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锦州银行股份有限公司

**Bank of Jinzhou Co., Ltd.\***

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

**(Stock Code: 0416)**

**(Stock Code of Preference Shares: 4615)**

**VERY SUBSTANTIAL DISPOSAL  
IN RELATION TO THE DISPOSAL OF ASSETS OF THE BANK  
AND  
RESUMPTION OF TRADING**

**THE FRAMEWORK DISPOSAL AGREEMENT**

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

**IMPLICATIONS UNDER THE LISTING RULES**

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

**EGM**

The EGM will be convened to consider, and if thought fit, to approve, among other things, the Framework Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Framework Disposal Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Disposal Assets; (iv) unaudited pro forma financial information of the Group upon completion of the Disposal; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 29 May 2020, as additional time is required by the Company for preparation of certain information for inclusion in the circular.

**As the completion of the Disposal is subject to the satisfaction of certain conditions precedent as set out in the paragraph headed “The Framework Disposal Agreement – Conditions precedent” in this announcement, including but not limited to the approval of the Shareholders, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Bank are advised to exercise caution in dealing in the securities of the Bank.**

## **RESUMPTION OF TRADING**

At the request of the Bank, trading in H Shares and Offshore Preference Shares on the Stock Exchange have been suspended with effect from 9:00 a.m. on 1 April 2020. An application has been made by the Bank to the Stock Exchange for the resumption of trading in H Shares and Offshore Preference Shares with effect from 9:00 a.m. on 6 April 2020.

## **INTRODUCTION**

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

## **THE FRAMEWORK DISPOSAL AGREEMENT**

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

### **Date:**

31 March 2020

### **Parties:**

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

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Chengfang Huida and its ultimate beneficial owner is a party independent from the Bank and its connected persons. For further details of the relationship between Chengfang Huida and the Bank, please refer to the paragraph headed “Information On the Parties – Information of Chengfang Huida”.

## **The Disposal Assets**

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

## **Consideration**

The Consideration payable by Chengfang Huida to the Bank for the Disposal shall be RMB45 billion. The Consideration was determined based on arm's length negotiation between the Bank and Chengfang Huida with reference to (i) the original book value of the debt principal amount of such Disposal Assets; (ii) the marketability of the Disposal Assets among its potential purchasers; (iii) the prerequisite requirements for potential purchasers to satisfy in order to participate in the Disposal and purchase the Disposal Assets; (iv) the general market price of assets similar to the Disposal Assets purchased by financial asset management companies; (v) overall financial impact of the Disposal and the Debt Instrument Subscription (as defined below) on the Bank; and (vi) that certain relevant capital adequacy ratios of the Bank as at 30 June 2019 were below the regulatory requirements as set out in the Capitals Rules for Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 and as such the Bank has imminent needs to reorganize and dispose of the Disposal Assets to improve its assets structure and qualify to comply with the abovementioned regulatory requirements.

## **Payment of the Consideration**

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

## **Conditions precedent**

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

- (a) the signature (or stamping of signatory's stamp) by the legal representative, responsible person or authorized person of the Bank and Chengfang Huida and the stamping of the company seal;
- (b) the approval of the Framework Disposal Agreement and the transactions contemplated thereunder by the shareholders of the Bank at the EGM;
- (c) the approval of the Framework Disposal Agreement and the transactions contemplated thereunder by Chengfang Huida; and

- (d) the subscription agreement in respect of the Debt Instrument Subscription (as defined below) having been signed and becoming effective upon all necessary approvals required by the parties thereto being obtained in accordance with laws.

As of the date of this announcement, conditions precedent (a), (c) and (d) have been satisfied.

## **Completion**

Completion shall take place on the date which all the conditions to the Framework Disposal Agreement and the relevant specific disposal agreements have been fulfilled or waived or such other date as the parties may agree in writing.

## **INFORMATION ON THE DISPOSAL ASSETS**

The Disposal Assets comprise certain credit assets and other assets of the Bank, including corporate loans and beneficial interest transfer plans (comprising beneficial interests in trust plans and asset management plans issued by trust companies, securities companies, insurance companies and asset management companies), representing approximately 54% and 46% of the Disposal Assets respectively. The original book value of the debt principal amount of the Disposal Assets is approximately RMB150 billion and the unaudited net loss attributable to the Disposal Assets for the financial years ended 31 December 2018 and 31 December 2019 are approximately RMB6,143 million and RMB8,078 million, respectively.

## **FINANCIAL EFFECT OF THE DISPOSAL ON THE BANK**

It is estimated that pursuant to the Disposal, (i) the deposit of the Bank at central bank will increase by approximately RMB45 billion; (ii) taking into consideration that the Debt Instrument Subscription (as defined below) and the Disposal are a series of transactions under the reorganization plan of the Bank, and as such the Bank's debt investment will increase by approximately RMB75 billion; and (iii) disposal of assets of approximately RMB150 billion, leading to an overall unaudited impairment reserve expense of approximately RMB30 billion. The above-mentioned estimation may be different from the actual financial effect of the Disposal.

## **USE OF PROCEEDS**

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

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK DISPOSAL AGREEMENT**

References are made to (i) the announcement of the Bank dated 26 December 2019 in relation to its proposed significant asset reorganization in order to improve its assets quality and internal delicacy-management level of the assets, and further optimize its asset structure; and (ii) the announcement of the Bank dated 10 March 2020 in relation to the proposed private placement of not more than 6.2 billion new Domestic Shares (the "**Proposed Private Placement**").

The Bank has, accordingly, formulated a plan for reorganization which mainly consists of:

- (i) the Proposed Private Placement;
- (ii) the Disposal; and
- (iii) the subscription of a directional debt instrument in the principal amount of RMB75 billion, the agreement of which is effective from the later of the date on which the subscription agreement has been duly signed by the parties thereto and the effective date of the Framework Disposal Agreement, and the directional debt instrument with an initial maturity period of 15 years (which could be extended upon agreement between the parties thereto) or until the full repayment of the principal amount by the issuer within such debt period, issued by Jinzhou Jinyin Management Partnership (LLP)\* (錦州錦銀管理合夥企業(有限合夥)), being an entity set up by corporations controlled by Liaoning Financial Holding Group Co., Ltd.\* (遼寧金融控股集團有限公司) and Deposit Insurance Fund Management Co., Ltd.\* (存款保險基金管理有限責任公司), pursuant to which, among others, (a) the obligations of the Bank to make payment for such subscription amount shall be waived; and (b) the Bank shall obtain from the issuer repayment of premium and interest at a rate of 2.25% per annum, totaling to not less than RMB5,000 million per year in principle (the “**Debt Instrument Subscription**”).

While it is estimated that the overall financial effect of the Disposal and the Debt Instrument Subscription will be an unaudited impairment reserve expense of approximately RMB30 billion, through the above plan for reorganization, the Bank expects to improve its capital adequacy ratio, improve its assets quality and reduce bad debt ratio to effectively improve its risk resistance ability, strengthen its corporate governance level and control its development direction, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development. As such, the Directors are of the view that the terms of the Framework Disposal Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **Information relating to the Group**

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

## Information of Chengfang Huida

Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which mainly engages in enterprise management, market research and economy and trading consultancy. Chengfang Huida is wholly-owned by Huida Asset Management Ltd. Co\* (匯達資產托管有限公司) (“**Huida Asset Management**”), which is in turn indirectly wholly-owned by China Cinda Asset Management Co., Ltd.\* (中國信達資產管理股份有限公司) (“**China Cinda**”), a company listed on the Main Board of the Stock Exchange (stock code: 1359). Although all the equity interests of Huida Asset Management is held by China Cinda as a nominal shareholder, each of Huida Asset Management and Chengfang Huida is managed by the PBoC in which all its economic benefits and voting power are held and controlled by the PBoC. Neither Huida Asset Management or Chengfang Huida is regarded as a subsidiary of China Cinda. On 23 January 2020, Chengfang Huida entered into a subscription agreement to subscribe for 5,270 million Domestic Shares pursuant to the Proposed Private Placement. As at the date of this announcement, the Proposed Private Placement has not completed and Chengfang Huida does not have any equity interests in the Bank. Accordingly, as at the date of this announcement, each of Chengfang Huida and its ultimate beneficial owner, namely, the PBoC is a party independent from the Bank and its connected persons.

## IMPLICATIONS UNDER THE LISTING RULES

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

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

## EGM

The EGM will be convened to consider, and if thought fit, to approve, among other things, the Framework Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Framework Disposal Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Disposal Assets; (iv) unaudited pro forma financial information of the Group upon completion of the Disposal; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 29 May 2020, as additional time is required by the Company for preparation of certain information for inclusion in the circular.

**As the completion of the Disposal is subject to the satisfaction of certain conditions precedent as set out in the paragraph headed “The Framework Disposal Agreement – Conditions precedent” below in this announcement, including but not limited to the approval of the Shareholders, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Bank are advised to exercise caution in dealing in the securities of the Bank.**

## RESUMPTION OF TRADING

At the request of the Bank, trading in H Shares and Offshore Preference Shares on the Stock Exchange have been suspended with effect from 9:00 a.m. on 1 April 2020. An application has been made by the Bank to the Stock Exchange for the resumption of trading in H Shares and Offshore Preference Shares with effect from 9:00 a.m. on 6 April 2020.

## DEFINITIONS

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

“Bank”	Bank of Jinzhou Co., Ltd.* (錦州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange and Offshore Preference Shares are listed on the Stock Exchange
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong and the PRC
“Chengfang Huida”	Beijing Chengfang Huida Enterprise Management Co., Ltd.* (北京成方匯達企業管理有限公司), a company with limited liability established in the PRC on 15 May 2019
“Consideration”	the consideration payable by the Purchaser to the Bank in respect of the Disposal
“Director(s)”	the director(s) of the Bank
“Disposal”	the disposal of the Disposal Assets to Chengfang Huida by the Bank and related transactions as contemplated under the Framework Disposal Agreement
“Disposal Assets”	certain credit assets and other assets held by the Bank
“Domestic Share(s)”	the ordinary share(s) in the capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in RMB
“EGM”	the extraordinary general meeting of the Bank to be held, or any adjournment thereof, to consider and approve, among other things, the Disposal
“Framework Disposal Agreement”	the asset disposal framework agreement dated 31 March 2020 entered into between the Bank and Chengfang Huida in respect of the Disposal
“Group”	the Bank and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offshore Preference Shares”	the US\$1,496,000,000 5.50% non-cumulative perpetual offshore preference shares issued by the Bank on 27 October 2017 and listed on the Stock Exchange (stock code: 4615)
“PBoC”	The People’s Bank of China
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Purchaser”	Chengfang Huida
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Share(s) and the H Share(s), but excluding the Offshore Preference Shares
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Jinzhou, Liaoning Province, the PRC  
3 April 2020

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

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