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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)

REPLENISHMENT OF OTHER TIER-ONE CAPITAL THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT

REPLENISHMENT OF OTHER TIER-ONE CAPITAL THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT

The Board is pleased to announce that, in order to actively implement the government's special bond policy of RMB200 billion to replenish capital, enhance the Bank's capital strength, improve capital structure and risk resistance level, the Bank intends to carry out the convertible negotiated deposit business to replenish Other Tier-One Capital. The Bank intends to enter into the agreement on replenishing the "convertible negotiated deposit" of small and medium-sized banks' capital with the special bonds (the "Agreement") with Shenyang Finance Bureau. The main contents are as follows:

- (1) After obtaining the proceeds from issuance of local government special bonds by the Liaoning Provincial Department of Finance, Shenyang Finance Bureau will deposit the relevant funds in the form of negotiated deposit into the special RMB deposit account for corporate it opens in the Bank according to the Agreement;
- (2) With the consent of Shenyang Finance Bureau, when the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and upon the satisfaction of specific requirements on the Minimum Public Float prescribed by the Hong Kong Stock Exchange, Shenyang Finance Bureau shall convert the negotiated deposits into Ordinary Shares of the Bank in accordance with laws and regulations as well as the Agreement;
- (3) If the conversion conditions are not satisfied, the Bank shall repay the principal and interest according to the Agreement upon the maturity of the convertible negotiated deposit;

- (4) During the term of the convertible negotiated deposit, the Bank shall report the changes in the core tier-one capital adequacy ratio of the previous quarter by the fifteenth day of the first month of each quarter to Shenyang Finance Bureau. When the core tier-one capital adequacy ratio of the Bank drops to 7.5%, and early warning is triggered, the Bank shall promptly inform Shenyang Finance Bureau of the situation, formulate emergency plans, and actively take emergency measures to improve the ability to resist risks and avoid the occurrence of triggering events.

The conversion price is determined on the basis of the higher value of average trading price of H ordinary Shares of the Bank for 20 trading days preceding the date of the Board resolution approving the convertible negotiated deposit (i.e. 29 July 2022) (the average trading price of H ordinary Shares of the Bank for the 20 preceding trading days = the total trading amount of H ordinary Shares of the Bank for the 20 preceding trading days/total trading volume of H ordinary Shares of the Bank for the 20 preceding trading days), which will be translated into the price of RMB with the central parity of the RMB against the Hong Kong dollars announced by State Administration of Foreign Exchange on the date of the Board resolution (the “**Initial Conversion Price**”), i.e. HK\$6.00, equivalent to RMB5.17, and the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit. The Bank’s net assets per Share attributable to the owners of the parent company based on the consolidated statement as of 30 June 2022 was RMB9.20, for reference only.

If the conversion conditions are met, all or part of the convertible negotiated deposit placed in the Bank by Shenyang Finance Bureau will be converted into the Shares of the Bank and will be held by the Designated Entities. The shareholding ratio of which will be determined based on the conversion price standards set out in the Agreement.

The Bank and Shenyang Finance Bureau will enter into the Agreement within twelve months from the date of approval of the EGM and the Class Meetings.

Shenyang Finance Bureau, the Designated Entities, the Bank and the Shareholders (related to the implementation of the conversion) of the Bank will enter into a capital increment agreement according to the conversion standards and conditions agreed in the Agreement. After the conversion, the Designated Entities will exercise the corporate governance over the Bank based on the actual shareholding with other Shareholders of the Bank.

ISSUANCE OF SHARES UNDER SPECIAL MANDATE

The proposed convertible negotiated deposit and issuance of shares is subject to the special mandate. Pursuant to Rule 19A.38 of the Listing Rules, the special mandate of the proposed convertible negotiated deposit and issuance of shares is subject to the requirements for approval at the Shareholders' general meeting and Class Meetings.

The proposed convertible negotiated deposit and its special mandate were considered and approved by the Board on 29 July 2022. None of the Directors has material interest in the above matters and hence no Director has abstained from voting on such Board resolution.

The Bank did not conduct any equity fund raising activities or issue any equity securities within the 12 months immediately preceding the Latest Practicable Date.

EGM AND CLASS MEETINGS

A proposal regarding the replenishment of other tier-one capital through a convertible negotiated deposit will be proposed by the Board at the EGM and the Class Meetings for consideration and approval by way of a special resolution. A circular of the EGM and the Class Meetings containing, among other things, details of the proposals regarding the replenishment of other tier-one capital through a convertible negotiated deposit will be despatched to the Shareholders of the Company in due course.

REPLENISHMENT OF OTHER TIER-ONE CAPITAL THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT

The Board is pleased to announce that, in order to actively implement the government's special bond policy of RMB200 billion to replenish capital, enhance the Bank's capital strength, improve capital structure and risk resistance level, the Bank intends to carry out the convertible negotiated deposit business to replenish Other Tier-One Capital. The relevant plan is hereby formulated. The main contents are as follows:

(1) Background

At the executive meeting of the State Council presided by Premier Li Keqiang on 1 July 2020, a quota for new local government special bonds in 2020 was determined to be arranged for local governments to explore new reasonable ways to properly replenish the capital of small and medium-sized banks by subscribing convertible bonds in accordance with the laws and regulations.

According to the aforesaid policies and arrangements, the MOF has allocated RMB200 billion in the 2020 new local government special bond limit for local governments to subscribe for qualified capital instruments or to periodically replenish capital to small and medium-sized banks by means of capital injection. According to the unified deployment of the Liaoning Provincial Department of Finance, the Bank intends to carry out a convertible negotiated deposit business totaled RMB15 billion to coordinate with local government special bond funds, so as to replenish Other Tier-One Capital in full.

(2) Meaning and Necessity of Convertible Negotiated Deposit

(I) Meaning of convertible negotiated deposit

Convertible negotiated deposit is an innovative capital tool to replenish the capital of small and medium-sized banks. It is to inject local government bond funds that can be used to replenish the capital of small and medium-sized banks into target banks in the form of deposits to replenish the target banks' capital. At the same time, the deposit party enters into an agreement with the target banks to convert the deposit into ordinary Shares upon meeting the conditions for the conversion, or to repay the principal and interest by the target banks upon the maturity of the convertible negotiated deposit or when it becomes redeemable.

(II) Necessity of convertible negotiated deposit

With the deepening of interest rate liberalization, small and medium-sized banks are facing intensifying competition. After the COVID-19 pandemic in 2020, in particular, the external environment faced by small and medium-sized banks became more complicated. Therefore, we conducted the convertible negotiated deposit with special bond funds to replenish Other Tier-One Capital of the Bank, which was conducive to improving the capital adequacy ratio, defusing credit risks, enhancing the efforts on disposal of the non-performing loans, strengthening the ability to resist risks, increasing the credit investment, optimizing the credit assets structure, serving the real economy in a better way, supporting the development of agriculture, rural area, rural people and small and micro enterprises, and practicing corporate social responsibility.

(3) Basic Elements for Convertible Negotiated Deposit

Subject of deposits: Shenyang Finance Bureau

Quota: not more than RMB15 billion (amongst which not more than RMB11.25 billion, representing 75% of the convertible negotiated deposit, would be converted to Domestic Shares and not more than RMB3.75 billion, representing 25% of the convertible negotiated deposit, would be converted to H Shares).

Interest rate: Before the conversion, the interest rate of the convertible negotiated deposit shall match with the corresponding local government special bonds issuance interest rate. According to the recent bond issuance interest rate by the local government of Liaoning Province, the interest rate of the Special Bonds does not exceed 3.8%. If the interest rate of the Special Bonds then exceeds such range, the Bank will submit to the Shareholders' general meeting for approval separately.

Repayment of principal and interest: The deposit and repayment of convertible negotiated deposit principal should match the issue periods of local government special bonds. Maturity of the deposit shall be set in accordance with the maturity requirements in batches. Among them, RMB3 billion is for the six-year maturity, RMB3 billion is for the seven-year maturity, RMB3 billion is for the eight-year maturity, RMB3 billion is for the nine-year maturity and RMB3 billion is for the ten-year maturity. The interest is paid semiannually on the convertible negotiated deposit, and the interest rate shall match with the corresponding local government special bonds issuance interest rate.

Purpose: to replenish Other Tier-One Capital of the Bank¹.

Targets of issuance: the Designated Entities, namely qualified entities designated by the Shenyang Finance Bureau, including qualified and municipal level state-owned enterprises and other independent third party entities with no business and financial relationship with Shenyang Finance Bureau. These independent third party entities will have relevant consideration payment arrangements with the Shenyang Municipal Finance Bureau for holding the converted Shares.

Core conversion terms: When the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and other conditions as set out in the Agreement are met, the negotiated deposits will be converted into Ordinary Shares periodically and included in the core tier-one capital.

Specifically, in accordance with the Agreement, the conversion for convertible negotiated deposit into ordinary Shares of the Bank shall satisfy the following conditions at the same time: (i) the core tier-one capital adequacy ratio of the Bank is lower than 5.125% (according to the relevant laws and regulations, the core tier-one capital adequacy ratio of the Bank shall not be lower than 7.5%. As of 30 June 2022, the core tier-one capital adequacy ratio of the Bank was 10.29%); and (ii) the class and number of the converted Ordinary Shares and the shareholding structure of the Bank after the conversion shall satisfy the particular requirement of the Hong Kong Stock Exchange for the minimum public float. Pursuant to the requirements of Rule 8.08(1) of the Listing Rules, at least 25% of an issuer's total number of issued shares shall be at all times held by the public (the "**Minimum Public Float**"). The Bank has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.08(1) of the Listing Rules at the time of the listing of the Bank's H Shares, pursuant to which, the minimum public float shall be the higher of: (i) 24.35%; and (ii) such percentage of H Shares to be held by the public immediately after the part of the over-allotment option is exercised; and such percentage of H shares to be held by the public after the Bank's exercise of the over-allotment option is 26.57%, which is higher than the Minimum Public Float under Rule 8.08(1) of the Listing Rules. As at the Latest Practicable Date, the number of H Shares of the Bank held by the public accounts for approximately 26.61% of the total issued share capital of the Bank, meeting the requirements of Minimum Public Float. In this case, in order to continue to be in compliance with the requirements of the Listing Rules regarding the Minimum Public Float, the Ordinary Shares of the Bank converted in accordance with the plan of convertible

¹ In accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial) (《商業銀行資本管理辦法試行》) issued by the China Banking Regulatory Commission (now renamed as the China Banking and Insurance Regulatory Commission), the total capital of commercial banks includes core tier-one capital, other tier-one capital and tier-two capital. Other tier-one capital includes: other tier-one capital instruments and its premium as well as applicable portions of minority shareholders' capital that may be included.

negotiated deposit are 75% Domestic Shares and 25% H Shares of the Bank that are issued overseas and listed on the Main Board of the Hong Kong Stock Exchange, with a par value of RMB1 per Share.

Conversion price is determined on the basis of the higher value of average trading price of H ordinary Shares of the Bank for 20 trading days preceding the date of the Board resolution approving the convertible negotiated deposit (i.e. 29 July 2022) and the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit. The adjustment rule for initial conversion price has been set (see “(5)(IV) Conversion price” below for details).

Specifically, in accordance with the Agreement, the conversion price is determined on the basis of the higher value of average trading price of H ordinary Shares of the Bank for 20 trading days preceding the date of the Board resolution approving the convertible negotiated deposit (i.e. 29 July 2022) (the average trading price of H ordinary Shares of the Bank for the 20 preceding trading days = the total trading amount of H ordinary Shares of the Bank for the 20 preceding trading days/total trading volume of H ordinary Shares of the Bank for the 20 preceding trading days), which will be translated into the price of RMB with the central parity of the RMB against the Hong Kong dollars announced by State Administration of Foreign Exchange on the date of the Board resolution (the “**Initial Conversion Price**”), i.e. HK\$6.00, equivalent to RMB5.17, and the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit. The Bank’s net assets per Share attributable to the owners of the parent company based on the consolidated statement as of 30 June 2022 was RMB9.20, for reference only.

The basis for determining the Initial Conversion Price of the convertible negotiated deposit is based on the Measures for the Administration on Securities Issuance of Listed Companies of the China Securities Regulatory Commission and other relevant laws and regulations, as well as the conversion clauses of domestic and overseas preference shares issued by domestic banks (for replenishing other tier-one capital) with reference to the average trading price in the 20 trading days prior to the pricing base date.

The Initial Conversion Price of the convertible negotiated deposit is RMB5.17:

1. It equals to the average trading price of the Bank's H Shares in the 5 trading days prior to the date of the resolution of the Board (i.e. 29 July 2022);
2. It equals to the average trading price of the Bank's H Shares in the 10 trading days prior to the date of the resolution of the Board (i.e. 29 July 2022); it equals to the average trading price of the Bank's H Shares in the 30 trading days prior to the date of the resolution of the Board (i.e. 29 July 2022); it equals to the average trading price of the Bank's H Shares in the 90 trading days prior to the date of the resolution of the Board (i.e. 29 July 2022);
3. It equals to the average trading price of the Bank's H Shares on the date of the resolution of the Board (i.e. 29 July 2022);
4. It equals to the average trading price of the Bank's H Shares in the 5 trading days prior to the Latest Practicable Date (i.e. 29 August 2022);
5. It equals to the average trading price of the Bank's H Shares as at the Latest Practicable Date (i.e. 29 August 2022).

The Board of Directors of the Bank believes that the Initial Conversion Price is based on the market price of the Bank's H Shares and is fair and reasonable.

Therefore, under the above conditions, as calculated by the estimated lower conversion price of RMB5.17, the conversion for the convertible negotiated deposit may have one of the following circumstances:

(I) If the conversion conditions are triggered within 6 years (inclusive) after the issuance date of Special Bonds, the amount of conversion deposits involved will be RMB15 billion

Assuming the deposit amount will be converted in full in compliance with the Minimum Public Float requirement, i.e. a total of 2,176,015,474 Domestic Shares and 725,338,491 H Shares of the Bank are converted, qualified municipal state-owned enterprises designated by the Shenyang Finance Bureau hold the converted H Shares to the maximum extent, i.e. 141,572,450 H Shares, and several other independent third parties with no business and financial relationship with Shenyang Finance Bureau are designated to hold the remaining converted H Shares, i.e. 583,766,041 H Shares, the shareholding structures of the Bank immediately before and after the conversion are set out as follows:

	As at the Latest Practicable Date		Immediately after the implementation of the conversion	
	Number of Shares	Approximate percentage of the total issued Shares	Number of Shares	Approximate percentage of the total issued Shares
Domestic Shares				
Shenyang Shengjing Finance Investment Group Co., Ltd. ^(Note 1)	1,829,225,327	20.79%	1,829,225,327	15.64%
China Evergrande Group ^(Note 2)	1,281,855,435	14.57%	1,281,855,435	10.96%
Shenyang Hengxin State-owned Assets Management Group Co., Ltd. ^(Note 3)	479,836,334	5.45%	479,836,334	4.10%
Liaoning Huibao International Investment Group Co., Ltd. ^(Note 4)	400,000,000	4.55%	400,000,000	3.42%
Other holders of domestic shares	2,465,020,604	28.02%	4,641,036,078	39.67%
Total issued Domestic Shares	6,455,937,700	73.39%	8,631,953,174	73.79%

	As at the Latest Practicable Date		Immediately after the implementation of the conversion	
	Number of Shares	Approximate percentage of the total issued Shares	Number of Shares	Approximate percentage of the total issued Shares
H Shares ^(Note 5)				
Qualified municipal state- owned enterprises designated by Shenyang Finance Bureau	–	–	141,572,450	1.21%
Other independent third party H-share holders ^(Note 6)	2,340,742,500	26.61%	2,924,508,541	25.00%
Total issued H Shares	<u>2,340,742,500</u>	<u>26.61%</u>	<u>3,066,080,991</u>	<u>26.21%</u>
Total issued Shares	<u>8,796,680,200</u>	<u>100.00%</u>	<u>11,698,034,165</u>	<u>100.00%</u>

Notes:

1. Shenyang Shengjing Finance Investment Group Co., Ltd. held 1,829,225,327 Domestic Shares. Shenyang Shengjing Finance Investment Group Co., Ltd. was owned as to 67.42% by Shenyang SASAC. By virtue of the SFO, Shenyang SASAC is deemed to be interested in the Shares held by Shengjing Finance Holdings.
2. China Evergrande Group (a Hong Kong listed company registered in the Cayman Islands; Stock Code: 3333) was interested in 1,281,855,435 Domestic Shares, which were held by its indirect wholly-owned subsidiary, Evergrande Group (Nan Chang) Co., Ltd.
3. Shenyang Hengxin State-owned Assets Management Group Co., Ltd. held 479,836,334 Domestic Shares. Shenyang Hengxin State-owned Assets Management Group Co., Ltd. was owned as to 98.16% by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). Shenyang Industrial Investment Development Group Co., Ltd. was wholly-owned by Shenyang SASAC. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. and Shenyang SASAC are deemed to be interested in the Shares held by Shenyang Hengxin State-owned Assets Management Group Co., Ltd.

4. Liaoning Huibao International Investment Group Co., Ltd. held 400,000,000 Domestic Shares. Liaoning Huibao International Investment Group Co., Ltd. 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 Mr. Li Yuguo (李玉國) as Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) is accustomed to acting in accordance with Mr. Li Yuguo's (李玉國) direction pursuant to a relevant agreement entered into between Mr. Li Yuguo (李玉國) and Chenjingyi (Beijing) Cultural Development Co., Ltd (辰景怡(北京)文化發展有限公司). By virtue of the SFO, Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) and Mr. Li Yuguo (李玉國) are deemed to be interested in the Shares held by Liaoning Huibao International Investment Group Co., Ltd.
5. As at the Latest Practicable Date, the total share capital of the Bank was 8,796,680,200 shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. To the best of the knowledge of the Bank and the Directors, having made reasonable enquiries, the issued H shares of the Bank are held by members of the public.
6. H shares of the Bank held by other independent third party H-share holders immediately after the implementation of the conversion are shares held by members of the public.
7. If there is any discrepancy between the arithmetic results and the calculation results of figures listed, it is due to rounding.

The designated independent third party entities will have relevant consideration payment arrangements with Shenyang Municipal Finance Bureau for holding the converted Shares and each of them will not hold more than 10% of the total issued shares of the Bank after implementation of the conversion. If the converted Shares are issued to less than six parties, the Bank will disclose the names of the parties according to the Listing Rules requirements. The Bank will consider various means to comply with the requirements of the Minimum Public Float (where applicable), or the conversion will not be implemented.

(II) If the conversion conditions are triggered within 6–7 years (inclusive) after the issuance date of Special Bonds, the amount of conversion deposits involved will be RMB12 billion

Assuming the deposit amount will be converted in full in compliance with the Minimum Public Float requirement, i.e. a total of 1,740,812,379 Domestic Shares and 580,270,793 H Shares of the Bank are converted, qualified municipal state-owned enterprises designated by the Shenyang Finance Bureau hold the converted H Shares to the maximum extent, i.e. 141,572,450 H Shares, and several other independent third parties with no business and financial relationship with Shenyang Finance Bureau are designated to hold the remaining converted H Shares, i.e. 438,698,343 H Shares. Immediately after the conversion, the total share capital of the Bank will be 11,117,763,372 Shares, comprising 8,196,750,079 Domestic Shares and 2,921,013,293 H Shares. The designated independent third party entities will have relevant consideration payment arrangements with Shenyang Municipal Finance Bureau for holding the converted Shares and each of them will not hold more than 10% of the total issued shares of the Bank after implementation of the conversion. The Bank will then have a public float of 25%, which meets the requirements of the Minimum Public Float. If the converted Shares are issued to less than six parties, the Bank will disclose the names of the parties according to the Listing Rules requirements. The Bank will consider various means to comply with the requirements of the Minimum Public Float (where applicable), or the conversion will not be implemented.

(III) If the conversion conditions are triggered within 7–8 years (inclusive) after the issuance date of Special Bonds, the amount of conversion deposits involved will be RMB9 billion

Assuming the deposit amount will be converted in full in compliance with the Minimum Public Float requirement, i.e. a total of 1,305,609,284 Domestic Shares and 435,203,095 H Shares of the Bank are converted, qualified municipal state-owned enterprises designated by the Shenyang Finance Bureau hold the converted H Shares to the maximum extent, i.e. 141,572,450 H Shares, and several other independent third parties with no business and financial relationship with Shenyang Finance Bureau are designated to hold the remaining converted H Shares, i.e. 293,630,645 H Shares. Immediately after the conversion, the total share capital of the Bank will be 10,537,492,579 Shares, comprising 7,761,546,984 Domestic Shares and 2,775,945,595 H Shares. The designated independent third party entities will have relevant consideration payment arrangements with Shenyang Municipal Finance Bureau for holding the converted Shares and each of them will not hold more than 10% of the total issued shares of the Bank after implementation of the conversion. The Bank will then have a public float of 25%, which meets the requirements of the Minimum Public Float. If the converted Shares are issued to less than six parties, the Bank will disclose the names of the parties according to the Listing Rules requirements. The Bank will consider various means to comply with requirements of the Minimum Public Float (where applicable), or the conversion will not be implemented.

(IV) If the conversion conditions are triggered within 8–9 years (inclusive) after the issuance date of Special Bonds, the amount of conversion deposits involved will be RMB6 billion

Assuming the deposit amount will be converted in full in compliance with the Minimum Public Float requirement, i.e. a total of 870,406,190 Domestic Shares and 290,135,397 H Shares of the Bank are converted, qualified municipal state-owned enterprises designated by the Shenyang Finance Bureau hold the converted H Shares to the maximum extent, i.e. 141,572,450 H Shares, and several other independent third parties with no business and financial relationship with Shenyang Finance Bureau are designated to hold the remaining converted H Shares, i.e. 148,562,947 H Shares. Immediately after the conversion, the total share capital of the Bank will be 9,957,221,786 Shares, comprising 7,326,343,890 Domestic Shares and 2,630,877,897 H shares. The designated independent third party entities will have relevant consideration payment arrangements with Shenyang Municipal Finance Bureau for holding the converted Shares and each of them will not hold more than 10% of the total issued shares of the Bank after implementation of the conversion. The Bank will then have a public float of 25%, which meets the requirements of the Minimum Public Float. If the converted Shares are issued to less than six parties, the Bank will disclose the names of the parties according to the Listing Rules requirements. The Bank will consider various means to comply with the requirements of the Minimum Public Float (where applicable), or the conversion will not be implemented.

(V) If the conversion conditions are triggered within 9–10 years (inclusive) after the issuance date of Special Bonds, the amount of conversion deposits involved will be RMB3 billion

Assuming the deposit amount will be converted in full in compliance with the Minimum Public Float requirement, i.e. a total of 435,203,095 Domestic Shares and 145,067,698 H Shares of the Bank are converted, qualified municipal state-owned enterprises designated by the Shenyang Finance Bureau hold the converted H Shares to the maximum extent of 141,572,450 H Shares, and several other independent third party with no business and financial relationship with Shenyang Finance Bureau are designated to hold the remaining converted H Shares, i.e. 3,495,248 H Shares. Immediately after the conversion, the total share capital of the Bank will be 9,376,950,993 Shares, comprising 6,891,140,795 Domestic Shares and 2,485,810,198 H Shares. The designated independent third party entities will have relevant consideration payment arrangements with Shenyang Municipal Finance Bureau for holding the converted Shares and each of them will not hold more than 10% of the total issued shares of the Bank after implementation of the conversion. The Bank will then have a public float of 25%, which meets the requirements of the Minimum Public Float. If the converted Shares are issued to less than six parties, the Bank will disclose the names of the parties according to the Listing Rules requirements. The Bank will consider various means to comply with the requirements of the Minimum Public Float (where applicable), or the conversion will not be implemented.

In summary, the convertible negotiated deposit can be converted to a maximum of 2,176,015,474 Domestic Shares and 725,338,491 H Shares of the Bank (taking up approximately 18.60% and 6.20% of the enlarged total share capital of the Bank, respectively), with a par value of RMB1 per Share, provided that the conditions for conversion are satisfied.

Based on that and the conversion price of RMB5.17, the conversion will not result in a theoretical dilution effect. The Bank will ensure to comply with the theoretical dilution effect requirement in accordance with Rule 7.27B of Listing Rules at the time of entering into the Agreement and completion of the convertible negotiated deposit.

Upon approval of the EGM and the Class Meetings, the implementation of the convertible negotiated deposit business does not need to submit to the China Securities Regulatory Commission and China Banking and Insurance Regulatory Commission for approval.

(4) Authorization

This proposal will be put forward to the EGM and the Class Meetings for consideration. The Bank and Shenyang Finance Bureau will enter into the Agreement within twelve months from the date of approval of the EGM and the Class Meetings. Upon approval by the EGM and the Class Meetings, the Board of Directors will authorize the senior management to carry out relevant work in a timely manner in accordance with the aforesaid convertible negotiated deposit issuance plan and the requirements of the Shenyang Finance Bureau and regulatory authorities, such as making amendments to the plan and relevant agreements according to requirements of regulatory authorities in the place where the Bank's Shares are listed. At the same time, the Board of Directors authorizes the senior management to handle the specific matters related to the issuance of the aforesaid convertible negotiated deposits, including but not limited to: submitting the issuance materials to the financial departments and regulatory authorities, determining the specific scale, time, term and interest rate of deposits, arranging the repayment of principal and interest of deposits and other related matters, signing all relevant legal documents reached by both parties concerning the convertible negotiated deposits, etc., and making appropriate adjustments in accordance with the requirements of financial departments and regulatory authorities. Regarding the specific arrangements for this matter, the Bank will comply with applicable rules and regulations of the place where the Shares are listed. The aforesaid authorization period shall be valid within twelve months from the date of approval by the EGM and Class Meetings.

(5) The agreement on replenishing the “convertible negotiated deposit” of small and medium-sized banks’ capital with the Special Bonds

(I) Main contents

Shenyang Finance Bureau intends to supplement the tier-one capital of the Bank by means of the convertible negotiated deposit, as detailed below:

1. After obtaining the proceeds from issuance of local government special bonds by the Liaoning Provincial Department of Finance, Shenyang Finance Bureau will deposit the relevant funds in the form of negotiated deposit into the special RMB deposit account for corporate it opens in the Bank according to the Agreement;
2. With the consent of Shenyang Finance Bureau, when the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and upon the satisfaction of specific requirements on the Minimum Public Float prescribed by the Hong Kong Stock Exchange, Shenyang Finance Bureau shall convert the negotiated deposits into Ordinary Shares of the Bank in accordance with laws and regulations as well as the Agreement (see “(III) Conversion conditions” below for details);
3. If the conversion conditions are not satisfied, the Bank shall repay the principal and interest according to the Agreement upon the maturity of the convertible negotiated deposit;
4. During the term of the convertible negotiated deposit, the Bank shall report the changes in the core tier-one capital adequacy ratio of the previous quarter by the fifteenth day of the first month of each quarter to Shenyang Finance Bureau. When the core tier-one capital adequacy ratio of the Bank drops to 7.5%, and early warning is triggered, the Bank shall promptly inform Shenyang Finance Bureau of the situation, formulate emergency plans, and actively take emergency measures to improve the ability to resist risks and avoid the occurrence of triggering events.

The term of the Agreement starts from the issuance date of the Special Bonds to the earlier of the following: (i) the date on which the Shares held by the designated subject are withdrawn, (ii) the maturity date of the Special Bonds, or (iii) the expiry date of 10 years from the issuance date of the Special Bonds.

(II) Agreements on the negotiated deposit

Shenyang Finance Bureau intends to inject RMB15 billion in total in five installments into the Bank by means of convertible negotiated deposit (the actual amount shall be subject to the amount of the local government special bonds issued to supplement the capital of the Bank under the approval of Liaoning provincial government).

The interest rate of the convertible negotiated deposit under the Agreement shall be fixed, and the annual interest rate (after considering tax factors) is adjusted according to the actual issuing rate of the corresponding local government special bonds. Interest shall be paid on the deposit under the Agreement every six months, and the Interest Payment Day of the convertible negotiated deposit shall be at least 10 working days ahead of the interest payment day of the Special Debts and (subject to the conversion conditions not being satisfied) the principal repayment date for deposits under the Conversion Agreement being at least 2 business days earlier than the principal repayment date for the Special Bonds. The interest and principal shall be paid to the local Treasury of Shenyang Finance Bureau by transfer. The transfer voucher of the Bank shall be the valid voucher of the interest payment.

The value date of the convertible negotiated deposit shall be the value date of the proceeds from Special Bonds, and the date of cessation in calculation of interest shall be the conversion completion date or the maturity date of the Special Bonds (whichever is earlier). The interest of difference between the deposit period and the value date of the funds from the Special Bonds shall be borne by the Bank.

The deposit and repayment of convertible negotiated deposit principal should match the issue periods of local government special bonds. The convertible negotiated deposit of RMB15 billion in total shall be deposited in five installments, of which the first installment is RMB3 billion, with a term of six years; the second installment is RMB3 billion, with a term of seven years; the third installment is RMB3 billion, with a term of eight years; the fourth installment is RMB3 billion, with a term of nine years; and the fifth installment is RMB3 billion, with a term of ten years.

(III) Conversion conditions

The parties agree that the conversion of the convertible negotiated deposit into the ordinary Shares of the Bank shall be subject to the following conditions:

- (a) the core tier-one capital adequacy ratio of the Bank is lower than 5.125%;
- (b) The class and number of the converted ordinary Shares and the shareholding structure of the Bank after the conversion shall satisfy the relevant requirements of laws and regulations, including but not limited to the particular requirement of Hong Kong Stock Exchange for the Minimum Public Float.

If the above conditions are met, all or part of the convertible negotiated deposit placed in the Bank by Shenyang Finance Bureau will be converted into the Shares of the Bank and will be held by the Designated Entities. The shareholding ratio of which will be determined based on the conversion price standards set out in the Agreement. When the core tier-one capital adequacy ratio of the Bank is lower than 5.125% while the above Condition (b) is not satisfied, Shenyang Finance Bureau shall not convert the Shares in a mandatory manner.

(IV) Conversion price

The conversion price is determined on the basis of the higher value of average trading price of H ordinary Shares of the Bank for 20 trading days preceding the date of the Board resolution approving the convertible negotiated deposit (i.e. 29 July 2022) (the average trading price of H ordinary Shares of the Bank for the 20 preceding trading days = the total trading amount of H ordinary Shares of the Bank for the 20 preceding trading days/total trading volume of H ordinary Shares of the Bank for the 20 preceding trading days), which will be translated into the price of RMB with the central parity of the RMB against the Hong Kong dollars announced by State Administration of Foreign Exchange on the date of the Board resolution (i.e. the Initial Conversion Price), and the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit.

If, after the date of the Board resolution to carry on the convertible negotiated deposit business (before the date of the trigger event of the conversion), the Bank issues bonus dividends of ordinary Shares, converts capital reserves to share capital and issues new Shares at a price lower than the audited net assets per Share in the year end prior to the issuance (excluding any additional share capital from the conversion of financial instruments issued by the Bank with a provision for conversion into Ordinary Shares) and makes rights issue (whether at a price lower than the audited net assets per Share in the year end prior to the issuance or not), the Bank will adjust the Initial Conversion Price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events, provided that the distribution of cash dividend of ordinary Shares by the Bank will not result in the adjustment of the Initial Conversion Price. The specific adjustment rules have been set as follow:

Bonus issue or conversion from capital reserves to share capital: $P1 = P0 \times N / (N+n)$;

Issuance of new Shares at a price lower than net assets per Share or rights issue: $P1 = P0 \times (N+k) / (N+n)$;

$k = n \times A/M$;

In the aforesaid rules, “P0” denotes the effective conversion price before adjustment; “N” denotes the aggregate ordinary Shares of the Bank before the issuance of bonus dividends of ordinary Shares, conversion of capital reserves to share capital, issuance of new Shares or right issue; “n” denotes the number of new Shares created due to the issuance of bonus dividends of ordinary Shares, conversion of capital reserves to share capital, issuance of new Shares or right issue; “A” denotes the price of new Share issue or rights issue; “M” denotes audited net assets per Share in the year end prior to the completion date of new Share issue or rights issue; and “P1” denotes the effective conversion price after adjustment.

In the case of rights issue (whether at a price lower than the audited net assets per Share in the year end prior to the issuance or not), the total number of shares of capital of the Bank will increase and the equity interest per Share will be diluted accordingly. Therefore, a corresponding discount shall be applied to the Initial Conversion Price so as to ensure that all Shareholders’ rights and interests are protected.

The Bank undertakes that it will not issue new Shares at a price lower than net assets per Share during the term of the Agreement. As a state-owned enterprise, in order to ensure the appreciation and preservation of state-owned assets and protect the interests of original Shareholders, in accordance with general market principles, the Bank will not issue new Shares at a price lower than the net assets per Share. Besides, in addition to the issuance of new Shares, the Bank may also adopt other methods including the issuance of capital bonds to raise funds. Therefore, the aforementioned undertaking of the Bank will not affect the Bank's ability to raise funds in the future, and is in the overall interest of the Bank and its Shareholders.

The ordinary Shares to be issued as a result of the conversion of the convertible negotiated deposit will rank pari passu with the existing issued ordinary Shares, and all holders of ordinary Shares whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.

All or part of the convertible negotiated deposit will be converted by Shenyang Finance Bureau to Shares held in the Bank (the “**Target Shares**”), and the number of Shares converted = the principle amount of the convertible negotiated deposit/the conversion price, and the Target Shares are ordinary Shares.

(V) Implementation of the conversion

Shenyang Finance Bureau, the Designated Entities, the Bank and the Shareholders (related to the implementation of the conversion) of the Bank will enter into a capital increment agreement according to the conversion standards and conditions agreed in the Agreement. After the conversion, the Designated Entities will exercise the corporate governance over the Bank based on the actual shareholding with other Shareholders of the Bank.

The Designated Entities will pay the equity conversion funds to the Shenyang Finance Bureau, and the negotiated deposit in the Bank from Shenyang Finance Bureau will be converted to the capital of the Designated Entities for subscription of the Bank's Shares after the capital increment agreement is entered into among Shenyang Finance Bureau, the Designated Entities, the Bank and the Shareholders (related to the implementation of the conversion) of the Bank, and Articles of Association is amended.

After the register of members is determined, the Bank shall be responsible for the amendment to the corporate registration particulars in relation to the Target Shares with the company registration authority, and Shenyang Finance Bureau and the Designated Entities will provide assistance and cooperation correspondingly.

As agreed among all the parties, since the date when the negotiable deposit is deducted as the conversion capital from the negotiable deposit account of Shenyang Finance Bureau, the Bank will not pay any interest on those deducted convertible negotiable deposit. Since the completion date of the conversion, the Shareholders whose names appear on the register of members after the conversion shall be entitled to the capital reserve, surplus reserve and accumulative undistributed profits of the Bank in proportion to their respective Shares.

(VI) Corporate governance

In order to enhance the corporate governance capability of the Bank, better defuse risks and enhance operational efficiency, the Bank and its Shareholders agree that, upon the completion of the stock conversion under the Agreement, the Designated Entities may nominate Directors or Supervisors and perform the responsibilities of Shareholders in compliance with the provisions related to the rights of Shareholders as set out in the Articles of Association, provided that the relevant arrangements set forth in this article shall comply with laws and regulations and the requirements of the relevant banking regulatory rules. Such nomination shall be subject to the Board's approval and approval of Shareholders' general meeting in accordance with requirements of Articles of Association and the approval of the banking and insurance regulatory authority for its qualifications.

(VII) Liability for breach of contract

If the Bank submits any false information or document to Shenyang Finance Bureau, provides an invalid warranty or undertaking, or breaches any repayment obligation under the Agreement, Shenyang Finance Bureau may at its discretion:

- (a) Make remedies in accordance with the provisions on the remedies for breach of contract in the Agreement;
- (b) Declare the early termination of the Agreement and require the Bank to immediately repay all the principal, interest and other expenses payable as of the date on which Shenyang Finance Bureau declares the early termination of the Agreement.

If the Bank fails to pay or fails to pay in full the principal, interest and other fees payable upon the maturity of the convertible negotiated deposit under the Agreement (including the declaration of the early termination of the Agreement by Shenyang Finance Bureau according to the relevant terms of the Agreement), and Shenyang Finance Bureau chooses not to convert the relevant deposits into Shares in accordance with the conversion conditions as set out in the Agreement, Shenyang Finance Bureau shall have the right to charge penalty interest on the overdue principal, interest and fees on a daily basis at the rate of issuance interest rate of convertible negotiated deposit *2/ number of days of the year.

The Bank shall be obliged to ensure the safety of the deposit account of Shenyang Finance Bureau under the Agreement, pay the relevant interest on schedule and cooperate with Shenyang Finance Bureau for the withdrawal of the relevant deposits according to the term of corresponding installments of deposits as set out in the Agreement. If the Bank fails to pay the interest as agreed or rejects the withdrawal request of Shenyang Finance Bureau without reasonable grounds, and still fails to pay the full amount within 5 working days as of the date of dunning after being dunned by Shenyang Finance Bureau, Shenyang Finance Bureau shall have the right to terminate the Agreement, and the Bank shall immediately repay all or the remaining principal, interest and all other expenses payable and shall indemnify the Shenyang Finance Bureau for any losses incurred.

(VIII) Effectiveness and termination

The Agreement shall come into force upon the satisfaction of the following conditions:

- (a) The Agreement is signed and stamped by the legal representatives or authorized representatives of the relevant parties;
- (b) The Agreement is approved by securities regulatory authorities in the place where the Bank's Shares are listed and considered and passed by the Shareholders' general meetings and Class Meetings; and
- (c) The convertible negotiated deposit and deposits into the Target Shares under the Agreement is approved by the relevant government authorities or upstream authorities (if necessary).

The Agreement shall be terminated in any of the following circumstances:

- (a) The parties reach consensus to terminate the Agreement;
- (b) The convertible negotiated deposit cannot be implemented due to force majeure and other objective factors beyond the control of the parties;
- (c) The severe violation of the Agreement or applicable laws by any party of the Agreement makes it impossible to perform and complete the Agreement. In this case, other parties have the right to unilaterally terminate the Agreement through written notice.

(6) Listing Rules Implications of the Convertible Negotiated Deposit

The proposed convertible negotiated deposit and issuance of shares is subject to the special mandate. Pursuant to Rule 19A.38 of the Listing Rules, the special mandate of the proposed convertible negotiated deposit and issuance of shares is subject to the requirements for approval at the Shareholders' general meeting and Class Meetings.

The proposed convertible negotiated deposit and its special mandate were considered and approved by the Board on 29 July 2022. None of the Directors has material interest in the above matters and hence no Director has abstained from voting on such Board resolution.

The Bank did not conduct any equity fund raising activities or issue any equity securities within the 12 months immediately preceding the Latest Practicable Date.

This proposal was considered and adopted at the meeting of the Board convened on 29 July 2022, which is currently proposed to the EGM and the Class Meetings by way of special resolutions for Shareholders' consideration and approval.

CIRCULAR

For the circular and other documents of the EGM and Class Meetings which set out the details of the convertible negotiated deposit, please refer to the disclosure on the website of Hong Kong Stock Exchange by the Bank in due course.

DEFINITION

“Agreement”	the agreement on replenishing the “convertible negotiated deposit” of small and medium-sized banks’ capital with the special bonds, and subject to the approval at the EGM and Class Meetings, which the Bank intends to enter into with Shenyang Finance Bureau
“Articles of Association”	the articles of association of the Bank, which may be amended, supplemented or otherwise modified from time to time
“Bank”	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
“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 predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
“Class Meetings”	the 2022 First Domestic Share Class Meeting and the 2022 First H Share Class Meeting of the Bank to be held immediately following the conclusion of the EGM, on Friday, 16 September 2022 at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
“Designated Entities”	the qualified entities designated by the Shenyang Finance Bureau, including qualified municipal state-owned enterprises and other independent third party entities with no business and financial relationship with Shenyang Finance Bureau

“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	ordinary share(s) issued by the Bank in the PRC with nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Domestic Shareholder(s)”	the holder(s) of the Domestic Shares
“EGM”	the 2022 first extraordinary general meeting of the Bank to be held at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC at 9:30 a.m. on Friday, 16 September 2022
“H Shares”	overseas-listed foreign ordinary shares in the share capital of the Bank with nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	the holder(s) of the H Share
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	Monday, 29 August 2022, being the latest practicable date for ascertaining certain information contained in this announcement prior to its publication
“independent Director(s)” or “independent non-executive Director(s)”	the independent Director(s) referred to the Articles of Association and the independent non-executive Director(s) under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Ordinary Share(s)” or “Share(s)”	ordinary shares with nominal value of RMB1.00 each in the Bank’s share capital, including Domestic Shares and H Shares
“Other Tier-One Capital”	as defined by the Administrative Measures for the Capital of Commercial Banks (Trial) issued by the CBIRC on 7 June 2012 and effective on 1 January 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Supervisor(s)”	the supervisor(s) of the Bank
“Shareholder(s)”	the holder(s) of the ordinary shares
“Shenyang SASAC”	the State-owned Assets Supervision and Administration Commission of Shenyang People’s Government
“State Council”	the State Council of the People’s Republic of China
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Special Bonds”	the local government special bonds issued by the Liaoning Provincial Department of Finance in accordance with the Agreement
“2022 First Domestic Share Class Meeting”	the 2022 First Domestic Share Class Meeting of the Bank to be held immediately following the conclusion of the EGM at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC on Friday, 16 September 2022

“2022 First H Share Class Meeting” the 2022 First H Share Class Meeting of the Bank to be held immediately following the conclusion of the EGM and the 2022 First Domestic Share Class Meeting at Room 604, 6/F, No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC on Friday, 16 September 2022

“%” percent

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

Shenyang, Liaoning Province, China
31 August 2022

As at the date of this announcement, the executive directors of the Bank are Mr. QIU Huofa, Mr. SHEN Guoyong, Mr. SHI Yang and Ms. LI Ying; the non-executive directors of the Bank are Mr. SU Qingxiang, Mr. LIANG Zhifang; and the independent non-executive directors of the Bank are Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi.

* *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.*