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泸州银行股份有限公司*
LUZHOU BANK CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1983)

DISCLOSEABLE TRANSACTION DISPOSAL OF COLLATERALS

DISPOSAL

Given that the disposal of the Collaterals is beneficial to reduce the occupation of capital by inefficient assets, optimize the asset structure and accelerate the turnover of assets, the Bank plans to dispose the Collaterals. The Bank has completed the public tender process, at which Fuling Development Group won the bid on the Collaterals at the transaction price of RMB581,500,000. On December 27, 2023, the Bank (as the Seller) entered into the Assets Transfer Agreement with Fuling Development Group (as the Purchaser), pursuant to which, subject to the terms and conditions of the Assets Transfer Agreement, the Bank agreed to sell and Fuling Development Group agreed to purchase the Collaterals at a consideration of RMB581,500,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the Disposal transaction is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Bank under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

References are made to the circular dated August 28, 2023 and the poll results announcement of 2023 first extraordinary general meeting dated October 12, 2023 of the Bank, in relation to, among other things, shareholders' consideration and approval of the disposal of the significant Collaterals of the Bank.

DISPOSAL

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ASSETS TRANSFER AGREEMENT

The key terms of the Assets Transfer Agreement are summarised as follows:

Date of signing the agreement: December 27, 2023

Parties: (1) The Bank, as the Seller; and
(2) Fuling Development Group, as the Purchaser

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors of the Bank, having made all reasonable enquiries, Fuling Development Group and its ultimate beneficial owner are third parties independent of the Bank and its connected persons.

Nature of transaction: Pursuant to the Assets Transfer Agreement, the Bank agreed to sell and Fuling Development Group agreed to purchase the Collaterals, subject to the terms and conditions of the Assets Transfer Agreement.

Collaterals: The Collaterals are commercial properties located at Hall B, Zesheng Central Plaza, Xinghua Middle Road, Fuling District, Chongqing, the PRC, with a gross floor area of 83,862.55 sq.m. As at the date of signing the Assets Transfer Agreement, the Collaterals were wholly owned by the Bank.

Consideration and
payment terms:

The total consideration for the transfer of the Collaterals (the “**Total Consideration**”) is RMB581,500,000, including RMB533,486,238.53 (tax exclusive) for Total Consideration and RMB48,013,761.47 for value-added tax.

Taking into account the appraisal price of the Collaterals, the preliminary auction of the Collaterals, the market enquiries and analysis of investment returns, the Total Consideration was the final transaction price determined by the second round of public auction with RMB581.50 million as the reserve price following the failure of the first round of public auction with RMB725.33 million as the reserve price (which is set by the Bank based on a 30% decrease in the appraisal price in accordance with the rules for determining the reserve price of judicial auction). Based on the valuation report issued on July 28, 2023 by independent appraiser Shenzhen Guoce Real Estate Land Assets Appraisal Co., Ltd.* (深圳市國策房地產土地資產評估有限公司), the appraisal price of the Collaterals as at July 26, 2023 is approximately RMB1,036.05 million.

The appraisal price mentioned above is the market value of the Collaterals determined by adopting the income approach. Considering that the Collaterals are income properties, which can be leased out to generate income, as well as the real estate leasing market of the region where the Collaterals are located is active and highly market-oriented, the comparable leasing transaction cases are easier to collect; and in contrast, real estate with similar purpose in the region where the Collaterals are located is mainly held for a long term to generate rental income, the real estate market transactions are inactive and comparable transaction case is absent, therefore, income approach (in which objective rents are obtained by means of the comparison approach) is adopted as the basic approach for the abovementioned valuation.

The Total Consideration shall be paid by Fuling Development Group to the Bank in cash as follows:

1. 50% of the Total Consideration (including security deposit of RMB64.14 million paid at the time of bidding) shall be paid to the Bank by Fuling Development Group within 10 business days from the date of signing the Assets Transfer Agreement upon the successful bidding of Fuling Development Group;
2. 40% of the Total Consideration shall be paid to the Bank within 10 business days after obtaining the real estate ownership certificate by Fuling Development Group upon the completion of the transfer of the Collaterals;
3. 10% of the Total Consideration shall be paid to the Bank by Fuling Development Group before June 30, 2024.

Closing: Upon completion of the payment of 50% of the Total Consideration by Fuling Development Group, the Bank shall be responsible for completing the transfer of property rights of the Collaterals as soon as possible. After the transfer of property rights, at the request of Fuling Development Group, the Bank shall assist Fuling Development Group to complete the signing of relevant lease agreements between Fuling Development Group and all tenants as soon as possible, and assist Fuling Development Group to complete the handover of the Collaterals at the commercial management company or the direct withdrawal of the commercial management company from management.

INFORMATION ON THE COLLATERALS

The Collaterals are commercial properties located at Hall B, Zesheng Central Plaza, Xinghua Middle Road, Fuling District, Chongqing, the PRC, with a gross floor area of 83,862.55 sq.m. The Collaterals are subject to the existing lease agreements which will expire in April 2024.

The profits attributable to the Collaterals for the two financial years immediately prior to the Disposal are as follows:

	For the financial year ended December 31, 2023 RMB'0,000 (Unaudited)	For the financial year ended December 31, 2022 RMB'0,000 (Audited)
Revenue	1,486.24	1,114.68
Profit before tax	1,486.24	1,114.68
Profit after tax	920.07	649.33

As at December 31, 2023, the unaudited original book value and net book value of the Collaterals amounted to RMB601.20 million and RMB240.05 million, respectively.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Bank is expected to recognize a gain of approximately RMB293.44 million on the Disposal, which is calculated with reference to the Total Consideration received for the transfer of the Collaterals, the net book value of the Collaterals as at December 31, 2023 and the taxes incurred from the Disposal. The calculation is an estimate provided for illustrative purpose only. The actual amount of gain to be recorded by the Bank as a result of the Disposal is subject to audit by the Bank's auditors.

The net proceeds from the Disposal are intended to be used as working capital for the Bank's operations.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In order to reduce the occupation of capital by inefficient assets, optimize the asset structure and accelerate the turnover of assets, with the relevant requirements of the Measures for the Administration of Debt-expired Assets in Banks of the Ministry of Finance of the PRC and the Administrative Measures for the Capital of Commercial Banks (Trial) of the former China Banking and Insurance Regulatory Commission, the Bank determined to dispose the Collaterals by way of public auction.

The Directors (including independent non-executive Directors), having made all reasonable and due enquiries, are of the view that the Assets Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms and conducted in the ordinary and usual course of business of the Bank, and are fair and reasonable and in the interests of the Bank and its shareholders as a whole.

GENERAL INFORMATION

Information on the Bank

The Bank is a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 1983). The Bank is primarily engaged in banking business in the PRC.

Information on Fuling Development Group

Chongqing Fuling Industrial Development Group Co., Ltd.[#] (重慶市涪陵產業發展集團有限公司) is a company incorporated in the PRC with limited liability and principally engaged in public utility management. The ultimate beneficial owner of Fuling Development Group is Fuling District State-owned Assets Supervision and Administration Commission of Chongqing, being a third party independent of the Bank and its connected persons.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the Disposal transaction is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Bank under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Due to the inadvertent negligence of the Bank's staff involved in the Disposal transaction, the information disclosure department of the Bank was not aware of the Disposal in a timely manner, and thus it failed to disclose the Disposal transaction disclosed above in a timely manner.

When reviewing the Bank's significant transactions, it was informed that the Disposal disclosed above was not disclosed in a timely manner. Upon becoming aware of the incident, the management immediately instructed the staff to report all the amounts and terms related to the disposal of the Collaterals. In view of the failure to comply with Rule 14.34 of the Listing Rules in a timely manner, and in order to prevent the re-occurrence of similar situations in the future, the Bank has implemented a series of remedial measures set out herein to ensure full knowledge of and timely compliance with relevant requirements of the Listing Rules, and has made an appropriate disclosure as set out in this announcement.

The Bank has dealt with this incident seriously and taken the following remedial measures to prevent similar incidents from happening again:

1. the Bank will further improve the information communication mechanism for such transactions by designating a specific personnel in the business department responsible for such transactions to maintain continuous and close communication with the information disclosure department in regard to all aspects of such transactions, so as to ensure that the information disclosure department will be informed of the transactions in a timely manner;
2. the business department of the Bank shall report to the information disclosure department in a timely manner in respect of the updates on the transaction agreements under Chapter 14 of the Listing Rules and the execution status of such transactions;
3. all transactions entered into exceeding the disclosure threshold will be furnished to the external lawyer and company secretary for review and confirm whether further disclosure to the public will be required. The disclosure threshold will be reviewed by the external lawyer and company secretary from time to time with reference to the financial statement and the market capitalization of the Bank;
4. the administration department, risk management department, office of the Board and relevant business departments of the Bank will attend additional and more training courses on the practical application of the Listing Rules on discloseable transactions, inter alia, how to calculate the size tests of the transaction, and the relevant disclosure requirements under Chapter 14 of the Listing Rules, with emphasis laid on the significance of identifying relevant transactions before entering into the agreements, so as to ensure proper compliance by the Bank with the relevant requirements of the Listing Rules in the future.

DEFINITIONS

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

“Assets Transfer Agreement”	the commercial properties sale and purchase agreement entered into between the Bank and Fuling Development Group on December 27, 2023 in relation to the Disposal
“Bank”	Luzhou Bank Co., Ltd. (泸州银行股份有限公司*), a joint stock company in the PRC with limited liability and its H Shares are listed on the Main Board of the Stock Exchange (stock code: 1983)
“Board”	the board of Directors of the Bank
“China” or “PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only, unless the context otherwise requires, excluding Hong Kong, the Macau Special Administrative Region and Taiwan of the PRC
“Collaterals”	the properties located at Hall B, Zesheng Central Plaza, Xinghua Middle Road, Fuling District, Chongqing, the PRC, with a gross floor area of 83,862.55 sq.m.
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Disposal”	the disposal of Collaterals by the Bank to Fuling Development Group under the Assets Transfer Agreement
“Directors”	the director(s) of the Bank
“Fuling Development Group”	Chongqing Fuling Industrial Development Group Co., Ltd.# (重慶市涪陵產業發展集團有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC

“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Luzhou Bank Co., Ltd.*
YOU Jiang
Chairman

Luzhou, the PRC, January 30, 2024

As at the date of this announcement, the Board comprises Mr. YOU Jiang and Mr. LIU Shirong as executive Directors; Ms. PAN Lina, Mr. XIONG Guoming, Mr. LUO Huoming and Ms. CHEN Ping as non-executive Directors; and Mr. TANG Baoqi, Mr. ZHONG Jin, Mr. GAO Jinkang and Mr. CHING Yu Lung as independent non-executive Directors.

* *Luzhou 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/deposit-taking business in Hong Kong.*

The English name is for identification purpose only.