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ZHONGYUAN BANK CO., LTD.*

中原銀行股份有限公司*

*(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1216)*

PROPOSED ISSUANCE OF QUALIFIED TIER 2 CAPITAL INSTRUMENTS PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES AND

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURES OF THE SHAREHOLDERS' GENERAL MEETING

PROPOSED ISSUANCE OF QUALIFIED TIER 2 CAPITAL INSTRUMENTS

The Board is pleased to announce that, on January 20, 2018, the Board resolved to propose the issuance of the Qualified Tier 2 Capital Instruments in the aggregate principal amount of no more than RMB10 billion. The issuance of the Qualified Tier 2 Capital Instruments is subject to the shareholders' approval at the EGM and the necessary approvals from relevant banking regulatory authorities in the PRC.

PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES

The Board is pleased to announce that, on January 20, 2018, the Board resolved to propose the issuance of the Offshore Preference Shares, pursuant to which the Bank shall conduct a non-public issuance of not more than 100 million Offshore Preference Shares to raise proceeds not exceeding RMB10 billion or its equivalent to replenish the Bank's Additional Tier 1 Capital.

The issuance of the Offshore Preference Shares will be conducted by way of private placement in accordance with relevant laws and rules and regulations and, upon approval by relevant regulatory authorities, the Offshore Preference Shares shall be issued in a single or multiple tranche(s) in accordance with the relevant procedures. The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents to be issued by the Bank. There will be no lock-up period for the Offshore Preference Shares. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares upon the occurrence of certain prescribed events.

The issuance of the Offshore Preference Shares is subject to certain conditions including, among other things, (i) the passing of the relevant special resolutions in respect of the proposed issuance of the Offshore Preference Shares by the Domestic Shareholders at the First Domestic Shareholders Class Meeting of 2018, by the H Shareholders at the First H Shareholders Class Meeting of 2018 and by the Shareholders at the EGM; and (ii) the approval by or filing with competent regulatory authorities regarding the proposed issuance of the Offshore Preference Shares.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURES OF THE SHAREHOLDERS' GENERAL MEETING

In connection with the proposed non-public issuance of the Offshore Preference Shares by the Bank and to further improve the corporate governance of the Bank, in accordance with the State Council Guidance Opinion, the Joint Guidance Opinion, the Administrative Measures and other relevant laws, regulations and regulatory documents and taking into account the Offshore Issuance Plan and the actual conditions of the Bank, the Bank has proposed certain amendments to the existing Articles of Association and the Rules of Procedures of the Shareholders' General Meeting, details of which will be set out in the circular to be dispatched to the Shareholders.

Shareholders and potential investors should be aware that the proposed issuance of the Offshore Preference Shares is subject to certain conditions being satisfied, and, consequently, the proposed issuance of the Offshore Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

I. PROPOSED ISSUANCE OF QUALIFIED TIER 2 CAPITAL INSTRUMENTS

The Board is pleased to announce that, on January 20, 2018, the Board resolved to propose the issuance of the qualified tier 2 capital instruments in the aggregate principal amount of no more than RMB10 billion. The issuance of the Qualified Tier 2 Capital Instruments is subject to the shareholders' approval at the EGM and the necessary approvals from relevant banking regulatory authorities in the PRC

Details of the proposals of the Board with respect to the Qualified Tier 2 Capital Instruments are as follows:

Size of issuance	In the aggregate principal amount of no more than RMB10 billion (inclusive of RMB10 billion)
Type of instruments	Qualified tier 2 capital instruments with a fixed or floating interest rate, which comply with the requirements of the Regulation Governing Capital of Commercial Banks (Provisional) issued by the CBRC
Maturity	Due in not less than five years (inclusive of five years)
Use of proceeds	To replenish tier-2 capital, enhance capital adequacy ratio and enhance capital strengths of the Bank to support sustainable development of the Bank
Authorizations	The Board are to be authorized to implement the issuance of the Qualified Tier 2 Capital Instruments (including, but not limited to, the determination of issuing size, method, term, interest rates, and other detailed terms) and to delegate the aforementioned authorization to the chairman of the Board, the president of the Bank and the secretary to the Board
Term of authorization and effective period of the proposal	24 months from the date of shareholders' approval at the EGM

II. PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES

In order to improve the overall competitiveness of the Bank and to ensure continuous business development of the Bank, the Bank plans to conduct a non-public issuance of not more than 100 million Offshore Preference Shares to raise proceeds not exceeding RMB10 billion or its equivalent to replenish the Bank's Additional Tier 1 Capital.

In accordance with the State Council Guidance Opinion and the Joint Guidance Opinion and with reference to the Administrative Measures and other relevant laws, regulations and regulatory documents, the Bank is of the opinion that it meets the conditions for non-public issuance of the Offshore Preference Shares.

The issuance of the Offshore Preference Shares will be conducted by way of private placement in accordance with relevant laws and rules and regulations and, upon approval by relevant regulatory authorities, the Offshore Preference Shares shall be issued in a single or multiple tranche(s) in accordance with the relevant procedures. The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents to be issued by the Bank. There will be no lock-up period for the Offshore Preference Shares. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares upon the occurrence of certain prescribed events.

The issuance of the Offshore Preference Shares is subject to certain conditions including, among other things, (i) the passing of the relevant special resolutions in respect of the proposed issuance of the Offshore Preference Shares by the Domestic Shareholders at the First Domestic Shareholders Class Meeting of 2018, by the H Shareholders at the First H Shareholders Class Meeting of 2018 and by the Shareholders at the EGM; and (ii) the approval by or filing with competent regulatory authorities regarding the proposed issuance of the Offshore Preference Shares.

The Board approved the Offshore Issuance Plan on January 20, 2018 and resolved to (i) submit the plan at the EGM and the Class Meetings for consideration and approval, if thought fit, by the Shareholders; and (ii) delegate authority to the chairman of the Bank, the president of the Bank and the secretary to the Board to make necessary adjustments to the Offshore Issuance Plan in accordance with the opinions and suggestions of the Stock Exchange and other relevant regulatory authorities.

Further, the Board resolved to propose at the EGM and the Class Meetings for consideration and approval, if thought fit, by the Shareholders the granting of authority to the Board to (i) exercise full power to deal with the matters in connection with the issuance of the Offshore Preference Shares within the

validity period of the authorization for the issuance of the Offshore Preference Shares and for such period when the Offshore Preference Shares remain outstanding; and (ii) delegate such authority to the chairman of the Bank, the president of the Bank and the secretary to the Board. The Board also resolved to delegate authority to the chairman of the Bank, the president of the Bank and the secretary to the Board to make necessary adjustments to the Plan Regarding the Delegation of Authority in accordance with the opinions and suggestions of the Stock Exchange and other relevant regulatory authorities.

Please refer to Appendix 1 and Appendix 2 of this announcement for details.

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURES OF THE SHAREHOLDERS' GENERAL MEETING

In connection with the proposed non-public issuance of the Offshore Preference Shares by the Bank and to further improve the corporate governance of the Bank, in accordance with the State Council Guidance Opinion, the Joint Guidance Opinion, the Administrative Measures and other relevant laws, regulations and regulatory documents and taking into account the Offshore Issuance Plan and the actual conditions of the Bank, the Bank has proposed certain amendments to the existing Articles of Association and the Rules of Procedures of the Shareholders' General Meeting. Details of the proposed amendments to the existing Articles of Association and the Rules of Procedures of the Shareholders' General Meeting will be set out in the circular to be dispatched to the Shareholders.

The proposed amendments to the existing Articles of Association and the Rules of Procedures of the Shareholders' General Meeting will be subject to the approval of the Shareholders at the EGM by way of special resolution, the approval of the Shareholders at the Class Meetings and approval from China banking regulatory authorities, and will take effect on the date of issuance of the first tranche of the Offshore Preference Shares.

The Bank will propose at the EGM and the Class Meetings for consideration and approval, if thought fit, by the Shareholders the granting of authority to the Board to, among others, (i) make adjustments to the proposed amendments to the existing Articles of Association in accordance with the laws and regulations and the opinions on the proposed amendments to the existing Articles of Association from competent regulatory authorities; (ii) obtain necessary approval and comply with the relevant registration procedures upon the issuance of the Offshore Preference Shares; and (iii) delegate such authority to the chairman of the Bank, the president of the Bank and the secretary to the Board.

IV. DISPATCH OF CIRCULAR

Special resolutions will be proposed at the Class Meetings and the EGM for the Shareholders to consider and approve, if thought fit, matters in respect of the issuance of the Offshore Preference Shares and the proposed amendments to the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting.

A circular containing, among other things, information on the proposed issuance of the Offshore Preference Shares including the Plan Regarding the Delegation of Authority and the proposed amendments to the Articles of Association is expected to be dispatched to the Shareholders on or around January 30, 2018.

The Shareholders and potential investors should be aware that the proposed issuance of Offshore Preference Shares is subject to certain conditions being satisfied, and, consequently, the proposed issuance of the Offshore Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

V. DEFINITIONS

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

“Additional Tier 1 Capital”	has the meaning given to it in the Rules Governing Capital Management of Commercial Banks (Provisional) issued by the CBRC on June 7, 2012, which became effective on January 1, 2013
“Administrative Measures”	the Trial Administrative Measures on Preference Shares issued by the CSRC on March 21, 2014
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”	Zhongyuan Bank Co., Ltd.* (中原銀行股份有限公司), a joint stock company established in the PRC with limited liability, which H Shares are listed on the Main Board of the Stock Exchange, and, unless the context otherwise requires, includes its subsidiary(ies)
“Board”	the board of Directors

“CBRC”	China Banking Regulatory Commission of the People’s Republic of China
“Class Meetings”	the First Domestic Shareholders Class Meeting of 2018 and the First H Shareholders Class Meeting of 2018 to be held on the date of the EGM, at which the Domestic Shareholders and the H Shareholders (as the case may be) will consider and approve, if thought fit, the issuance of the Offshore Preference Shares
“CSRC”	China Securities Regulatory Commission of the People’s Republic of China
“Director(s)”	the directors of the Bank
“Domestic Share(s)”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“Domestic Shareholder(s)”	the holders of the Domestic Shares
“EGM”	the 2018 extraordinary general meeting of the Bank at which the Shareholders will consider and approve, if thought fit, among other things, the issuance of the Offshore Preference Shares and the amendments to the Articles of Association
“First Domestic Shareholders Class Meeting of 2018”	the first class meeting of 2018 of the Domestic Shareholders to be held on the date of the EGM, at which the Domestic Shareholders will consider and, if thought fit, approve the issuance of the Offshore Preference Shares
“First H Shareholders Class Meeting of 2018”	the first class meeting of 2018 of the H Shareholders to be held on the date of the EGM, at which the H Shareholders will consider and approve, if thought fit, the issuance of the Offshore Preference Shares
“H Share(s)”	the overseas-listed foreign investment shares in the share capital of the Bank, which are listed on the Main Board of the Stock Exchange with a nominal value of RMB1.00 each
“H Shareholder(s)”	the holders of the H Shares

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Guidance Opinion”	the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Replenishing Tier 1 Capital jointly issued by the CBRC and the CSRC on April 3, 2014
“Offshore Issuance Plan”	the Plan for the Non-public Issuance of the Offshore Preference Shares by Zhongyuan Bank Co., Ltd., the details of which are set out in Appendix 1 to this announcement
“Offshore Preference Shares”	the preference shares of an aggregate amount of not more than RMB10 billion or its equivalent, proposed to be issued by the Bank in the offshore market pursuant to the Offshore Issuance Plan as set out in Appendix 1 of this announcement
“Offshore Preference Shareholders”	the holders of the Offshore Preference Shares
“Ordinary Share(s)”	the Domestic Share(s) and/or the H Share(s)
“Plan Regarding the Delegation of Authority”	the Plan Regarding the Delegation of Authority to Handle Matters Relating to the Issuance of the Offshore Preference Shares, the details of which are set out in Appendix 2 to this announcement
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Rules of Procedures of the Shareholders’ General Meeting”	the Rules of Procedures of the Shareholders’ General Meeting of the Bank
“Qualified Tier 2 Capital Instruments”	qualified tier 2 capital instruments in the aggregate principal amount of no more than RMB10 billion proposed to be issued by the Board

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the Ordinary Shares
“State Council Guidance Opinion”	the Guidance Opinion on the Launch of Preference Shares Pilot Scheme issued by the State Council on November 30, 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Zhongyuan Bank Co., Ltd.*
Dou Rongxing
Chairman

Zhengzhou, PRC
January 20, 2018

As at the date of this announcement, the Board of the Bank comprises Mr. Dou Rongxing, Ms. Hu Xiangyun and Mr. Wang Jiong as executive Directors, Mr. Li Qiaocheng and Mr. Li Xipeng as non-executive Directors, and Ms. Pang Hong, Mr. Li Hongchang, Mr. Jia Yingyu and Mr. Chan Ngai Sang Kenny as independent non-executive Directors.

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

Appendix 1:

The following sets out the English translation of the Offshore Issuance Plan. Such translation has been made solely for reference purpose. Please refer to the Chinese version of this announcement for the Chinese version of the Offshore Issuance Plan. In case of discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

PLAN FOR THE NON-PUBLIC ISSUANCE OF THE OFFSHORE PREFERENCE SHARES BY ZHONGYUAN BANK CO., LTD.*

1. Type of Offshore Preference Shares to be issued

The type of Offshore Preference Shares to be issued offshore will be preference shares that comply with the requirements of relevant onshore and offshore laws, regulations and regulatory documents and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Number of Offshore Preference Shares to be issued and issue size

The aggregate number of Offshore Preference Shares to be issued will not exceed 100 million, with an aggregate amount to be issued not exceeding RMB10 billion or its equivalent. The actual issue size is to be determined by the Board within the abovementioned limit, in accordance with the authorization granted at general meeting(s).

3. Par value and issue price

The par value of the Offshore Preference Shares will be RMB100 each. The Offshore Preference Shares will be issued at or above the par value. The actual currency and issue price will be determined by the Board prior to the issuance with reference to market conditions and in accordance with relevant laws, regulations and market practice and the authorization granted at general meeting(s).

4. Maturity

The Offshore Preference Shares will not have any maturity date.

5. Method of issuance and target investors

The issuance of the Offshore Preference Shares will be conducted by way of private placement in accordance with relevant laws and rules and regulations and, upon approval by relevant regulatory authorities, the Offshore Preference Shares shall be issued in a single or multiple tranche(s) in accordance with the relevant procedures. If the Offshore Preference Shares are to be issued in multiple tranches, no separate approval from the Offshore Preference Shares shall be required for any additional issuance.

Each tranche of the Offshore Preference Shares will be offered to no more than 200 qualified investors who comply with the requirements under relevant laws and rules and regulations. All investors shall subscribe the Offshore Preference Shares in cash.

6. Lock-up period

There will be no lock-up period for the Offshore Preference Shares.

7. Dividend distribution terms

(1) Principles for determining the dividend rate

The proposed dividend rate for the Offshore Preference Shares (such dividend rate will be calculated by reference to the issue price of the Offshore Preference Shares, similarly construed hereinafter) may be adjusted at different intervals. The dividend rate at the time of issuance shall be determined by the Board by way of market pricing, in accordance with the authorization granted at general meeting(s) together with other factors including relevant laws and regulations, market conditions at the time of issuance, the demand of investors and the actual circumstances of the Bank. In any adjusted dividend rate period, dividends on the Offshore Preference Shares will be paid at the same prescribed dividend rate and will reset at specified intervals thereafter.

The dividend rate consists of the benchmark rate and the fixed spread. The fixed spread will be determined by deducting the benchmark rate at the time of pricing from the dividend rate at the time of pricing and will remain unchanged once determined. On the dividend reset date, the new dividend rate for the next adjusted dividend rate period will be determined, and will equal to the sum of the benchmark rate as at the dividend reset date and the fixed spread as determined at the time of pricing.

The dividend rate will not be higher than the mean of the weighted average return on equity of the Bank for the last two financial years before issuance¹.

(2) *Conditions to distribution of dividends*

- (i) If the Bank has distributable after-tax profit² after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the Offshore Preference Shareholders in accordance with the Articles of Association, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The Offshore Preference Shareholders shall rank in priority to the ordinary Shareholders in terms of dividend distribution. Distribution of dividends will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.
- (ii) In order to meet the regulatory requirements for the eligibility criteria for Additional Tier 1 Capital instruments, the Bank shall have the right to cancel dividend payments on the Offshore Preference Shares in whole or in part at its discretion and this will not constitute an event of default. The Bank, at its discretion, may use any dividend so cancelled to repay other debts that are due. The cancellation of any dividend payment to the Offshore Preference Shareholders will only constitute a restriction on the payment of dividend to the ordinary Shareholders and will not constitute any other restrictions on the Bank. Any declaration and payment of all of the dividends on the Offshore Preference Shares by the Bank will be determined by the Board in accordance with the authorization granted at general meeting(s). Any cancellation of all or part of the dividends on the Offshore Preference Shares shall be subject to the consideration and approval at general meeting(s). Any cancellation by the Bank of any dividends on the Offshore Preference Shares shall be notified to Offshore Preference Shareholders at least 10 working days prior to the dividend payment date.

¹ As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the ordinary Shareholders.

² Distributable after-tax profit is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.

(iii) If the Bank cancels all or part of the distribution of dividends on the Offshore Preference Shares, the Bank shall not distribute any dividends to the ordinary Shareholders from the day following the date of the general meeting where the resolution was approved until the resumption of payment of dividends in full³.

(3) *Method of dividend payment*

Dividends on the Offshore Preference Shares shall be payable in cash. The principal amount for calculating the dividend amount shall be the aggregate value of the Offshore Preference Shares under the relevant tranche then in issue and outstanding (namely, the product of the issue price of the Offshore Preference Shares and the number of Offshore Preference Shares under the relevant tranche then in issue and outstanding, similarly construed hereinafter). Dividends on the Offshore Preference Shares shall be paid annually, and will accrue from the due date for payment for the issuance of the relevant tranche of the Offshore Preference Shares.

(4) *Dividend accumulation*

The dividends on the Offshore Preference Shares will be non-cumulative; in other words, in the event of any cancellation by the Bank of all or part of the dividends on the Offshore Preference Shares, any amount of dividends not paid to the Offshore Preference Shareholders in full in the current period will not be accumulated to the following dividend periods.

(5) *Distribution of residual profits*

After receiving the dividends at the prescribed dividend rate, the Offshore Preference Shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary Shareholders.

³ Resumption of payment of dividends in full means that the Bank decides to resume payment of dividends in full to the Offshore Preference Shareholders. However, as the Offshore Preference Shares have adopted a non-cumulative dividend approach, the Bank will not pay any dividends which have been cancelled in previous years.

8. Terms of mandatory conversion

(1) Mandatory conversion triggering events

- (i) Upon the occurrence of an Additional Tier 1 Capital triggering event, namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below, the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all or part of the Offshore Preference Shares then in issue and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted ratably and on the same conditions. Upon conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.
- (ii) Upon the occurrence of a tier 2 capital triggering event, the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all of the Offshore Preference Shares then in issue and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares. Upon conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital triggering event means the earlier of the following events: (1) the CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion triggering events, the Bank shall report to the China banking regulatory authorities for review and determination and shall fulfil its relevant information disclosure obligations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

(2) Mandatory conversion period

The mandatory conversion period of the Offshore Preference Shares commences on the first trading day immediately following the completion date of the issuance of the Offshore Preference Shares and ends on the date of redemption or conversion of all the Offshore Preference Shares.

(3) *Mandatory conversion price and method of adjustments of the mandatory conversion price*

The average trading price of the H Shares for the 20 trading days preceding the date of announcement of passing of the Board resolution in which the Offshore Issuance Plan is considered and approved shall be used as the initial mandatory conversion price for the Offshore Preference Shares. Specific details shall be determined by the Board according to market conditions under the authorization (which may be delegated) granted at general meeting(s). The average trading price of the H Shares for the 20 preceding trading days = total trading amount of the H Shares for such 20 preceding trading days/total trading volume of the H Shares for such 20 trading days.

In the event that the Bank, among other things, distributes bonus shares with respect to the H Shares, makes capitalization issues, issues new H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) or makes any rights issues, after the date the Board approves the Offshore Issuance Plan, the Bank will adjust the mandatory conversion price to reflect the above events on a cumulative basis and in the order of the occurrence of such events. The distribution of cash dividends to the ordinary Shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus share issuance or capitalization issue: $P_1 = P_0 \times N / (N + n)$;

Issuance of new H Shares below the market price of the H Shares or by way of a rights issue: $P_1 = P_0 \times (N + k) / (N + n)$; $k = n \times A / M$;

Where, “ P_0 ” denotes the effective mandatory conversion price before adjustment; “ P_1 ” denotes the effective mandatory conversion price after adjustment; “ N ” denotes the aggregate number of H Shares before such bonus share issuance, capitalization issue, issuance of new H Shares below the market price of the H Shares or rights issue; “ n ” denotes the number of new H Shares issued as a result of such bonus share issuance, capitalization issue, issuance of new H Shares below the market price of the H Shares or rights issue; “ A ” denotes the price for such issuance of new H Shares below the market price of the H Shares or rights issue; and “ M ” denotes the closing price of the H Shares on the trading day preceding the date of announcement of such issuance of new H Shares below the market price of the H Shares or rights issue (namely, announcement containing the effective and irrevocable terms of such issuance or rights issue).

In the event that the rights and interests of the Offshore Preference Shareholders may be affected by any redemption of the Ordinary Shares by, or merger or division of, the Bank or any other circumstance which causes changes in the Bank's share class, number of shares and/or shareholders' equity, the Bank shall have the right to adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice and equity as well as full protection of the rights and interests of the Offshore Preference Shareholders and the ordinary Shareholders. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in accordance with the relevant regulations.

(4) *Principles for determining the ratio and number for mandatory conversion*

Upon the occurrence of a triggering event, the Board will, in accordance with the approval of the China banking regulatory authorities and the authorization granted at general meeting(s), confirm the aggregate amount of the Offshore Preference Shares for mandatory conversion and implement mandatory conversion of the Offshore Preference Shares then in issue and outstanding in whole or in part, and the formula for determining the number of shares to be converted shall be: $Q = V/P \times \text{conversion exchange rate}$. Any fractional share will be dealt with by the Bank in accordance with relevant regulatory requirements. Where it is not specified in the regulatory requirements, any fractional share will be rounded down to the nearest integral number. Where: "Q" denotes the number of H Shares that shall be converted from the Offshore Preference Shares held by each Offshore Preference Shareholder; "V" denotes the number of the Offshore Preference Shares held by each Offshore Preference Shareholder that is subject to mandatory conversion multiplied by its issue price; "P" denotes the effective mandatory conversion price for the Offshore Preference Shares; and the "conversion exchange rate" refers to the cross rate between Hong Kong dollars and the currency in which the relevant tranche of the Offshore Preference Shares is denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading day preceding the date of the announcement of passing of the Board resolution in respect of the Offshore Issuance Plan.

Upon the occurrence of a triggering event, the Offshore Preference Shares then in issue and outstanding will be converted into corresponding number of H Shares based on the above formula in whole or in part on a ratable basis.

(5) *Entitlement to dividends on Ordinary Shares in the year of mandatory conversion*

The H Shares to be issued as a result of the mandatory conversion of the Offshore Preference Shares will rank pari passu with the existing issued H

Shares, and all ordinary Shareholders whose names appear on the register of members of the Bank on the record date for dividend entitlement (including the H Shareholders as a result of the mandatory conversion of the Offshore Preference Shares) shall be entitled to receive the dividend for the current dividend period and enjoy the same rights.

9. Terms of conditional redemption

(1) Redemption right

The Bank shall have the right to redeem the Offshore Preference Shares subject to the approval of the China banking regulatory authorities. The Offshore Preference Shareholders do not have the right to require the Bank to redeem the Offshore Preference Shares and should not expect that the Offshore Preference Shares will be redeemed. The Offshore Preference Shares will not contain any repurchase terms and the Offshore Preference Shareholders shall not have any right to require the Bank to repurchase the Offshore Preference Shares held by them.

(2) Redemption conditions and period

After five years following the date of issuance of the Offshore Preference Shares or under a circumstance approved by relevant regulatory authorities (including the China banking regulatory authorities), upon the approval of the China banking regulatory authorities and in compliance with relevant requirements, the Bank shall have the right to redeem all or part of the Offshore Preference Shares. The specific commencement date of the redemption period shall be conclusively determined by the Board (as authorized at general meeting(s)) in accordance with market conditions. The redemption period ends on the conversion or redemption of all the Offshore Preference Shares.

The exercise by the Bank of its right to redeem the Offshore Preference Shares shall be subject to the fulfilment of the following conditions:

- (i) the Bank shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability; or
- (ii) the capital position of the Bank immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the CBRC.

(3) *Redemption price and basis for determining the redemption price*

The redemption price of the Offshore Preference Shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

10. Restrictions on voting rights and terms of restoration of voting rights

(1) *Restrictions on voting rights*

Under normal circumstances, the Offshore Preference Shareholders are not entitled to convene or attend any general meetings of the Bank nor do the Offshore Preference Shares carry voting rights in any general meeting. If any of the following matters occurs, the Offshore Preference Shareholders will be entitled to attend general meetings and vote as a separate class with ordinary Shareholders. Under such circumstance, holder of each Offshore Preference Share will be entitled to one vote, but the Offshore Preference Shares held by the Bank do not entitle the Bank to vote:

- (i) amendments to the Articles of Association that relate to preference shares;
- (ii) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis;
- (iii) merger, division, dissolution or change of corporate form of the Bank;
- (iv) issuance of preference shares by the Bank; and
- (v) other events specified in the laws, administrative rules and departmental regulations and the Articles of Association.

Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by the ordinary Shareholders present at the meeting (including the holders of preference shares with restored voting rights) and by more than two thirds of the votes held by the holders of preference shares present at the meeting (excluding holders of preference shares with restored voting rights).

(2) *Terms of restoration of voting rights*

Following the issuance of the Offshore Preference Shares by the Bank and so long as such Offshore Preference Shares remain outstanding, if the Bank fails to pay the prescribed dividend to the Offshore Preference Shareholders for three financial years in aggregate or two consecutive financial years, the Offshore

Preference Shareholders will have the right to attend and vote at general meetings with the ordinary Shareholders from the day immediately after the day of the general meeting where it was resolved that the Bank will not pay the prescribed dividend for the current dividend period, and holder of each Offshore Preference Share will be entitled to the voting rights as provided in the Articles of Association. The formula for calculating the voting rights of a holder of the Offshore Preference Shares with restored voting rights of the Ordinary Shares is as follows: $Q = V/P \times \text{conversion exchange rate}$, with any fractional restored voting right rounded down to the nearest whole number.

Where: “Q” denotes the H Share voting rights restored from the Offshore Preference Shares held by each Offshore Preference Shareholder; “V” denotes the aggregate value of the Offshore Preference Shares with restored voting rights held by each Offshore Preference Shareholder; “P” denotes the conversion price, where the initial conversion price is equal to the initial mandatory conversion price; and the “conversion exchange rate” refers to the cross rate between Hong Kong dollar and the currency in which the relevant tranche of the Offshore Preference Shares is denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading date preceding the date of the announcement of the passing of the Board resolution in respect of the Offshore Issuance Plan.

After the date of the announcement of the passing of the Board resolution with respect to the Offshore Issuance Plan, in the event of any distribution of bonus shares, capitalization issue, issuance of new H Shares below the market price of the H Shares (excluding any increase of share capital due to conversion of financial instruments convertible to Ordinary Shares issued by the Bank) or rights issue, the Bank will make an adjustment to the conversion price, “P”, to reflect each of such events on a cumulative basis in the order of the occurrence of the events above. The detailed adjustment method shall be consistent with the adjustment method applicable to the mandatory conversion price as specified in “8. Terms of mandatory conversion” above.

(3) Cancellation of restoration of voting rights

After restoration of the voting rights of the Offshore Preference Shares, such restored voting rights shall be cancelled from the date of full payment of the dividend on the Offshore Preference Shares for the current dividend period. After the cancellation of the restored voting rights, if the Bank fails to make any scheduled dividend payment, then “(2) Terms of restoration of voting rights” above shall apply again.

11. Order of distribution on liquidation and procedures for liquidation

When the Bank is undergoing liquidation, the residual assets of the Bank will be distributed in the following order of priority and in accordance with the Articles of Association:

- (i) to pay the liquidation costs;
- (ii) to pay employees' salaries, social insurance and statutory compensation;
- (iii) to pay the principal and interest of personal savings deposits;
- (iv) to pay taxes in arrears and taxes arising in the course of liquidation;
- (v) to settle the Bank's debts; and
- (vi) to distribute to the Shareholders according to their class and shareholding.

The Offshore Preference Shareholders shall rank *pari passu* with the holders of other preference shares that may be issued by the Bank in the future, and shall take precedence over the ordinary Shareholders, in distribution of the residual property of the Bank. The Offshore Preference Shareholders will be entitled to an amount on liquidation equal to the aggregate value of the Offshore Preference Shares then in issue and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient residual assets, the distribution will be made ratably according to the aggregate value of the Offshore Preference Shares held by each Offshore Preference Shareholder as a proportion of the aggregate value of all preference shares.

The remaining assets of the Bank after settlement in accordance with the provisions aforesaid shall be distributed to the ordinary Shareholders in proportion to the shareholding of the Ordinary Shares held by them.

12. Security

The Offshore Preference Shares will not have any security arrangements.

13. Ratings Arrangement

The specific rating arrangement for the Offshore Preference Shares (if necessary) shall be determined according to relevant laws and regulations and issuance market conditions.

14. Use of proceeds

The proceeds from the issuance of the Offshore Preference Shares, after deduction of the expenses relating to the issuance, will be used to replenish the Bank's Additional Tier 1 Capital.

15. Listing/trading arrangements

The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents.

16. Validity period of the resolution for the issuance of Offshore Preference Shares

The Offshore Issuance Plan will be valid for 36 months from the date on which the resolution is approved at a general meeting.

Appendix 2:

The following sets out the English translation of the Plan Regarding the Delegation of Authority. Such translation has been made solely for reference purpose. Please refer to the Chinese version of this announcement for the Chinese version of the Plan Regarding the Delegation of Authority. In case of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

PLAN REGARDING THE DELEGATION OF AUTHORITY TO HANDLE MATTERS RELATING TO THE ISSUANCE OF THE OFFSHORE PREFERENCE SHARES

1. MATTERS AUTHORIZED IN CONNECTION WITH THE ISSUANCE OF THE OFFSHORE PREFERENCE SHARES

To ensure the successful implementation of the issuance of the Offshore Preference Shares, it is proposed that approval be sought from the Board and at general meeting(s) in relation to the granting of authority to the Board, and the delegation of such authority by the Board to the chairman of the Bank, the president of the Bank and the secretary to the Board, solely or jointly, to exercise full power to deal with the matters in connection with the issuance of the Offshore Preference Shares under the framework and principles as considered and approved at general meeting(s) and within the validity period of the authorization for the issuance of the Offshore Preference Shares, including but not limited to those set out below:

- (1) to formulate and implement the final Offshore Issuance Plan, including but not limited to:
 - (i) to determine the number of tranche(s) and the respective issue number and issue size of each tranche of the Offshore Preference Shares within the approved total issue number and issue size;
 - (ii) to determine the method for determining the dividend rate and the specific dividend rate and adjusted dividend rate period of the Offshore Preference Shares;
 - (iii) to determine, with reference to market conditions, whether the Offshore Preference Shares will be issued at or above par value, the issue price of the Offshore Preference Shares, the denomination currency, the specific commencement date of the redemption period, the redemption conditions and the issuance method of the Offshore Preference Shares;

- (iv) to determine, pursuant to approval from regulatory authorities and authorization granted at general meeting(s) and with reference to market conditions, the timing of issuance of the Offshore Preference Shares, arrangements in relation to issuance in multiple tranches, transfer arrangement, target investors and number of Offshore Preference Shares to be issued to each of them;
 - (v) to determine other matters in relation to the Offshore Issuance Plan (including but not limited to rating arrangements, designated account for the proceeds, tax arrangements in relation to dividend payment and listing of the Offshore Preference Shares) and to make necessary adjustments to the Offshore Issuance Plan according to the latest regulatory requirements or opinions of regulatory authorities (including adjustments such as suspension and termination, similarly hereinafter), except those matters that require a separate vote at a general meeting in accordance with the relevant laws and regulations and the Articles of Association.
- (2) if there are any new laws, regulations, regulatory rules or policies by relevant regulatory authorities on preference shares or any changes to market conditions occurring prior to the issuance of the Offshore Preference Shares, the issuance plan shall be amended accordingly to reflect such changes, except for amendments that must be approved in the general meeting(s) by voting according to relevant laws, regulations and the Articles of Association;
 - (3) to produce, amend, sign and submit the application, issuance and transfer materials relating to the issuance, dealing and transfer of the Offshore Preference Shares (such as offering circular, issuance circular and/or prospectus, as applicable) of the Offshore Preference Shares according to the requirements of relevant regulatory authorities (including the Stock Exchange) and to deal with related matters, such as approval, registration, filing, authorization and consent by relevant regulatory authorities;
 - (4) to amend, sign, execute, submit and publish all contracts, agreements and documents (including but not limited to sponsor and underwriting agreements, agreements relating to the issuance proceeds, subscription agreements entered into with investors, announcements, circulars and other disclosure documents) in relation to the issuance of the Offshore Preference Shares;

- (5) to make appropriate and necessary amendments, adjustments and supplements to the Offshore Issuance Plan and its terms in accordance with the opinions of the Stock Exchange, the CBRC, the CSRC and other relevant regulatory authorities and the actual circumstances of the Bank to the extent permitted by laws and regulations;
- (6) according to the opinions of the relevant regulatory authorities, the result of the issuance of the Offshore Preference Shares and the actual conditions of the Bank, to amend provisions in the Articles of Association relating to the issuance of the Offshore Preference Shares, dealing with regulatory approval procedures, dealing with approval procedures and filings in respect of the amendments to the Articles of Association and filing of registration of changes with the administrative bodies for industry and commerce and other relevant governmental bodies as well as other matters; and
- (7) to deal with other matters relating to the issuance of the Offshore Preference Shares.

The authorization for the issuance of the Offshore Preference Shares shall remain valid during the 12 months following the passing of the resolution at the general meeting. Such authorization will lapse if the issuance of the Offshore Preference Shares is not completed before the expiration of the validity period of such authorization, but the Board has the right to seek approval at a general meeting to extend or renew the validity period of such authorization.

2. MATTERS AUTHORIZED IN CONNECTION WITH THE OFFSHORE PREFERENCE SHARES WHICH REMAIN OUTSTANDING

The Board will seek approval at general meeting(s) for the granting of authority to the Board and the delegation by the Board of such authority to the chairman of the Bank, the president of the Bank and the secretary of the Board to exercise full power to deal with matters under relevant laws and regulations, the Articles of Association, relevant regulatory requirements and the framework and principles as considered and resolved at general meeting(s) in relation to the following matters:

- (1) to deal with all matters relating to the conversion of the Offshore Preference Shares during the conversion period upon occurrence of any triggering event for mandatory conversion of the Offshore Preference Shares, including but not limited to, determining the timing of conversion, conversion pricing and conversion ratio, implementing the procedures for conversion, issuing corresponding H Shares, changing registered capital, amending relevant

provisions in the Articles of Association, dealing with regulatory approvals and filing procedures, filing of registration of changes with the administrative bodies for industry and commerce and other government departments as well as other matters.

- (2) to decide on matters relating to the redemption of the Offshore Preference Shares during the redemption period with reference to factors such as market conditions, and to deal with all matters relating to redemption as approved by regulatory authorities such as the CBRC;
- (3) to determine and deal with matters in relation to dividend payment to the Offshore Preference Shareholders in accordance with the requirements of the issuance terms. However, cancellation of dividends on the Offshore Preference Shares in whole or in part shall still be subject to approval at general meeting(s).