju, KEUNG Chak, TAI Kwok Leung, Alexander, XING Tiancai and LI Jinyi (together, the “**Independent Non-executive Directors**”), has been established to advise the Independent Shareholders in respect of the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the specific mandate proposed to be granted to allot and issue the Domestic Shares pursuant to the Domestic Share Subscription Agreement and on how they should vote at the EGM and the Class Meetings. In addition, pursuant to the Takeovers Code, the Whitewash Waiver IBC, comprising all of the non-executive Directors (other than ZHANG Qiyang, who is the vice president of Evergrande Group Limited, a wholly-owned subsidiary of China Evergrande Group, and is considered to be interested in the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver) and the Independent Non-executive Directors who have no direct or indirect interest in the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver, has been established to advise the Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the Whitewash Waiver and on how they should vote at the EGM and the Class Meetings. We, Somerley Capital Limited, have been appointed by the Independent Board Committees as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in the same regard. For the avoidance of doubt, it is not part of our assignment to advise on the Proposed Subscriptions and Issuance of H Shares or the H Share Subscription Agreement, or to advise the Independent Board Committees or the Independent Shareholders on voting on the resolution in this regard.

We are not associated or connected with the Bank, Evergrande Nan Chang, H Shares Subscribers or (i) their respective core connected persons, close associates or associates (all as defined in the Listing Rules); or (ii) any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered eligible to give independent advice to the Independent Board Committees and the Independent Shareholders on the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement, the specific mandate proposed to be granted to allot and issue the Domestic Shares pursuant to the Domestic Share Subscription Agreement and the Whitewash Waiver. Apart from normal professional fee payable to us in connection with our appointment, no arrangement exists whereby we will receive any fee or benefits from the Company, Evergrande Nan Chang, H Shares Subscribers or (i) their respective core connected persons, close associates or associates; or (ii) any party acting, or presumed to be acting, in concert with any of them.

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## LETTER FROM SOMERLEY

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In formulating our advice, we have reviewed, among other things, the Domestic Share Subscription Agreement, the H Share Subscription Agreements, the annual reports of the Bank for the financial years ended 31 December 2016, 2017 and 2018 (together, the “**Annual Reports**”), and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Bank, and have assumed that they were true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Directors, that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Bank, Evergrande Nan Chang, H Shares Subscribers or any of (i) their respective core connected persons, close associates or associates; or (ii) any party acting, or presumed to be acting, in concert with any of them, 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 were true at the time they were made and at the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

#### **1. Background of the Bank, Evergrande Nan Chang, Future Capital and Zhengbo**

The Bank is a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws. The principal activities of the Bank and its subsidiaries are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the CBIRC. The Bank mainly operated in mainland China, which, for the purpose of the Circular, excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan.

Evergrande Nan Chang is indirectly wholly owned by China Evergrande Group (stock code: 3333), the shares of which are listed on the Main Board of the Hong Kong Stock Exchange. The principal activities of Evergrande Nan Chang are industrial investment and investment management. As at the Latest Practicable Date, Evergrande Nan Chang held approximately 17.28% of the total number of issued Shares. China Evergrande Group is a large-scale diversified group with “properties for the people” as its core foundation, cultural tourism and healthcare as supplemental growth businesses and new energy vehicle industry as its emerging segment. It ranked 230th in the Fortune Global 500 in 2018.

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## LETTER FROM SOMERLEY

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Zhengbo is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Suen Cho Hung, Paul. The principal activity of Zhengbo is investment holding. Mr. Suen Cho Hung, Paul has over 20 years of experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Except for Mr. Suen Cho Hung, Paul directly and indirectly holding in aggregate 20,898,500 H Shares, representing approximately 0.36% of the total issued capital of the Bank as at the Latest Practicable Date, Zhengbo and Mr. Suen Cho Hung, Paul were both third parties independent of the Bank.

Future Capital is a company incorporated in Hong Kong with limited liability and wholly owned by Ms. Lo Ki Yan, Karen. The principal activity of Future Capital is investment holding. Ms. Lo Ki Yan, Karen is a seasoned investor with real estate investments in particular, properties in Hong Kong and the United States of America and other investments in Hong Kong and overseas. Except for Ms. Lo Ki Yan, Karen directly and indirectly holding in aggregate 10,610,000 H Shares, representing approximately 0.18% of the total issued capital of the Bank, Future Capital and Ms. Lo Ki Yan, Karen were both third parties independent of the Bank as at the Latest Practicable Date.

### **2. Reasons for and benefits of the Proposed Subscriptions and Issuance and use of proceeds**

As set out in the letter from the Board contained in the Circular, in order to further enhance the capital strength of the Bank, to improve its capital adequacy ratio and to support its future growth, on 19 April 2019 the Board resolved to conduct a proposed capital increase by way of issuing new shares and has preliminarily decided to conduct a rights issue on a pro rata basis to its existing Shareholders (the “**Fund-raising Plan**”) as the Fund-raising Plan may offer the existing shareholders of the Bank an opportunity to participate in the potential growth of the Bank while at the same time maintaining their respective pro rata shareholding interests in the Bank and may ensure the continuous compliance by the Bank of the minimum public float requirements under the Listing Rules. However, based on its communication with some of the major Shareholders, the Bank notes that the Shareholders’ interest in subscribing for the rights issues under the Fund-raising Plan does not meet the Bank’s expectation, and the Bank considered that continuing to proceed with the Fund-raising Plan could not serve its original purposes and decided not to proceed with the Fund-raising Plan.

Considering the genuine need of the Bank to improve its capital adequacy ratio, the Bank decides that the Proposed Subscriptions and Issuance, being the most conducive approach available to the Bank, will best serve the interest of the Shareholders and help enhance the Bank’s capital base. The Bank’s relevant capital adequacy ratios, which constantly meet the regulatory requirements in the PRC, are still in a relatively low level compared with its peers in the banking industry. Based on the latest audited financial statement of the Bank, as at 31 December 2018, the Bank’s core tier-one capital adequacy ratio, tier-one adequacy ratio and capital adequacy ratio were 8.52%, 8.52% and 11.86%, respectively. Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transition Period (關於

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實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the CBIRC requires that the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio for non-systematically important banks shall not fall below 7.5%, 8.5% and 10.5% respectively as at 31 December 2018. The Board believes that the Proposed Subscriptions and Issuance will help improve the Bank's capital adequacy ratio, thus strengthening their risk management ability, supporting its future growth and maintaining sustainable development.

In light of the above, we have reviewed the Bank's (i) core tier-one capital adequacy ratio; (ii) tier-one capital adequacy ratio; and (iii) capital adequacy ratio, as at 31 December 2018 with those of other provincial or regional banks in the PRC listed on the Hong Kong Stock Exchange, which, in our opinion, represent an exhaustive and representative list, as set out in below:

Name	Stock code	Core tier-one capital adequacy ratio (%)	Tier-one capital adequacy ratio (%)	Capital adequacy ratio (%)
China Zheshang Bank Co., Ltd. ("CZ Bank") (Note 1)	2016	8.38	9.83	13.38
Bank of Jinzhou Co., Ltd. ("BoJZ") (Note 2)	416	7.95	9.57	11.61
Chongqing Rural Commercial Bank Co., Ltd. ("CQRC Bank")	3618	10.95	10.96	13.52
Guangzhou Rural Commercial Bank Co., Ltd.	1551	10.50	10.53	14.28
Zhongyuan Bank Co., Ltd.	1216	9.44	11.49	14.37
Huishang Bank Corporation Limited ("Huishang Bank")	3698	8.37	9.18	11.65
Bank of Qingdao Co., Ltd. ("BoQD")	3866	8.39	11.82	15.68
Jiangxi Bank Co., Ltd.	1916	10.78	10.79	13.60
Bank of Jiujiang Co., Ltd.	6190	8.90	8.90	11.55
Bank of Tianjin Co., Ltd.	1578	9.83	9.84	14.53
Jinshang Bank Co., Ltd.	2558	10.63	10.63	12.99
Bank of Gansu Co., Ltd.	2139	11.01	11.01	13.55
Harbin Bank Co., Ltd.	6138	9.74	9.75	12.15
Bank of Zhengzhou Co., Ltd.	6196	8.22	10.48	13.15



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## LETTER FROM SOMERLEY

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Name	Stock code	Core tier-one capital adequacy ratio (%)	Tier-one capital adequacy ratio (%)	Capital adequacy ratio (%)
Bank of Chongqing Co., Ltd. ("BoCQ")	1963	8.47	9.94	13.21
Jilin Jiutai Rural Commercial Bank Corporation Limited	6122	9.40	9.50	11.83
Luzhou Bank Co., Ltd.	1983	10.69	10.69	13.29
	<b>Average</b>	9.51	10.29	13.20
	<b>Median</b>	9.44	10.48	13.29
	<b>Maximum</b>	11.01	11.82	15.68
	<b>Minimum</b>	7.95	8.90	11.55
<b>The Bank</b>		<b>8.52</b>	<b>8.52</b>	<b>11.86</b>
<b>CBIRC statutory requirements</b>		<b>7.50</b>	<b>8.50</b>	<b>10.50</b>

*Source: The latest financial report published by the respective provincial or regional banks in the PRC*

*Notes:*

1. Although CZ Bank is a nationwide joint-stock commercial bank, we noted from its annual report for the year ended 31 December 2018 that a significant portion of its operation was based in the Yangtze River Delta region, accounting for approximately 60.4% of its total interest income. In contrast, only approximately 16.3%, 15.8% and 7.5% 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.
2. The ratios of BoJZ above were as at 30 June 2018.

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## LETTER FROM SOMERLEY

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The China Banking and Insurance Regulatory Commission (“**CBIRC**”) published the Capital Rules for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (the “**Rules**”) in June 2012 in response to the tightening capital requirement in the introduction of third installment of the Basel Accords (the “**Basel III**”), a global voluntary regulatory framework on bank capital adequacy, stress testing and market liquidity risk. As stated in the Rules, for non-systematically important banks, CBIRC requires statutory minimum requirements in core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 7.5%, 8.5% and 10.5% respectively. As noted from the above table, the Bank’s capital adequacy ratios as of 31 December 2018 amounted to 8.52%, 8.52% and 11.86%, which all satisfied the aforesaid regulatory requirements. That being said, all of the above capital adequacy ratios are notably lower than the industry average of 9.51%, 10.29% and 13.20% respectively and, in particular, tier-one capital adequacy ratio is lower than the minimum value of that of comparable banks. We understand that the primary reason for the Proposed Subscriptions and Issuance is to replenish the capital base and have a more resilient balance sheet to meet the regulatory requirements which are becoming more stringent over time. A more profound capital base is not only able to improve investors’ confidence in the Bank’s financial stability, but also an important prerequisite to support the Bank’s future business development plan.

### 3. Industry overview

The banking industry in the PRC is highly regulated and it is principally regulated by the CBIRC, the People’s Bank of China (“**PBOC**”) and the Ministry of Finance (“**MOF**”). The CBIRC is responsible for supervising and regulating banking financial institutions and insurance institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. The principal laws and regulations applicable to the PRC banking industry include the PRC Commercial Banking Law, the PRC PBOC Law and the PRC Banking Supervision and Regulatory Law, and the regulations and rules established thereunder.

The CBIRC published the Rules in June 2012 in response to the tightening capital requirement in the introduction of the Basel III. As stated in the Rules, for non-systematically important banks, the CBIRC requires statutory minimum requirements in core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 7.5%, 8.5% and 10.5% respectively. Basel III replaced the previous regulatory regime and it clarified the definition of capital, expanded the coverage of risk assets and enhanced the capital constraint mechanism of banks.

In recent years, commercial banks in China grew steadily. The following table summarises certain key information of the sector.

## LETTER FROM SOMERLEY

	As at or for the year ended 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>
Assets	151,355	172,336	199,345	232,253	252,404	268,240
Liabilities	141,183	160,022	184,140	214,823	232,870	246,578
Shareholders' equity	10,172	12,314	15,205	17,430	19,534	21,662
Profit after tax	1,418	1,555	1,593	1,649	1,748	1,830
Non-performing loan ratio	1.00%	1.25%	1.67%	1.74%	1.74%	1.83%

Source: the CBIRC

China's banking institutions can be mostly classified into large commercial banks, nationwide joint-stock commercial banks, city commercial banks, rural financial institutions and other banking financial institutions. The following table provides the total assets of various types of banking institutions in China.

	As at 31 December					
	2016		2017		2018	
	Total assets <i>(RMB billion)</i>	Market share <i>(%)</i>	Total assets <i>(RMB billion)</i>	Market share <i>(%)</i>	Total assets <i>(RMB billion)</i>	Market share <i>(%)</i>
Large commercial banks	86,598	37.29%	92,814	36.77%	98,353	36.67%
Nationwide joint-stock commercial banks <i>(Note 1)</i>	43,473	18.72%	44,962	17.81%	47,020	17.53%
City commercial banks	28,238	12.16%	31,722	12.57%	34,346	12.80%
Rural financial institutions <i>(Note 2)</i>	29,897	12.87%	32,821	13.00%	34,579	12.89%
Other banking financial institutions <i>(Note 3)</i>	44,047	18.96%	50,085	19.85%	53,942	20.11%
<b>Total</b>	<b>232,253</b>	<b>100.00%</b>	<b>252,404</b>	<b>100.00%</b>	<b>268,240</b>	<b>100.00%</b>

Source: the CBIRC

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## LETTER FROM SOMERLEY

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*Notes:*

1. Compared with large commercial banks, nationwide joint-stock commercial banks are more diversified in equity structure in regard to non-state-owned capital. Compared with city commercial banks, nationwide joint-stock commercial banks have non-regional limitations and are approved to engage in the business of commercial banks nationwide, while city commercial banks are generally limited to engage commercial banking activities within their respective designated geographic areas.
2. Rural financial institutions include rural commercial banks, rural credit cooperatives, rural cooperative banks and new rural financial institutions.
3. Other banking financial institutions include national development bank, political banks, privately owned banks, foreign banks, non-bank financial institutions, asset management companies and Postal Savings Bank.

As noted from the above table, city commercial banks made up of approximately 12.80% of the total assets of the banking industry as at 31 December 2018. Prior to becoming city commercial banks, they mostly operated in the form of urban credit cooperatives and engaged in providing financial support for small and medium-sized enterprises. However, with the rapid development of China's financial industry between the early 1980s to the late 1990s, credit issues had been exposed and causing financial distressed credit entities to have gradually transformed into city commercial banks under the support by the government.

According to annual reports published by CBIRC and its website, as of 31 December 2018, there were 134 city commercial banks in China. The table below summarises certain key information of this sub-sector.

	<b>As at or for the year ended 31 December</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>	<i>(RMB billion)</i>
Assets	15,178	18,084	22,680	28,238	31,722	34,346
Liabilities	14,180	16,837	21,132	26,404	29,534	31,825
Shareholders' equity	998	1,247	1,548	1,834	2,188	2,521
Profit after tax	164	186	199	224	247	246
Non-performing loan ratio	0.90%	1.20%	1.40%	1.50%	1.52%	1.79%

*Source: the CBIRC*

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## LETTER FROM SOMERLEY

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Different from large commercial banks and nationwide joint-stock commercial banks, city commercial banks are generally allowed to provide commercial banking services to institutions and individuals in specific regions. In recent years, the PBOC and the CBIRC have issued a series of policies and measures, including notice by the State Council on the Plan for Advancing the Development of Inclusive Finance (2016–2020), which encourage the provision of loans, innovative financial products and credit services to small and micro enterprises, including broader coverage and higher-quality services, lower reserve ratio and enhance customised services. Besides the increasing importance of banking service for small and micro enterprises, other trends of city commercial banks industry include increasing demand for personal financial service and opportunities brought by internet finance and development of venture lending.

#### 4. Financial information of the Bank

##### (a) Financial performance

Set out below is a summary of the audited financial results of the Bank for the years ended 31 December 2018, 2017 and 2016 as extracted from the Annual Reports.

	For the year ended 31 December		
	2018	2017	2016
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Net interest income	12,417.6	12,075.6	13,217.7
Net fee and commission income	626.7	1,612.8	1,913.9
Profit for the year	5,126.1	7,574.1	6,878.3
Net profit attributable to the Shareholders	5,128.7	7,580.1	6,864.5

##### *The year ended 31 December 2018 vs the year ended 31 December 2017*

For the year ended 31 December 2018, the Bank's net interest income was approximately RMB12,417.6 million, representing an increase of approximately RMB342.0 million or 2.8% from that for the year ended 31 December 2017. Net interest income constituted the largest component of the operating income of the Bank, accounting for 78.2% and 91.1% of the operating income for the years ended 31 December 2018 and 2017, respectively.

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## LETTER FROM SOMERLEY

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The Bank's interest income slightly increased from approximately RMB42,277.5 million for the year ended 31 December 2017 by approximately RMB528.0 million or 1.2% to approximately RMB42,805.5 million for the year ended 31 December 2018, primarily due to an increase in the volume of loans and advances to customers. The Bank's interest expense also increased, but in a lesser extent as compared to the interest income, up from approximately RMB30,201.9 million for the year ended 31 December 2017 by approximately RMB186.0 million or 0.6% to approximately RMB30,387.9 million for the year ended 31 December 2018, chiefly due to an increase in the debt securities issued by the Bank.

Net interest spread of the Bank reduced from 1.36% for the year ended 31 December 2017 to 1.33% for the year ended 31 December 2018, and the net interest margin of the Bank dropped from 1.50% for the year ended 31 December 2017 to 1.43% for the year ended 31 December 2018, primarily due to the decrease of average return rate of interest-earning assets, more specifically because of the decrease of average return rate of financial investment with higher return rate, loans and advances to customers, as well as the decrease of average return rate of deposits with banks and other financial institutions compared to that of prior year.

The Bank's net fee and commission income dropped from approximately RMB1,612.8 million for the year ended 31 December 2017 by approximately RMB986.1 million or 61.1% to approximately RMB626.7 million for the year ended 31 December 2018, primarily due to the decrease of agency and custody businesses.

As a result of, among other things, the decrease in net fee and commission income, the increase in net foreign exchange losses as well as the impairment losses on assets, primarily loans and advances to customers, net profit attributable to the Shareholders for the year ended 31 December 2018 was approximately RMB5,128.7 million, down by approximately RMB2,451.4 million or 32.3% from approximately RMB7,580.1 million for the year ended 31 December 2017.

### *The year ended 31 December 2017 vs the year ended 31 December 2016*

For the year ended 31 December 2017, the Bank's net interest income was approximately RMB12,075.6 million, representing a decrease of approximately RMB1,142.1 million or 8.6% from that for the year ended 31 December 2016. Net interest income constituted the largest component of the operating income of the Bank, accounting for 91.1% and 82.0% of the operating income for the years ended 31 December 2017 and 2016, respectively.

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## LETTER FROM SOMERLEY

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The Bank's interest income increased by approximately 17.3% from approximately RMB36,055.5 million for the year ended 31 December 2016 to approximately RMB42,277.5 million for the year ended 31 December 2017, primarily due to (i) an increase in the volume of financial investments; and (ii) an increase in the volume of loans and advances to customers. The Bank's interest expense increased more significantly as compared to the interest income, up from approximately RMB22,837.9 million for the year ended 31 December 2016 by approximately RMB7,364.0 million or 32.2% to approximately RMB30,201.9 million for the year ended 31 December 2017, chiefly due to the increase in interest expense on (i) deposits from customers as a result of the continued growth of the deposit business and higher proportion of time deposits; and (ii) the issuance of interbank deposits worth RMB485,300 million in 2017.

Net interest spread of the Bank decreased by 0.29% from 1.65% for the year ended 31 December 2016 to 1.36% for the year ended 31 December 2017, and the net interest margin of the Bank decreased from 1.75% for the year ended 31 December 2016 to 1.50% for the year ended 31 December 2017, primarily due to the rising costs of interest-bearing liabilities on the ground that: (i) the yield of loans and advances to customers with high returns decreased; (ii) Shanghai interbank offered rate increased in 2017 from the levels in 2016, and the capital cost grew higher, which led to a higher average cost of interest-bearing liabilities as compared with 2016.

Despite the decreases in the net interest income and net fee and commission income, net profit attributable to the Shareholders for the year ended 31 December 2017 has enhanced to approximately RMB7,580.1 million, up by approximately RMB715.6 million or 10.4% from approximately RMB6,864.5 million for the year ended 31 December 2016, chiefly due to the considerable reductions in impairment losses on, in particular, loans and advances to customers, and income tax expense.

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## LETTER FROM SOMERLEY

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**(b) Financial position**

Set out below is a summary of the audited consolidated financial position of the Bank as at 31 December 2018, 2017 and 2016 as extracted from the Annual Reports.

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
<b>Assets</b>			
Loans and advances to customers	368,078.0	271,782.8	228,880.7
Financial investments	474,765.8	566,365.8	463,365.7
Other assets	<u>142,589.1</u>	<u>192,468.8</u>	<u>213,236.2</u>
	<u>985,432.9</u>	<u>1,030,617.4</u>	<u>905,482.6</u>
<b>Liabilities</b>			
Deposits from banks and other financial institutions	80,993.7	153,651.6	143,378.5
Deposits from customers	524,940.5	473,580.8	415,246.2
Debt securities issued	186,567.2	140,920.2	87,289.2
Other liabilities	<u>135,902.0</u>	<u>210,209.1</u>	<u>213,194.1</u>
	<u>928,403.4</u>	<u>978,361.7</u>	<u>859,108.0</u>
<b>Equity</b>			
Equity attributable to Shareholders	56,457.9	51,681.4	45,794.4
Non-controlling interests	<u>571.6</u>	<u>574.3</u>	<u>580.2</u>
	<u><u>57,029.5</u></u>	<u><u>52,255.7</u></u>	<u><u>46,374.6</u></u>

Total assets of the Bank as at 31 December 2018, 2017 and 2016 were approximately RMB985,432.9 million, RMB1,030,617.4 million and RMB905,482.6 million, respectively. The decrease in the total assets as at 31 December 2018, as compared with that as at 31 December 2017, was mainly because of the Bank's strategic adjustment and improvement in business structure in view of changes to internal and external environments. The principal components of the Bank's assets are (i) loans and advances to customers; and (ii) financial investments, which accounted for approximately 37.4% and 48.2%, respectively, of total assets of the Bank as at 31 December 2018.



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## LETTER FROM SOMERLEY

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The loans and advances to customers made by the Bank consist substantially of corporate loans. Corporate loans, which are extended to enterprises in Northeast China region in the industries including wholesale and retail, renting and business activities and manufacturing, accounted for approximately 46.0%, 11.6% and 10.8% of the total loan amount respectively as at 31 December 2018. As at the same date, the balance of non-performing loans of the Bank amounted to RMB6,441.5 million and the non-performing loan ratio was 1.71%, representing an increase of 0.22 percentage point as compared to that at the end of 2017.

The financial investments of the Bank mainly comprise investments in investment and management products managed by securities companies and under the trust plan, policy bank bonds, government bonds and bonds of banks and other financial institutions.

Total liabilities of the Bank as at 31 December 2018, 2017 and 2016 were approximately RMB928,403.4 million and RMB978,361.7 million and RMB859,108.0 million, respectively. The Bank's liabilities mainly consist of (i) deposits from customers; (ii) debt securities issued; and (iii) deposits from banks and other financial institutions, which accounted for approximately 56.5%, 20.1% and 8.7% respectively, of total liabilities as at 31 December 2018.

Deposits from customers largely consist of demand deposits and time deposits from corporate customers as well as time deposits from personal customers. Debt securities issued by the Bank mainly comprise interbank certificates of deposits.

To summarise, the recent financial performance of the Bank has not been very satisfactory. Although the Bank recorded relative flat net interest income for the year ended 31 December 2018 as compared to that for previous year, the Bank's net interest spread decreased from approximately 1.65% for the year ended 31 December 2016 to approximately 1.36% for the year ended 31 December 2017 and further dropped to approximately 1.33% for the year ended 31 December 2018. Also, the net fee and commission income had been decreasing from 2016 to 2018. The reductions in net fee and commission income and net interest spread, together with the increases in net foreign exchange losses and impairment losses on assets, led to a decline of the profit attributable to the Shareholders by approximately 32.3% for the year ended 31 December 2018.

Although the Bank's capital adequacy ratios, namely, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratios, satisfied the statutory minimum requirements, they are notably lower than the industry average and, in particular, its tier-one capital adequacy ratio falls below the minimum value of that of comparable banks. Having considered the financial performance of the Bank, we concur with the management of the Bank that the Proposed Subscriptions and Issuance will help improve the Bank's capital adequacy ratios and thus strengthening their risk management ability, supporting its future growth and maintaining sustainable development.

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## LETTER FROM SOMERLEY

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### 5. Principal terms of the Share Subscription Agreements

Set out below is a summary of the principal terms of the Share Subscription Agreements. Further details of the Share Subscription Agreements are set out in the letter from the Board contained in the Circular.

	<b>The Domestic Share Subscription Agreement</b>	<b>Zhengbo H Share Subscription Agreement</b>	<b>Future Capital H Share Subscription Agreement</b>
<b>Date:</b>		20 June 2019	
<b>Parties:</b>	(i) the Bank (as the issuer)  (ii) Evergrande Nan Chang (as the subscriber)	(i) the Bank (as the issuer)  (ii) Zhengbo (as the subscriber)	(i) the Bank (as the issuer)  (ii) Future Capital (as the subscriber)
<b>Subject matter:</b>	2,200.0 million Domestic Shares to be issued by the Bank, with a par value of RMB1.0 each and an aggregate nominal value of RMB2,200 million, subject to the subscription amount finally approved by domestic and overseas regulatory authorities	400.0 million H Shares to be issued by the Bank, with a par value of RMB1.0 each and an aggregate nominal value of RMB400.0 million, to each of Zhengbo and Future Capital, subject to the subscription amount finally approved by domestic and overseas regulatory authorities	
<b>Subscription price:</b>	RMB6.00 (equivalent to approximately HK\$6.818182) per Domestic Share	HK\$6.818182 (equivalent to approximately RMB6.00) per H Share	

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## LETTER FROM SOMERLEY

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	<b>The Domestic Share Subscription Agreement</b>	<b>Zhengbo H Share Subscription Agreement</b>	<b>Future Capital H Share Subscription Agreement</b>
<b>Key conditions precedent:</b>	<ul style="list-style-type: none"> <li>(i) the Proposed Subscriptions and Issuance of Domestic Shares having been duly approved by the board of directors of the Evergrande Nan Chang and China Evergrande Group;</li> <li>(ii) the Proposed Subscriptions and Issuance having been duly approved by the Board;</li> <li>(iii) the Proposed Subscriptions and Issuance having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;</li> <li>(iv) the Whitewash Waiver having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;</li> <li>(v) the Executive having granted the Whitewash Waiver;</li> <li>(vi) the Hong Kong Stock Exchange having approved the listing of and dealing in the H Subscription Shares on the Main Board of the Hong Kong Stock Exchange;</li> </ul>	<ul style="list-style-type: none"> <li>(i) the Proposed Subscriptions and Issuance of H Shares having been duly approved by the board of directors or general meeting of the subscribers (subject to the articles of associations of the subscriber);</li> <li>(ii) the Proposed Subscriptions and Issuance having been duly approved by the Board;</li> <li>(iii) the Proposed Subscriptions and Issuance having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;</li> <li>(iv) the Whitewash Waiver having been duly approved by the Independent Shareholders at the EGM and the Class Meetings;</li> <li>(v) the Executive having granted the Whitewash Waiver;</li> <li>(vi) the Hong Kong Stock Exchange having approved the listing of and dealing in the H Subscription Shares on the Main Board of the Hong Kong Stock Exchange;</li> </ul>	

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## LETTER FROM SOMERLEY

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**The Domestic Share  
Subscription Agreement**

**Zhengbo H Share  
Subscription  
Agreement**

**Future Capital H  
Share Subscription  
Agreement**

(vii) the parties having obtained all other necessary domestic and overseas regulatory approvals required for the Proposed Subscriptions and Issuance of Domestic Shares (if required); and

(viii) the conditions precedent no. (i) to (vii) above and the rest of the conditions precedent to the Proposed Subscriptions and Issuance of H Shares set out in the H Share Subscription Agreements having been fulfilled.

Other conditions precedent of the Domestic Share Subscription Agreement are set out in the letter from the Board contained in the Circular.

None of the conditions precedent of the Domestic Share Subscription Agreement may be waived by any party to the Domestic Share Subscription Agreement. If any conditions precedent to the Domestic Share Subscription Agreement cannot be fulfilled (including but not limited to, if the Whitewash Waiver is not granted or approved as per conditions (iv) and (v) above), the Proposed Subscription and Issuance of Domestic Shares will not proceed.

(vii) the parties having obtained all other necessary domestic and overseas regulatory approvals required for the Proposed Subscriptions and Issuance of H Shares (if required); and

(viii) the conditions precedent to no. (i) to (vii) above and the rest of the conditions precedent to the Proposed Subscription and Issuance of Domestic Shares set out in the Domestic Share Subscription Agreement having been fulfilled.

Other conditions precedent of the H Share Subscription Agreements are set out in the letter from the Board contained in the Circular.

None of the conditions precedent of the H Share Subscription Agreements may be waived by any party to the H Share Subscription Agreements. If any conditions precedent to the H Share Subscription Agreements cannot be fulfilled (including but not limited to, if the Whitewash Waiver is not granted or approved as per conditions (iv) and (v) above), the Proposed Subscriptions and Issuance of H Shares will not proceed.

If the conditions precedent to the H Share Subscription Agreement are not fulfilled by 30 April 2020, unless parties to the H Share Subscription Agreements agree to extend, the transactions contemplated under the H Share Subscription Agreements will not proceed.

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## LETTER FROM SOMERLEY

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**The Domestic Share  
Subscription Agreement**

**Zhengbo H Share  
Subscription  
Agreement**

**Future Capital H  
Share Subscription  
Agreement**

If the conditions precedent to the Domestic Share Subscription Agreement are not fulfilled by 30 April 2020, unless parties to the Domestic Share Subscription Agreement agree to extend, the transactions contemplated under the Domestic Share Subscription Agreement will not proceed.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled except for (i) and (ii).

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled except for (i) and (ii).

**Completion:**

Evergrande Nan Chang shall ensure the consideration is paid on the Domestic Share Issuance Date to the bank account designated by the Bank.

Zhengbo and Future Capital shall ensure the consideration is paid to the bank account of the broker(s) designated by the Bank at least one business day prior to the H Share Issuance Date. Upon receipt of the total purchase price to be paid by Zhengbo and Future Capital under the H Share Subscription Agreements, the Bank shall issue the H Subscription Shares under the name of Zhengbo and Future Capital respectively on the H Share Issuance Date.

Details of the documents to be delivered by the Bank and Evergrande Nan Chang are set out in the letter from the Board contained in the Circular.

**Lock-up:**

Evergrande Nan Chang shall not transfer any of the Domestic Subscription Shares within five (5) years from the date on which the registration of Domestic Subscription Shares is completed under the China Securities Depository and Clearing Corporation Limited, except for special circumstances as set out in the letter from the Board contained in the Circular.

Zhengbo and Future Capital shall not transfer or entrust for management any of the H Subscription Shares within six (6) months from the date on which the Proposed Subscriptions and Issuance of H Shares is completed. The Bank shall not repurchase any of the H Subscription Shares during the aforesaid period.

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## LETTER FROM SOMERLEY

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	<b>The Domestic Share Subscription Agreement</b>	<b>Zhengbo H Share Subscription Agreement</b>	<b>Future Capital H Share Subscription Agreement</b>
<b>Arrangement in relation to undistributed retained profits</b>	The undistributed retained profits of the Bank before completion of the Proposed Subscriptions and Issuance will be shared by the Shareholders of the Bank after the completion of the Proposed Subscriptions and Issuance in proportion to their respective shareholding in the Bank. For the avoidance of doubt, this shall not apply to the profit distribution for the year 2018 resolved at the 2018 annual general meeting of the Bank.		
<b>Arrangement in relation to ex- rights and ex- dividend:</b>	Except for the profit distribution for the year 2018, the Bank shall not make any ex-rights and ex-dividends arrangements, including but not limited to, dividends distribution, bonus issue or conversion of its capital reserve into share capital from the date of the Domestic Share Subscription Agreement to the completion date of registration of the Domestic Subscription Shares with China Securities Depository and Clearing Corporation Limited without written consent of Evergrande Nan Chang.	Not applicable	
<b>Termination:</b>	Evergrande Nan Chang has the right to unilaterally terminate the Domestic Share Subscription Agreement if there is any Material Adverse Changes in the Bank as of the Domestic Share Issuance Date. Other terms of termination of the Domestic Share Subscription Agreement are set out in the letter from the Board contained in the Circular.	The H Share Subscription Agreement may be terminated upon unanimous written consent of the parties to the relevant H Share Subscription Agreement. Other terms of termination of the H Share Subscription Agreements are set out in the letter from the Board contained in the Circular.	

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## LETTER FROM SOMERLEY

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The Proposed Subscription and the Issuance of Domestic Shares and the Proposed Subscriptions and Issuance of H Shares are inter-conditional upon each other. If the Proposed Subscription and Issuance of Domestic Shares is not approved at the EGM and Class Meetings or by competent regulatory authorities, or cannot proceed due to other reasons, the Proposed Subscriptions and Issuance of H Shares will not proceed. Similarly, if the Proposed Subscriptions and Issuance of H Shares are not approved at the EGM and Class Meetings or by competent regulatory authorities, or cannot proceed due to other reasons, then the Proposed Subscription and Issuance of Domestic Shares will not proceed.

The interconditionality of the Proposed Subscription and the Issuance is for the following reasons: (i) given that the Domestic Shares held by Evergrande Nan Chang will not be treated as being held in public hands and completion of the Proposed Subscription and Issuance of Domestic Shares alone will significantly dilute shareholding of the H Shareholders which may cause the public float of the Bank drop below 25% as required under the Listing Rules; and (ii) the Proposed Subscriptions and Issuance shall form an integrated transaction from the Bank's perspective which reflects the Bank's genuine capital needs to strengthen the Bank's capital base for the purpose of supporting the ongoing growth of the Bank's business.

Having considered the above and other factors as set out in this letter, we are of the view that the terms of the Domestic Share Subscription Agreement are on normal commercial terms.

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## LETTER FROM SOMERLEY

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### 6. Evaluation of the Proposed Subscription Price

#### (a) Comparison of the H Share prices

A comparison of the subscription price of the Proposed Subscriptions and Issuance of RMB6.00 (equivalent to approximately HK6.818182) per Domestic Share or HK\$6.818182 (equivalent to approximately RMB6.00) per H Share (the “**Proposed Subscription Price**”) with the recent closing prices of the H Shares around the Last Trading Day and 18 April 2019, being the last trading day before the announcement of the possible fund-raising plan of the Bank (the “**Trading Day Before the Announcement of the Fund-raising Plan**”), is set out as follows:

	Average closing price of the H Shares <i>(HK\$)</i>	Premium of the Proposed Subscription Price over the average closing price of the H Shares		Average closing price of the H Shares <i>(HK\$)</i>	Premium of the Proposed Subscription Price over the average closing price of the H Shares
19 June 2019 (“ <b>Last Trading Day</b> ”)	4.97	37.2%	18 April 2019 (the “ <b>Trading Day Before the Announcement of the Fund-raising Plan</b> ”)	4.79	42.3%
5-day average to the Last Trading Day	5.20	31.1%	5-day average to the Trading Day Before the Announcement of the Fund-raising Plan	4.53	50.5%



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**LETTER FROM SOMERLEY**

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	Average closing price of the H Shares <i>(HK\$)</i>	Premium of the Proposed Subscription Price over the average closing price of the H Shares		Average closing price of the H Shares <i>(HK\$)</i>	Premium of the Proposed Subscription Price over the average closing price of the H Shares
10-day average to the Last Trading Day	5.08	34.2%	10-day average to the Trading Day Before the Announcement of the Fund-raising Plan	4.34	57.1%
30-day average to the Last Trading Day	4.52	50.8%	30-day average to the Trading Day Before the Announcement of the Fund-raising Plan	4.22	61.6%
90-day average to the Last Trading Day	4.21	62.0%	90-day average to the Trading Day Before the Announcement of the Fund- raising Plan	3.75	81.8%
180-day average to the Last Trading Day	3.83	78.0%	180-day average to the Trading Day Before the Announcement of the Fund- raising Plan	3.77	80.9%
Latest Practicable Date	5.60	21.8%			

*Note:* The H Share prices in the table above have been adjusted for the final dividend of the Bank for the year ended 31 December 2018.

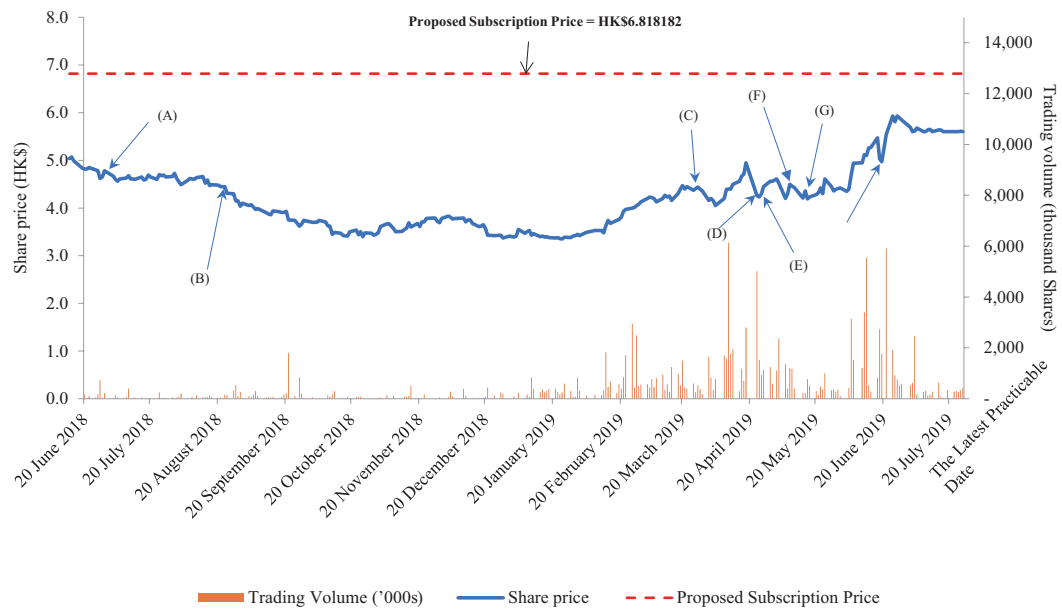
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## LETTER FROM SOMERLEY

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### (b) Historical H Share price performance

Set out in the chart below is the daily closing prices of H Shares of the Bank on the Hong Kong Stock Exchange for the period from 20 June 2018, being one year prior to the date of the Share Subscription Agreements, up to and including the Latest Practicable Date (the “**Review Period**”). The Share price movement during the Review Period, which is considered to be a fair market value of the Company having taken into account the latest financial position, performance of the Group and market sentiment, is useful and relevant for conducting a reasonable comparison among the historical closing prices of the H Shares and the Proposed Subscription Price. The H Share price performance during the Review Period is illustrated as follows:



Source: The website of the Hong Kong Stock Exchange

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## LETTER FROM SOMERLEY

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As set out in the discussion below, the Bank announced a number of developments during the Review Period, which are considered to be important in shaping the historical H Share price:

<b>Event</b>	<b>Date</b>	<b>Details of the events</b>
(A)	29 Jun 2018	Announcement on proposed issuance of capital bonds with no fixed term
(B)	23 Aug 2018	Announcement of interim results for the six months ended 30 June 2018
(C)	29 Mar 2019	Announcement of annual results for the year ended 31 December 2018
(D)	22 Apr 2019	Announcement of the Fund-raising Plan
(E)	23 Apr 2019	Announcement of resignation of chairperson
(F)	10 May 2019	Announcement of appointment of chairperson
(G)	17 May 2019	Announcement of update on possible Fund-raising Plan
(H)	20 Jun 2019	Announcement of the Proposed Subscriptions and Issuance

As illustrated in the chart above, the H Share price closed in a range between HK\$3.35 and HK\$5.93 during the Review Period and it had remained lower than the Proposed Subscription Price throughout the entire Review Period. The discount of the closing H Share price to the Proposed Subscription Price ranged from 13.0% to 50.9% during the Review Period.

Since the beginning of the Review Period, the H Share price demonstrated a downward trend, edging down gradually from approximately HK\$4.82 per H Share at the beginning of the Review Period to the lowest of HK\$3.35 on 24 January 2019. The drop in H Share price was largely in the same direction of the market and mainly as a result of the possible trade war between China and the United States. Since the end of January 2019, the H Share price had gained positive momentum and started to climb as the market sentiment improved. On 29 March 2019, the Bank published its 2018 annual results announcement, which had shown a deteriorated result as compared to that in prior year, and the H Share price began to drop in the following trading days. Noteworthy, the Bank published the announcement of the Fund-raising Plan on 22 April 2019 and the closing H Share price plummeted from HK\$4.95 per H Share to HK\$4.26 per H Share on the following trading day. Subsequently on 17 May 2019, the Bank published an update announcement stating that it would not proceed with the announced rights issue plan and the closing H Share price increased mildly from HK\$4.23 per H Share to HK\$4.28 per H Share.

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## LETTER FROM SOMERLEY

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On 20 June 2019, the announcement in relation to the Proposed Subscriptions and Issuance (the “**Announcement**”) was published. The closing price of the H Shares increased from HK\$4.97 on the Last Trading Day to HK\$5.55 on 21 June 2019, being the first trading day after the publication of the Announcement, representing an increase of approximately 11.7%. In our view, the increase in the H Share price might be due to a favourable market reaction to the Proposed Subscriptions and Issuance following the Announcement. The H Share price closed at HK\$5.60 on the Latest Practicable Date.

*(c) Comparable Non-bank Issues*

We have performed an analysis of comparable issues by selecting, on the best effort basis, all share issues announced on the website of the Hong Kong Stock Exchange in the past 12 months from the date of the Announcement by companies (excluding banks) listed on the Hong Kong Stock Exchange which involved placing/subscription/issue of new shares representing over 20% of the then existing issued shares under specific mandate as at the date of the respective announcements (the “**Comparable Non-bank Issues**”).

We consider that a review period covering the past 12 months is appropriate as the Comparable Non-bank Issues are considered relevant for the purpose of assessing recent market practices in relation to setting of placing/subscription/issue prices under similar market conditions. The Comparable Non-bank Issues further back in time may not be indicative of the current market sentiment. The Comparable Non-bank Issues have excluded the share issues announced by listed companies which (i) were mainly used to satisfy consideration for acquisition of assets or to capitalise loans; (ii) had deficiency in assets at such time; (iii) were under prolonged suspension at such time; (iv) were under debt restructuring at such time; or (v) involved issuance of restricted stocks, as pricing basis is considered to be different from that of the Proposed Subscriptions and Issuance and the Comparable Non-bank Issues are considered to be a fair and representative sample.

It should be noted that the subject companies in the Comparable Non-bank Issues may have different principal activities, market capitalisation, profitability and financial positions as compared to those of the Bank. However, as the Comparable Non-bank Issues can provide a general understanding of the pricing for this type of transaction in Hong Kong under the current market environment, we consider them relevant in assessing the fairness and reasonableness of the Proposed Subscription Price.

## LETTER FROM SOMERLEY

For each of the Comparable Non-bank Issues identified, we compared the placing/ subscription/issue price with (a) the closing price on the last trading day prior to the issue of the respective announcement; (b) the average closing price for the last 5, 10 and 30 trading days up to and including the last trading day prior to the issue of the respective announcement; and (c) net asset value (“NAV”) per share attributable to the owners of the companies prior to the issue of the respective announcement. Set out below is the summary of the Comparable Non-bank Issues:

Date of announcement	Name (stock code)	Premium/(discount) of placing/subscription/issue price over/(to)				the NAV per share <i>(Note)</i>	Connected transaction
		the average closing price for last 5 trading days	the average closing price for last 10 trading days	the average closing price for last 30 trading days	the closing price on the last trading day		
6 July 2018	Sinofortune Financial Holdings Limited (“Sinofortune”) (8123)	5.3%	3.8%	3.3%	(1.4%)	15.4%	Yes
24 July 2018	Shougang Concord International Enterprises Company Limited (“Shougang Concord”) (697)	28.9%	30.2%	33.0%	24.5%	(32.5)%	Yes
12 October 2018	Quali-Smart Holdings Limited (“Quali-Smart”) (1348)	(39.7)%	(38.2)%	(39.3)%	(39.6)%	20.1%	No
26 October 2018	Elife Holdings Limited (“Elife”) (223)	5.0%	8.7%	8.6%	5.3%	104.4%	No
14 December 2018	Shenwan Hongyuan (HK) Limited (“Shenwan Hongyuan”) (218)	30.9%	30.9%	28.5%	28.7%	(24.0)%	Yes
20 January 2019	Panda Green Energy Group Limited (“Panda Green”) (686)	(23.1)%	(22.3)%	(23.4)%	(21.8)%	(56.6)%	No

## LETTER FROM SOMERLEY

Date of announcement	Name (stock code)	Premium/(discount) of placing/subscription/issue price over/(to)				the NAV per share <i>(Note)</i>	Connected transaction
		the average closing price for last 5 trading days	the average closing price for last 10 trading days	the average closing price for last 30 trading days	the closing price on the last trading day		
		up to and including the last trading day	up to and including the last trading day	up to and including the last trading day			
13 February 2019	National Arts Entertainment and Culture Group Limited (“National Arts”) (8228)	2.0%	0.8%	1.2%	0.7%	211.4%	No
17 February 2019	IBO Technology Company Limited (“IBO Technology”) (2708)	(6.3)%	(5.8)%	(6.4)%	(9.6)%	115.4%	Yes
27 February 2019	Yuexiu Property Company Limited (“Yuexiu Property”) (123)	22.0%	22.2%	24.9%	28.5%	(35.5)%	No
2 May 2019	ZH International Holdings Limited (“ZH International”) (185)	11.8%	8.3%	7.8%	15.6%	83.0%	Yes
14 May 2019	Jiangsu Nandasoft Technology Company Limited (“Jiangsu Nandasoft”) (8045)	(3.2)%	6.6%	3.1%	(2.9)%	11.2%	No
	<b>Average</b>	<b>3.1%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>2.5%</b>	<b>36.8%</b>	
	<b>Median</b>	<b>5.0%</b>	<b>6.6%</b>	<b>3.3%</b>	<b>0.7%</b>	<b>15.4%</b>	
	<b>Maximum</b>	<b>30.9%</b>	<b>30.9%</b>	<b>33.0%</b>	<b>28.7%</b>	<b>211.4%</b>	
	<b>Minimum</b>	<b>(39.7)%</b>	<b>(38.2)%</b>	<b>(39.3)%</b>	<b>(39.6)%</b>	<b>(56.6)%</b>	
	<b>The Proposed Subscription Price</b>	<b>37.2%</b>	<b>31.1%</b>	<b>34.2%</b>	<b>50.9%</b>	<b>(38.3)%</b>	

Source: The website of the Hong Kong Stock Exchange

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## LETTER FROM SOMERLEY

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*Note:* The NAV per share of the companies are calculated based on the net asset attributable to the owners of companies as disclosed in their latest financial reports prior to the release of the announcements divided by the number of issued shares outstanding as set out in their latest monthly returns prior to the release of the announcements.

(i) Comparison of the Proposed Subscription Price with trading prices

A total of 11 Comparable Non-bank Issues have been identified which, in our opinion, represent an exhaustive and representative list based on our selection criteria and is considered appropriate for our evaluation. 3 out of the 11 Comparable Non-bank Issues (i.e. Quali-Smart, Panda Green and IBO Technology) had the placing/subscription/issue price represented discounts ranging from 6.3% to 39.7%, 5.8% to 38.2%, 6.4% to 39.3% and 9.6% to 39.6% to their respective closing share prices on the last trading day, 5-day, 10-day and 30-day average closing share prices with average discounts of 23.0%, 22.1%, 23.0% and 23.7% respectively.

4 Comparable Non-bank Issues (i.e. Sinofortune, Elife, National Arts and Jiangsu Nandasoft) had the placing/subscription/issue price close to their respective closing share price ranging from a discount of 3.2% to a premium of 5.3%, a premium of 0.8% to a premium of 8.7%, a premium of 1.2% to a premium of 8.6% and a discount of 2.9% to a premium of 5.3% to/over their respective closing share prices on the last trading day, 5-day, 10-day and 30-day average closing share prices with average premiums of 2.3%, 5.0%, 4.1% and 0.4% respectively.

The remaining 4 Comparable Non-bank Issues (i.e. Shougang Concord, Shenwan Hongyuan, Yuexiu Property and ZH International), of which Shougang Concord, Shenwan Hongyuan and ZH International issued new shares to their respective connected persons, generally had the placing/subscription/issue price represented premiums ranging from 11.8% to 30.9%, 8.3% to 30.9%, 7.8% to 33.0% and 15.6% to 28.7% over their respective closing share prices on the last trading day, 5-day, 10-day and 30-day average closing share prices with average premiums of 23.4%, 22.9%, 23.6% and 24.3% respectively. Shougang Concord's share issue offered the highest premiums of subscription price over the prevailing closing share prices ranging from 24.5% to 33.0%.

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## LETTER FROM SOMERLEY

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As set out in the table above, the Proposed Subscription Price represents premium of approximately 37.2% over the closing H Share price on the Last Trading Day; and (b) premiums of approximately 31.1%, 34.2% and 50.9% over the average closing H Share prices for the last 5, 10, and 30 trading days up to and including the Last Trading Day respectively. These premiums are higher than those premiums in the share issue by Shougang Concord.

(ii) Comparison of the Proposed Subscription Price with NAV per share

The Proposed Subscription Price represents a discount of approximately 38.3% to the latest NAV per Share and is within the range of discount and premium represented by the placing/subscription/issue price as compared to the NAV per share of the Comparable Non-bank Issues, which are ranging from a discount of 56.6% to a premium of 211.4% and have an average of a premium of 37.5%. Those companies under the Comparable Non-bank Issues would be subject to different valuation by the market based on their different industries, profitability and financial positions, with some companies were traded above their NAV per share and some below before the proposed issuance of new shares, resulting in a rather wide range of price-to-book multiples (the “**P/B Multiples**”) which would not be considered useful for our analysis.

The wide range of the premium over and discount to NAV per share as demonstrated by the Comparable Non-bank Issues shows that it has not been a common market practice to have NAV per share as a pricing basis in an exercise similar to the Proposed Subscription and Issuance of Domestic Shares.

Given that the closing H Share price of the Bank had been lower than its NAV per Share thorough out the Review Period, it would not be commercially feasible for the Bank to secure subscriber(s) or placing agent(s) to agree on an issue price higher than or equal to the NAV per Share. As majority of the Comparable Non-bank Issues had the issue prices representing discounts to or close to the prevailing market prices, the Bank might possibly be subject to a deeper discount to NAV per Share if it has conducted the Proposed Subscription and Issuance of Domestic Shares with other subscribers or through placing agents.



## LETTER FROM SOMERLEY

### (d) Comparable Bank Issues

Apart from the Comparable Non-bank Issues analysis as set forth above, we have also reviewed placing/subscription/issue of new shares by banks listed on the Hong Kong Stock Exchange as announced during the period from June 2014 (i.e. approximately 5 years before the date of the Share Subscription Agreements, which, in our opinion, is sufficient to establish a reasonable and meaningful sample size of the placing/subscription/issue of new shares by banks) to the Latest Practicable Date. On a best effort basis, we have identified 11 comparable issues by banks from the website of the Hong Kong Stock Exchange (the “Comparable Bank Issues”), which, in our opinion, represent an exhaustive and representative list based on the above selection criteria. Details of the Comparable Bank Issues are set out in the table below:

Date of announcement	Name (stock code)	Premium/(discount) of placing/ subscription/issue price over/(to) average closing share price				Premium/ (discount) of placing/ subscription/ issue price over/(to) the NAV per share (Note 1)	P/B Multiple as at the last trading day (the “Trading P/B Multiple”) (Note 2)	Implied P/B Multiple of the Comparable Bank Issues (the “Comparable Implied P/B Multiple”) (Note 3)	Comparable B Multiple over the Trading P/B Multiple (the “Issue Ratio”) (B)/(A)
		last trading day	5-day	10-day	30-day				
<b>Provincial and regional banks</b>									
14 Dec 2018	BoJZ (416)	9.9%	7.8%	3.1%	0.3%	1.5%	0.92	1.02	1.10
23 Mar 2018	CZ Bank (2016) (Note 4)	(1.8)%	0.0%	(0.2)%	2.2%	9.3%	1.11	1.09	0.98
23 Aug 2017	CQRC Bank (3618)	20.5%	19.8%	19.9%	18.2%	(2.4)%	0.81	0.98	1.21
16 Dec 2016	BoJZ (416)	(11.2)%	(9.5)%	(9.7)%	(7.1)%	33.8%	1.51	1.34	0.89
31 Dec 2015	Huishang Bank (3698)	16.5%	18.9%	19.9%	20.6%	5.4%	0.90	1.05	1.17
24 Jun 2015	BoCQ (1963)	(3.2)%	(0.8)%	(2.5)%	(2.6)%	14.5%	1.18	1.15	0.97
11 Nov 2014	Huishang Bank (3698)	12.4%	12.7%	22.4%	13.3%	11.1%	0.99	1.11	1.12
	<b>Average</b>	<b>6.2%</b>	<b>7.0%</b>	<b>7.6%</b>	<b>6.4%</b>	<b>10.5%</b>	<b>1.06</b>	<b>1.11</b>	<b>1.06</b>
	<b>Median</b>	<b>9.9%</b>	<b>7.8%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>9.3%</b>	<b>0.99</b>	<b>1.09</b>	<b>1.10</b>
	<b>Maximum</b>	<b>20.5%</b>	<b>19.8%</b>	<b>22.4%</b>	<b>20.6%</b>	<b>33.8%</b>	<b>1.51</b>	<b>1.34</b>	<b>1.21</b>
	<b>Minimum</b>	<b>(11.2)%</b>	<b>(9.5)%</b>	<b>(9.7)%</b>	<b>(7.1)%</b>	<b>(2.4)%</b>	<b>0.81</b>	<b>0.98</b>	<b>0.89</b>

## LETTER FROM SOMERLEY

Date of announcement	Name (stock code)	Premium/(discount) of placing/ subscription/issue price over/(to) average closing share price				NAV per share (Note 1)	“Trading P/B Multiple” (Note 2)	Implied P/B Multiple (Note 3)	Comparable B Multiple of the Bank Issues (the “Comparable P/B Multiple”)	Comparable B Multiple over the Trading P/B Multiple (the “Issue Ratio”)
		last trading day	5-day	10-day	30-day					
<b>Nationwide banks and banks in Hong Kong (Note 5)</b>										
14 Aug 2018	Chong Hing Bank Ltd (“CHB”) (1111)	(2.1)%	(2.7)%	(1.7)%	(3.1)%	(39.7)%	0.62	0.60	0.98	
2 May 2017	China Everbright Bank Company Ltd (“CEB Bank”) (6818)	48.0%	46.5%	47.1%	41.1%	(4.0)%	0.65	0.96	1.48	
25 Sept 2015	CEB Bank (6818) (Note 6)	42.8%	44.1%	29.0%	29.5%	7.0%	0.75	1.07	1.43	
18 Mar 2015	Bank of East Asia (23)	0.5%	1.1%	0.3%	(4.7)%	0.8%	1.00	1.01	1.01	
	<b>Average</b>	<b>22.3%</b>	<b>22.3%</b>	<b>18.7%</b>	<b>15.7%</b>	<b>(9.0)%</b>	<b>0.75</b>	<b>0.91</b>	<b>1.22</b>	
	<b>Median</b>	<b>21.7%</b>	<b>22.6%</b>	<b>14.6%</b>	<b>13.2%</b>	<b>(1.6)%</b>	<b>0.70</b>	<b>0.98</b>	<b>1.22</b>	
	<b>Maximum</b>	<b>48.0%</b>	<b>46.5%</b>	<b>47.1%</b>	<b>41.1%</b>	<b>7.0%</b>	<b>1.00</b>	<b>1.07</b>	<b>1.48</b>	
	<b>Minimum</b>	<b>(2.1)%</b>	<b>(2.7)%</b>	<b>(1.7)%</b>	<b>(4.7)%</b>	<b>(39.7)%</b>	<b>0.62</b>	<b>0.60</b>	<b>0.98</b>	
<b>Overall</b>										
	<b>Average</b>	<b>12.0%</b>	<b>12.5%</b>	<b>11.6%</b>	<b>9.8%</b>	<b>3.4%</b>	<b>0.95</b>	<b>1.03</b>	<b>1.12</b>	
	<b>Median</b>	<b>9.9%</b>	<b>7.8%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>5.4%</b>	<b>0.92</b>	<b>1.05</b>	<b>1.10</b>	
	<b>Maximum</b>	<b>48.0%</b>	<b>46.5%</b>	<b>47.1%</b>	<b>41.1%</b>	<b>33.8%</b>	<b>1.51</b>	<b>1.34</b>	<b>1.48</b>	
	<b>Minimum</b>	<b>(11.2)%</b>	<b>(9.5)%</b>	<b>(9.7)%</b>	<b>(7.1)%</b>	<b>(39.7)%</b>	<b>0.62</b>	<b>0.60</b>	<b>0.89</b>	
	<b>The Proposed Subscription Price</b>	<b>37.2%</b>	<b>31.1%</b>	<b>34.2%</b>	<b>50.8%</b>	<b>(38.3)%</b>	<b>0.45</b>	<b>0.62</b>	<b>1.37</b>	

Source: Bloomberg and the website of the Hong Kong Stock Exchange

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## LETTER FROM SOMERLEY

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*Notes:*

1. The NAV per share of the banks are calculated based on the NAV attributable to the owners (or ordinary shareholders, if applicable) of the banks as disclosed in the latest results announcement or financial report prior to the release of the fund-raising announcement divided by the number of issued shares in the latest monthly return (or next day disclosure return, if applicable) prior to the release of the fund-raising announcement.
  2. The Trading P/B Multiples are calculated based on the market capitalisation of the banks on the last trading day prior to the fund-raising announcement divided by the NAV attributable to owners (or ordinary shareholders, if applicable) of the banks as disclosed in the latest results announcement or financial report prior to the date of the fund-raising announcement.
  3. The Comparable Implied P/B Multiples are calculated based on the implied market capitalisation of the banks (calculated by using the placing/subscription/issue price as disclosed in the fund-raising announcement multiplies by the number of issued shares) divided by the NAV attributable to owners (or ordinary shareholders, if applicable) of the banks as disclosed in the latest results announcement or financial report prior to the date of the fund-raising announcement.
  4. Although CZ Bank is a nationwide joint-stock commercial bank, we are of the view that the geographical presence of CZ Bank is comparable to the provincial and regional banks in the PRC.
  5. While the operating locations among the Bank and the nationwide banks and banks in Hong Kong may be different, they are all principally engaged in banking and therefore we consider the nationwide banks and banks in Hong Kong are comparable to the Bank for analysis in this sub-section.
  6. The proposed non-public issuance of H shares by CEB Bank was approved by its independent shareholders in its shareholders' meetings in 2015. However, as disclosed in CEB Bank's annual report for the year ended 31 December 2016, the proposed non-public issuance of H shares by CEB Bank had expired, thus the plan of issuance had lapsed. Accordingly, implementation of the proposed non-public issuance of H shares by CEB Bank has been terminated.
- (i) Comparison of the Proposed Subscription Price with trading prices

As shown above, out of the 11 Comparable Bank Issues, 7 were conducted by provincial and regional banks and the relevant placing/subscription/issue prices represented a discount of 11.2% to a premium of 20.5%, a discount of 9.5% to a premium of 19.8%, a discount of 9.7% to a premium of 22.4% and a discount of 7.1% to a premium of 20.6% to/over their respective closing share price on the last trading day, 5-day, 10-day and 30-day average closing share prices with average premiums of approximately 6.2%, 7.0%, 7.6% and 6.4% respectively.

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## LETTER FROM SOMERLEY

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The rest of the 4 were conducted by nationwide banks and banks in Hong Kong and the relevant placing/subscription/issue prices represented a discount of 2.1% to a premium of 48.0%, a discount of 2.7% to a premium of 46.5%, a discount of 1.7% to a premium of 47.1% and a discount of 4.7% to a premium of 41.1% to/over their respective closing share price on the last trading day, 5-day, 10-day and 30-day average closing share prices with average premiums of approximately 22.3%, 22.3%, 18.7% and 15.7% respectively.

Overall, the relevant placing/subscription/issue prices of the Comparable Bank Issues represented a discount of 11.2% to a premium of 48.0%, a discount of 9.5% to a premium of 46.5%, a discount of 9.7% to a premium of 47.1% and a discount of 7.1% to a premium of 41.1% to/over their respective closing share prices on the last trading day, 5-day, 10-day and 30-day average closing share prices with average premiums of 12.0%, 12.5%, 11.6% and 9.8% respectively. Accordingly, the premiums represented by the Proposed Subscription Price of approximately 37.2%, 31.1%, 34.2%, and 50.8% over the closing H Share price on the Last Trading Day, the average closing H Share prices for the last 5, 10, and 30 trading days up to and including the Last Trading Day respectively are generally within the range of discount and premium of the placing/subscription/issue prices as compared to the average closing share price of the Comparable Bank Issues as set out in the table above and higher than the average premiums of the placing/subscription/issue prices as compared to the average closing share price of the Comparable Bank Issues.

(ii) Comparison of the Proposed Subscription Price with NAV per share

In terms of the NAV, the relevant placing/subscription/issue prices were ranging from a discount of 2.4% to a premium of 33.8% to/over their respective NAV for the 7 Comparable Bank Issues by the provincial and regional banks and a discount of 39.7% to a premium of 7.0% to/over their respective NAV for the remaining 4 Comparable Bank Issues by the nationwide banks and banks in Hong Kong. The Proposed Subscription Price represents a discount of approximately 38.3% to the Bank's consolidated NAV as at 31 December 2018. Such discount is very close to the lower bound of the Comparable Bank Issues as set out above.

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## LETTER FROM SOMERLEY

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However, one should note that the Comparable Bank Issues were conducted in the period of up to five years ago. The market valuation of the PRC banking sector has changed at the prevailing time and in fact many of them dropped in terms of P/B Multiples. For examples, the Trading P/B Multiples of BoJZ at the time of its December 2018 and December 2016 issues were approximately 0.92 times and 1.51 times, both were higher than its current P/B Multiple of 0.82 times (see sub-section headed “6(e) Comparable Banks” below). Similarly, the Trading P/B Multiples of CZ Bank and CQRC Bank at the time of their March 2018 and August 2017 issues were approximately 1.11 times and 0.81 times respectively, which were significantly above their current P/B Multiples of 0.68 times and 0.53 times respectively (see sub-section headed “6(e) Comparable Banks” below). Likewise, the Trading P/B Multiples of Huishang Bank at the time of its December 2015 and November 2014 issues were approximately 0.90 times and 0.99 times, both were also higher than its current P/B Multiple of 0.49 times (see sub-section headed “6(e) Comparable Banks” below). For BoCQ, the decline in its P/B Multiple is even more substantial. The Trading P/B Multiple of BoCQ at the time of its June 2015 issue was approximately 1.18 times and its current P/B Multiple is only 0.39 times (see sub-section headed “6(e) Comparable Banks” below). Accordingly, while the Proposed Subscription Price represents a discount to the consolidated NAV of the Bank as of now, we do not consider this single factor should lead to the conclusion that the Proposed Subscription Price is not fair and not reasonable to the Independent Shareholders, for the reason of the considerable change in the market valuation of the PRC banks in the review period. In addition, the implied P/B Multiple of the Proposed Subscription and Issuance of Domestic Shares of around 0.62 times is within the range of the P/B Multiples of the Comparable Banks (as defined below), details of which are set out in sub-section headed “6(e) Comparable Banks” below.

Instead, we are of the view that the market valuation of the PRC banks at various times should be considered, in addition to the factor regarding implied premium over or discount to the NAV in the relevant placing/subscription/issue of new shares. Therefore, we have computed the Issue Ratio, being the Comparable Implied P/B Multiple divided by the Trading P/B Multiple of the Comparable Bank Issues, which removes the effect of the difference in the Trading P/B Multiples among the Comparable Bank Issues over the five-year review period and provides an assessment on the overall pricing of the Comparable Bank Issues based on the market valuation of the relevant banks.

## LETTER FROM SOMERLEY

We noted that the implied Issue Ratio of the Proposed Subscription Price of approximately 1.37 times is higher than the average and the median of the Issue Ratio of the Comparable Bank Issues of approximately 1.12 times and approximately 1.10 times respectively and is close to the high end of approximately 1.48 times. Having considered the above, although the Proposed Subscription Price represents a discount to the consolidated NAV of the Bank, the approximately 37%-premium over the Trading P/B Multiple represented by the Proposed Subscription Price is considered favourable among the Comparable Bank Issues.

### (e) Comparable Banks

We have further compared the price-to-earnings multiples (the “P/E Multiples”) and the P/B Multiples represented by the implied value based on the Proposed Subscription Price and the market valuation of provincial and regional banks in the PRC and listed on the Hong Kong Stock Exchange (the “Comparable Banks”). We consider the Comparable Banks to be exhaustive based on the selection criteria as set out above and, in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Proposed Subscription Price. Details of the Comparable Banks are set out as below:

Name	Stock code	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>	P/E Multiples <i>(times)</i> <i>(Note 1)</i>	P/B Multiples <i>(times)</i> <i>(Note 2)</i>
CZ Bank <i>(Note 3)</i>	2016	74,313.2	5.73	0.76
BoJZ	416	54,471.3	4.67	0.98
CQRC Bank	3618	42,300.0	4.09	0.53
Guangzhou Rural Commercial Bank Co., Ltd.	1551	41,194.7	5.52	0.69
Zhongyuan Bank Co., Ltd.	1216	39,949.3	14.59	0.78
Huishang Bank	3698	37,315.2	3.92	0.53

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**LETTER FROM SOMERLEY**

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<b>Name</b>	<b>Stock code</b>	<b>Market capitalisation as at the Latest Practicable Date</b> <i>(HK\$ million)</i>	<b>P/E Multiples</b> <i>(times)</i> <i>(Note 1)</i>	<b>P/B Multiples</b> <i>(times)</i> <i>(Note 2)</i>
The Bank	2066	32,461.4	5.60	0.51
BoQD	3866	29,854.1	15.74	1.21
Jiangxi Bank Co., Ltd.	1916	28,012.9	8.02	0.76
Bank of Jiujiang Co., Ltd.	6190	25,518.1	11.66	0.97
Bank of Tianjin Co., Ltd.	1578	23,614.4	4.96	0.44
Jinshang Bank Co., Ltd. ("Jinshang Bank")	2558	21,881.0	14.70	1.03
Bank of Gansu Co., Ltd.	2139	18,629.1	4.72	0.65
Harbin Bank Co., Ltd.	6138	17,702.9	2.83	0.34
Bank of Zhengzhou Co., Ltd.	6196	17,232.8	5.45	0.51
BoCQ	1963	14,634.6	3.71	0.43
Jilin Jiutai Rural Commercial Bank Corporation Limited	6122	13,269.4	11.88	0.90
Luzhou Bank Co., Ltd.	1983	6,794.4	6.60	0.94
		<b>Average</b>	7.47	0.72
		<b>Median</b>	5.56	0.72
		<b>Maximum</b>	15.74	1.21
		<b>Minimum</b>	2.83	0.34
<b>The Proposed Subscription Price</b> <i>(Note 4)</i>			6.82	0.62

*Source: Bloomberg and the website of the Hong Kong Stock Exchange*

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## LETTER FROM SOMERLEY

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*Notes:*

1. Except for Jinshang Bank, the P/E Multiples of the Comparable Banks are calculated based on the closing price of the shares of the respective Comparable Banks as at the Latest Practicable Date divided by the earnings per share of the respective Comparable Banks as set out in their most recently published annual reports. The P/E Multiple of Jinshang Bank is calculated based on the closing price of the shares of Jinshang Bank as at the Latest Practicable Date divided by the earnings per share of Jinshang Bank, being the net profit attributable to its shareholders for the year ended 31 December 2018 divided by number of outstanding shares immediately after its listing in July 2019 as set out in its prospectus dated 28 June 2019.
2. Except for Jinshang Bank, the P/B Multiples of the Comparable Banks are calculated based on the closing price of the shares of the respective Comparable Banks as at the Latest Practicable Date divided by NAV per share of the relevant Comparable Banks as set out in their most recently published interim or annual results announcements or reports and the number of shares in issue in the latest monthly return (or next day disclosure returns, if applicable). The P/B Multiple of Jinshang Bank is calculated based on the closing price of the shares of Jinshang Bank as at the Latest Practicable Date divided by NAV per share of Jinshang Bank, being the sum of the consolidated NAV of Jinshang Bank attributable to its shareholders as at 31 December 2018 and the net proceeds from its listing in July 2019 and divided by number of outstanding shares immediately after its listing in July 2019, as set out in its prospectus dated 28 June 2019 and its announcement dated 17 July 2109.
3. Although CZ Bank is a nationwide joint-stock commercial bank, we are of the view that the geographical presence of CZ Bank is comparable to the provincial and regional banks in the PRC.
4. The implied P/E Multiple and P/B Multiple of the Proposed Subscription Price are calculated based on the Proposed Subscription Price of RMB6.00 (equivalent to approximately HK\$6.818182) divided by the earnings per Share for the year ended 31 December 2018 and the NAV per Share as at 31 December 2018 respectively.
5. For information purpose only, the average P/E Multiples and P/B Multiples of the Comparable Banks after excluding the Bank are 7.58 times and 0.73 times respectively.

A total of 18 Comparable Banks have been identified. As shown above, the P/E Multiples of the Comparable Banks range from approximately 2.83 times to approximately 15.74 times with an average of approximately 7.47 times. 16 out of a total of 18 Comparable Banks have P/B Multiples below 1.00 times and the P/B Multiples range from approximately 0.34 times to approximately 1.21 times with an average of approximately 0.72 times. The implied P/E Multiple of the Proposed Subscription Price of approximately 6.82 times falls within the range and is lower than the average of that of the Comparable Banks. The implied P/B Multiple of the Proposed Subscription Price of approximately 0.62 times is lower than the average and median of that of the Comparable Bank but still within the range and, more importantly, significantly above the P/B Multiple of the Bank of approximately 0.45 times as at the Last Trading Day (see sub-section headed “6(d) Comparable Bank Issues” above).



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## LETTER FROM SOMERLEY

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### 7. Financial effects of the Proposed Subscriptions and Issuance

As mentioned in the section headed “Reasons for and benefit of the Proposed Subscriptions and Issuance” in the letter from the Board contained in the Circular, the Proposed Subscriptions and Issuance will help enhance the Bank’s capital base. The Bank’s relevant capital adequacy ratios, which constantly meet the regulatory requirements in the PRC, are still in a relative low level compared with its peers in the banking industry. Assuming the Proposed Subscriptions and Issuance were completed on 31 December 2018, based on publicly disclosed financial information of the Bank as at 31 December 2018, the Bank’s core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio would have improved from approximately 8.52%, 8.52% and 11.86% to approximately 11.24%, 11.24% and 14.58% respectively.

As at 31 December 2018, the total equity attributable to equity shareholders of the Bank less the cash dividend of approximately RMB695.6 million was approximately RMB55,762.3 million (equivalent to approximately HK\$63,366.2 million) and the consolidated NAV per Share was approximately RMB9.6 (equivalent to approximately HK\$10.9), calculated by dividing the total equity attributable to equity shareholders of the Bank less the cash dividend and divided by the number of Shares in issue as at the Latest Practicable Date.

As set out in the letter from the Board contained in the Circular, the net proceeds from the Proposed Subscriptions and Issuance (after deducting all applicable costs and expenses, including the legal fees) are expected to be approximately RMB18.0 billion (equivalent to approximately HK\$20.4 billion). Based on the consolidated financial position of the Bank as at 31 December 2018 and assuming completion of the Proposed Subscriptions and Issuance took place on the same day, the consolidated NAV of the Bank would have increased by approximately RMB18.0 billion (equivalent to approximately HK\$20.4 billion) to approximately RMB73,762.3 million (equivalent to approximately HK\$83,820.8 million), while the NAV per Share would be reduced by approximately RMB1.2 (equivalent to approximately HK\$1.36), representing a dilution of approximately 12.5%, to approximately RMB8.4 (equivalent to approximately HK\$9.55).

Having considered the Proposed Subscription Price is fair and reasonable in market terms and the Proposed Subscriptions and Issuance is beneficial to the Group as set out in the section headed “2. Reasons for and benefits of the Proposed Subscriptions and Issuance and use of proceeds”, the impact on the NAV per Share is acceptable.

## LETTER FROM SOMERLEY

### 8. Effects of the Proposed Subscriptions and Issuance on shareholdings in the Bank

The Shares to be allotted and issued under the Proposed Subscriptions and Issuance represent (i) approximately 51.8% of the existing issued Shares of the Bank as at the Latest Practicable Date; and (ii) approximately 34.1% of the issued Shares of the Bank as enlarged by the Shares to be allotted and issued under the Proposed Subscriptions and Issuance (assuming no other changes to the total issued share capital of the Bank prior to completion of the Proposed Subscriptions and Issuance). The following table illustrates the shareholding structure of the Bank as at the Latest Practicable Date and immediately after completion of the Proposed Subscriptions and Issuance (assuming no other changes to the total issued share capital of the Bank prior to completion of the Proposed Subscriptions and Issuance).

	Class of Shares	As at the Latest Practicable Date			Immediately after completion of the Proposed Subscriptions and Issuance		
		Number of Shares held	Percentage of total issued Shares	Percentage of the relevant class of Shares	Number of Shares held	Percentage of total issued Shares	Percentage of the relevant class of Shares
Evergrande Nan Chang and parties acting in concert with it	Domestic Shares	1,001,680,000	17.28%	23.54%	3,201,680,000	36.40%	49.59%
Li Yuguo <sup>1</sup>	Domestic Shares	400,000,000	6.90%	9.40%	400,000,000	4.55%	6.20%
Wu Gang <sup>2</sup>	Domestic Shares	146,149	0.0025%	0.0034%	146,149	0.0017%	0.0023%
Shi Yang <sup>3</sup>	Domestic Shares	107,684	0.0019%	0.0025%	107,684	0.0012%	0.0017%
Other Domestic Shareholders	Domestic Shares	<u>2,854,003,867</u>	<u>49.24%</u>	<u>67.06%</u>	<u>2,854,003,867</u>	<u>32.44%</u>	<u>44.21%</u>
<b>Total Domestic Shares</b>		<b>4,255,937,700</b>	<b>73.42%</b>	<b>100.0%</b>	<b>6,455,937,700</b>	<b>73.39%</b>	<b>100.0%</b>
Suen Cho Hung, Paul <sup>4</sup>	H Shares	20,898,500	0.36%	1.36%	20,898,500	0.23%	0.89%
Zhengbo <sup>4</sup>	H Shares	0	0%	0%	400,000,000	4.55%	17.09%
Ms. Lo Ki Yan, Karen <sup>5</sup>	H Shares	10,610,000	0.18%	0.69%	10,610,000	0.12%	0.45%
Future Capital <sup>5</sup>	H Shares	0	0%	0%	400,000,000	4.55%	17.09%
Other public H Shareholders	H Shares	<u>1,509,234,000</u>	<u>26.04%</u>	<u>97.95%</u>	<u>1,509,234,000</u>	<u>17.16%</u>	<u>64.48%</u>
<b>Total H Shares</b>		<b>1,540,742,500</b>	<b>26.58%</b>	<b>100.0%</b>	<b>2,340,742,500</b>	<b>26.61%</b>	<b>100.0%</b>
<b>Total issued Shares</b>		<b><u>5,796,680,200</u></b>	<b><u>100%</u></b>		<b><u>8,796,680,200</u></b>	<b><u>100%</u></b>	

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## LETTER FROM SOMERLEY

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*Notes:*

1. Mr. Li Yuguo, the non-executive Director of the Bank, indirectly controlled voting rights of 400,000,000 Domestic Shares.
2. Mr. Wu Gang, the executive Director of the Bank, directly held 146,149 Domestic Shares.
3. Mr. Shi Yang, an employee representative supervisor of the Bank, directly held 107,684 Domestic Shares.
4. Mr. Suen Cho Hung, Paul, the ultimate beneficial owner of Zhengbo, directly and indirectly held in aggregate 20,898,500 H Shares representing approximately 0.36% of the total issued share capital of the Bank as at the Latest Practicable Date and will be deemed to be further interested in the 400,000,000 H Shares to be subscribed by Zhengbo after the completion of the Proposed Subscriptions and Issuance. Mr. Suen Cho Hung, Paul will hold directly and indirectly in aggregate 420,898,500 H Shares representing approximately 4.78% of total issued capital of the Bank after the completion of the Proposed Subscription and Issuance.
5. Ms. Lo Ki Yan, Karen, the ultimate beneficial owner of Future Capital, directly and indirectly held in aggregate 10,610,000 H Shares representing approximately 0.18% of the total issued capital of the Bank as at the Latest Practicable Date and will be deemed to be further interested in the 400,000,000 H Shares to be subscribed by Future Capital after the completion of the Proposed Subscriptions and Issuance. Ms. Lo Ki Yan, Karen will hold directly and indirectly in aggregate 410,610,000 H Shares representing approximately 4.67% of the total issued capital of the Bank after the completion of the Proposed Subscription and Issuance.

As shown in the table above, the other Shareholders' (i.e. Shareholders other than Evergrande Nan Chang and parties acting in concert with it, Mr. Suen Cho Hung, Paul, Zhengbo, Ms. Lo Ki Yan, Karen and Future Capital) shareholdings will be diluted from approximately 82.18% as at the Latest Practicable Date to approximately 54.15% immediately after completion of the Proposed Subscriptions and Issuance.

Having considered (i) the benefits to be derived by the Group from the Proposed Subscriptions and Issuance as set out in the section headed "2. Reasons for and benefits of the Proposed Subscriptions and Issuance and use of proceeds"; (ii) the Proposed Subscription Price represents significant premiums over the H Share closing price on the Last Trading Day and 5-day, 10-day and 30-day average H Share closing prices as discussed under the section headed "6. Evaluation of the Proposed Subscription Price"; and (iii) the Proposed Subscriptions and Issuance provides a higher certainty of successful funding as discussed under the section headed "9. Alternative financing", we consider that the dilution in the shareholding in the Bank held by the other Shareholders is acceptable.

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## LETTER FROM SOMERLEY

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### 9. Alternative financing

The Directors have considered alternative fund raising methods, which include: (i) debt financing; and (ii) rights issue or open offer.

For debt financing, the Directors considered that given the key objectives of the fund raising exercise are to enhance the Bank's capital base and improve the Bank's capital adequacy ratios, it would not be appropriate for the Bank to conduct any debt financing exercise.

For equity fund raising, the Directors have recently considered conducting a rights issue or an open offer to allow all Shareholders to maintain their respective pro-rata shareholding in the Bank and at the same time strengthening the capital base of the Bank. In fact, the Bank did announce a possible rights issue on 22 April 2019. However, on 17 May 2019, the Bank further announced it would not proceed with the rights issue plan based on its communication with some of the major Shareholders, since the Bank noted that a majority in number of the Shareholders which responded to the Bank's enquiry have indicated no interest in subscribing for the rights shares to be issued by the Bank if it proceeds with the rights issue plan. As the Shareholders' interest in subscribing for the rights shares did not meet the Bank's expectation, the Bank considered the rights issue plan cannot serve the original purposes of the fund raising exercise.

In the event that the rights issue or the open offer is conducted, an underwriter to such fund raising exercise will very likely be required in order to provide certainty in the amount of the fund to be raised. Also, it should be noted that, as compared to a significant premium over the prevailing market price represented by the Proposed Subscription Price, pricing in a rights issue or an open offer is usually set to be close or at a discount to the prevailing market price of the relevant equities. Conducting a rights issue or an open offer with pricing set at premium over prevailing market price of the relevant equities is unlikely successful as described in the paragraph below. In such circumstances, the dilution effect to the non-participating Shareholders will be higher as compared to the Proposed Subscription and Issuance of Domestic Shares.

Furthermore, we noted that there have been 44 rights issues announced by listed companies in Hong Kong since the beginning of 2018 and up to the Latest Practicable Date. Among these announced rights issues, only three of them have set the issue price at premium over the then prevailing market price, of which one was voted down by shareholders and the results of the remaining two are shown in the table below. Both rights issues were undersubscribed with one terminated eventually. On this basis, we concur with the Directors that the Proposed Subscriptions and Issuance can provide a higher certainty of successful fund raising.

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## LETTER FROM SOMERLEY

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Date of announcement	Name (stock code)	Premium/(discount) of rights issue price over/ (to) average closing share price				Premium/ (discount) of rights issue price over/(to) the NAV per share <i>(Note)</i>	Results
		date of the announcement	5-day	10-day	30-day		
8 Feb 2018	Century Ginwa Retail Holdings Limited (stock code: 162)	31%	26%	26%	25%	(91%)	4.74% of the total number of rights shares available for subscription was accepted. The underwriting agreement was subsequently terminated on 15 May 2018.
21 Jun 2018	Shanghai Prime Machinery Company Limited (stock code: 2345)	2%	1%	1%	(1%)	(53%)	10.43% of the total number of H rights shares available for subscription was accepted, of which 80.59% was contributed by the controlling shareholder.

*Source: The website of the Hong Kong Stock Exchange*

*Note:* The NAV per share of the companies are calculated based on the NAV attributable to the owners of companies as disclosed in their latest financial reports prior to the release of the announcements divided by the number of issued shares outstanding as set out in their latest monthly returns prior to the release of the announcements.

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## LETTER FROM SOMERLEY

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As shown in the sub-section headed “6(c) Comparable Non-bank Issues” above, excluding Comparable Non-bank Issues to connected persons, the issue prices of the Comparable Non-bank Issues to independent investors, in general, represent a discount to or a small premium over the then prevailing market price. Therefore, we are of the view that equity fund raising by way of issue of new shares to independent investors (e.g. new share placement) usually require a discount to or a slight premium over the prevailing market price of the shares, as contrasted to the significant premium represented by the Proposed Subscription Price. Similar to fund raising by way of rights issue or open offer as discussed above, the dilution effect to the Independent Shareholders will be much higher as compared to the Proposed Subscription and Issuance of Domestic Shares.

### **10. The Whitewash Waiver**

As at the Latest Practicable Date, Evergrande Nan Chang held in aggregate 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total number of issued Shares of the Bank.

Upon completion of the Proposed Subscriptions and Issuance, 2,200,000,000 Domestic Subscription Shares will be issued to Evergrande Nan Chang, and the interests of Evergrande Nan Chang and parties acting in concert with it in the voting rights of the Bank will increase from approximately 17.28% to approximately 36.40% (assuming there are no other changes in the issued share capital of the Bank save for the allotment and issue of the Shares pursuant to the Proposed Subscriptions and Issuance).

Under Rule 26.1 of the Takeovers Code, Evergrande Nan Chang would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Bank not already owned or agreed to be acquired by Evergrande Nan Chang or parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders with at least 75% of the independent vote at the EGM and the Class Meetings pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

An application was made on behalf of Evergrande Nan Chang to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders on the Proposed Subscriptions and Issuance and the Whitewash Waiver, by way of poll at the EGM and the Class Meetings.

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## LETTER FROM SOMERLEY

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Independent Shareholders should note that the Proposed Subscriptions and Issuance are conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders at the EGM and the Class Meetings. Such condition precedent cannot be waived under the Share Subscription Agreements. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the Independent Shareholders, the Share Subscription Agreements will lapse and the Proposed Subscriptions and Issuance will not proceed. Based on the principal factors and reasons as set forth above, we do not see the merit to be gained by the Independent Shareholders for not voting in favour of the resolution to approve the Whitewash Waiver. Failure to approve the resolutions in relation to the Whitewash Waiver would cause the Share Subscription Agreements to lapse.

### DISCUSSION AND ANALYSIS

Currently, slowdown in growth of world economy, trade protectionism and unilateralism result in the uncertainty in the development of global economy. Although the Chinese economy, as a whole, operates within a reasonable range, it is still subject to significant downward pressure. Northeast China, as the old industrial base in the PRC, is subject to higher pressure on overall economy than other areas in the PRC. Stabilising and revitalising the economy in Northeast China has always been an important national strategy. Generally, the economic development in a region is closely related to the sound operation of its financial system. As shown in the Bank's website, the Bank has a solid foundation and headquartered in Northeast China, a healthy and sustainable development of the Bank will have an impact on facilitating economic development and optimising financial environment in Northeast China.

As a result of the overall macro-environment, in particular the impact of collective exposure to the credit risk of enterprises in Northeast China, the Bank's recent financial performance is unsatisfactory. More importantly, the Bank's capital adequacy ratio is far below the industry average. In particular, its tier-one capital adequacy ratio of 8.52% is close to 8.50%, the minimum regulatory requirement, and is at a relative low position among urban commercial banks. Therefore, the Bank is in an urgent need of replenishing its capital.

On the other hand, with the increasing downward pressure on economy, volatility in financial market has also been intensified. Therefore, the importance of financial and fiscal risk prevention and control has heightened significantly. The banking environment is also undergoing profound changes, as the regulatory authority has introduced more stringent requirements on capital adequacy ratio, risk prevention and control ability and fine management level. Given the above background, the Proposed Subscription and Issuance will strengthen the Bank's capital base and also embody the Bank's positive attitude of actively seeking for mitigation of operational risk and improving business expansion ability in the new economic climate and regulatory environment.

Prior to implementation of the Proposed Subscriptions and Issuance, the Directors have considered various fund raising methods such as debt financing, rights issue and open offer.

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## LETTER FROM SOMERLEY

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For the purpose of debt financing, debt financing was considered not appropriate for the Bank as the key objectives of the fund raising exercise are to enhance the Bank's capital base and improve the Bank's capital adequacy ratio.

For rights issue or open offer, although all Shareholders could maintain their respective pro-rata shareholding in the Bank while achieving the key objectives in the fund raising, a majority of the responding Shareholders have indicated no interest in subscribing for the rights shares to be issued by the Bank.

For the purpose of placing additional Shares to existing substantial Shareholders or certain investors of the Bank, on one hand, after having the consultation by the Bank, only China Evergrande Group among existing substantial Shareholders has the capital capacity and willingness to participate in the proposed subscription; on the other hand, equity fund raising by way of issuing new Shares to independent investors usually require a discount to the prevailing market price of the Shares, as contrasted to a premium represented by the Proposed Subscription Price, which would be more favorable to independent Shareholders. In view of the above, in the context of the Bank's urgent need for capital replenishment, target subscription is the acceptable way for the Bank to effectively and timely carry out capital replenishment. The Proposed Subscription Price represents a significant premium over the prevailing closing H Share price of the Bank, hence realising a high financing efficiency.

The Proposed Subscriptions and Issuance will raise around RMB18.0 billion and help enhance the Bank's capital base and improve the Bank's capital adequacy ratios, thus strengthening their risk management ability, supporting its future growth and maintaining sustainable development. The Proposed Subscription and Issuance will allow the Bank to have a more resilient balance sheet as the regulatory requirements are becoming more stringent over time. A more profound capital base is not only believed to improve investors' confidence in the Bank's financial stability, but also an important prerequisite to support the Bank's future business development plan.

The Proposed Subscription Price under the Proposed Subscription and Issuance of Domestic Shares is RMB6.0 (equivalent to approximately HK\$6.818182). It represented significant premiums ranging from 31.1% to 78.0% over the prevailing market prices of the Shares in the various time periods prior to the Last Trading Day. The premiums represented by the Proposed Subscription Price is even higher, ranging from 42.3% to 81.8% over the prevailing market prices of the Shares in the various time periods prior to the announcement of the Fund-raising Plan. These premiums are largely above those offered in the Comparable Non-Bank Issues and the Comparable Bank Issues. Moreover, the Proposed Subscription Price is higher than the closing H Share price throughout the Review Period, which is over one year prior to the Latest Practicable Date. While the implied P/B Multiple of the Proposed Subscription Price of approximately 0.62 times is slightly lower than the average and median of approximately 0.72 times and 0.72 times respectively of the P/B Multiples of the Comparable Banks (including the Bank), the implied P/B Multiple of the Proposed Subscription Price is still within the range of that of the Comparable Banks and, more importantly, significantly above the P/B Multiple of the Bank of approximately 0.45 times as at the Last Trading Day.



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## LETTER FROM SOMERLEY

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In terms of the NAV, the Proposed Subscription Price under the Proposed Subscription and Issue of Domestic Shares represented a discount of approximately 38.3% to the Bank's consolidated NAV as at 31 December 2018. Such discount is very close to the lower bound of the Comparable Bank Issues in the past five years, the pricing of which were largely at premium over the respective NAV of the relevant banks at the prevailing time. However, one should note that the market valuation of the PRC banking sector has changed during the past five years and in fact many of them dropped in terms of P/B Multiples. Accordingly, while the Proposed Subscription Price represented a discount to the consolidated NAV of the Bank as of now, we do not consider this single factor should lead to the conclusion that the Proposed Subscription Price is not fair and not reasonable to the Independent Shareholders. Instead, we are of the view that the market valuation of the PRC banks at various times should be considered, in addition to the factor regarding implied premium over or discount to the NAV in the relevant placing/subscription/issue of new shares. Therefore, we have computed the Issue Ratio, which removes the effect of the difference in the Trading P/B Multiple among the Comparable Bank Issues over the five-year review period and provides an assessment on the overall pricing of the Comparable Bank Issues based on the market valuation of the relevant banks. The implied Issue Ratio of the Proposed Subscription Price of approximately 1.37 times is higher than the average and median of the Issue Ratio of the Comparable Bank Issues of approximately 1.12 times and approximately 1.10 times respectively and is close to the high end of approximately 1.48 times. In addition, the implied P/B Multiple of the Proposed Subscription Price of approximately 0.62 times is within the range of the P/B Multiples of the Comparable Banks. Having considered the above factors, we are of the view that the Proposed Subscription Price is fair and reasonable.

In terms of the financial effects, assuming the Proposed Subscriptions and Issuance were completed on 31 December 2018, based on public disclosed financial information of the Bank as at 31 December 2018, the Bank's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio would have improved from approximately 8.52%, 8.52% and 11.86% to approximately 11.24%, 11.24% and 14.58% respectively. The NAV per Share would be reduced from approximately RMB9.6 (equivalent to approximately HK\$10.91) to approximately RMB8.4 (equivalent to approximately HK\$9.55), representing a dilution of approximately 12.5%. The dilution in the NAV per Share is inevitable given the Proposed Subscription Price is below the NAV per Share. Having considered the Proposed Subscription Price is fair and reasonable in market terms and the Proposed Subscriptions and Issuance is beneficial to the Group as set out in the section headed "2. Reasons for and benefits of the Proposed Subscriptions and Issuance and use of proceeds", the impact on the NAV per Share is considered acceptable.

The shareholding of the other Shareholders in the Bank will decrease from approximately 82.18% to approximately 54.15% immediately after completion of the Proposed Subscriptions and Issuance (representing a dilution of approximately 28.03%). Although the shareholding interest of the other Shareholders will be diluted, having taken into account the aforesaid factors, we consider the dilution effect on shareholding of the other Shareholders to be acceptable.

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## LETTER FROM SOMERLEY

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The Proposed Subscriptions and Issuance are conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders. Such condition precedent cannot be waived under the Share Subscription Agreements. If the Whitewash Waiver is not approved by the Independent Shareholders, the Share Subscription Agreements will lapse and the Proposed Subscriptions and Issuance will not proceed. Based on the principal factors and reasons as set forth above, we do not see the merit to be gained by the Independent Shareholders for not voting in favour of the resolutions to approve the Whitewash Waiver. Failure to approve the resolutions in relation to the Whitewash Waiver would cause the Share Subscription Agreements to lapse.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that, although the entering into of the Domestic Share Subscription Agreement is not in the ordinary and usual course of business of the Bank, the terms of the Domestic Share Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Proposed Subscription and Issuance of Domestic Shares is in the interests of the Bank and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings for approving the Proposed Subscription and Issuance of Domestic Shares and the Whitewash Waiver.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Danny Cheng**  
*Director*

*Mr. Danny Cheng is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years' of experience in the corporate finance industry.*

## 1. FINANCIAL INFORMATION OF THE BANK

## I. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Bank for the years ended 31 December 2016, 31 December 2017 and 31 December 2018. The figures for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 are extracted from the annual report of the Bank for the year ended 31 December 2016, 31 December 2017 and 31 December 2018.

The auditor reports issued by the auditor of the Bank, KPMG, in respect of the audited consolidated financial statements of the Bank for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Expressed in thousands of Renminbi	For the year ended 31 December		
	2016	2017	2018
<b>Operating income</b>	16,113,876	13,249,683	15,885,466
<b>Operating expenses</b>	(3,730,598)	(3,617,442)	(3,945,215)
Impairment losses on assets	(3,675,411)	(1,403,284)	(6,401,249)
<b>Operating profit</b>	8,707,867	8,228,957	5,539,002
Share of profits of associates	–	–	–
Interest income	36,055,533	42,277,528	42,805,495
Interest expense	(22,837,867)	(30,201,911)	(30,387,931)
Net interest income	13,217,666	12,075,617	12,417,564
Net fee and commission income	1,913,907	1,612,758	626,699
Net trading gains/(losses), net gains/(losses) arising from investments, Net foreign exchange gains/(losses), other operating income	982,303	(438,692)	2,841,203
<b>Profit before taxation</b>	8,707,867	8,228,957	5,539,002
Income tax expense	(1,829,575)	(654,818)	(412,854)
<b>Net profit</b>	6,878,292	7,574,139	5,126,148
Net profit attributable to equity shareholders of the Bank	6,864,520	7,580,055	5,128,717
Net profit attributable to non-controlling interest	13,772	(5,916)	(2,569)
<b>Other comprehensive income net of tax</b>	(715,549)	(243,939)	1,278,279
<b>Total comprehensive income</b>	6,162,743	7,330,200	6,404,427

Save as disclosed above, the Bank had no other material income or expenses for the years ended 31 December 2016, 31 December 2017 and 31 December 2018.

Expressed in thousands of Renminbi	For the year ended 31 December		
	2016	2017	2018
<b>Total comprehensive income</b>			
<b>attributable to:</b>			
Equity shareholders of the Bank	6,148,971	7,336,116	6,406,996
Non-controlling interests	13,772	(5,916)	(2,569)
Basic and diluted earnings per share ( <i>in RMB</i> )	1.18	1.31	0.88
Dividend per share ( <i>in RMB</i> )	0.25	0.18	0.12
Dividend	1,449,170	1,043,402	695,602

Expressed in thousands of Renminbi	For the year ended 31 December		
	2016	2017	2018
<b>Major indicators of assets/liabilities</b>			
<b>Total assets</b>	905,482,647	1,030,617,431	985,432,940
Of which: total loans and advances to customers	235,416,650	279,513,418	376,597,360
<b>Total liabilities</b>	859,108,021	978,361,775	928,403,456
Of which: total deposits from Customers	415,246,159	473,580,808	514,166,997
<b>Share capital</b>	5,796,680	5,796,680	5,796,680
Equity attributable to equity shareholders of the Bank	45,794,429	51,681,375	56,457,868
Total equity	46,374,626	52,255,656	57,029,484

## II. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Bank for the year ended 31 December 2018 together with the notes to financial information are set out on pages 139 to 300 of the Annual Report 2018 of the Bank, which was published on 15 April 2019. The Annual Report 2018 is posted on the Bank's website (<http://www.shengjingbank.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). Please also see below a direct link to the Annual Report 2018: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltn201904151021.pdf>.

The above information are incorporated by reference into this circular and form part of this circular.

**III. INDEBTEDNESS**

As at 31 May 2019, the Bank had the following indebtedness:

- Tier 2 capital bonds with fixed rate with an aggregate principal amount of RMB10.0 billion, due on December 2025;
- Tier 2 capital bonds with fixed rate with an aggregate principal amount of RMB6.0 billion, due on December 2027;
- Financial fixed-rate bonds with an aggregate principal amount of RMB5.0 billion, due on August 2019;
- Financial fixed-rate bonds with an aggregate principal amount of RMB2.0 billion, due on August 2021;
- Financial fixed-rate bonds with an aggregate principal amount of RMB12.0 billion, due on August 2021;
- Financial fixed-rate bonds with an aggregate principal amount of RMB8.0 billion, due on October 2021;
- Financial fixed-rate bonds with an aggregate principal amount of RMB6.9 billion, due on November 2021;
- Deposits from customers, placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements that arose from the normal course of the Bank's banking business; and
- Bank acceptances, unused credit card commitments, letters of guarantees and letters of credit, credit commitments and other contingent liabilities that arose from the normal course of the Bank's banking business.

Except as disclosed above, the Bank did not have, as of 31 May 2019, any material and outstanding mortgages, charges, debentures, or other loan 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.

**IV. MATERIAL CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Bank since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Bank were made up to, and including the Latest Practicable Date.

**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 herein or 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 information relating to Evergrande Nan Chang and parties acting in concert with it) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by directors of Evergrande Nan Chang) 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 board of directors of China Evergrande Group comprises Hui Ka Yan, Xia Haijun, He Miaoling, Shi Junping, Pan Darong, Huang Xiangui, Chau Shing Yim, David, He Qi and Xie Hongxi. As at the Latest Practicable Date, the directors of Evergrande Nan Chang are Zhong Wenyan, Rong Xiaohong and Zhang Xuhong.

The information in relation to China Evergrande Group and Evergrande Nan Chang contained in this circular has been supplied by the directors of China Evergrande Group and Evergrande Nan Chang. The directors of China Evergrande Group and Evergrande Nan Chang jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Directors) 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 Hong Kong 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 Announcement Date; and (iii) on the Latest Practicable Date.

<b>Date</b>	<b>Closing price per H Share HK\$</b>
31 December 2018	3.41
31 January 2019	3.45
28 February 2019	4.08
29 March 2019	4.36
30 April 2019	4.56
31 May 2019	4.42
19 June 2019 (last Business Day immediately preceding the Announcement Date)	4.97
28 June 2019	5.85
26 July 2019 (Latest Practicable Date)	5.60

The highest and lowest closing prices of the H Shares as quoted on the Hong Kong Stock Exchange during the Relevant Period were HK\$5.93 per H Share on 24 June 2019 and HK\$3.35 per H Share on 24 January 2019.



**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 Subscriptions and Issuance are set out below:

*As at the Latest Practicable Date:*

<b>Registered capital</b>	<i>RMB</i>
4,255,937,700 Domestic Shares	4,255,937,700
1,540,742,500 H Shares	<u>1,540,742,500</u>
<b>Total</b>	<b><u><u>5,796,680,200</u></u></b>

*As at the Latest Practicable Date:*

<b>Issued and fully paid or credited as fully paid</b>	<i>RMB</i>
4,255,937,700 Domestic Shares	4,255,937,700
1,540,742,500 H Shares	<u>1,540,742,500</u>
<b>Total</b>	<b><u><u>5,796,680,200</u></u></b>

*Enlarged share capital of the Bank immediately after completion of the Proposed Subscriptions and Issuance*

<b>Registered capital</b>	<i>RMB</i>
6,455,937,700 Domestic Shares	6,455,937,700
2,340,742,500 H Shares	<u>2,340,742,500</u>
<b>Total</b>	<b><u><u>8,796,680,200</u></u></b>

Issued and fully paid or credited as fully paid	RMB
6,455,937,700 Domestic Shares	6,455,937,700
2,340,742,500 H Shares	<u>2,340,742,500</u>
<b>Total</b>	<b><u><u>8,796,680,200</u></u></b>

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

Since 31 December 2018 (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.

The Bank has no outstanding warrants, options or securities convertible into shares of the Bank as at the Latest Practicable Date.

#### 4. DISCLOSURE OF INTERESTS

##### (A) Director, Supervisor and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Bank and its associated corporations

As at the Latest Practicable Date:

- (i) except for below, none of the Directors, chief executive of the Bank and Supervisors 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 the SFO) which was required to be (a) notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, chief executive or Supervisor is taken or deemed to have under such provisions of the SFO); or (b) entered into the register required to be kept by the Bank under section 352 of the SFO; or (c) otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules; or (d) required to be disclosed under the Takeovers Code;

Name	Positions held at the Bank	Nature of interest	Number of Shares held	Approximately Percentage of the total issued Shares	Approximately Percentage of the relevant class of shares
Li Yuguo (李玉國)	Non-executive Director	Interest of a controlled corporation	400,000,000 Domestic Shares	6.9%	9.4%
Shi Yang (石陽)	Employee Representative Supervisor	Beneficial owner	107,684 Domestic Shares	0.0019%	0.0025%
		Interest of spouse	5,722 Domestic Shares	0.0001%	0.0001%
Wu Gang (吳剛)	Executive Director, Vice President	Beneficial owner	146,149 Domestic Shares	0.0025%	0.0034%

- (ii) except for the following Directors, i.e. Mr. Zhang Qiyang (employee of Evergrande Group Limited (恒大集團有限公司)), Mr. Li Jianwei (employee of Shenyang Hengxin State-Owned Assets Management Group Co., Ltd.) and Mr. Zhao Weiqing (employee of Xinhua Zhongbao Co., Ltd.), none of the Directors or Supervisors is a director or employee of the substantial shareholder of the Bank;
- (iii) none of the Directors or Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation);
- (iv) none of the Directors or Supervisors has any interest, direct or indirect, in any assets which have been, since 31 December 2018 (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 any members of the Group, or which are proposed to be acquired or disposed of by or leased to any members of the Group;
- (v) save for the connected Director, Mr. ZHANG Qiyang who is also a vice president of Evergrande Group Limited (恒大集團有限公司), a wholly-owned subsidiary of China Evergrande Group, none of the Directors or Supervisors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

**(B) Substantial Shareholders' interests and short positions in Shares or underlying Shares**

As at the Latest Practicable Date, to the knowledge of the Directors of the Bank, the persons (other than a Director, Supervisor or chief executive of the Bank) who have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Bank pursuant to Sections 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholders	Class of Shares	Nature of interest	Number of Shares held	Approximately Percentage of the total issued Shares	Approximately Percentage of the relevant class of shares
China Evergrande Group <sup>(1)</sup>	Domestic Shares	Interest of a controlled corporation	3,201,680,000	55.23%	75.23%
Shenyang Hengxin State-Owned Assets Management Co., Ltd. <sup>(2)</sup>	Domestic Shares	Beneficial owner	479,836,334	8.28%	11.27%
Shenyang Industrial Investment Development Group Co., Ltd. <sup>(2)</sup>	Domestic Shares	Interest of a controlled corporation	479,836,334	8.28%	11.27%
Liaoning Huibao International Investment Group Co., Ltd. <sup>(3)</sup>	Domestic Shares	Beneficial owner	400,000,000	6.90%	9.40%
Chenjingyi (Beijing) Cultural Development Co., Ltd. <sup>(3)</sup>	Domestic Shares	Interest of a controlled corporation	400,000,000	6.90%	9.40%
Li Yuguo <sup>(3)</sup>	Domestic Shares	Interest of a controlled corporation	400,000,000	6.90%	9.40%
Xinhu Zhongbao Co., Ltd. <sup>(4)</sup>	Domestic Shares	Beneficial owner	300,000,000	5.18%	7.05%
Zhejiang Xinhu Group Co., Ltd. <sup>(4)</sup>	Domestic Shares	Interest of a controlled corporation	300,000,000	5.18%	7.05%
Huang Wei <sup>(4)</sup>	Domestic Shares	Interest of a controlled corporation	300,000,000	5.18%	7.05%
Li Ping <sup>(4)</sup>	Domestic Shares	Interest of a child under 18 or spouse	300,000,000	5.18%	7.05%
Founder Securities Co., Ltd. <sup>(5)</sup>	Domestic Shares	Beneficial owner	300,000,000	5.18%	7.05%
Peking University Founder Group Co., Ltd. <sup>(5)</sup>	Domestic Shares	Interest of a controlled corporation	300,000,000	5.18%	7.05%
Peking University Asset Management Company Limited <sup>(5)</sup>	Domestic Shares	Interest of a controlled corporation	300,000,000	5.18%	7.05%

Name of Substantial Shareholders	Class of Shares	Nature of interest	Number of Shares held	Approximately Percentage of the total issued Shares	Approximately Percentage of the relevant class of shares
Suen Cho Huang, Paul <sup>(6)</sup>	H Shares	Interest of a controlled corporation/ Beneficial owner	420,898,500	7.26%	27.32%
Zhengbo <sup>(6)</sup>	H Shares	Beneficial owner	400,000,000	6.90%	25.96%
Lo Ki Yan, Karen <sup>(7)</sup>	H Shares	Interest of a controlled corporation/ Beneficial owner	410,610,000	7.08%	26.65%
Future Capital <sup>(7)</sup>	H Shares	Beneficial owner	400,000,000	6.90%	25.96%
Satinu Resources Group Ltd. <sup>(8)</sup>	H Shares	Interest of a controlled corporation	203,676,000	3.51%	13.22%
Luck Extreme Limited <sup>(9)</sup>	H Shares	Interest of a controlled corporation	197,180,500	3.40%	12.80%
Lau Luen Hung <sup>(9)</sup>	H Shares	Interest of a child under 18 or spouse	197,180,500	3.40%	12.80%
Chan Hoi Wan <sup>(9)</sup>	H Shares	Interest of a controlled corporation	197,180,500	3.40%	12.80%
Enerchina Holdings Limited <sup>(10)</sup>	H Shares	Interest of a controlled corporation	190,435,000	3.29%	12.36%
Cheung Chung Kiu <sup>(11)</sup>	H Shares	Interest of a controlled corporation	179,651,500	3.10%	11.66%
Cheng Yu Tung Family (Holdings II) Limited <sup>(12)</sup>	H Shares	Interest of a controlled corporation	179,518,060	3.10%	11.65%
Cheng Yu Tung Family (Holdings) Limited <sup>(12)</sup>	H Shares	Interest of a controlled corporation	179,518,060	3.10%	11.65%
Chow Tai Fook (Holding) Limited <sup>(12)</sup>	H Shares	Interest of a controlled corporation	179,518,060	3.10%	11.65%
Chow Tai Fook Capital Limited <sup>(12)</sup>	H Shares	Interest of a controlled corporation	179,518,060	3.10%	11.65%
Chow Tai Fook Nominee Limited <sup>(12)</sup>	H Shares	Beneficial owner <sup>(13)</sup> Interest of a controlled corporation <sup>(13)</sup>	179,518,060	3.10%	11.65%
Shanghai International Trust Co., Ltd. (上海國際信託有限公司)	H Shares	Interest of a trustee	103,000,000	1.78%	6.69%
Shun Yi International Trading Co., Ltd. (順意國際貿易有限公司)	H Shares	Beneficial owner	92,785,000	1.60%	6.02%

Name of Substantial Shareholders	Class of Shares	Nature of interest	Number of Shares held	Approximately	Approximately
				Percentage of the total issued Shares	Percentage of the relevant class of shares
Hwabao Trust Co., Ltd.	H Shares	Interest of a trustee	90,000,000	1.55%	5.84%

*Notes:*

- (1) China Evergrande Group was interested in 3,201,680,000 Domestic Shares, which were held by its indirect wholly-owned subsidiary, Evergrande Nan Chang.

As disclosed in the Whitewash Announcement and this circular, Evergrande Nan Chang has entered into the Domestic Share Subscription Agreement with the Bank on 20 June 2019. Therefore, by virtue of the SFO, on 20 June 2019, Evergrande Nan Chang was deemed to have interest in the additional 2,200,000,000 Domestic Shares to be issued. The Domestic Share Subscription Agreement will only become effective after the satisfaction of all conditions precedent.

- (2) Shenyang Hengxin State-Owned Assets Management Co., Ltd. was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. (沈陽產業投資發展集團有限公司) is deemed to be interested in the Shares held by Shenyang Hengxin State-Owned Assets Management Co., Ltd.
- (3) Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司) was wholly owned by Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司), which was in turn controlled by Li Yuguo (李玉國) as Chenjingyi (Beijing) Cultural Development Co., Ltd. is accustomed to act in accordance with Mr. Li Yuguo's direction pursuant to a shareholding entrustment agreement entered into between Mr. Li Yuguo and Chenjingyi (Beijing) Cultural Development Co., Ltd. By virtue of the SFO, Chenjingyi (Beijing) Cultural Development Co., Ltd. and Li Yuguo are deemed to be interested in the Shares held by Liaoning Huibao International Investment Group Co., Ltd.
- (4) Based on the information provided by Xihu Zhongbao Co., Ltd., Xihu Zhongbao Co., Ltd. was owned as to 32.41%, 16.86%, 5.38% and 2.44% by Zhejiang Xihu Group Co., Ltd. (浙江新湖集團股份有限公司), Huang Wei (黃偉), Ningbo Jiayuan Industry Development Co., Ltd. (寧波嘉源實業發展有限公司) and Zhejiang Hengxingli Holdings Group Co., Ltd. (浙江恒興力控股集團有限公司), respectively; Zhejiang Xihu Group Co., Ltd. (浙江新湖集團股份有限公司) owned 99% of Ningbo Jiayuan Industry Development Co., Ltd. (寧波嘉源實業發展有限公司), and Zhejiang Xihu Group Co., Ltd. (浙江新湖集團股份有限公司) fully owned Zhejiang Hengxingli Holdings Group Co., Ltd. (浙江恒興力控股集團有限公司); Huang Wei (黃偉) owned 53.06% of Zhejiang Xihu Group Co., Ltd. (浙江新湖集團股份有限公司). By virtue of the SFO, each of Zhejiang Xihu Group Co., Ltd. (浙江新湖集團股份有限公司), Huang Wei (黃偉) and his spouse are deemed to be interested in the Shares held by Xihu Zhongbao Co., Ltd.
- (5) Based on the information provided by Founder Securities Co., Ltd., Founder Securities Co., Ltd. was owned as to 27.75% by Peking University Founder Group Co., Ltd. (北大方正集團有限公司), which was in turn owned as to 70% by Peking University Asset Management Company Limited (北大資產經營有限公司).

- (6) Suen Cho Huang, Paul directly held 20,898,500 H Shares. Zhengbo was wholly-owned by Suen Cho Huang, Paul. By virtue of the SFO, Suen Cho Huang, Paul was deemed to have interest in H Shares held by Zhengbo.

As disclosed in the Whitewash Announcement and this circular, Zhengbo has entered into the Zhengbo H Share Subscription Agreement with the Bank on 20 June 2019. Therefore, by virtue of the SFO, on 20 June 2019, Zhengbo was deemed to have interest in the 400,000,000 H Shares to be issued. The Zhengbo H Share Subscription Agreement will only become effective after the satisfaction of all conditions precedent.

- (7) Lo Ki Yan, Karen directly held 10,610,000 H Shares. Future Capital was wholly-owned by Lo Ki Yan, Karen. By virtue of the SFO, Lo Ki Yan, Karen was deemed to have interest in H Shares held by Future Capital.

As disclosed in the Whitewash Announcement and this circular, Future Capital has entered into the Future Capital H Share Subscription Agreement with the Bank on 20 June 2019. Therefore, by virtue of the SFO, on 20 June 2019, Future Capital was deemed to have interest in the 400,000,000 H Shares to be issued. The Future Capital H Share Subscription Agreement will only become effective after the satisfaction of all conditions precedent.

- (8) Murtsa Capital Management Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Management Limited was wholly owned by Satinu Investment Group Ltd.; Satinu Investment Group Ltd. was wholly owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Investment Group Ltd. and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Management Limited.

- (9) Great Captain Limited held 197,180,500 H Shares of the Bank. Great Captain Limited was wholly owned by Perfect Sign Investments Limited; Perfect Sign Investments Limited was wholly owned by Luck Extreme Limited; Luck Extreme Limited was wholly owned by Chan Hoi Wan. By virtue of the SFO, Perfect Sign Investments Limited, Luck Extreme Limited, Chan Hoi Wan and Lau Luen Hung are deemed to be interested in the Shares held by Great Captain Limited.

- (10) Smart Jump Corporation held 435,000 H Shares of the Bank. Smart Jump Corporation was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was held as to 88.22% by Enerchina Holdings Limited. By virtue of the SFO, Win Wind Capital Limited and Enerchina Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation.

Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Wind Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was held as to 88.22% by Enerchina Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Enerchina Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

- (11) Worthwell Investments Limited held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprises Limited; Mighty Gain Enterprises Limited was wholly owned by C C Land Holdings Limited; C C Land Holdings Limited was held as to 41.37% by Thrivetrade Limited; Thrivetrade Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, C C Land Holdings Limited, Thrivetrade Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.

Bondic International Holdings Limited held 154,651,500 H Shares of the Bank. Bondic International Holdings Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Cheung Chung Kiu is deemed to be interested in the Shares held by Bondic International Holdings Limited.

- (12) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited.

Oceanic Fortress Limited held 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited.

Chow Tai Fook Nominee Limited held 179,518,060 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.80% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was held as to 78.58% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively.

By virtue of the SFO, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

- (13) 50,776,620 H Shares were held in the capacity of beneficial owner, and 126,941,560 H Shares were held in the capacity of a controlled corporation.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors, Supervisors or chief executive of the Bank) in the Shares or underlying Shares which are required to be disclosed to the Bank under 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.

## **5. ARRANGEMENT IN CONNECTION WITH THE PROPOSED SUBSCRIPTION AND ISSUANCE OF DOMESTIC SHARES AND THE WHITEWASH WAIVER**

As of the Latest Practicable Date:

- (i) save for the entering into of the Domestic Share Subscription Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between Evergrande Nan Chang or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders of the Bank having any connection with or dependence upon the Proposed Subscription and Issuance of Domestic Shares and/or the Whitewash Waiver;



- (ii) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Proposed Subscription and Issuance of Domestic Shares and/or the Whitewash Waiver;
- (iii) 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 Subscription and Issuance of Domestic Shares and/or the Whitewash Waiver;
- (iv) there was no material contract entered into by Evergrande Nan Chang in which any Director has a material personal interest.

## 6. SHAREHOLDINGS AND DEALINGS

As of the Latest Practicable Date:

- (i) Save for Evergrande Nan Chang holding 1,001,680,000 Domestic Shares, representing approximately 17.28% of the total issued capital of the Bank, neither Evergrande Nan Chang nor any party acting in concert with it held any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) none of the directors of Evergrande Nan Chang held any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (iii) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM and/or the Class Meetings to approve the Proposed Subscription and Issuance of Domestic Shares, the Domestic Share Subscription Agreement and the transactions contemplated thereunder, the Specific Mandates and the Whitewash Waiver;
- (iv) save for the Domestic Share Subscription Agreement and the transactions contemplated thereunder, none of Evergrande Nan Chang or parties 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;
- (v) none of Evergrande Nan Chang or parties acting in concert with it had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (vi) the Bank did not hold any shares of Evergrande Nan Chang or any convertible securities, warrants, options or derivatives in respect of the shares of Evergrande Nan Chang;
- (vii) save as disclosed in the paragraph headed “Disclosure of Interests” in this appendix, none of the Directors was interested in any Shares, shares of Evergrande Nan Chang, or any convertible securities, warrants, options or derivatives in respect of the Shares or shares of Evergrande Nan Chang. In relation to the resolutions approving the Proposed Subscription and Issuance of the Domestic Shares and the Whitewash Waiver, each of Mr. Li Yuguo, Mr. Shi Yang and Mr. Wu Gang, in respect of his own beneficiary shareholdings in the Bank, intends to vote in favour of such resolutions;
- (viii) 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;
- (ix) 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;
- (x) none of the advisers to the Bank as specified in class (5) of the definition of acting in concert or 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;
- (xi) 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 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;
- (xii) no shareholding in the Bank was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Bank;
- (xiii) 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;
- (xiv) neither Evergrande Nan Chang nor any party acting in concert with it had intention to transfer, charge or pledge the Domestic Subscription Shares to any other persons upon completion of the Proposed Subscription and Issuance of Domestic Shares.

During the Relevant Period:

- (i) save for the entering into of the Domestic Share Subscription Agreement, neither Evergrande Nan Chang 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;
- (ii) none of the directors of Evergrande Nan Chang had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (iii) the Bank did not deal for value in any shares of Evergrande Nan Chang or any convertible securities, warrants, options or derivatives in respect of the shares of Evergrande Nan Chang;
- (iv) 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 Evergrande Nan Chang or any convertible securities, warrants, options or derivatives in respect of the shares of Evergrande Nan Chang;
- (v) 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;
- (vi) 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
- (vii) 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.

## **7. COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or Supervisors nor their respective close associates had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Bank.

**8. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group or associated companies which are in force and (i) are fixed term contracts and which have more than 12 months to run irrespective of the notice period; or (ii) are continuous contracts with a notice period of 12 months or more; or (iii) have been entered into or amended within the Six-Month Period.

**9. EXPERTS**

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

<b>Name</b>	<b>Qualification</b>
Somerley	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO
CSCI	a company licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
GF	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, each of the experts mentioned above:

- (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included;
- (ii) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group ; and

- (iii) did not have any interest, direct or indirect, in any assets which have been, since 31 December 2018 (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 any members of the Group, or which are proposed to be acquired or disposed of by or leased to any members of the Group.

**10. MATERIAL LITIGATIONS**

No member of the Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors or the Bank to be pending or threatened by or against any member of the Group.

**11. MISCELLANEOUS**

- (i) The registered office and office address of the Bank is No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC.
- (ii) The principal place of business of the Bank in Hong Kong is at Unit 3209, 32/F, Office Tower Convention Plaza, No.1 Harbour Road, Waichai, Hong Kong.
- (iii) The Hong Kong share registrar and transfer office of the Bank is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The secretary to the Board of the Bank is Mr. Zhou Zhi.
- (v) The registered address of Evergrande Nan Chang is 19th Floor, South Building, Block A, Jinyuan Building, No. 2 Taoyuan Street, Xihu District, Nanchang, Jiangxi Province, the PRC.
- (vi) The registered address of China Evergrande Group is P.O. Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands.
- (vii) The Independent Financial Adviser is Somerley whose address is at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (viii) The Financial Advisers are CSCI and GF. The address of CSCI is 18/F, Two Exchange Square Central, Hong Kong. The address of GF is 29–30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

- (ix) The Bank's legal advisers as to Hong Kong law is Freshfields Bruckhaus Deringer located at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong. The Bank's legal advisers as to the PRC law is Tian Yuan Law Firm located at 10/F, China Pacific Insurance Plaza, 28 Fengsheng Hutong, Xicheng District, Beijing, China.
- (x) Dealings in the H Shares may be settled through the CCASS operated by Hong Kong Securities and Clearing Company Limited, and investors should seek the advice of their stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.
- (xi) The expenses in connection with the Proposed Subscriptions and Issuance and the application for listing of the H Subscription Shares is estimated to be not more than the total proceeds from the Proposed Subscriptions and Issuance and will be payable by the Bank.
- (xii) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

## **12. MATERIAL CONTRACTS**

In the two years immediately preceding the Announcement Date and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Group which are or may be material:

- a) the Domestic Share Subscription Agreement;
- b) the Future Capital H Share Subscription Agreement; and
- c) the Zhengbo H Share Subscription Agreement.

## **13. NO MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Bank since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Bank have been made up.

**14. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION**

A copy of each of the following documents will be available for inspection at (i) the principal place of business of the Bank in Hong Kong at Unit 3209, 32/F, Office Tower Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong during normal business hours from 9 a.m. to 6 p.m., Monday to Friday (other than public holidays); (ii) the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) the website of the Bank at <http://www.shengjingbank.com.cn>, from the date 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;
- b) the annual reports of the Bank for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- c) the “Letter from the Board”, the text of which is set out on pages 1 to 28 of this circular;
- d) the “Letter from the Connected Transaction IBC”, the text of which is set out on pages 29 to 30 of this circular;
- e) the “Letter from the Whitewash Waiver IBC”, the text of which is set out on pages 31 to 32 of this circular;
- f) the “Letter from Somerley”, the text of which is set out on pages 33 to 80 of this circular;
- g) the consent letters from the experts referred to in the paragraph headed “Experts” in this appendix;
- h) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- i) this circular.