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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)

ANNOUNCEMENT ON THE VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF ASSETS OF THE BANK

ASSET DISPOSAL AGREEMENT

The Board hereby announces that on 27 September 2023 (after trading hours), the Bank entered into the Asset Disposal Agreement with Liaoning Asset, pursuant to which the Bank has conditionally agreed to sell, and Liaoning Asset has conditionally agreed to purchase, the Disposed Assets at the Consideration of approximately RMB176.0 billion. The Consideration will be satisfied through the issue of the Special-purpose Notes to the Bank by Liaoning Asset (or persons designated by it).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Asset Disposal exceeds 75%, the Asset Disposal constitutes a very substantial disposal of the Bank under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

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

GENERAL

A circular containing, among other things, (i) details of the Asset Disposal Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Disposed Assets; (iv) the unaudited pro forma financial information of the Group as at the completion of the Asset Disposal; and (v) the notice of the EGM, is expected to be dispatched to the Shareholders on or before 19 October 2023.

As the Asset Disposal is subject to the satisfaction of certain conditions precedent as set out in the section “Asset Disposal Agreement – Conditions Precedent and Completion” contained hereinafter, including but not limited to approval by the Shareholders, the Asset Disposal may or may not proceed. Accordingly, the Shareholders and potential investors of the Bank are advised to exercise caution when dealing in the securities of the Bank.

INTRODUCTION

The Board hereby announces that on 27 September 2023 (after trading hours), the Bank entered into the Asset Disposal Agreement with Liaoning Asset, pursuant to which the Bank has conditionally agreed to sell, and Liaoning Asset has conditionally agreed to purchase, the Disposed Assets at the Consideration of approximately RMB176.0 billion. The Consideration will be satisfied through the issue of the Special-purpose Notes to the Bank by Liaoning Asset (or persons designated by it).

ASSET DISPOSAL AGREEMENT

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

Date:

27 September 2023

Parties:

- (i) The Bank (as the vendor); and
- (ii) Liaoning Asset (as the purchaser).

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, each of Liaoning Asset and its ultimate beneficial owner is a party independent from the Bank and its connected persons (as defined in the Listing Rules).

Disposed Assets

Pursuant to the Asset Disposal Agreement, the Bank has conditionally agreed to sell, and Liaoning Asset has conditionally agreed to purchase, the Disposed Asset, being a portfolio of assets consisting of certain assets held by the Bank (including (i) all the (existing and future, actual and contingent) ownership of and relevant interests in the Disposed Assets, (ii) all repayments that are due or to be due for the Disposed Assets, (iii) the rights and claims to request, claim, recover and accept all payable payments related to the Disposed Assets, (iv) all rights and legal remedies related to the realization and enforcement of each asset item under the Disposed Assets). The book balance of the principal and interests related to the Disposed Assets amounts to approximately RMB183.7 billion (before provision for impairment) (of which the book balance of the principal is approximately RMB154.4 billion (before provision for impairment)).

Consideration

The Consideration payable by Liaoning Asset to the Bank for the Asset Disposal is approximately RMB176.0 billion. The Consideration will be satisfied through the issue of the Special-purpose Notes to the Bank by Liaoning Asset (or persons designated by it). The principal terms of the Special-purpose Notes are set out below.

The Consideration is determined by the Bank and Liaoning Asset after arm's length negotiation, taking into account the following factors: (i) the book balance of the principal and interests related to the Disposed Assets; (ii) the marketability of the Disposed Assets on the side of potential acquirers; (iii) the overall financial effect of the Asset Disposal and the Issue of Special-purpose Notes; and (iv) compliance with the regulatory requirements as set out in the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) promulgated by the then China Banking Regulatory Commission (currently known as National Administration of Financial Regulation) in respect of the capital adequacy ratio following completion of the Asset Disposal.

Special-purpose Notes

- Issuer: Liaoning Asset (or persons designated by it)
- Principal amount: Approximately RMB176.0 billion. Liaoning Asset (or persons designated by it) shall pay the principal in one lump sum on the maturity date and the principal can be pre-paid (partially or wholly) before the maturity date
- Maturity date: The initial term of the Special-purpose Notes is 15 years (subject to extension by negotiation between the parties) or the Special-purpose Notes shall be terminated when the issuer fully repays the principal within the term of such instruments

Annual rate: Liaoning Asset (or persons designated by it) shall pay the Bank an annual interest rate of 2.25%. The interest shall be paid annually

Conditions Precedent and Completion

The Asset Disposal is subject to the satisfaction of certain conditions precedent, including:

- (a) the legal representatives or authorized signatories of the Bank and Liaoning Asset have signed or affixed their signatory's stamp with company chop sealed on the Asset Disposal Agreement and relevant documents;
- (b) the necessary recognition of the Asset Disposal has been obtained from the authorities;
- (c) the Asset Disposal Agreement and the transactions contemplated thereunder have been approved by the Shareholders of the Bank at the EGM; and
- (d) the Asset Disposal Agreement and the transactions contemplated thereunder have been approved by Liaoning Financial Holding, the shareholder of Liaoning Asset, and the authorities of Liaoning Asset.

As at the date of this announcement, conditions precedent (a) and (b) have been satisfied. Accordingly, upon the consideration and approval of the Asset Disposal Agreement and the transactions contemplated thereunder by shareholders of the parties and the authorities, the conditions precedent (c) and (d) will be fulfilled, and upon the entering into of the Agreement on Special-purpose Notes between Liaoning Asset (or persons designated by it) and the Bank and the issue of the Special-purpose Notes to the Bank by Liaoning Asset (or persons designated by it), the Asset Disposal will be completed.

Information of the Disposed Assets

The Disposed Assets represent a portfolio of assets consisting of certain assets held by the Bank, including (i) loans and (ii) investments and other assets (investment and other assets include asset management plans, corporate bonds and deposits with banks), which represent 71.60% and 28.40% of the Disposed Assets, respectively. The book balance of the principal and interests related to the Disposed Assets amounts to approximately RMB183.7 billion (before provision for impairment) (of which the book balance of the principal is approximately RMB154.4 billion (before provision for impairment)). The unaudited net profits before taxation attributable to the Disposed Assets for the financial years ended 31 December 2021 and 31 December 2022 amount to approximately RMB7.030 billion and RMB5.177 billion, respectively. The unaudited net profits after taxation attributable to the Disposed Assets for the financial years ended 31 December 2021 and 31 December 2022 amount to approximately RMB5.273 billion and RMB3.882 billion, respectively.

Financial Effect of the Asset Disposal on the Bank

It is estimated that under the Asset Disposal, (i) the Consideration to be received by the Bank amounting to approximately RMB176.0 billion, and (ii) the assets of approximately RMB154.4 billion to be disposed of, together with the receivable interests accrued on such assets amounting to approximately RMB29.3 billion, resulting an unaudited provision for impairment of approximately RMB7.7 billion. The estimate may be different from the actual financial effect of the Asset Disposal.

Use of Proceeds

The proceeds from the Asset Disposal represent the principal and interests of the Special-purpose Notes, which will optimise asset structure of the Bank and are conducive to the enhancement of asset quality, the reduction of capital appropriation and the improvement of capital adequacy ratio.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE ASSET DISPOSAL AGREEMENT

The Asset Disposal can enhance the asset quality for the Bank and further improve the asset structure. It is expected that the capital adequacy ratio of the Bank will improve and that the Bank will have a lower non-performing loan ratio and a stronger risk resistance capability, thus further facilitating the sustainable and high-quality development of the Bank.

The Directors believe that the Asset Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Bank and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Group

The Bank is a joint stock company incorporated in the PRC with limited liability. The Group is principally engaged in corporate and retail deposits, loans and advances, payment settlement, funding business and other approved banking services. The Group primarily operates businesses in Mainland China.

Information of Liaoning Asset

Liaoning Asset is a company incorporated in the PRC with limited liability and principally engaged in acquisition and disposal of non-performing assets of financial institutions. Liaoning Asset is a wholly-owned subsidiary of Liaoning Financial Holding, the entire equity interest of which is held by the Department of Finance of Liaoning Province.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Asset Disposal exceeds 75%, the Asset Disposal constitutes a very substantial disposal of the Bank under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

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

GENERAL

A circular containing, among other things, (i) details of the Asset Disposal Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Disposed Assets; (iv) the unaudited pro forma financial information of the Group as at the completion of the Asset Disposal; and (v) the notice of the EGM, is expected to be dispatched to the Shareholders on or before 19 October 2023.

As the Asset Disposal is subject to the satisfaction of certain conditions precedent as set out in the section "Asset Disposal Agreement – Conditions Precedent and Completion" contained hereinbefore, including but not limited to approval by the Shareholders, the Asset Disposal may or may not proceed. Accordingly, the Shareholders and potential investors of the Bank are advised to exercise caution when dealing in the securities of the Bank.

DEFINITIONS

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

“Agreement on Special-purpose Notes”	the agreement on the Special-purpose Notes to be entered into between the Bank and Liaoning Asset (or persons designated by it) pursuant to the Asset Disposal Agreement
“Asset Disposal”	the sale of the Disposed Assets to Liaoning Asset by the Bank and the relevant transactions contemplated under the Asset Disposal Agreement
“Asset Disposal Agreement”	the asset disposal agreement dated 27 September 2023 entered into between the Bank and Liaoning Asset in respect of the Asset Disposal

“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 Stock Exchange
“Board”	the board of Directors of the Bank
“Consideration”	the consideration payable by Liaoning Asset to the Bank for the Asset Disposal
“Director(s)”	the director(s) of the Bank
“Disposed Assets”	the portfolio of assets consisting of certain assets held by the Bank, including (i) loans, and (ii) investments and other assets
“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
“EGM”	an extraordinary general meeting of the Bank (or any adjourned meeting) to be convened to consider and, if thought fit, to approve, among other things, the Asset Disposal Agreement and the transactions contemplated thereunder
“Group”	the Bank and its subsidiaries
“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 Stock Exchange, subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue of Special-purpose Notes”	the issue of the Special-purpose Notes to the Bank by Liaoning Asset (or persons designated by it) in accordance with the Agreement on Special-purpose Notes

“Liaoning Asset”	Liaoning Asset Management Co., Ltd. (遼寧資產管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Liaoning Financial Holding as at the date of this announcement
“Liaoning Financial Holding”	Liaoning Financial Holding Group Co., Ltd. (遼寧金融控股集團有限公司), a company incorporated in the PRC with limited liability, the entire equity interest of which is held by the Department of Finance of Liaoning Province as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or modified otherwise from time to time)
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Shares and the H Shares
“Shareholder(s)”	the holder(s) of Shares
“Special-purpose Notes”	the special-purpose notes to be issued by Liaoning Asset (or persons designated by it) in accordance with the Agreement on Special-purpose Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“%” per cent

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

Shenyang, Liaoning Province, the PRC
27 September 2023

As at the date of this announcement, the executive directors of the Bank are Mr. SUN Jin, Ms. LIU Xu and Mr. SHI Yang; the non-executive directors of the Bank are Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. WANG Jun and Mr. JIANG Aiguo; and the independent non-executive directors of the Bank are Mr. XING Tiancai, Mr. TAI Kwok Leung, Alexander, Mr. LI Jinyi, Mr. WANG Mo and Ms. LV Dan.

* *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.*