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**BANK OF GANSU CO., LTD.\***  
**甘肅銀行股份有限公司\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2139)**

**PROPOSED ISSUANCE OF OFFSHORE PREFERENCE  
SHARES  
PROPOSED AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION  
PROPOSED AMENDMENTS TO THE RULES OF  
PROCEDURES FOR SHAREHOLDERS' GENERAL  
MEETINGS**

## **PROPOSED ISSUANCE OF OFFSHORE PREFERENCE SHARES**

The Board is pleased to announce that, on March 27, 2019, the Board resolved to propose the issuance of Offshore Preference Shares, pursuant to which the Bank proposed to conduct a non-public issuance of not more than 100,000,000 Offshore Preference Shares to raise proceeds up to RMB10 billion or its equivalent to replenish the Bank's Additional Tier One Capital.

The issuance of the Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance and the Offshore Preference Shares shall be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities. The listing/trading arrangements for the Offshore Preference Shares will be set out in the offering documents. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares on 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 resolutions in respect of the proposed issuance of Offshore Preference Shares by the Domestic Shareholders at the First Domestic Shareholders Class Meeting of 2019, by the H Shareholders at the First H Shareholders Class Meeting of 2019 and by the Shareholders at the 2018 AGM, in each case, as a special resolution; and (ii) the approval by or filing with competent regulators regarding the proposed issuance of Offshore Preference Shares.

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

In connection with the proposed non-public issuance of the Offshore Preference Shares by the Bank, in accordance with the State Council Guidance Opinion, the Joint Guidance Opinion and other relevant laws, regulations and regulatory documents, with reference to the Administrative Measures and the market precedents of other banks, and taking into account the actual situation of the Bank, the Bank has proposed amendments to certain articles of the current Articles of Association, details of which will be set out in the circular to be despatched to the Shareholders in relation to such proposal.

## **PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR SHAREHOLDERS' GENERAL MEETINGS**

In connection with the proposed amendments to the Articles of Association in respect of the proposed non-public issuance of Offshore Preference Shares, the Bank will also propose corresponding amendments to certain provisions of the Rules of Procedures for Shareholders' General Meetings, details of which will be set out in the circular to be despatched to the Shareholders in relation to such proposal.

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

## **1. PROPOSED 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 80,000,000 Offshore Preference Shares to raise proceeds not exceeding RMB8 billion or its equivalent to replenish the Bank's Additional Tier One Capital.

In accordance with the State Council Guidance Opinion and the Joint Guidance Opinion, and with reference to relevant provisions of the Administrative Measures and other relevant laws, regulations and regulatory documents, the Bank believes it has satisfied the eligibility criteria for non-public issuance of Offshore Preference Shares.

The issuance of the Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance and the Offshore Preference Shares shall be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities. The listing/trading arrangements for the Offshore Preference Shares will be set out in the offering documents. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares on 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 resolutions in respect of the proposed issuance of Offshore Preference Shares by the Domestic Shareholders at the First Domestic Shareholders Class Meeting of 2019, by the H Shareholders at the First H Shareholders Class Meeting of 2019 and by the Shareholders at the 2018 AGM, in each case, as a special resolution; and (ii) the approval by or filing with competent regulators regarding the proposed issuance of Offshore Preference Shares.

On March 27, 2019, the Board approved the Offshore Issuance Plan, and has resolved that this proposal shall be submitted to the 2018 AGM and the 2019 Class Meetings of the Bank for consideration and resolved to delegate authority to the chairman of the Board to make necessary adjustments to the Offshore Issuance Plan based on opinions and suggestions of the Stock Exchange and competent regulators. Upon approvals by the Shareholders at the 2018 AGM and the 2019 Class Meetings, the proposed issuance of Offshore Preference Shares is also subject to approvals by or filing with competent regulators.

For details of the Offshore Issuance Plan, please refer to Appendix I to this announcement.

## **2. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

In connection with the proposed non-public issuance of the Offshore Preference Shares by the Bank, in accordance with the State Council Guidance Opinion, the Joint Guidance Opinion and other relevant laws, regulations and regulatory documents, with reference to the Administrative Measures and the market precedents of other banks, and taking into account the actual situation of the Bank, the Bank has proposed amendments to certain articles of the current Articles of Association, details of which will be set out in the circular to be despatched to the Shareholders in relation to such proposal.

The resolution in relation to the proposed amendments to the Articles of Association shall be subject to approval of the Shareholders at the 2018 AGM by way of a special resolution and approvals of China's banking regulatory authorities, and shall be effective upon completion of the issuance of the first tranche of Offshore Preference Shares.

## **3. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR SHAREHOLDERS' GENERAL MEETINGS**

In connection with the proposed amendments to the Articles of Association in respect of the proposed non-public issuance of Offshore Preference Shares, the Bank will also propose corresponding amendments to certain provisions of the Rules of Procedure for Shareholders' General Meetings, details of which will be set out in the circular to be despatched to the Shareholders in relation to such proposal.

The proposed amendments to the Rules of Procedures for Shareholders' General Meetings will be subject to approval of the Shareholders at the 2018 AGM by way of an ordinary resolution and shall be effective upon completion of the issuance of the first tranche of Offshore Preference Shares. The current Rules of Procedures for Shareholders' General Meetings shall remain effective until then.

## **4. DISPATCH OF CIRCULAR**

At each of the 2018 AGM and the 2019 Class Meetings, the Bank will propose special resolutions to approve the Offshore Issuance Plan, the proposed amendments to the Articles of Association and the proposed amendments to the Rules of Procedures for Shareholders' General Meetings.

The Bank will dispatch a circular containing, among other things, information on the Offshore Issuance Plan, the proposed amendments to the Articles of Association and the proposed amendments to the Rules of Procedures for Shareholders' General Meetings to the Shareholders in due course.

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

## **5. DEFINITIONS**

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

“2018 AGM”	the annual general meeting of the Bank to be held at 9 a.m., on Monday, June 3, 2019
“2019 Class Meeting(s)”	the First Domestic Shareholders Class Meeting of 2019 and the First H Shareholders Class Meeting of 2019
“Additional Tier One Capital”	has the meaning given to it in the Rules Governing Capital Management of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the CBRC on June 7, 2012, which became effective on January 1, 2013
“Administrative Measures”	the Administrative Measures on the Pilot Program for Preference Shares (優先股試點管理辦法) 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”	Bank of Gansu Co., Ltd.* (甘肅銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange
“Board”	the board of Directors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the directors of the Bank
“Domestic Share(s)”	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)”	holders of Domestic Shares
“First Domestic Shareholders Class Meeting of 2019”	the first class meeting of the Domestic Shareholders of the Bank in 2019 to be held on the date of the 2018 AGM, at which the Domestic Shareholders will consider and approve relevant resolutions in relation to the issuance of Offshore Preference Shares
“First H Shareholders Class Meeting of 2019”	the first class meeting of the H Shareholders of the Bank in 2019 to held on the date of the 2018 AGM, at which the H Shareholders will consider and approve relevant resolutions in relation to the issuance of Offshore Preference Shares
“H Share(s)”	overseas-listed foreign investment shares in the ordinary 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)”	holders of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Guidance Opinion”	the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Replenishing Tier One Capital (關於商業銀行發行優先股補充一級資本的指導意見) jointly issued by the CBRC and the CSRC on April 3, 2014
“Offshore Issuance Plan”	the Plan for Non-public Issuance of Offshore Preference Shares by Bank of Gansu Co., Ltd.* (甘肅銀行股份有限公司境外非公開發行優先股方案)
“Offshore Preference Shares”	the preference shares in 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 I to this announcement
“Offshore Preference Shareholders”	holders of Offshore Preference Shares



“Ordinary Shares”	the Domestic Share(s) and the H Share(s) of the Bank
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedures for Shareholders’ General Meetings”	the Rules of Procedures for Shareholders’ General Meetings of Bank of Gansu Co., Ltd.*
“Shareholders”	holders of Ordinary Shares
“State Council Guidance Opinion”	the Guidance Opinion on the Launch of Preference Shares Pilot Scheme (國務院關於開展優先股試點的指導意見) issued by the State Council on November 30, 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Bank of Gansu Co., Ltd.\***  
**Liu Qing**  
*Chairman*

Lanzhou, Gansu  
March 27, 2019

*As at the date of this announcement, the Board of Directors comprises Mr. LIU Qing and Mr. WANG Wenyong as executive Directors; Ms. WU Changhong, Ms. ZHANG Hongxia, Mr. GUO Jirong, Mr. ZHANG Youda and Mr. LIU Wanxiang\*\* as non-executive Directors; and Ms. TANG Xiuli, Ms. LUO Mei, Mr. WONG Sincere and Mr. DONG Ximiao as independent non-executive Directors.*

\* *Bank of Gansu 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 qualification of Mr. Liu Wanxiang as Director is subject to approval of the competent regulatory authority.*

## **APPENDIX I**

### **PLAN FOR NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES BY BANK OF GANSU CO., LTD.\***

*The plan of issuance of Offshore Preference Shares is written in Chinese, with no official English translation. The English translation is provided for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail. The full version of the plan for the issuance of Offshore Preference Shares is as follows:*

#### **1. TYPE OF PREFERENCE SHARES TO BE ISSUED**

The type of Offshore Preference Shares to be issued will be preference shares to be issued in the offshore market that comply with the requirements of applicable domestic and overseas laws, regulations and regulatory documents.

#### **2. NUMBER OF PREFERENCE SHARES TO BE ISSUED AND ISSUE SIZE**

The aggregate number of Offshore Preference Shares to be issued will not exceed 100,000,000, shares, with total proceeds to be raised therefrom 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 given by the Shareholders' general meeting.

#### **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 issuance with reference to the market conditions and in accordance with relevant laws and regulations, market practice and the authorization given by the Shareholders' general meeting.



#### **4. MATURITY**

The Offshore Preference Shares will not have any maturity date.

#### **5. METHOD OF ISSUANCE AND TARGET INVESTORS**

The issuance of Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance and the Offshore Preference Shares shall, after being approved by regulatory authorities, be issued in a single or multiple series in accordance with the relevant procedures. If the Offshore Preference Shares are to be issued in multiple series, no separate approval shall be required from holders of preference shares of previous series for each subsequent issuance.

Each series of Offshore Preference Shares will be offered to no more than 200 qualified investors who meet the requirements under relevant regulatory rules and other laws and regulations. All target investors shall subscribe for 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 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 or such person(s) as authorized by the Board by way of market pricing, in accordance with the authorization given by the Shareholders' general meeting together with other factors including relevant laws and regulations, prevailing market conditions at the time of issuance, the demand of investors and the actual circumstances of the Bank. In any reset period for dividend rate, 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 issuance from the dividend rate at the time of issuance and will remain unchanged once determined. On each dividend reset date, the new dividend rate for the next dividend 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 prior to the issuance of the relevant Offshore Preference Shares.

## **(2) Conditions to distribution of dividends**

If the Bank has distributable after-tax profit<sup>1</sup> 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 of the Bank 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.

In order to meet the regulatory requirements for the eligibility criteria for Additional Tier One 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 or the person(s) as authorized by the Board in accordance with the authorization given by the Shareholders' general meeting. Any cancellation

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<sup>1</sup> 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.

<sup>2</sup> 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.

of all or part of the dividends on the Offshore Preference Shares shall be subject to the consideration and approval by the Shareholders' general meeting. Any cancellation by the Bank of any dividends on the Offshore Preference Shares shall be notified to the Offshore Preference Shareholders at least ten working days prior to the dividend payment date.

If the Bank cancels all or part of the distribution of dividends payable on the Offshore Preference Shares, the Bank shall not distribute any profits to the ordinary shareholders from the day following the date of the Shareholders' general meeting at which the resolution is approved until the resumption of payment of dividends in full.<sup>2</sup>

**(3) Method of dividend payment**

Dividends on the Offshore Preference Shares shall be payable in cash. The principal amount for calculating the dividend amount on the Offshore Preference Shares shall be the aggregate value of Offshore Preference Shares under the relevant series then issued and outstanding (namely, the product of the issue price of the Offshore Preference Shares and the number of Offshore Preference Shares under the relevant series then issued 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 series of Offshore Preference Shares.

**(4) Dividend accumulation**

The dividends on the Offshore Preference Shares will be non-cumulative (namely, 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 subsequent dividend periods).

**(5) Distribution of remaining profits**

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

## **8. TERMS OF MANDATORY CONVERSION**

### **(1) Events triggering mandatory conversion**

- (i) Upon the occurrence of an Additional Tier One Capital instrument trigger event (namely, the core tier one 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 issued and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares in order to restore the core tier-one capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted on a pro rata basis 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 Two Capital instrument trigger event, the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all of the Offshore Preference Shares then issued 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 Two Capital Trigger Event means the earlier of the following events: (1) China's banking regulatory authorities 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 trigger events, the Bank shall report to the China's banking regulatory authorities for review and determination and shall fulfill 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 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 initial mandatory conversion price of the Offshore Preference Shares will be equal to the average trading price of H Shares of the Bank for the 20 trading days preceding the announcement date of the Board resolution approving the plan for issuance of the Offshore Preference Shares. Specific details shall be determined by the Board (as authorized by the Shareholders' general meeting) or the person(s) as authorized by the Board in accordance with market conditions. The average trading price of H Shares of the Bank for the 20 preceding trading days = the total trading amount of H Shares of the Bank in such 20 trading days/the total trading volume of H Shares of the Bank in such 20 trading days.

In the event that the Bank, among other things, distributes bonus shares with respect to H Shares, makes capitalization issue with respect to H Shares, issues new H Shares at a price 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 make any rights issue with respect to H Shares, after the date the Board approves the plan for issuance of the Offshore Preference Shares, 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:  $P1 = P0 \times N/(N+n)$ ;

Issuance of new H Shares at a price below the market price of the H Shares or by way of a rights issue:  $P1 = P0 \times (N+k)/(N+n)$ ;  $k=n \times A/M$ .

Where, "P0" denotes the effective mandatory conversion price before adjustment; "P1" 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 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 or rights issue; "A" denotes the price for such issuance of new H Shares or rights issue; and "M" denotes the closing price of H Shares on the trading day preceding the date of announcement of such issuance of new 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 to fully protect 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 trigger event, the Board will, in accordance with the approval of the China's banking regulatory authorities and the authorization given by the Shareholders' general meeting, confirm the aggregate amount of the Offshore Preference Shares for mandatory conversion and implement mandatory conversion of the Offshore Preference Shares then issued 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 Offshore Preference Shares are 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 plan for the issuance of Offshore Preference Shares.

Upon the occurrence of a trigger event, the Offshore Preference Shares then issued and outstanding will be converted into corresponding number of H Shares based on the above formula in whole or in part on a pro rata 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 holders of H Shares 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 approval of the China's 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 term allowing investors to put back the Offshore Preference Shares to the Bank 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**

From the fifth year following the date of issuance of the Offshore Preference Shares, or under the circumstances agreed by relevant regulatory authorities, including the China's banking regulatory authorities, and subject to approval of the China's banking regulatory authorities and compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the Offshore Preference Shares. The specific commencement date of redemption period shall be finally determined by the Board (as authorized by the Shareholders' general meeting) or the person (s) as authorized by the Board in accordance with market conditions. The redemption period commences on such commencement date of the redemption period and 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 fulfillment 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 China's banking regulatory authorities.

**(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 then 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 Shareholders' general meeting of the Bank nor do the Offshore Preference Shares carry voting rights in any Shareholders' general meeting. If any of the following matters occurs, the Offshore Preference Shareholders will be entitled to attend Shareholders' general meetings and vote as a separate class. Under such circumstance, 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 relevant clauses of 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 preference shareholders with restored voting rights) and by more than two thirds of the votes held by the preference shareholders present at the meeting (excluding preference shareholders with restored voting rights).

## **(2) Terms of restoration of voting rights**

Following the completion of 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 Shareholders' general meetings as if they are ordinary shareholders from the day immediately after the Shareholders' general meeting resolves that the Bank will not pay the prescribed dividend for the relevant dividend period, and each preference share will be entitled to the voting rights as provided in the Articles of Association. The formula for calculating the voting rights of an Offshore Preference Shareholder with restored voting rights is as follows:  $Q = V/P \times \text{conversion exchange rate}$ , with any fractional restored voting right rounded down to the nearest integral 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 of the Offshore Preference Shares. The "conversion exchange rate" refers to the cross rate between Hong Kong dollar and the currency in which the relevant tranche of Offshore Preference Shares are 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 plan for the issuance of Offshore Preference Shares.

After the date of the announcement of the passing of the Board resolution with respect to the plan for the issuance of Offshore Preference Shares, 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 adjustment method shall be consistent with the adjustment method applicable to the mandatory conversion price as specified in "8. Terms of mandatory conversion".

### **(3) Cancellation of restoration of voting rights**

After such 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 relevant 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 OF LIQUIDATION**

When the Bank is undergoing liquidation, the 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 contributions and statutory compensation;
- (iii) to pay the principal and accrued interest of individual savings deposits;
- (iv) to pay taxes in arrears;
- (v) to settle the Bank’s debts; and
- (vi) to distribute to Shareholders according to the class and proportion of shares held by them.

The Offshore Preference Shares shall rank *pari passu* with the holders of other preference shares, and shall take precedence over Ordinary Shares, 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 issued and outstanding plus any declared but unpaid dividends for the relevant period. If there are insufficient residual assets, the distribution will be made proportionally according to the aggregate value of the Offshore Preference Shares held by each Offshore Preference Shareholder as a percentage of the aggregate value of all Offshore Preference Shares and Additional Tier One Capital instruments.

The remaining assets of the Bank after settlement in accordance with the provisions aforesaid shall be distributed to the ordinary shareholders of the Bank in proportion to their respective shareholding.

## **12. SECURITY**

The Offshore Preference Shares will not have any security arrangements.

## **13. USE OF PROCEEDS**

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

## **14. RATING ARRANGEMENTS**

The listing/trading arrangements for the Offshore Preference Shares will be determined based on the relevant laws and regulations and the prevailing market conditions at the time of issuance.

## **15. LISTING/TRADING ARRANGEMENTS**

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

## **16. VALIDITY PERIOD OF THE RESOLUTION FOR THE ISSUANCE OF OFFSHORE PREFERENCE SHARES**

The plan for the issuance of Offshore Preference Share will be valid for 12 months from the date on which the resolution is approved at the Shareholders' general meeting and the class meetings.