

16 September 2025

*To: The independent board committee of Shengjing Bank Co., Ltd.\**

Dear Sir/Madam,

**(1) VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY  
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES  
LIMITED ON BEHALF OF THE OFFEROR**

**TO ACQUIRE ALL OF THE ISSUED H SHARES IN THE BANK  
(OTHER THAN THOSE ALREADY HELD BY THE OFFEROR  
AND ITS CONCERT PARTIES)**

**(2) VOLUNTARY CONDITIONAL GENERAL CASH OFFER BY  
THE OFFEROR**

**TO ACQUIRE ALL OF THE ISSUED DOMESTIC SHARES IN THE BANK (OTHER  
THAN THOSE ALREADY HELD BY THE OFFEROR AND ITS CONCERT PARTIES)**

**(3) PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF THE BANK**

## **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and the Delisting, details of which are set out in the Composite Document dated 16 September 2025 jointly issued by the Offeror and the Bank to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to the Announcement dated 26 August 2025 jointly made by the Offeror and the Bank in relation to the Offers and the Delisting.

On 26 August 2025, the Offeror and the Bank jointly announced that (i) CICC, on behalf of the Offeror, will make a voluntary conditional general cash offer to acquire all of the issued H Shares (other than those already held by the Offeror and its Concert Parties) at the Initial H Share Offer Price of HK\$1.32 per H Share and, (ii) the Offeror will make a voluntary conditional general cash offer to acquire all of the issued Domestic Shares (other than those already held by the Offeror and its Concert Parties) at the Initial Domestic Share Offer Price of RMB1.20 per Domestic Share. Subject to the H Share Offer becoming unconditional (including, amongst others, the approval of the Delisting by the Shareholders at the Extraordinary General Meeting and the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting), the Bank will make an application for the Delisting in accordance with Rule 6.12 of the Listing Rules.

On 12 September 2025, the Offeror and the Bank jointly announced that (i) the Initial H Share Offer Price of HK\$1.32 per H Share will be increased to the Final H Share Offer Price of HK\$1.60 per H Share, representing an increase of HK\$0.28 per H Share; and (ii) the Initial Domestic Share Offer Price of RMB1.20 per Domestic Share will be increased to the Final Domestic Share Offer Price of RMB1.45 per Domestic Share, representing an increase of RMB0.25 per Domestic Share.

The Independent Board Committee comprising Mr. WANG Mo, Ms. LV Dan, Mr. CHAN Pak Lam, Tom, Ms. WANG Lan, Mr. HUANG Weiqiang (being all the independent non-executive Directors who have no direct or indirect interest in the Offers) has been formed to advise the Independent Shareholders as to (i) whether the Offers are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offers; and (ii) whether the Delisting is fair and reasonable so far as the Independent Shareholders are concerned and as to the voting of the Delisting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers and the Delisting. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

## INDEPENDENCE

We were not aware of (i) any relationships or interests between (a) Gram Capital and the Bank; (b) Gram Capital and the Offeror/the Concert Parties; or (c) Gram Capital and any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee; or (ii) any services provided by Gram Capital to (a) the Bank; or (b) the Offeror/the Concert Parties, during the past two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date.

## BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The Shareholders would be notified of any material changes (including but not limited to our advice and recommendation) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Bank, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers and the Delisting. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the sections headed "1. RESPONSIBILITY STATEMENTS" of Appendix III to the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Bank, the Offeror, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offers and the Delisting.

We have assumed that the Offers and the Delisting will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offers and the Delisting, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers and the Delisting. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offers and the Delisting, we have taken into consideration the following principal factors and reasons:

### (1) Background and terms of the Offers

The Offers will be made on the following basis:

**For each H Share, the Final H Share Offer Price . . . . . HK\$1.60 in cash**

**For each Domestic Share, the Final Domestic Share Offer Price which  
is equivalent to the Final H Share Offer Price at the Exchange Rate . . . . . RMB1.45 in cash**

The Offeror will not further increase the Final Offer Price, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Final H Share Offer Price and the Final Domestic Share Offer Price.

Further details of the Offers are set out in Appendix I to the Composite Document and the accompanying Forms of Acceptance.

### (2) Information of the Bank

#### *2.1 Financial information of the Group*

With reference to the "LETTER FROM THE BOARD" of the Composite Document (the "Board Letter"), the Bank is a joint stock company incorporated in the PRC with limited liability. It is a regional commercial bank. Its scope of business includes taking deposits from the public; granting short-term, medium-term and long-term loans; handling domestic and foreign settlements; issuing financial debentures and engaging in interbank lending etc.

As at the Latest Practicable Date, the issued share capital of the Bank is 8,796,680,200 Shares divided into 2,340,742,500 H Shares and 6,455,937,700 Domestic Shares, and the Bank has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

### 2.1.1 Financial performance

Set out below is a summary of the Group's audited consolidated financial performance for each of the three years ended 31 December 2024 as extracted from the Bank's annual report for the year ended 31 December 2024 (the "2024 Annual Report") and for the year ended 31 December 2023 (the "2023 Annual Report").

	For the year ended 31 December 2024 ("FY2024") RMB'000	For the year ended 31 December 2023 ("FY2023") RMB'000	For the year ended 31 December 2022 ("FY2022") RMB'000	Change from FY2023 to FY2024 Approximate %	Change from FY2022 to FY2023 Approximate %
Net interest income	6,886,675	8,866,241	12,853,684	(22.33)	(31.02)
Net non-interest income	1,689,976	1,173,584	3,299,427	44.00	(64.43)
Operating income	8,576,651	10,039,825	16,153,111	(14.57)	(37.85)
Operating expenses	(5,859,448)	(5,999,866)	(5,790,240)	(2.34)	3.62
Impairment losses on assets	(1,746,910)	(3,119,594)	(9,171,622)	(44.00)	(65.99)
Net profit attributable to equity shareholders of the Bank	621,050	732,434	979,898	(15.21)	(25.25)

#### FY2022 vs FY2023

As illustrated in the above table, the Group's net interest income was approximately RMB8,866 million for FY2023, representing a decrease of approximately 31.02% or approximately RMB3,987 million as compared to that for FY2022, which was mainly due to the decrease of approximately RMB4,971 million in interest income, partially offset by the decrease of approximately RMB984 million in interest expenses for FY2023.

With reference to the 2023 Annual Report,

- the decrease in the Group's interest income for FY2023 as aforementioned was mainly due to the decrease in the interest income from loans and advances to customers from approximately RMB34,824 million for FY2022 to approximately RMB30,285 million for FY2023, which was mainly due to the decrease in average balance of corporate loans (including discounted bills) and personal loans from approximately RMB650,479 million for FY2022 to approximately RMB594,440 million for FY2023 and the decrease in average yield of such loans from 5.35% for FY2022 to 5.09% for FY2023.

- the decrease in interest expense for FY2023 as aforementioned was mainly due to the decreases in both interest expenses on deposits from customers and interest expenses on deposits and placements from banks and other financial institutions, partially offset by the increase in interest expense of the Bank on financial assets sold under repurchase agreements (*Note*).

*Note:* As advised by the Directors, the interest expense of the Bank on financial assets sold under repurchase agreements refers to the interest expense paid by the Bank under the financial assets sold under repurchase agreements. Financial assets sold under repurchase agreements refers to the Bank's sale of financial assets (i.e. debt securities and bills) held by the Bank to eligible counterparties, while simultaneously committing to repurchase those financial assets by the Bank from the counterparties on a predetermined date.

The interest expenses on deposits from customers decreased from approximately RMB25,024 million for FY2022 to approximately RMB24,290 million for FY2023, mainly driven by the decrease in average cost rate on total deposits from customers from 3.15% for FY2022 to 3.02% for FY2023), whereas average balance remained stable at the level of RMB800,000 million. The interest expenses on deposits and placements from banks and other financial institutions decreased from approximately RMB3,183 million for FY2022 to approximately RMB1,831 million for FY2023, mainly due to the decrease in average balance of deposits and placements from banks and other financial institutions from approximately RMB96,100 million for FY2022 to approximately RMB55,586 million for FY2023), whereas average cost rate remained stable at the level of 3.30%. The interest expense of the Bank on financial assets sold under repurchase agreements increased from approximately RMB1,691 million for FY2022 to approximately RMB2,813 million for FY2023, mainly due to the increase in the average balance of financial assets sold under repurchase agreements of the Bank from approximately RMB67,457 million for FY2022 to approximately RMB103,454 million for FY2023.

The Group also recorded a decrease of approximately 64.43% in net non-interest income from approximately RMB3,299 million for FY2022 to approximately RMB1,174 million for FY2023, which was mainly due to a year-on-year decrease of approximately RMB1,294 million in net gains arising from investments (i.e. financial investments such as bonds, investment management products, equity investments) and the change from net trading gains from the Bank's proprietary investments of approximately RMB171 million for FY2022 to net trading loss from the Bank's proprietary investments of approximately RMB565 million for FY2023.

Along with the decrease in both net interest income and net non-interest income, the Group recorded operating income of approximately RMB10,040 million for FY2023, representing a decrease of approximately 37.85% as compared to that for FY2022.

The Group's operating expenses increased by approximately 3.62% from approximately RMB5,790 million for FY2022 to approximately RMB6,000 million for FY2023, which was mainly due to a year-on-year increase of approximately RMB289 million in other general and administrative expenses.

Benefiting from strengthened risk control and non-performing assets disposal, optimised adjustment of asset structure (i.e. the 2023 Disposal (as defined under the section headed "2.1.2 Financial position" below)), the Group recorded a year-on-year reduction in asset impairment losses by approximately 65.99% from approximately RMB9,172 million for FY2022 to approximately RMB3,120 million for FY2023.

The Bank recorded a decrease of approximately 25.25% in net profit attributable to equity shareholders of the Bank for FY2023 as compared to that for FY2022, mainly due to the decrease in operating income, as partially offset by decrease in impairment losses on assets.

#### *FY2023 vs FY2024*

As illustrated in the above table, the Group's net interest income was approximately RMB6,887 million for FY2024, representing a decrease of approximately 22.33% or approximately RMB1,980 million as compared to that for FY2023, which was mainly due to the decrease of approximately RMB5,757 million in interest income, as partially offset by the decrease of approximately RMB3,778 million in interest expenses for FY2024.

With reference to the 2024 Annual Report,

- the decrease in the Group's interest income for FY2024 as aforementioned was mainly due to the decrease in the interest income from loans and advances to customers from approximately RMB30,285 million for FY2023 to approximately RMB24,742 million for FY2024, which was mainly due to the decrease in average balance of corporate loans (including discounted bills) and personal loans from approximately RMB594,440 million for FY2023 to approximately RMB502,577 million for FY2024 and the decrease in average yield of such loans from 5.09% for FY2023 to 4.92% for FY2024.
- the decrease in interest expense for FY2024 as aforementioned was mainly due to the decreases in both interest expenses on deposits from customers and interest expenses on financial assets sold under repurchase agreements, partially offset by the increase in interest expenses on deposits and placements from banks and other financial institutions.

The interest expenses on deposits from customers decreased from approximately RMB24,290 million for FY2023 to approximately RMB21,314 million for FY2024, driven by the decrease in average cost rate on total deposits from customers from 3.02% for FY2023 to 2.77% for FY2024 and the decrease of 4.15% in average balance. The interest expenses on financial assets sold under repurchase agreements decreased from approximately RMB2,813 million for FY2023 to approximately RMB1,603 million for FY2024, due to a year-on-year decrease in the average balance of financial assets sold under repurchase agreements of the Bank from approximately RMB103,454 million for FY2023 to approximately RMB64,192 million for FY2024 and interest-bearing rate from 2.72% for FY2023 to 2.50% for FY2024. The interest expenses on deposits and placements from banks and other financial institutions increased from approximately RMB1,831 million for FY2023 to RMB2,335 million for FY2024, which was mainly due to a year-on-year increase in average balance of deposits and placements from banks and other financial institutions from approximately RMB55,586 million for FY2023 to approximately RMB72,818 million for FY2024.

The Group also recorded an increase of approximately 44.00% in net non-interest income from approximately RMB1,174 million for FY2023 to approximately RMB1,690 million for FY2024, which was mainly due to the increase of approximately RMB2,527 million in net gains arising from investments (i.e. financial investments such as bonds, investment management products, equity investments) for FY2024, partially offset by the increase of approximately RMB2,029 million in net trading losses from the Bank's proprietary investments as a result of changes in the cost of foreign exchange business and fair value revaluation.

Driven by the above movement in net interest income and net non-interest income, the Group recorded operating income of approximately RMB8,577 million for FY2024, representing a decrease of approximately 14.57% as compared to that for FY2023.

The Group's operating expenses decreased by approximately 2.34% from approximately RMB6,000 million for FY2023 to approximately RMB5,859 million for FY2024, which was mainly due to a year-on-year decrease of approximately RMB106 million in other general and administrative expenses.



Benefiting from the continuously strengthened credit risk management and consolidated asset quality, which was achieved through a steady adjustment and optimization of the credit assets structure and various measures to carry out the collection and disposal of non-performing loans, the Group recorded a further year-on-year decrease in impairment losses on assets of approximately 44.00% from approximately RMB3,120 million for FY2023 to approximately RMB1,747 million for FY2024.

The Bank recorded a decrease of approximately 15.21% in net profit attributable to equity shareholders of the Bank for FY2024 as compared to that for FY2023, mainly due to decrease in operating income and increase in income tax expense, as partially offset by decrease in impairment losses on assets.

*1H2024 vs 1H2025*

Set out below is a summary of the Group's unaudited consolidated financial performance for the six months ended 30 June 2025 (together with comparative figures for the corresponding period in 2024) as extracted from the Bank's interim report for the six months ended 30 June 2025 (the "2025 Interim Report").

	For the six months ended 30 June 2025 ("1H2025") RMB'000	For the six months ended 30 June 2024 ("1H2024") RMB'000	Year-on-year change Approximate %
Net interest income	3,385,387	3,235,788	4.62
Net non-interest income	940,281	1,324,358	(29.00)
Operating income	4,325,668	4,560,146	(5.14)
Operating expenses	(2,486,359)	(2,773,695)	(10.36)
Impairment losses on assets	(1,085,159)	(1,135,471)	(4.43)
Net profit attributable to equity shareholders of the Bank	493,537	576,594	(14.40)

As illustrated in the above table, the Group's operating income decreased by approximately 5.14% or approximately RMB234 million from approximately RMB4,560 million for 1H2024 to approximately RMB4,326 million for 1H2025, which was mainly due to the decrease of approximately RMB384 million in net non-interest income, as partially offset by the increase of approximately RMB150 million in net interest income for 1H2025, where:

- The increase in net interest income for 1H2025 as aforementioned was mainly due to the decrease of approximately RMB989 million in interest expenses, partially offset by the decrease of approximately RMB839 million in interest income for 1H2025.

With reference to the 2025 Interim Report, the decrease in the Group's interest income was mainly due to the decrease in the interest income from loans and advances to customers from approximately RMB12,258 million for 1H2024 to RMB11,679 million for 1H2025 as a result of the decrease in average yield from 5.08% for 1H2024 to 4.66% for 1H2025 of corporate loans (including discounted bills) and personal loans. The average balance of corporate loans (including discounted bills) and personal loans increased by approximately 4.16% for the corresponding period.

The decrease in interest expense for 1H2025 as aforementioned was mainly due to the decreases in both interest expenses on deposits from customers and interest expenses on financial assets sold under repurchase agreement, partially offset by the increase in interest expenses on deposits and placements from banks and other financial institutions.

The deposits from customers decreased from approximately RMB10,757 million for 1H2024 to RMB10,062 million for 1H2025, mainly driven by the decrease in average cost rate on total deposits from customers from 2.81% for 1H2024 to 2.55% for 1H2025, whereas the average balance remained stable. The financial assets sold under repurchase agreement decreased from approximately RMB1,063 million for 1H2024 to RMB588 million for 1H2025, mainly due to a decrease in the average balance of financial assets sold under repurchase agreements of the Bank from approximately RMB75,875 million for 1H2024 to approximately RMB55,069 million for 1H2025 and decrease in interest-bearing rate from 2.82% for 1H2024 to 2.15% for 1H2025. The interest expenses on deposits and placements from banks and other financial institutions increased from approximately RMB1,163 million for 1H2024 to RMB1,263 million for 1H2025, which was mainly due to a year-on-year increase in average balance of deposits and placements from banks and other financial institutions for 1H2025.

- The decrease in net non-interest income was mainly due to the decrease of approximately RMB1,459 million in net gains arising from investments (i.e. financial investments such as bonds, investment management products, equity investments), partially offset by the decrease of approximately RMB821 million in net trading losses from the Bank's proprietary investments as a result of changes in the cost of foreign exchange business and fair value revaluation and the increase of RMB194 million in net fee and commission income.

The Group's operating expenses decreased by approximately 10.36% from approximately RMB2,774 million for 1H2024 to approximately RMB2,486 million for 1H2025, which was mainly due to a year-on-year decrease of RMB273 million in other general and administrative expenses.

Benefiting from the continuously strengthen in risk management through various measures, such as deepened digital transformation, strengthened technological empowerment, actively introduced big data risk management tools, improved risk identification, measurement tools and methods, and enhanced the scientific nature of credit management and the systematic nature of risk control, the Group recorded a year-on-year decrease impairment losses on assets of approximately 4.43% from approximately RMB1,135 million for 1H2024 to approximately RMB1,085 million for 1H2025.

Driven by the above factors, the Group recorded an increase of approximately RMB103 million in profit before taxation for 1H2025 as compared to 1H2024. However, due to the increase in income tax expense of approximately RMB186 million for 1H2025, the Group recorded a decrease of approximately 14.40% in net profit attributable to equity shareholders of the Bank for 1H2025 as compared to that for 1H2024.

For the three years ended 31 December 2024 and 1H2025, the Group's financial performance has been weak. While it has been successful in strengthening its risk control (evidenced by plummeting impairment losses) and has recently begun to control operating expenses effectively, these positive actions have not been sufficient to offset the severe pressure on net interest income, being the core revenue-generating activities of the Bank, which further led to a continuous decrease in the operating income. The Bank's profitability continued to slide, evidenced by a continuous decrease in net profit attributable to equity shareholders of the Bank;

## 2.1.2 Financial position

Set out below is a summary of the consolidated financial position of the Group as at each of 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, as extracted from the 2023 Annual Report, 2024 Annual Report and 2025 Interim Report:

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	As at 31 December 2023 RMB'000 (audited)	As at 31 December 2022 RMB'000 (audited)	Changes from 31 December 2024 to 30 June 2025 %	Changes from 31 December 2023 to 31 December 2024 %	Changes from 31 December 2022 to 31 December 2023 %
Total assets	1,128,181,308	1,122,776,226	1,080,052,706	1,082,413,109	0.48	3.96	(0.22)
- Loans and advances to customers	553,704,756	533,571,417	496,289,504	630,599,417	3.77	7.51	(21.30)
- Financial investments (Note)	434,346,734	462,467,835	457,161,176	329,611,560	(6.08)	1.16	38.70
- Others	140,129,818	126,736,974	126,602,026	122,202,132	10.57	0.11	3.60
Total liabilities	1,047,732,812	1,042,578,840	1,000,157,843	1,000,976,014	0.49	4.24	(0.08)
- Deposits from customers	819,225,888	805,890,759	779,966,905	788,752,335	1.65	3.32	(1.11)
- Others	228,506,924	236,688,081	220,190,938	212,223,679	(3.46)	7.49	3.75

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	As at 31 December 2023 RMB'000 (audited)	As at 31 December 2022 RMB'000 (audited)	Changes from 31 December 2024 to 30 June 2025 %	Changes from 31 December 2023 to 31 December 2024 %	Changes from 31 December 2022 to 31 December 2023 %
Net assets	80,448,496	80,197,386	79,894,863	81,437,095	0.31	0.38	(1.89)
- Net assets attributable to Shareholders	80,042,064	79,613,914	79,330,169	80,774,185	0.54	0.36	(1.79)

*Note: the item included (i) financial assets at fair value through profit or loss; (ii) financial assets at fair value through other comprehensive income; and (iii) financial assets measured at amortised cost.*

According to the above table, the Group's loans and advances to customers and financial investments were major components of the Group's total assets, and in aggregate accounted for approximately 88.71%, 88.28%, 88.71% and 87.58% of the Group's total assets as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, respectively; while the Group's deposits from customers was a major component of the Group's total liabilities, accounted for approximately 78.80%, 77.98%, 77.30% and 78.19% of the Group's total liabilities as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, respectively.

The Group's total assets remained relatively stable as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025. Despite the aforesaid, the Group's loans and advances to customers substantially decreased from approximately RMB630,599 million as at 31 December 2022 to approximately RMB496,290 million as at 31 December 2023, whereas financial investments substantially increased from approximately RMB329,612 million as at 31 December 2022 to approximately RMB457,161 million as at 31 December 2023. As advised by the Directors, the aforesaid movements were mainly due to the Group's disposal of a portfolio of assets (with total carrying amount of approximately RMB176.0 billion) held by the Bank (including (i) loans and advances to customers; and (ii) financial assets measured at

amortised cost, financial assets measured at fair value through other comprehensive income, deposits and placements with banks and other financial institutions and other assets) to Liaoning Asset Management Co., Ltd. in 2023 at a consideration of approximately RMB176.0 billion, which was satisfied through the issue of the special-purpose notes (unsecured, carry interest at 2.25% per annum and maturity of 15 years) with principal amount of approximately RMB176.0 billion to the Bank by Liaoning Asset Management Co., Ltd. (the “2023 Disposal”). We noted from the Bank’s circular in respect of the 2023 Disposal dated 11 October 2023, the 2023 Disposal could enhance the asset quality for the Bank and further improve the asset structure. This was indicated by the improvement of various regulatory indicators. Based on a theoretical assumption that the 2023 Disposal had completed on 30 June 2023 and as compared to 30 June 2023 (without the 2023 Disposal), the non-performing loan ratio would have decreased by 0.95 percentage point from 3.17% to 2.22%; and the capital adequacy ratio would have increased by 3.00 percentage points from 12.40% to 15.40%. We also noted that the capital adequacy ratios improved substantially from the end of 2022 to the end of 2023, while the non-performing loan ratio decreased from 3.22% to 2.68% over the same period.

The Group’s total liabilities remained relatively stable as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025. Among the Group’s total liabilities, deposits from customers slightly decreased from approximately RMB788,752 million as at 31 December 2022 to approximately RMB779,967 million as at 31 December 2023, recovered to approximately RMB805,891 million as at 31 December 2024 and further increased to approximately RMB819,226 million as at 30 June 2025. With reference to the 2023 Annual Report, 2024 Annual Report and 2025 Interim Report, the aforesaid movements were mainly due to (i) a continuous decreases in corporate deposits of approximately RMB15,762 million, RMB19,786 million and RMB12,179 million at the end of December 2023, December 2024 and June 2025; and (ii) a continuous increase in personal deposits of approximately RMB16,140 million, RMB36,244 million and RMB21,045 million at the end of December 2023, December 2024 and June 2025.

As at 30 June 2025, the Group’s net assets attributable to Shareholders (“NAV”) were approximately RMB80,042 million, representing the NAV per Share of approximately RMB9.10 as at 30 June 2025.

*Capital adequacy indicators*

Sets out below are the capital adequacy ratio of the Group as at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, as extracted from the 2023 Annual Report, 2024 Annual Report and the 2025 Interim Report:

		As at	As at	As at	As at
	Regulatory	30 June	31 December	31 December	31 December
	requirements	2025	2024	2023	2022
	%	%	%	%	%
Core tier-1 capital adequacy ratio	≥7.50	9.85	10.26	10.42	9.86
Tier-1 capital adequacy ratio	≥8.50	11.72	12.24	12.43	9.86
Capital adequacy ratio	≥10.50	14.08	14.69	14.12	11.52

The Bank recorded substantial increases in core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as at 31 December 2023 as compared to those as 31 December 2022 respectively, which were mainly due to the 2023 Disposal and the Bank's receipt of RMB15 billion in tranches of agreed deposits (all funds were used to replenish other tier-one capital of the Bank), as advised by the Directors.

The Bank's core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as at 31 December 2024 remained relatively stable as compared to those as at 31 December 2023; whereas those ratios as at 30 June 2025 decreased as compared to those as at 31 December 2024 (mainly due to the increase in the total risk weighted assets as at 30 June 2025).

As at 31 December 2022, 31 December 2023, 31 December 2024 and 30 June 2025, the Group's core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio complied with the capital adequacy requirements under the Administrative Measures for Capital Management of Commercial Banks (for Trial Implementation)\* (《商業銀行資本管理辦法(試行)》) (effective from 1 January 2013 up to 31 December 2023) and the Administrative Measures for Capital Management of Commercial Banks (《商業銀行資本管理辦法》) (effective from 1 January 2024 onward).

### *Loan quality analysis*

The non-performing loan ratios of the Bank moved in a decreasing trend from 3.22% as at 31 December 2022 to 2.68% as at 31 December 2023, which were mainly due to the Bank's continuous optimization of the whole process of credit risk control and steady adjustment and optimization of the structure of credit assets (such as the 2023 Disposal), as advised by the Directors, and remained stable at 2.68% as at 31 December 2024 and 2.69% as at 30 June 2025.

### *Dividend distribution*

The Bank has not distributed dividends for the last five years.

## **2.2 Industry overview**

### *Overview*

According to the National Bureau of Statistics of the PRC, the gross domestic products of the PRC grew continuously over the last five full years (2020 to 2024), and reaching approximately RMB134,908 billion in 2024. This represented a compound annual growth rate ("CAGR") of approximately 6.9% for the corresponding period.

From 2020 to 2024, in line with the continuous development of national economy, the PRC's disposable income per capita grew from RMB32,189 in 2020 to RMB41,314 in 2024, representing a CAGR of approximately 6.4%.

We also conducted research on relevant statistics and governmental policies related to the PRC banking industry, as summarised below.

Set out below are the total loans and total deposits of depository financial institutions in the PRC from 2020 to 2024 (as at the end of period), published by the People's Bank of China ("PBOC"):

		As at the end of			
	2024	2023	2022	2021	2020
<b>Total loans (RMB' billion)</b>	260,122	237,712	220,011	198,835	178,409
<b>CAGR</b>			9.89%		
<b>Total deposits (RMB' billion)</b>	309,109	285,035	265,043	239,242	218,895
<b>CAGR</b>			9.01%		



As shown in the table above, the total loans and total deposits of depository financial institutions in the PRC continuously increased from 2020 to 2024, with CAGR of approximately 9.89% and 9.01% respectively. This indicated a continuous expansion in the business scale of depository financial institutions in the PRC.

According to 銀行業金融機構法人名單(List of Legal Entities of Banking Financial Institutions\*) as published by the National Financial Regulatory Administration of the PRC ("NFRA") on 17 March 2025 (the "BFI List"), banking financial institutions were categorized as policy banks, large state-owned commercial banks (國有大型商業銀行), joint stock commercial banks (股份制商業銀行), city commercial banks (城市商業銀行), rural commercial banks (農村商業銀行), foreign banks (外資法人銀行), etc.. The Bank is classified as city commercial bank according to the BFI List.

Set out below are the total assets of the PRC's commercial banks (including city commercial banks and other types of commercial banks) and PRC's city commercial banks from 2020 to 2024 (as at the end of period), published by the NFRA:

	As at the end of				
	2024	2023	2022	2021	2020
<b>Total assets of the PRC's commercial banks</b>					
(RMB' billion)	372,525	347,493	312,752	281,766	258,998
CAGR			9.51%		
<b>Total assets of the PRC's city commercial banks</b>					
(RMB' billion)	60,139	55,200	49,883	45,069	41,068
CAGR			10.01%		

*Note: the above figures were extracted from monthly statistics as set out in 銀行業總資產、總負債(月度)(Monthly total assets and total liabilities of Banking Industry\*) for 2020 to 2024*

As shown in the table above, the total assets of the PRC's commercial banks increased from approximately RMB258,998 billion as at the end of 2020 to approximately RMB372,525 billion as at the end of 2024, representing a CAGR of approximately 9.51%. The PRC's city commercial banks recorded total assets of approximately RMB60,139 billion as at the end of 2024, representing a CAGR of approximately 10.01% as compared to that as at the end of 2020. The PRC's city commercial banks in terms of total assets (as at the end of period) followed the same trend as those of PRC's commercial banks from 2020 to 2024.

Set out below are the net profit of the PRC's commercial banks and PRC's city commercial banks on a full-year basis from 2020 to 2024, published by the NFRA:

	2024	2023	2022	2021	2020
<b>Net profit of the PRC's commercial banks</b>					
(RMB' billion)	2,324	2,378	2,303	2,184	1,939
CAGR			4.62%		
<b>Net profit of the PRC's city commercial banks</b>					
(RMB' billion)	255	293	255	239	215
CAGR			4.37%		

As shown in the table above, the net profit of the PRC's commercial banks moved in a generally increasing trend with a CAGR of approximately 4.62% from 2020 to 2024. Between 2020 and 2024, the net profit of the PRC's commercial banks peaked in 2023 before falling slightly by approximately 2.27% in 2024 (*Note*). Among the PRC's commercial banks, the PRC's city commercial banks recorded net profit of approximately RMB255 billion for 2024, representing a CAGR of approximately 4.37% as compared to that for 2020. Between 2020 and 2024, the net profit of the PRC's city commercial banks peaked in 2023 before falling by approximately 12.97% in 2024 as in line with the movement of the net profit of the PRC's commercial banks for the corresponding period.

*Note: According to (i)《商業銀行主要監管指標情況表》(Commercial Banks' Key Regulatory Indicators Status Report\*) for years from 2020 to 2024 as published by the NFRA; and (ii) an article titled 《商業銀行2024年第四季度淨息差降至1.52% – 業界預計未來仍面臨下行壓力》(Commercial Banks' Net Interest Margin Drops to 1.52% in the fourth quarter of 2024 – Industry Expects Continued Downward Pressure Ahead\*) (the "Article") as published on the official website of the Securities Daily (www.zqrb.cn) (being a specialised securities news platform supervised by the Economic Daily Press (a deputy ministerial-level institution directly under the Central Committee of the Communist Party of China and overseen by the Publicity Department of the Central Committee of the PRC) and an authorized platform designated by the China Securities Regulatory Commission for disclosing securities market information in the PRC), the decrease in the net profit of the PRC's commercial banks from 2023 to 2024 might be mainly driven by (a) continuously narrowing net interest margin; and (b) sluggish growth in performing loan volumes.*

In addition, the Article also stated that (i) in the fourth quarter of 2024, the net interest margin of commercial banks in the PRC continued to decline, and among which, the city commercial banks of the PRC experienced a significantly larger decline in net interest margin as compared to the average of the PRC commercial banking industry; and (ii) in terms of profitability, the city commercial banks of the PRC faced downward pressure in contrast to the profitability of large commercial banks and nationwide joint stock commercial banks improved in 2024.

Taking into account that (i) the total loans and total deposits of depository financial institutions in the PRC and the total assets of the PRC's commercial banks and PRC's city commercial banks increased continuously from 2020 to 2024; (ii) the net profit of the PRC's commercial banks and PRC's city commercial banks recorded decreases from 2023 to 2024, which might be driven by (a) continuously narrowing net interest margin; and (b) sluggish growth in performing loan volumes; and (iii) in terms of profitability, the city commercial banks of the PRC faced downward pressure in contrast to the profitability of large commercial banks and nationwide joint stock commercial banks improved in 2024, we are of the view that although the prospects and development of the PRC's commercial banking industry is generally positive, the competition of which is intense.

*Banking related matters*

In recent years, the PRC government issued various policies or made several decisions affecting the PRC banking industry (including outlining the development direction, improving regulatory framework and introducing measures to support the growth, of the PRC banking industry). Relevant and material government-issued policies and decisions regarding the PRC banking industry are set out below:

- In November 2021, the China Banking and Insurance Regulatory Commission of the PRC (which was replaced by NFRA in 2023) promulgated 《關於銀行業保險業支持高水平科技自立自強的指導意見》 (the Guidance on Supporting High-level Technological Self-reliance for the Banking and Insurance Industry\*), pursuant to which the PRC government indicated that commercial banks should prioritize high-level technology companies as key service recipients and strive for continuous growth in the balance of loans to technology enterprises.
- In July 2022, the China Banking and Insurance Regulatory Commission of the PRC (which was replaced by the NFRA in 2023) issued 《關於進一步推動金融服務製造業高質量發展的通知》 (the Notice on Further Promoting High-quality Development of Financial Services for the Manufacturing Industry\*), which outlined that banking institutions should enhance their financial support, and strategically align with, key sectors such as advanced manufacturing, strategic emerging industries, and the transformation and upgrading of traditional industries.
- In December 2022, the China Banking and Insurance Regulatory Commission of the PRC (which was replaced by the NFRA in 2023) issued 《銀行保險機構消費者權益保護管理辦法》 (the Measures for the Protection of Consumer Rights and Interests in Banking and Insurance Institutions\*), which indicated that banking and insurance institutions should integrate consumer rights protection into corporate governance, corporate culture development, and business development strategies to ensure that consumer rights protection are integrated throughout all stages of the operation.

- In March 2023, the PRC's national legislature approved a plan to reform the institutions of the State Council of the PRC. The State Council of the PRC announced that it would abolish China Banking and Insurance Regulatory Commission and move its functions, powers and responsibilities to a national financial regulator (i.e. the NFRA). Certain functions of the PBOC and the China Securities Regulatory Commission would be transferred to the NFRA as well.
- In November 2023, the NFRA published 《商業銀行資本管理辦法》 (the Commercial Bank Capital Management Measures\*), which outlined that commercial banks should develop differentiated capital regulatory systems to align capital regulations with the size and complexity of their operations, thereby reducing compliance costs for small and medium-sized banks.
- In November 2023, the PBOC, the NFRA, the China Securities Regulatory Commission, the State Administration of Foreign Exchange of the PRC, the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the All-China Federation of Industry and Commerce collectively issued 《關於強化金融支持舉措助力民營經濟發展壯大的通知》 (the Notice on Strengthening Financial Support Measures to Promote the Growth and Development of the Private Economy\*), which stipulated that banking institutions should set annual service objectives for private enterprises, intensify their financial support to private enterprises, and gradually increase the share of loans provided to private enterprises.
- As part of the basket of fiscal stimulus measures announced by the Ministry of Finance in October 2024, the Ministry of Finance would issue special sovereign bonds and proceeds raised will be injected into large state-owned commercial banks to replenish core tier-1 capital and enhance their ability to withstand risks and extend credit, with the ultimate goal of supporting the development of the real economy of the PRC. On 31 March 2025, the Ministry of Finance announced that it will issue the first batch of special sovereign bonds with amounts of RMB500 billion, to actively support core tier-1 capital replenishment for four large state-owned commercial banks.

- On 7 May 2025, PBOC announced to intensify macroeconomic adjustments by rolling out a package of monetary policy measures, consisting of three major categories (i.e. quantitative policies, price-based policies and structural policies) covering ten specific actions. The quantitative policies aim to increase medium-to long-term liquidity supply through measures such as reserve requirement ratio cuts to maintain ample market liquidity. The price-based policies aim to lower policy interest rates and reduce rates on structural monetary policy tools (i.e., the interest rates on central bank relending facilities to commercial banks) and concurrently cut housing provident fund loan rates to ease borrowing costs. The structural policies aim to enhance existing structural monetary policy tools and introduce new policy instruments to support key areas such as technological innovation, consumer spending expansion, inclusive finance (microfinance and SME support), etc.

Given that the abovementioned policies and decisions issued by the PRC government pertained to the PRC banking industry, we consider such policies and decisions directly relevant to the Bank.

In response to the above relevant policies issued for the PRC banking industry, among other things,

- the Bank focused on serving the high-quality development of real economy, and continued to strengthen its capacity in financial service to the local economy, small and medium enterprises and urban and rural residents. The Bank also empowered technological finance, focused on benefiting enterprises and the people, and focused on green and low carbon.
- the Bank attaches great importance to the protection of consumer rights and interests and continues to strengthen the control of the whole process of consumer protection, comply with the 《中華人民共和國消費者權益保護法》(the Consumer Rights and Interests Protection Law of the PRC\*) and 《銀行業消費者權益保護工作指引》(the Guidance on Consumer Rights and Interests Protection in the Banking Industry\*), has formulated 《盛京銀行消費者金融信息保護管理辦法》(the Shengjing Bank Consumer Financial Information Protection Management Measures\*), 《盛京銀行消費者權益保護管理辦法》(the Shengjing Bank Consumer Rights Protection Management Measures\*) and 《盛京銀行消費者權益保護審查管理辦法》(the Shengjing Bank Consumer Rights Protection Review Management Measures\*), which clearly state that the Board bears the ultimate responsibility for the consumer rights and interests protection work. The Board has set up the risk control and consumer rights protection committee, which is responsible for guiding and supervising the establishment and improvement of the management system for consumer rights protection.

- the Bank has formulated 《盛京銀行股份有限公司資本管理辦法(2024)》(the Shengjing Bank Co., Ltd. Capital Management Measures (2024)\*) to improve its capital management mechanism, institutionalizing, standardizing, and systematizing capital management.

#### *Our conclusion*

In conclusion, the PRC's banking industry has experienced growth in recent years, which was driven by the national economic development, urbanization and growing middle class. Key indicators such as total loans and deposits of depository financial institutions and total assets of the PRC's commercial banks have shown consistent upward trends from 2020 to 2024. Similarly, the net profit of the PRC's commercial banks has followed a generally increasing trajectory (with a slight year-on-year decrease from 2023 to 2024). Government initiatives, such as the promotion of high-level technological self-reliance, support for the manufacturing sector, and enhanced consumer protection measures, have further strengthened the industry's foundation. The establishment of the NFRA in 2023 also streamlined regulatory oversight, fostering a more structured and efficient banking environment.

Looking ahead, while challenges such as regulatory compliance and market competition persist, the long-term prospects of the PRC's banking industry (which is supported by urbanization, a growing middle class, and ongoing economic reforms and underpinned by its critical role in supporting the nation's economic development) remain positive.

**(3) Information on the Offeror**

Set out below is the key information on the Offeror as extracted from the “Letter from CICC” of the Composite Document (the “Letter from CICC”):

The Offeror is a limited liability company incorporated in the PRC on 26 October 1999. Its scope of business includes: industrial investment; capital operation; asset management; enterprise management services; equity investment and management; property leasing; financial and investment consulting services. (For business activities requiring approval in accordance with the law, the business activities can only be commenced after approval by the relevant authorities in the PRC.) The controlling shareholder of the Offeror is the State-owned Assets Supervision and Administration Commission of Shenyang Municipal Government, which directly and indirectly controls in aggregate approximately 91.51% of the shares in the Offeror as at the Latest Practicable Date. The remaining shares in the Offeror is held by Shenyang Shengjin Investment Management Center (Limited Partnership)\* (瀋陽盛金投資管理中心(有限合夥)) (which directly holds approximately 4.81% of the shares in the Offeror) and Department of Finance of Liaoning Province (which directly holds approximately 3.68% of the shares in the Offeror).

Please also refer to section headed “Information on the Offeror and Committed Concert Parties” of the Letter from CICC for information of Committed Concert Parties.

**(4) Intentions of the Offeror with regard to the Group**

Set out below is the intention in respect of the Group as extracted from the Letter from CICC:

After the implementation of the Offers, the Offeror has no intention of listing the Shares in other markets. Considering that the Bank is a regional commercial bank, after delisting, it will continue to leverage regional advantages, establish specialized operations and focus on its primary responsibilities and business. The Offeror may still, as needed based on actual circumstances, make suggestions to the business, structure, and/or direction of the Group. Save as disclosed above, the Offeror will strive to maintain the Bank’s existing business as much as possible and has no intention to introduce major changes to the Bank’s existing business (including redeploying fixed assets of the Group).

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group. Following completion of the Offers, the employment contracts of all employees of the Group will continue.

*No right of compulsory acquisition*

The Offeror has no rights under the laws of the PRC and the Articles of Association of the Bank to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in them holding securities that are not listed on the Stock Exchange or any other stock exchanges and the liquidity of such securities may be severely reduced. In addition, the Bank will no longer be subject to the requirements under the Listing Rules, and may or may not continue to be subject to the Takeovers Code after the completion of the H Share Offer depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.

Independent H Shareholders should also note that if they do not agree to the Offers, they can vote against the Delisting at the H Share Class Meeting and/or the Extraordinary General Meeting. If the number of votes cast, by way of poll, against the Delisting at the H Share Class Meeting is more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, the Offers would not become unconditional and the Bank would remain listed on the Stock Exchange.

**(5) Reasons for and benefits of the Offers and the Delisting**

As stated in the Letter from CICC, the Offers provide an opportunity for the Shareholders to realise their investment. Since the beginning of 2025 to the Last Trading Date, the Hang Seng Index (HSI, HI) rose by 30.05%, and the Hang Seng Mainland Banks Index (HSMBI, HI) increased by 28.39%. During the same period, however, the Bank's stock price declined by 4.20% (which indicated a stock price underperformance of the Bank as compared to the performance of both the broader capital market and its immediate sector peers in our view). As stated in the paragraph headed "5. Value of the Offers" of the Letter from CICC, the Final H Share Offer Price represents a premium over the average closing price of the H Shares of the Bank as quoted on the Stock Exchange for the 5, 30, 60, 90, 120 and 180 trading days immediately prior to and including the Last Trading Date. The Offeror believes that the Offers, if implemented, will provide an excellent opportunity for all Shareholders (excluding the Offeror and its Concert Parties) to realise their investment for a cash consideration which represents an attractive premium over the average closing price of the H Shares as quoted on the Stock Exchange for the 5, 30, 60, 90, 120 and 180 trading days immediately prior to and including the Last Trading Date.

Delisting of the Bank through the Offers is conducive to optimizing resource allocation. The average daily trading volume of the H Shares in the last 90 trading days, 180 trading days and 360 trading days up to and including the Last Trading Date represents only around 0.0025%, 0.0345% and 0.0196% of the total issued H Shares. The relatively low trading volume of the Bank's stock rendered the Bank's ability to raise funds effectively from the equity market extremely limited and



the current listing status no longer provides a viable financing channel to the Bank's operations. Upon implementation of the Offers, the H Shares will be delisted from the Stock Exchange, which, on one hand, is conducive to saving costs associated with maintaining the listing status and the Bank will also be able to redeploy such resources to the Bank's operations, enabling the Bank to leverage regional advantages and to promote its high quality development; on the other hand, the delisting will also enable the Bank to, depending on the actual circumstances, focus on the development direction of its operations to drive a sustainable and healthy development of the Banks's operations.

## 5.1 Our analyses

### *Liquidity of the H Shares*

We performed a trading liquidity analysis of the H Shares for the period from 1 August 2024, being approximately one year before the Last Trading Date to and including the Latest Practicable Date (the "Share Review Period"). The number of trading days per month, the average daily number of the H Shares traded per month, and the respective percentages of the average daily H Shares' trading volume for each month as compared to the total number of issued H Shares and number of H Shares held by the Independent H Shareholders as at the Latest Practicable Date during the Share Review Period are tabulated below:

Month	Number of trading days	Average daily trading volume (the "Average Volume") <i>Number of H Shares</i>	The Average Volume to total number of issued H Shares as at the Latest Practicable Date <i>(Note 1)</i> <i>Approximate %</i>	The Average Volume to number of H Shares held by the Independent H Shareholders as at the Latest Practicable Date <i>(Note 1)</i> <i>Approximate %</i>
<b>2024</b>				
August	22	16,159	0.0007	0.0007
September	19	72,158	0.0031	0.0032
October	21	562,571	0.0240	0.0250
November	21	24,976	0.0011	0.0011
December	20	261,125	0.0112	0.0116

Month	Number of trading days	Average daily trading volume (the "Average Volume") <i>Number of H Shares</i>	The Average Volume to total number of issued H Shares as at the Latest Practicable Date <i>(Note 1)</i> <i>Approximate %</i>	The Average Volume to number of H Shares held by the Independent H Shareholders as at the Latest Practicable Date <i>(Note 1)</i> <i>Approximate %</i>
<b>2025</b>				
January	19	12,395	0.0005	0.0006
February	20	6,689,975	0.2858	0.2976
March	21	39,905	0.0017	0.0018
April	19	15,105	0.0006	0.0007
May	20	14,550	0.0006	0.0006
June	21	42,976	0.0018	0.0019
July	22	83,364	0.0036	0.0037
August <i>(Note 2)</i>	13	283,192	0.0121	0.0126
September (up to and including the Latest Practicable Date)	9 <i>(Note 3)</i>	151,667	0.0065	0.0067

Source: the Stock Exchange's website

Notes:

1. Based on 2,340,742,500 H Shares in issue as at the Latest Practicable Date, of which 2,247,958,500 H Shares were held by the Independent H Shareholders as at the Latest Practicable Date.
2. Trading in H Shares was halted from 9:00 a.m. on 15 August 2025 and resumed at 9:00 a.m. on 27 August 2025.
3. Trading in H Shares was halted from 1:00 p.m. on 12 September 2025. Therefore, 12 September 2025 was not counted for one trading day.

As illustrated from the table above, the H Shares' trading volume was extremely thin during the Share Review Period, with the respective Average Volumes being lower than 0.1% of the total number of issued H Shares and number of H Shares held by the Independent H Shareholders at the end of each respective month/period for majority months during the Share Review Period. The Average Volume for February 2025 was obviously higher than that of other months during the Share Review Period, which was due to a disposal of 131,900,000 H Shares by a shareholder of the Bank on 28 February 2025.

## 5.2 Section Summary

Having considered the future prospect of the Group's business operation as detailed under the sub-section headed "Financial Information of the Group" above and that:

- (i) although the long-term prospects of the PRC's banking industry remain positive as illustrated under the section headed "2.2 Industry Overview" above, the Group's financial performance has been weak for recent two and a half years, in particular, the continuous decrease in the operating income and net profit attributable to equity shareholders of the Bank.

Furthermore, the Bank has not distributed dividends for the last five years. In addition, as at the Latest Practicable Date, no dividend, other distribution or return of capital in respect of the Shares has been announced, declared or made but not paid to the Shareholders generally. The Bank confirms that it does not intend to announce, declare, make or pay any dividend, other distribution or return of capital during the Offer Period;

- (ii) the H Shares' trading volume was extremely thin during the Share Review Period. The disposal of substantial volume of H Shares by the Independent H Shareholders in the open market may have adverse impact on the price of the Shares. Furthermore, as the Domestic Shares are unlisted shares, there is no open market for Domestic Shareholders to trade the Domestic Shares.

Given the aforesaid, the Offers could provide the Shareholders the opportunity, particularly for those who hold Domestic Shares or a large volume of H Shares, to realise part/all of their investments in the Bank; and

(iii) our analysis on the Cancellation Price as set out below,

we are also of the view that (i) the Independent H Shareholders could seize the opportunity provided by the H Share Offer to realise their investment in the Bank for cash at premiums as compared to recent price levels of the H Shares without having to suffer any possible illiquidity discount; and (ii) the Independent Domestic Shareholders could seize the opportunity provided by the Domestic Share Offer to realise their investment in the Bank for cash as there is no open market for trading in the Domestic Shares.

## (6) The Final Offer Price

To assess the fairness and reasonableness of the Final Offer Price, we performed the following analyses:

### 6.1 Final H Share Offer Price comparison

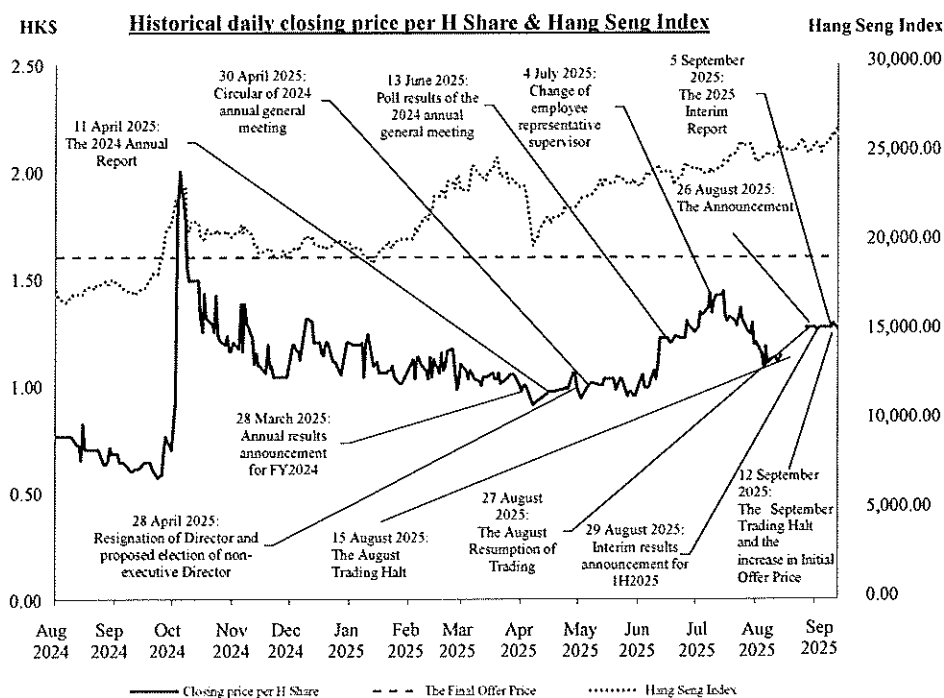
The Final H Share Offer Price of HK\$1.60 under the H Share Offer:

- (a) represents a premium of approximately 25.98% over the closing price of HK\$1.27 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) represents a premium of approximately 40.35% over the closing price of HK\$1.14 per H Share as quoted on the Stock Exchange on the Last Trading Date (the “LTD Premium”);
- (c) represents a premium of approximately 42.35% over the average closing price of approximately HK\$1.12 per H Share, being the average closing price of the H Shares as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Date (the “5-days Premium”);
- (d) represents a premium of approximately 26.48% over the average closing price of approximately HK\$1.27 per H Share, being the average closing price of the H Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date (the “30-days Premium”);
- (e) represents a premium of approximately 33.97% over the average closing price of approximately HK\$1.19 per H Share, being the average closing price of the H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date (the “60-days Premium”);

- (f) represents a premium of approximately 42.21% over the average closing price of approximately HK\$1.13 per H Share, being the average closing price of the H Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date (the “**90-days Premium**”);
- (g) represents a premium of approximately 44.76% over the average closing price of approximately HK\$1.11 per H Share, being the average closing price of the H Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date (the “**120-days Premium**”);
- (h) represents a premium of approximately 43.97% over the average closing price of approximately HK\$1.11 per H Share, being the average closing price of the H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date (the “**180-days Premium**”);
- (i) represents a discount of approximately 83.63% to the audited net asset value per Share attributable to the ordinary shareholders of the Bank (the “**NAV per Share**”) of approximately HK\$9.77 as at 31 December 2024 (based on a total of 8,796,680,200 Shares in issue as at the Latest Practicable Date and the Group’s audited total shareholders’ equity attributable to the Bank of RMB79,613,914,000 (equivalent to approximately HK\$85,972,435,316 based on the central parity rate of RMB to HK\$ as at 31 December 2024 as announced by the PBOC) as at 31 December 2024); and
- (j) represents a discount of approximately 83.96% (the “**NAV Discount**”) to the unaudited NAV per Share of approximately HK\$9.98 as at 30 June 2025 (based on a total of 8,796,680,200 Shares in issue as at the Latest Practicable Date and the Group’s unaudited total shareholders’ equity attributable to the Bank of approximately RMB80,042,064,000 (equivalent to approximately HK\$87,770,233,017 based on the central parity rate of RMB to HK\$ as at 30 June 2025 as announced by the PBOC) as at 30 June 2025).

## 6.2 Historical price performance of the H Shares

Set out below is a chart showing the movement of the closing price of the H Shares during the Share Review Period to illustrate the general trend and movement of the closing price of the H Shares, together with the movement of Hang Seng Index.



Source: Wind Financial Terminal and the Stock Exchange's website

Note: Trading in H Shares was halted (i) from 9:00 a.m. (the "August Trading Halt") on 15 August 2025 and resumed at 9:00 a.m. on 27 August 2025 (the "August Resumption of Trading"); and (ii) from 1:00 p.m. on 12 September 2025 (the "September Trading Halt"). 12 September 2025 was not counted for one trading day.

During the Share Review Period, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$2.00 per H Share on 4 October 2024 and HK\$0.57 per H Share on 23 September 2024. The Final H Share Offer Price of HK\$1.60 is within the aforesaid closing prices range and represents (A) (i) a discount of approximately 20.00% to the highest closing price of the H Shares; (ii) a premium of approximately 180.70% over the lowest closing price of the H Shares, during the Share Review Period; and (B) a premium of approximately 49.86% over the average closing price of the H Shares of approximately HK\$1.07 per H Share from the beginning of the Share Review Period to the Last Trading Date. In addition, the Final H Share Offer Price is above the daily closing prices of the H Shares for 264 out of 267 trading days during the Share Review Period.

From 1 August 2024, the closing prices of the H Shares fluctuated between HK\$0.57 and HK\$0.82 per H Share during August 2024 and September 2024. The closing price of the H Shares increased substantially by approximately 31% from HK\$0.70 per H Share on 30 September 2024 to HK\$0.92 per H Share on 2 October 2024. Subsequently, the closing price of the H Shares surged by approximately 96% to HK\$1.80 per H Share on 3 October 2024, followed by a further increase of approximately 11% to HK\$2.00 per H Share on 4 October 2024.

After reaching the peak on 4 October 2024, the closing price of the H Shares generally decreased and reached HK\$0.91 per H Share on 7 April 2025. Subsequently, the closing prices of the H Shares fluctuated between HK\$0.92 and HK\$1.06 per H Share until early June 2025, when a recovery began. After a brief rebound, the closing prices of the H Shares reached HK\$1.44 per H Share on 15 July 2025. Thereafter, the closing prices of the H Shares showed a downward trend from HK\$1.32 per H Share as recorded on 16 July 2025 to HK\$1.14 per H Share as recorded on the Last Trading Date.

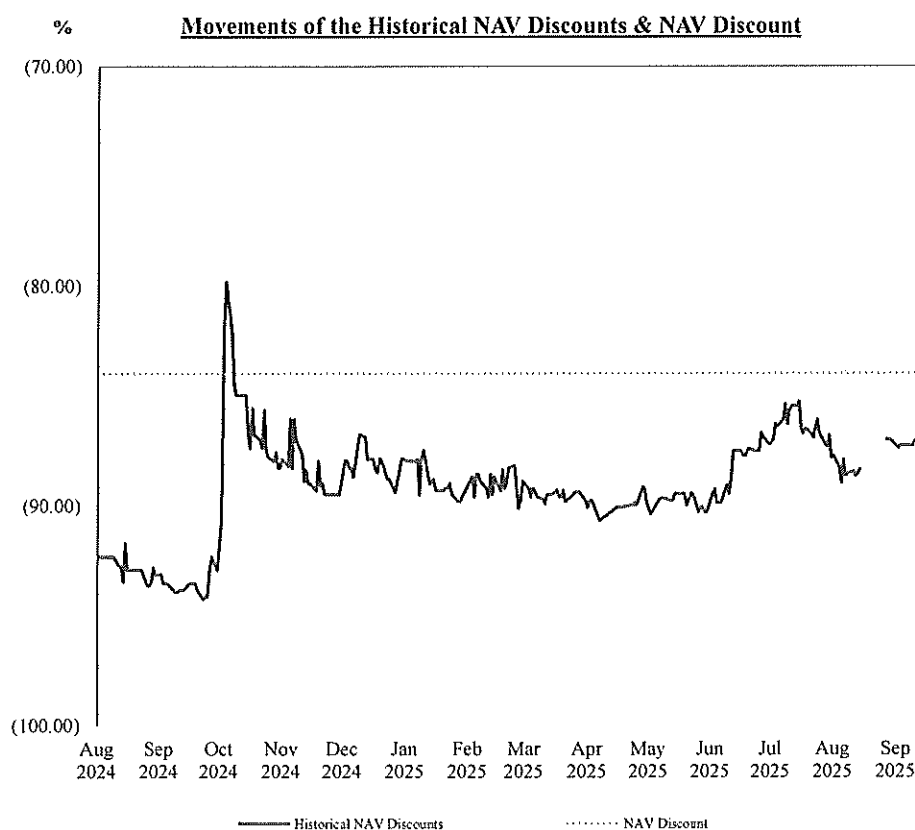
Upon the publication of the Announcement, trading in H Shares resumed on 27 August 2025, the closing price of the H Shares increased substantially by approximately 11.40% to HK\$1.27 per H Share. Subsequently, the closing price of the H Shares remained stable until the Latest Practicable Date.

Apart from the boost in the PRC stock market at the end of September 2024 and beginning of October 2024 due to favourable policies promulgated by the PRC regulators/government, we did not identify any specific reason which caused the aforesaid movements of the closing price of the H Shares from 30 September 2024 to 4 October 2024.

### 6.3 Historical discount of market price of the H Shares to the NAV per Share

As mentioned above, the Final H Share Offer Price represents a discount of approximately 83.96% to the unaudited NAV per Share of the Bank as at 30 June 2025 (i.e. the NAV Discount).

In light of the NAV Discount, we reviewed discounts of H Share closing price to NAV per Share attributable to the ordinary shareholders of the Bank during the Share Review Period (the “Historical NAV Discount(s)”) as set out in the chart below:





*Notes:*

*As the Bank's interim results announcement for the six months ended 30 June 2024 was published after trading hours on 28 August 2024, the Bank's annual results announcement for FY2024 was published after trading hours on 28 March 2025 and the interim results announcement for 1H2025 was published after trading hours on 29 August 2025:*

- 1. The Historical NAV Discounts from 2 September 2024 to 28 March 2025 were calculated based on the daily H Share closing prices and the NAV per Share as at 30 June 2024 and central parity rate of HK\$1=RMB0.91268 as at 28 June 2024 as announced by the People's Bank of China.*
- 2. The Historical NAV Discounts from 31 March 2025 to 29 August 2025 were calculated based on the daily H Share closing prices and the NAV per Share as at 31 December 2024 and central parity rate of HK\$1=RMB0.92604 as at 31 December 2024 as announced by the People's Bank of China (the Historical NAV Discounts for the period from 15 August 2025 to 26 August 2025 was not available due to the August Trading Halt).*
- 3. The Historical NAV Discounts from 1 September 2025 to the Last Practicable Date were calculated based on the daily H Share closing prices and the NAV per Share as at 30 June 2025 and central parity rate of HK\$1=RMB0.91195 as at 30 June 2025 as announced by the People's Bank of China.*

As illustrated in the above chart, the Historical NAV Discounts ranged from approximately 79.80% to approximately 94.24% during the Share Review Period (the "NAV Discount Range"), with average of approximately 89.07%. The NAV Discount is within the NAV Discount Range during the Share Review Period and less than its average.

We also reviewed the daily closing price of the Comparable Banks (as defined below) and latest available consolidated NAV attributable to owners of the Comparable Banks (as defined below) for each trading day during the Share Review Period, we noted that H shares of all Comparable Banks (as defined under the section headed "6.4 Comparison with other Comparable Banks" below) were traded below their respective latest available consolidated NAV attributable to owners of such Comparable Banks (as defined below) per share during the Share Review Period. Although the discounts of closing prices of Comparable Banks (as defined under the section headed "6.4 Comparison with other Comparable Banks" below) to their NAV per share are at different levels to that of the Bank, it is worth to mention that the closing prices of shares of city commercial banks (which are listed on the Stock Exchange) are traded at a discount to its NAV per share in general. Therefore, the NAV Discount is not abnormal.

#### *6.4 Comparison with other Comparable Banks*

To further assess the fairness and reasonableness of the Final Offer Price, we performed the trading multiple analysis which adopts the price-to-book ratio (“PBR”) as below. We adopted PBR for our analysis as it is a commonly used benchmark in valuation of banks which are asset-based companies earning a spread between the interest income they generate on their assets and their cost of funds. Having also considered the aforesaid business model of banks, we are of the view that price-to-earnings ratio is less relevant for valuation of banks as compared to PBR.

As the Bank is a banking institution listed on the Stock Exchange and classified as city commercial bank according to the BFI List, we searched for comparable banks for comparison purpose with the following criteria: (i) the comparable bank is classified as a city commercial bank in the PRC according to the BFI List; and (ii) the comparable bank has been listed on Stock Exchange for at least one full financial year for comparison. We identified 14 listed banks which met our selection criteria and they are exhaustive (the “Comparable Bank(s)”). As the Comparable Banks are banking institutions, all of which are classified as city commercial bank, we are of the view that the Comparable Banks are relevant and suitable for comparison.

Set out below are PBRs of the Comparable Banks based on their respective closing prices as at the date of the Announcement, and their respective latest published financial information:

Bank name (stock code)	Market capitalization of shares as at the date of the	
	PBR	Announcement
	(Note 1)	(Note 2)
		HK\$' billion
Zhongyuan Bank Co., Ltd. (1216)	0.13	13.34
Bank of Tianjin Co., Ltd. (1578)	0.20	15.05
Jiangxi Bank Co., Ltd. (1916)	0.09	4.58
Bank of Chongqing Co., Ltd. (1963 & SH601963)	0.38	32.46
Luzhou Bank Co., Ltd. (1983)	0.52	6.96
Bank of Gansu Co., Ltd. (2139)	0.12	4.45
Jinshang Bank Co., Ltd. (2558)	0.28	8.58
Huishang Bank Corporation Limited (3698)	0.29	49.59
Bank of Qingdao Co., Ltd. (3866 & SZ002948)	0.50	28.61
Harbin Bank Co., Ltd. (6138)	0.07	4.95
Bank of Jiujiang Co., Ltd. (6190)	0.21	9.65
Bank of Zhengzhou Co., Ltd. (6196 & SZ002936)	0.21	19.19
Bank of Guizhou Co., Ltd. (6199)	0.33	17.21
Weihai Bank Co., Ltd. (9677)	0.65	17.46
Maximum	0.65	
Minimum	0.07	
Average	0.28	
Median	0.25	
The Offers	0.16 (Note 3)	14.07 (Note 4)

*Notes:*

1. The PBRs of the Comparable Banks were calculated based on (i) their respective equity attributable to shareholders as stated in their respective latest published annual results or interim results or quarterly results (where applicable); (ii) the central parity rate of RMB to HK\$ as at the 31 December 2024 or 31 March 2025 or 30 June 2025 as announced by the PBOC; and (iii) their respective closing prices as quoted on the Stock Exchange and total issued shares as at the date of the Announcement.

2. *The market capitalization of the Comparable Banks was calculated based on (i) their respective total issued A shares, H shares and domestic shares (where applicable); (ii) their respective closing prices as quoted on the Stock Exchange and the Shanghai Stock Exchange or the Shenzhen Stock Exchange (where applicable) as at the date of the Announcement; and (iii) the Exchange Rate.*
3. *The implied PBR of the Offers was calculated based on (i) the Final H Share Offer Price; (ii) the Group's unaudited total shareholders' equity attributable to the Bank as at 31 December 2024; and (iii) the central parity rate of RMB to HK\$ as at the 31 December 2024 as announced by the PBOC.*
4. *The market value implied by the Offers was calculated based on (i) number of H Shares and Domestic Shares in issue as at the Latest Practicable Date; and (ii) the Final Offer Price.*

The PBRs of the Comparable Banks ranged from approximately 0.07 times to approximately 0.65 times, with an average of approximately 0.28 times and median of 0.25 times. The implied PBR of the Offers is within the said PBR range of the Comparable Banks and lower than the average and median of the PBRs of the Comparable Banks.

The PBR of the Offers is lower than the PBRs of most Comparable Banks. This is mainly due to the H Shares of the Bank were traded significantly lower than its NAV per Share (ranging from 79.80% to approximately 94.24% during the Share Review Period).

Nevertheless, as the implied PBR of the Offers is within the said PBR range of the Comparable Banks, it indicated that the Final Offer Price is in line with the prevailing market valuation for Comparable Banks as assessed by PBR, which supports the fairness and reasonableness of the pricing from a PBR perspective. Therefore, we consider that the Final Offer Price is fair and reasonable from the perspective of PBR.

#### **6.5 Comparison with other privatisation transactions**

We searched for completed privatisation transactions by way of general offer or scheme of arrangement which (i) were announced by listed companies in Stock Exchange during the period from 1 August 2024 up to and including the Latest Practicable Date (being approximately one year before the date of the Last Trading Date and up to and including the Latest Practicable Date, which is adequate to provide a fair and representative sample for analysis of recent privatisation transactions); (ii) the relevant court's sanction of scheme or the required acceptance level having been achieved, as the case maybe, during the aforesaid period; and (iii) excluded transactions in which the consideration includes securities of the offeror or any other company (i.e. share consideration) in part or solely in whole. As consideration shares have different investment values which were based on factors such as background and industry of the subject company, the share price performance and liquidity, we consider share consideration and cash consideration are different in nature, and privatisation transactions with share consideration is not directly comparable with those with cash consideration.

We found 9 privatisation cases (the “Privatisation Cases”) which met the aforesaid criteria for comparison and they are exhaustive. Although the business and operation of the Group are different from those of the subject companies of the Privatisation Cases, the Privatisation Cases can demonstrate the market practices of privatisation transactions conducted by other Hong Kong listed companies.

Company name (previous stock code)	The date of announcement of respective privatization (Note 1)	Premium/(discount) of the offer price over/to average closing price per share for						
		Last full trading day (Note 1)	Last full five trading days (Note 2)	Last full 30 trading days (Note 2)	Last full 60 trading days (Note 2)	Last full 90 trading days (Note 2)	Last full 120 trading days (Note 2)	Last full 180 trading days (Note 2)
		Approximate ¥	Approximate ¥	Approximate ¥	Approximate ¥	Approximate ¥	Approximate ¥	Approximate ¥
Doyen International Holdings Limited (668)	2 September 2024	78.57	81.54	81.13	86.14	112.90	131.38	91.82
CM Hi-Tech Cleanroom Limited (2115)	14 October 2024	17.92	24.25	31.30	40.04	41.88	41.42	37.88
Beijing Capital Grand Limited (1329)	28 October 2024	46.55	54.55	41.75	47.85	65.44	80.93	53.55
Ronshine Service Holding Co., Ltd (2207)	22 November 2024	15.38	9.89	(5.86)	1.90	(6.48)	(12.44)	(13.60)
Pentamaster International Limited (1665)	19 December 2024	56.25 (Note 3)	60.26 (Note 3)	53.37 (Note 3)	50.83 (Note 3)	51.46 (Note 3)	50.24 (Note 3)	43.43 (Note 3)
Vesync Co., Ltd (2148)	27 December 2024	33.33	34.36	44.37	36.09	36.42	32.27	24.32
Tam Jai International Co. Limited (2217)	17 February 2025	75.56	80.37	96.27	99.58	98.35	93.77	75.79
Thing On Enterprise Limited (2292)	9 May 2025	30.00	30.00	30.00	36.19	32.12	20.49	7.27
Beijing Properties (Holdings) Limited (925)	17 June 2025	250.00	253.54	222.09	200.11	183.91	171.76	175.08
Maximum		250.00	253.54	222.09	200.11	183.91	171.76	175.08
Minimum		15.38	9.89	(5.86)	1.90	(6.48)	(12.44)	(13.60)
Average		67.06	69.86	66.05	66.52	68.44	67.76	55.06
Median		46.55	54.55	44.37	47.85	51.46	50.24	43.43
The Bank		40.35	42.35	26.48	33.97	42.21	44.76	43.97

Source: the Stock Exchange's website

Notes:

1. The premium of cancellation price over closing price per share on last full trading day prior to the publication of initial announcement in relation to the respective privatisation, as disclosed in the respective privatisation documents.
2. The premium of cancellation price over average closing price per share on the 5/30/60/90/120/180 consecutive full trading days prior to the publication of initial announcement in relation to the respective privatisation, as disclosed in the respective privatisation documents.
3. The premium as represented by the cancellation price of the relevant Privatisation Cases were calculated based on their respective last full trading day prior to the irregular trading volumes and price movement in the relevant shares.

As depicted in the above table, the LTD Premium, 5-days Premium, the 30-days Premium, the 60-days Premium, the 90-days Premium, 120-days Premium and 180-days Premium fall within the relevant ranges of the Privatisation Cases, below the average of the relevant ranges of the Privatisation Cases.

As discussed in the section headed “6.2 Historical price performance of the H Shares” above, the closing price of the H Shares increased substantially by approximately 31% from 30 September 2024 to 2 October 2024, and further surged by approximately 96% and 11% on 3 October 2024 and 4 October 2024 respectively. As compared to the average closing price of approximately HK\$0.68 per H Share for the period from 1 August 2024 to 30 September 2024, the H Share traded at the average closing price of approximately HK\$1.14 per H Share for the period from 7 October 2024 to the Last Trading Date.

The performance of the closing price of the H Share (i) on the Last Trading Date; and (ii) for 5, 30, 60, 90, 120 and 180 trading days immediately prior to and including the Last Trading Date was inevitably influenced by the aforesaid surge of closing prices of H Shares whereas the similar situation was absent in almost all the Privatisation Cases.

We also noted that the LTD Premium, the 90-days Premium and 120-days Premium were not materially deviated from the median premium of the relevant ranges of the Privatisation Cases and the 180-days Premium is slightly higher than the median premium of the relevant range of the Privatisation Cases. The median is a measure of central tendency that is less influenced by skewed data.

Given that above, we are of the view that the Final Offer Price is not undervalued from the perspective of premiums/discounts of offer prices of Privatisation Cases, indicating that the Final Offer Price is in line with the prevailing market premiums of offer prices of Privatisation Cases, which supports the fairness and reasonableness of the pricing from the perspective of premiums/discounts of offer prices of Privatisation Cases. Therefore, we consider that the Final Offer Price is fair and reasonable from such perspective.

#### **6.6 Our conclusion on Final Offer Price**

Despite that the Final H Share Offer Price represents the NAV Discount of approximately 83.96%, taking into account the following factors:

- (i) the Final H Share Offer Price is above the daily closing prices of the H Shares for 264 out of 267 trading days during the Share Review Period and represents a of premium approximately 49.86% over the average closing price of approximately HK\$1.07 per H Share from the beginning of the Share Review Period to the Last Trading Date;

- (ii) the NAV Discounts are within the NAV Discount Range during the Share Review Period; and H shares of all Comparable Banks were traded below their respective latest available consolidated NAV attributable to owners of such Comparable Banks per share during the Share Review Period;
- (iii) The PBR of the Offers is lower than the PBRs of most Comparable Banks, which is mainly due to the H Shares of the Bank were traded significantly lower than its NAV per Share (ranging from 79.80% to approximately 94.24% during the Share Review Period). Nevertheless, as the implied PBR of the Offers is within the PBR range of the Comparable Banks, it indicated that the Final Offer Price is in line with the prevailing market valuation for Comparable Banks as assessed by PBR, which supports the fairness and reasonableness of the pricing from a PBR perspective;
- (iv) as the performance of the closing price of the H Share (a) on the Last Trading Date; and (b) for 5, 30, 60, 90, 120 and 180 trading days immediately prior to and including the Last Trading Date was inevitably influenced by the surge of closing prices of H Shares (in the beginning of October 2024) whereas the similar situation was absent in almost all the Privatisation Cases, the premiums represented by the Final Offer Price to recent closing prices are below the average premiums of the relevant ranges of the Privatisation Cases. Nevertheless, the Final Offer Price is not undervalued from the perspective of premiums/discounts of offer prices of Privatisation Cases as (a) the LTD Premium, 5-days Premium, the 30-days Premium, the 60-days Premium, the 90-days Premium, 120-days Premium and 180-days Premium fall within the relevant ranges of the Privatisation Cases; and (b) the LTD Premium, the 90-days Premium, the 120-days Premium were not materially deviated from the median premium of the relevant ranges of the Privatisation Cases and the 180-days Premium is slightly higher than the median premium of the relevant range of the Privatisation Cases. It indicated that the Final Offer Price is in line with the prevailing market premiums of offer prices of Privatisation Cases, which supports the fairness and reasonableness of the pricing from the perspective of premiums/discounts of offer prices of Privatisation Cases,

we are of the view that the Final Offer Price (the Final Domestic Share Offer Price is equivalent to the Final H Share Offer Price at the Exchange Rate) is fair and reasonable.

## RECOMMENDATION

In relation to the Offers and the Delisting, taking into account the factors as discussed above, in particular:

### The Offers:

- (i) although the long-term prospects of the PRC's banking industry remain positive as illustrated under the section headed "2.2 Industry Overview" above, the Group's financial performance has been weak for recent two and a half years, in particular, the continuous decrease in the operating income and net profit attributable to equity shareholders of the Bank;
- (ii) the Bank did not declare any dividends for the last five years. In addition, as at the Latest Practicable Date, no dividend, other distribution or return of capital in respect of the Shares has been announced, declared or made but not paid to the Shareholders generally. The Bank confirms that it does not intend to announce, declare, make or pay any dividend, other distribution or return of capital during the Offer Period;
- (iii) as discussed in the sub-section headed "Liquidity of the H Shares" above, the H Shares' trading volume was extremely thin during the Share Review Period. The disposal of substantial volume of H Shares by the Independent H Shareholders in the open market may have adverse impact on the price of the Shares. Furthermore, as the Domestic Shares are unlisted shares, there is no open market for Domestic Shareholders to trade the Domestic Shares.

Given the aforesaid, the Offers could provide the Shareholders the opportunity, particularly for those who hold Domestic Shares or a large volume of H Shares, to realise part/all of their investments in the Bank; and

- (iv) despite that the Final H Share Offer Price represents the NAV Discount of approximately 83.96%, the Final Offer Price is fair and reasonable after taking into account the following factors:
  - the Final H Share Offer Price is above the daily closing prices of the H Shares for 264 out of 267 trading days during the Share Review Period and represents a premium approximately 49.86% over the average closing prices of approximately HK\$1.07 per H Share from the beginning of the Share Review Period to the Last Trading Date;
  - the NAV Discounts are within the NAV Discount Range during the Share Review Period and H shares of all Comparable Banks were traded below their respective latest available consolidated NAV attributable to owners of such Comparable Banks per share during the Share Review Period;



- as the implied PBR of the Offers is within the PBR range of the Comparable Banks, it indicated that the Final Offer Price is in line with the prevailing market valuation for Comparable Banks as assessed by PBR, which supports the fairness and reasonableness of the pricing from a PBR perspective; and
- as analysed above, the Final Offer Price is not undervalued from the perspective of premiums/discounts as represented by the offer prices of Privatisation Cases as (a) the LTD Premium, 5-days Premium, the 30-days Premium, the 60-days Premium, the 90-days Premium, 120-days Premium and 180-days Premium fall within the relevant ranges of the Privatisation Cases; and (b) the LTD Premium, the 90-days Premium, the 120-days Premium were not materially deviated from the median premium of the relevant ranges of the Privatisation Cases and the 180-days Premium is slightly higher than the median premium of the relevant range of the Privatisation Cases. It indicated that the Final Offer Price is in line with the prevailing market premiums of offer prices of Privatisation Cases, which supports the fairness and reasonableness of the pricing from the perspective of premiums/discounts of offer prices of Privatisation Cases,

we consider that the Offers (including the Final Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned.

**The Delisting:**

- (i) as aforementioned, the Offers represent an exit opportunity for the Independent Shareholders and the Offers (including the Final Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Nevertheless, the H Share Offer is subject to the fulfilment of Conditions, including but not limited to (a) the passing of a resolution by the Independent H Shareholders approving the Delisting at the H Share Class Meeting to be convened for this purpose; and (b) the passing of a special resolution by not less than two-thirds of the votes cast by way of poll by the Shareholders with voting rights present and voting in person or by proxy at the Extraordinary General Meeting approving the Delisting (these two conditions may not be waived in any event). The Independent H Shareholders can only realise their investment in the H Shares through the H Share Offer when the H Share Offer becoming or being declared unconditional in all respects and the approval of Delisting is a prerequisite for the effectiveness of the H Share Offer;
- (ii) the Domestic Share Offer is subject to the H Share Offer becoming or being declared unconditional in all respects, of which the approval of Delisting is a prerequisite for the effectiveness of the H Share Offer as mentioned in (i) above. This condition cannot be waived in any event; and

- (iii) upon implementation of the Offers, the H Shares will be delisted from the Stock Exchange, which is conducive to saving costs associated with maintaining the listing status and the Bank will also be able to redeploy such resources to the Bank's operations. The Independent Shareholders who decide not to accept the Offers and remain as shareholders of the Bank will be indirectly benefited from the Group's cost reduction. Such savings, achieved by eliminating expenses related to maintaining the listing status, could be strategically redeployed to enhance the Bank's value,

we consider that the Delisting is fair and reasonable so far as the Independent Shareholders are concerned, and the Delisting is in the interest of the Bank and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to (i) accept the Offers; and (ii) vote in favour of the Delisting resolution at the H Share Class Meeting and the Extraordinary General Meeting (as the case may be).

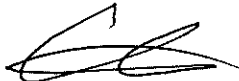
**The Offeror has no rights under the laws of the PRC and the articles of association of the Bank to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the H Share Offer. Accordingly, the Independent H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in them holding securities that are not listed on the Stock Exchange or any other stock exchanges and the liquidity of such securities may be severely reduced. In addition, the Bank will no longer be subject to the requirements under the Listing Rules, and may or may not continue to be subject to the Takeovers Code after the completion of the H Share Offer depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.**

**Independent H Shareholders should also note that if they do not agree to the Offers, they can vote against the Delisting at the H Share Class Meeting and/or the Extraordinary General Meeting. If the number of votes cast, by way of poll, against the Delisting at the H Share Class Meeting is more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders, the Offers would not become unconditional and the Bank would remain listed on the Stock Exchange.**

**If the Offers and the Delisting become effective, for those Shareholder who decided not to accept the Offers and remains as a shareholder of the Bank upon the Delisting, such shareholders are reminded to pay attention to the identity of the Offeror (who will be a direct shareholder of the Bank with equity interests of not less than 90% in the Bank and have a significant impact on the Bank's following operations and business development) and the intention of the Offeror with regard to the Group after the implementation of the Offers.**

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of  
Gram Capital Limited



Graham Lam  
Managing Director

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.*

\* *For identification purpose only*

# *Shengjing Bank 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.*