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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bank of Gansu Co., Ltd., you should at once pass this circular, together with the proxy form and reply slip that have been despatched to you, to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**(1) NON-PUBLIC ISSUANCE OF DOMESTIC SHARES AND  
H SHARES UNDER SPECIFIC MANDATE;  
(2) CHANGE OF REGISTERED CAPITAL OF THE BANK;  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
AND  
(4) CONNECTED TRANSACTION OF PROPOSED SUBSCRIPTION OF  
DOMESTIC SHARES BY SUBSTANTIAL SHAREHOLDER SUBSCRIBERS**

**Financial Adviser to the Bank**



**Guotai Junan Capital Limited**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



The 2020 First Extraordinary General Meeting of Bank of Gansu Co., Ltd. will be held at 10:30 a.m. on Wednesday, June 3, 2020 or immediately after the conclusion of the 2019 Annual General Meeting (whichever is the later), the 2020 First Domestic Share Class Meeting will be held at 11:00 a.m. or immediately after the conclusion of the 2020 First Extraordinary General Meeting (whichever is the later), and the 2020 First H Share Class Meeting will be held at 11:20 a.m. or immediately after the conclusion of the 2020 First Domestic Share Class Meeting (whichever is the later) at the conference room at 4/F of Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC. Notices of the EGM and the 2020 First H Share Class Meeting were despatched to Shareholders on Friday, April 17, 2020.

Whether or not you are able to attend the EGM or the Class Meetings, you are advised to read the notices of the EGM and the Class Meetings carefully and to complete the proxy forms that have been despatched to you in accordance with the instructions printed thereon. H Shareholders must return the proxy forms to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, while Domestic Shareholders must return the proxy forms to the registered office and the principal place of business in the PRC at Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC, by hand or by post no later than 24 hours before the time specified for convening the EGM and the Class Meetings or any adjourned meeting thereof. Completion and return of the proxy forms will not preclude you from attending and voting at the EGM and/or the Class Meetings and any adjourned meeting(s) thereof in person if you so wish.

The reply slips and proxy forms of the EGM and the Class Meetings were despatched on Friday, April 17, 2020. If you intend to attend the EGM and/or the Class Meetings either in person or by proxy, you are required to complete and return the reply slips for attending the meetings to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited (for H Shareholders), or the registered office and the principal place of business of the Bank in the PRC (for Domestic Shareholders) on or before Thursday, May 14, 2020.

May 18, 2020

\* *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.*

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## DEFINITIONS

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

“2019 Annual General Meeting”	the 2019 annual general meeting of the Bank to be held at 9:00 a.m. on Wednesday, June 3, 2020
“2020 First Domestic Share Class Meeting”	the first domestic share class meeting of 2020 of the Bank to be held at 11:00 a.m. on Wednesday, June 3, 2020 or immediately after the conclusion of the EGM (whichever is later)
“2020 First H Share Class Meeting”	the first H share class meeting of 2020 to be held at 11:20 a.m. on Wednesday, June 3, 2020 or immediately after the conclusion of 2020 First Domestic Share Class Meeting (whichever is later)
“Articles of Association”	the articles of association of the Bank, as amended, modified or otherwise supplemented from time to time
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“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 and whose H Shares are listed on the Main Board of the Stock Exchange
“Board” or “Board of Directors”	the board of directors of the Bank
“CBIRC Gansu Office”	the China Banking and Insurance Regulatory Commission Gansu Office (中國銀行保險監督管理委員會甘肅監管局)
“Class Meeting(s)”	collectively the 2020 First Domestic Share Class Meeting and the 2020 First H Share Class Meeting
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Bank

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## DEFINITIONS

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“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 in Renminbi
“Domestic Share Issuance”	the Bank’s proposed non-public issuance of not more than 3.75 billion Domestic Shares to eligible subscribers (including the Substantial Shareholder Subscribers) under the Specific Mandate
“Domestic Shareholder(s)”	holders of the Domestic Share(s)
“EGM” or “2020 First Extraordinary General Meeting”	the first extraordinary general meeting of 2020 of the Bank to be held at 10:30 a.m. on Wednesday, June 3, 2020 or immediately after the conclusion of the 2019 Annual General Meeting (whichever is later)
“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限責任公司), a company incorporated in the PRC on July 15, 1990, and a connected person of the Bank
“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999, and a Substantial Shareholder and connected person of the Bank
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of Gansu Province (甘肅省國有資產監督管理委員會)
“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and a Substantial Shareholder and connected person of the Bank
“Group” or “our Group”	the Bank and its subsidiaries
“H Share(s)”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the ordinary share capital of the Bank which are listed on the Main Board of the Stock Exchange and traded in Hong Kong in Hong Kong dollars (stock code: 2139)

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## DEFINITIONS

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“H Share Issuance”	the Bank’s proposed non-public issuance of not more than 1.25 billion H Shares to eligible subscribers under the Specific Mandate
“H Shareholder(s)”	holders of the H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee consisting of all Independent Non-executive Directors (namely Ms. TANG Xiuli, Ms. LUO Mei, Mr. WONG Sincere, Mr. DONG Ximiao)
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Bank
“Independent Financial Adviser” or “Caitong International Capital”	Caitong International Capital Co., Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Subscription
“Independent Shareholders”	Shareholders other than the Substantial Shareholders and their associates
“Issuance”	the Domestic Share Issuance and the H Share Issuance
“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001 and a connected person of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and a connected person of the Bank
“Latest Practicable Date”	May 11, 2020, being the latest practicable date for ascertaining certain information contained in this circular

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## DEFINITIONS

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“Letter(s) of Intent”	the letter(s) of intent for share subscription issued by each of Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group respectively and received by the Bank as of April 17, 2020, in relation to the proposed subscription of Domestic Share(s) to be issued pursuant to the Issuance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法) (as amended from time to time)
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	the ordinary shares in the issued share capital of the Bank, including the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	a specific mandate for the Issuance granted by the Shareholders at the EGM and the Class Meetings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Substantial Shareholder Subscriber(s)”	Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group and/or their designated subsidiaries participating in the subscription of Domestic Share(s) to be issued pursuant to the Issuance

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## DEFINITIONS

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“Subscription” subscription of Domestic Shares by the Substantial Shareholder Subscribers pursuant to the Domestic Share Issuance

“Supervisor(s)” the supervisor(s) of the Bank

“%” percent

*Notes:* In this circular, HK\$ and RMB are converted at the exchange rate of HK\$1.00 to RMB0.91302, being the central parity exchange rate between Hong Kong dollars and Renminbi quoted by the People’s Bank of China as of the Latest Practicable Date. This exchange rate is for reference only and does not mean that RMB or HK\$ amounts have been or can be converted at that exchange rate or any other exchange rate.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. LIU Qing (*Chairman*)  
Mr. WANG Wenying

*Non-executive Directors:*

Ms. WU Changhong  
Ms. ZHANG Hongxia  
Mr. GUO Jirong  
Mr. ZHANG Youda  
Mr. LIU Wanxiang\*\*

*Independent Non-executive Directors:*

Ms. TANG Xiuli  
Ms. LUO Mei  
Mr. WONG Sincere  
Mr. DONG Ximiao

*Registered office:*

No.122, Gannan Road  
Chengguan District  
Lanzhou  
Gansu Province, the PRC

*Principal place of business in the PRC:*

Bank of Gansu Tower  
No.525 Donggang West Road  
Chengguan District  
Lanzhou  
Gansu Province, the PRC

*Place of business in Hong Kong:*

40th Floor  
Sunlight Tower  
No.248 Queen's Road East  
Wanchai  
Hong Kong

- (1) NON-PUBLIC ISSUANCE OF DOMESTIC SHARES AND  
H SHARES UNDER SPECIFIC MANDATE;  
(2) CHANGE OF THE REGISTERED CAPITAL OF THE BANK;  
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
AND  
(4) CONNECTED TRANSACTION OF PROPOSED SUBSCRIPTION OF  
DOMESTIC SHARES BY SUBSTANTIAL SHAREHOLDER SUBSCRIBERS**



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## LETTER FROM THE BOARD

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Dear Sir or Madam,

### INTRODUCTION

On behalf of the Board, I would like to invite you to attend the EGM to be held at 10:30 a.m. on Wednesday, June 3, 2020 and the 2020 First Domestic Share Class Meeting and the 2020 First H Share Class Meeting thereafter at the conference room at 4/F of Bank of Gansu Tower, No. 525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC.

References are made to the announcements of the Bank dated March 30, 2020 and April 17, 2020, in relation to the Issuance and the Subscription. The purpose of this circular is to provide you with:

- (a) further information in relation to the Issuance and the Subscription;
- (b) letter from the Independent Board Committee to the Independent Shareholders;
- (c) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (d) other information as stipulated by the Listing Rules.

### 1. THE ISSUANCE

On March 30, 2020, the Board approved the proposed issuance of not more than 3.75 billion Domestic Shares and not more than 1.25 billion H Shares to eligible subscribers, so as to replenish its Core Tier 1 Capital, to ensure continuing compliance with regulatory requirements, to enhance its resilience to shocks, to shore up market confidence and to optimize its equity structure. The net proceeds raised from the Issuance after deducting related issuance costs will be used entirely to replenish the Bank's Core Tier 1 Capital.

The Issuance will be conducted under the Specific Mandate, and will constitute a variation of class rights of the Domestic Shareholders and H Shareholders under the Articles of Association. Pursuant to the Articles of Association and Rule 19A.38 of the Listing Rules, the Bank will convene the EGM and the Class Meetings to seek approval from the Shareholders in relation to the granting of Specific Mandate in order to conduct the Issuance.

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## LETTER FROM THE BOARD

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### (I) THE DOMESTIC SHARE ISSUANCE

On March 30, 2020, the Board approved the resolution on the Domestic Share Issuance and proposed to seek approval from the Shareholders in relation to the granting of Specific Mandate at the EGM and the Class Meetings, to approve and authorize the Board to issue no more than 3.75 billion Domestic Shares to eligible subscribers (including the Substantial Shareholder Subscriber(s)). Details of the Domestic Share Issuance are set out below:

- Type and par value of Shares to be issued** : The type of Shares to be issued under the Domestic Share Issuance is ordinary Domestic Shares, to be subscribed in RMB by domestic investors, with par value of RMB1.00 each.
- Number of Shares to be issued** : The aggregate number of Domestic Shares to be issued will not exceed 3.75 billion Shares, and the actual number of Shares to be issued is determined subject to the approvals by relevant regulatory authorities<sup>(1)</sup>.
- Target placees and arrangement for existing Shareholders to subscribe on pre-emptive basis** : The target placees of the Domestic Share Issuance shall consist of not more than ten qualified domestic institutional investors, including the Substantial Shareholder Subscribers. The Board will be authorized to determine the placees and the number of Shares to be subscribed by them after discussions with the placees and regulatory authorities. The actual placee(s) and the number of Shares to be subscribed by them will be subject to the determination by regulatory authorities<sup>(2)</sup>. The subscription terms of the Substantial Shareholder Subscriber(s) (including but not limited to the number of Shares subscribed and the subscription price) will be finalized in accordance with the subscription agreement then signed.

Other than the issuance of Domestic Shares to the Substantial Shareholder Subscribers, there is no other arrangement for existing Shareholders to subscribe on pre-emptive basis under the Domestic Share Issuance.

#### *Notes:*

- (1) The relevant authorities include the CBIRC Gansu Office and the CSRC.
- (2) As advised by the Bank's PRC legal advisors, the CBIRC Gansu Office and the CSRC will examine and approve the Domestic Share Issuance plan as a whole mainly under the Implementation Measures for the Administrative Licensing Items concerning Chinese-Funded Commercial Banks 《中資商業銀行行政許可事項實施辦法》 and the Measures for the Supervision and Administration of Unlisted Public Companies 《非上市公眾公司監督管理辦法》. As part of the Domestic Share Issuance plan, the actual placee(s) and the number of Shares to be subscribed by them will be submitted to the CBIRC Gansu Office and the CSRC for review and approval.

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## LETTER FROM THE BOARD

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**Method of pricing** : The issue price of the Domestic Share Issuance will be determined with reference to market practice and regulatory requirements, the capital market condition and the price of the Bank's H Shares, with regard to factors such as interest of the Shareholders, acceptability to the investors and issuance risk. The exchange rate of the final issue price will be the exchange rate of Hong Kong dollars against Renminbi quoted by the People's Bank of China on the date when the issue price of the Domestic Share Issuance is determined. For further details of the pricing principle, please refer to the section headed "(III) Pricing Principle of the Issuance" on page 8 of this letter.

**Method of Issuance** : The Domestic Share Issuance will be conducted by way of non-public issuance of Shares to not more than ten selected placees under the Specific Mandate.

**Lock-up arrangement** : Domestic Shares to be issued and held by investors participating in the non-public Domestic Share Issuance shall be transferred in accordance with the PRC Company Law, Implementation Measures for the Administrative Licensing Items concerning Chinese-Funded Commercial Banks (《中資商業銀行行政許可事項實施辦法》), the Interim Measures on the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the Articles of Association and other relevant rules. In particular, subscribers who will hold 5% or more of the total number of the Bank's issued Shares upon completion of the Domestic Share Issuance shall not transfer their newly-subscribed Shares within 5 years from the date on which the Shares are issued and allotted to them.

Save as disclosed above, there is no other lock-up arrangements under the Domestic Share Issuance.

**Use of proceeds** : The net proceeds raised from the Domestic Share Issuance after deducting related issuance costs will be used entirely to replenish the Bank's Core Tier 1 Capital.

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## LETTER FROM THE BOARD

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**Distribution of retained profit** : The Bank will distribute its profit according to the resolution passed at the relevant Shareholders' meeting before the completion of the Domestic Share Issuance. The retained earnings accrued prior to the completion of the Domestic Share Issuance will be shared by existing and new Shareholders after completion of the Domestic Share Issuance in proportion to their respective shareholdings.

**Validity period** : The validity period of the Domestic Share Issuance shall be 12 months from the date on which the resolutions are considered and approved at the 2020 First Extraordinary General Meeting, the 2020 First Domestic Share Class Meeting and the 2020 First H Share Class Meeting. The Board may seek for the approval(s) of extending the validity period for the plan of the Domestic Share Issuance at Shareholders' meetings as and when necessary.

Each item of the abovementioned plan in relation to the Domestic Share Issuance shall be considered and approved at the EGM and the Class Meetings by way of special resolutions.

### (II) THE H SHARE ISSUANCE

On March 30, 2020, the Board also approved the resolution on the H Share Issuance and proposed to seek approval from Shareholders in relation to the granting of Specific Mandate at the EGM and the Class Meetings, to approve and authorize the Board to issue no more than 1.25 billion H Shares to eligible subscribers. Details of the H Share Issuance are set out below:

**Type and par value of Shares to be issued** : The type of Shares to be issued under the H Share Issuance is ordinary H Shares, with par value of RMB1.00 each.

**Number of Shares to be issued** : The aggregate number of H Shares to be issued will not exceed 1.25 billion Shares, and the actual issue number is subject to the approval of the issuance plan by relevant regulatory authorities<sup>(1)</sup>, market conditions and the actual conditions of the Bank.

*Note:*

(1) The relevant authorities include the CBIRC Gansu Office and the CSRC.

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## LETTER FROM THE BOARD

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In addition, as the Bank also proposes the Domestic Share Issuance, the actual number of H Shares to be issued will be determined with reference to the number of Domestic Shares proposed to be issued, so as to maintain the minimum public float of the Bank's H Shares as required under the Listing Rules upon completion of the Issuance.

**Target placees** : The target placees of the H Share Issuance shall consist of not more than ten (inclusive) non-connected persons who are eligible for the subscription of H Shares. The selection of placees is subject to market conditions and the actual conditions of the Bank.

**Method of pricing** : The issue price of the H Shares Issuance will be determined with reference to international market practice and regulatory requirements, the prevailing capital market conditions and the pricing of Domestic Shares to be issued, with regard to factors such as interest of the Shareholders, acceptability to the investors and issuance risk. The exchange rate of the final issue price will be the exchange rate of Hong Kong dollars against Renminbi quoted by the People's Bank of China on the date when the issue price of the H Share Issuance is determined. The issue price shall not represent a discount of more than 20% to the benchmark price. The benchmark price refers to the below (whichever is higher):

- (I) the closing price as of the date of execution of the H Shares placing and subscription agreement(s);
- (II) the average closing price for the five trading days preceding the earliest of the following three dates;
  - 1. the date on which the H Shares placing transaction or arrangement is announced;
  - 2. the date of execution of the H Shares placing and subscription agreement(s);
  - 3. the price determination date of the placement or subscription of H Shares.

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## LETTER FROM THE BOARD

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For further details of the pricing principle, please refer to the section headed “(III) Pricing Principle of the Issuance” on page 8 of this letter.

- Method of Issuance** : The H Share Issuance will be conducted by way of non-public issuance of H Shares to not more than ten selected placees under the Specific Mandate.
- Use of proceeds** : The net proceeds raised from the H Share Issuance after deducting related issuance costs will be used entirely to replenish the Bank’s Core Tier 1 Capital.
- Distribution of retained profit** : The Bank will distribute its profit according to the resolution passed at the relevant Shareholders’ meeting before the completion of the H Share Issuance. The retained earnings accrued prior to the completion of the H Share Issuance will be shared by existing and new Shareholders upon completion of the H Share Issuance in proportion to their respective shareholdings.
- Validity period** : The validity period of the H Share Issuance shall be 12 months from the date on which resolutions are considered and approved at the 2020 First Extraordinary General Meeting, the 2020 First Domestic Share Class Meeting and the 2020 First H Share Class Meeting. The Board may seek for the approval(s) of extending the validity period for the plan of the H Share Issuance at Shareholders’ meetings as and when necessary.
- Listing arrangement** : Application will be made by the Bank for the listing of and permission to deal in the new H Shares under the H Share Issuance on the Stock Exchange.

Each item of the abovementioned plan in relation to the H Share Issuance shall be considered and approved at the EGM and the Class Meetings by way of special resolutions.

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## LETTER FROM THE BOARD

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### (III) PRICING PRINCIPLE OF THE ISSUANCE

For details of the methods of pricing of the Issuance, please refer to the sections headed “(I) The Domestic Share Issuance” and “(II) The H Share Issuance” in this letter.

The Bank will consider the following factors when determining the price of the Issuance: (i) the operation and financial conditions of the Bank; (ii) the prevailing market situation; (iii) the market demand for H Shares; (iv) the legal requirements under the applicable laws and regulations (including but not limited to, the PRC Company Law); and (v) the issue price of the Domestic Share Issuance shall not be lower than that of the H Share Issuance. As at the Latest Practicable Date, the indicative range for the issue price of the Domestic Shares and the H Shares had not yet been determined.

In accordance with the relevant requirements under the PRC Company Law, the issue price under the Issuance shall not be less than the par value of the Shares. The par value of the Shares is RMB1.00 per Share. Accordingly, the minimum issue price under the Issuance is RMB1.00 per Share. In addition, according to Rule 7.27B of the Listing Rules, the Bank may not undertake a specific mandate placing that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange found that there are exceptional circumstances.

The above-mentioned minimum issue price for each of the Domestic Share Issuance and the H Share Issuance (i.e. RMB1.00 per Share), represents:

- a premium of 30.39% of the closing price of the H Shares at HK\$0.84 (equivalent to RMB0.77) as of the Latest Practicable Date;
- a premium of 31.96% of the average closing price of the H Shares at HK\$0.83 (equivalent to RMB0.76) for the last five trading days preceding the Latest Practicable Date;
- a discount of 15.75% of the closing price of the H Shares at HK\$1.30 (equivalent to RMB1.19) as of March 30, 2020 (being the date the Bank published the issuance plan);
- a discount of 15.10% of the average closing price of the H Shares at HK\$1.29 (equivalent to RMB1.18) for the last five trading days preceding March 30, 2020; and
- a discount of 59.18% of the audited net asset value per share of the Bank at RMB2.45 as of December 31, 2019.

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## LETTER FROM THE BOARD

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### (IV) CONDITIONS FOR THE ISSUANCE

Pursuant to the PRC Company Law, the Implementation Measures for the Administrative Licensing Items concerning Chinese-Funded Commercial Banks 《中資商業銀行行政許可事項實施辦法》 issued by the former China Banking Regulatory Commission (原中國銀行業監督管理委員會), the Special Provisions of the State Council on Overseas Share Raising and Listing of Joint Stock Companies 《國務院關於股份有限公司境外募集股份及上市的特別規定》 issued by the State Council, and the Measures for the Supervision and Administration of Unlisted Public Companies 《非上市公眾公司監督管理辦法》 issued by the CSRC, the Listing Rules and the Articles of Association, as at the Latest Practicable Date:

- (1) completion of the Domestic Share Issuance is still subject to the fulfillment of the conditions specified below:
  - (i) obtaining the approvals of the EGM and the Class Meetings.
  - (ii) obtaining the approvals from the regulatory authorities, including the CBIRC Gansu Office and the CSRC;
  - (iii) completion of the H Share Issuance; and
  - (iv) entering into the subscription agreement(s) between the Bank and the investors (including the Substantial Shareholder Subscribers) and such subscription agreement(s) not being terminated in accordance with the terms therein.
- (2) completion of the H Share Issuance is still subject to the fulfillment of the conditions specified below:
  - (i) obtaining the approvals of the EGM and the Class Meetings.
  - (ii) obtaining the approvals from the regulatory authorities, including the CBIRC Gansu Office and the CSRC;
  - (iii) entering into the subscription and/or placing agreement(s) between the Bank and the investors and/or the placing agent(s) and such subscription agreement(s)/placing agreement not being terminated in accordance with the terms therein; and
  - (iv) the Listing Committee of the Stock Exchange having granted the permission to list and deal in all of the new H Shares to be issued and placed pursuant to the H Shares Issuance.



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## LETTER FROM THE BOARD

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### **(V) ISSUE TIME**

Upon approval of the relevant resolutions on the Issuance by the Shareholders and the review and approval of the issuance plan by relevant regulatory authorities including but not limited to the CBIRC Gansu Office and the CSRC, and during the validity period for the issuance plan as approved by Shareholders at the EGM and the Class Meetings, the Bank will select the appropriate window to complete the Domestic Share Issuance and the H Share Issuance, based on market conditions. To maintain the minimum public float of the H Shares required under the Listing Rules, the Board will ensure that the H Share Issuance will be completed before the Domestic Share Issuance, or simultaneously. In the event that the H Share Issuance is to be terminated due to disapproval by Shareholders or regulatory authorities or any other reason, the Domestic Share Issuance shall also be terminated.

On the other hand, the completion of the Domestic Share Issuance is not a precondition of the H Share Issuance. In the event that the Domestic Share Issuance is to be terminated due to disapproval by Shareholders or regulatory authorities or any other reason, subject to the then capital market conditions and the market demand of H Shares, the H Share Issuance may still proceed.

### **(VI) AUTHORIZING THE BOARD TO HANDLE MATTERS IN RELATION TO THE ISSUANCE**

The Board proposes to seek for the Shareholders' authorization at the EGM and the Class Meetings, and would in turn authorize the Chairman, president of the Bank and secretary to the Board to severally or jointly handle matters in relation to the Issuance, including but not limited to:

- (1) subject to the approval of the issuance plan at the EGM and the Class Meetings, to amend, improve and implement the issuance plan with reference to the opinions of domestic and overseas regulatory authorities and the Stock Exchange, taking into consideration the market environment and the Bank's condition, including but not limited to determining the number of Shares to be issued, the issue price, method of pricing, target placees, issue time, use of proceeds, lock-up period and other matters in connection with the Issuance; to make corresponding adjustments to matters in connection with the Issuance, such as details of the issuance plan (including suspending and terminating the implementation of the issuance plan) in the event of any change in the relevant laws, regulations, rules, policies or market conditions, except for matters which require re-voting at the general meetings in accordance with the relevant laws, regulations, rules and the Articles of Association.

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## LETTER FROM THE BOARD

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- (2) to negotiate with the subscriber(s) on the subscription of the Shares (including the terms of the share subscription agreement(s)) according to the issuance plans, and to decide, execute, implement and complete the share subscription agreement (including supplementary agreement(s) as required).
- (3) to handle all matters related to the examination, registration, filing, approval and consent of the Issuance with domestic and overseas regulatory authorities and the Stock Exchange according to the issuance plan. To sign, implement, modify and submit to domestic and overseas institutions, organization and individuals all necessary documents in relation to the Issuance. To do all necessary, expedient or desirable acts related to the Issuance.
- (4) to prepare, modify, execute, submit, publish, disclose, implement, suspend, terminate all agreements, contracts, announcement, circulars or other relevant legal documents in relation to the Issuance. To engage financial advisors, law firms, accountants, placement agency, assets evaluation agency and other professionals in relation to the Issuance, as well as to determine and pay for the associated costs for the Issuance.
- (5) to amend the terms in relation to the registered capital, equity structure and other corresponding terms in the Articles of Association, and to proceed with the modification, registration and filing with registration authorities and other relevant governmental authorities upon the completion of the Issuance.
- (6) to increase the registered capital of the Bank subject to the outcome of the Issuance, and to proceed with relevant registration and filing procedures (including application for change of company registration particulars and replacement of business license) with industrial and commercial registration authorities upon the completion of the Issuance.
- (7) to register the Domestic Shares with respect to the Domestic Share Issuance with China Securities Depository and Clearing Company Limited, and to proceed with the registration and listing of the Shares upon the completion of the Issuance.
- (8) to take all necessary acts to handle other matters related to the Issuance within the scope permitted by relevant laws and regulations.

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## LETTER FROM THE BOARD

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- (9) the authorizations under items 4 to 7 above will take effect from the date on which they are considered and approved at the EGM, the 2020 First Domestic Share Class Meeting and the 2020 First H Share Class Meeting and shall remain effective for as long as the relevant matters exist. Other authorizations under the remaining items will be effective for 12 months from the date on which they are considered and approved at the EGM, the 2020 First Domestic Share Class Meeting and the 2020 First H Share Class Meeting. The Board may put forward proposal to extend the validity period of the authorizations at the Shareholders' meetings for approval as and when necessary.

The above authorizations to the Board shall be subject to the consideration and approval at the EGM and the Class Meetings by way of special resolutions.

### **(VII) APPLICATION FOR LISTING AND RANKING OF NEW H SHARES**

The Bank will apply to the Listing Committee of the Stock Exchange for the approval of the listing and trading of the H Shares to be issued under the H Share Issuance. Such new H Shares pursuant to the H Share Issuance will rank, upon issuance, *pari passu* in all respects with the H Shares in issue at the time of issuance and allotment of such new H Shares.

### **(VIII) FUND-RAISING ACTIVITIES OF THE BANK FOR THE PAST 12 MONTHS**

At the Annual General Meeting of 2018, the 2019 First Domestic Share Class Meeting and the 2019 First H Share Class Meeting of the Bank convened on June 3, 2019, the issuance of offshore preference shares with a total amount not exceeding RMB10 billion was approved by the Shareholders. The issuance of offshore preference shares has not been carried out yet. The validity period of the plan for issuing preference shares is 12 months and will expire on June 2, 2020. The Bank has no plan to issue offshore preference shares on or before the completion of the Issuance. Apart from the abovementioned, the Directors confirm that the Bank has no plan for any fund-raising activities in relation to the issuance of its equity securities during the 12 months immediately preceding the date of this circular.

### **(XI) ALTERNATIVE FUND-RAISING METHODS**

The Directors have also considered alternatives to replenish the Bank's Core Tier 1 capital, including rights issue and open offer. Non-public issuance of Domestic Share and H Shares Issuance require a simpler process and provide greater operability than a rights issue or an open offer. In addition, it is more difficult to attract new long-term or strategic investors through rights issues or public offering of H Shares, which will also likely involve higher

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## LETTER FROM THE BOARD

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transaction costs (such as underwriting fees). In terms of debts financing, as the main objective of fund-raising activity is to strengthen the capital base and to improve the capital adequacy ratio of the Bank, the Board believes that equity financing is more in line with the long-term interests of the Bank as opposed to debts financing.

### **2. CHANGE OF REGISTERED CAPITAL OF THE BANK UPON COMPLETION OF THE ISSUANCE**

As the registered capital of the Bank will change upon the completion of the Issuance, the Bank will submit the updated information to the Chinese banking regulatory authority (namely, the CBIRC Gansu Office) in accordance with the requirements under the applicable laws, regulations and other regulatory documents, upon obtaining the approval from which, the Bank will amend the relevant articles in the Articles of Association and arrange for the change of registration particulars with the administration for industry and commerce.

The Board intends to seek approval of Shareholders at the EGM to authorize the Board, and would in turn authorize to the Chairman, president of the Bank and secretary to the Board, to severally or jointly handle the approval or filing procedures in relation to the change of the registered capital of the Bank and apply for the change of the registration particulars with the administration for industry and commerce, the Registrar of Companies in Hong Kong and other competent government bodies in accordance with changes in domestic and overseas laws, regulations and other regulatory documents, and requirements and recommendations of domestic and overseas regulatory authorities and stock exchange.

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## LETTER FROM THE BOARD

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### 3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION UPON COMPLETION OF THE ISSUANCE

Upon completion of the Issuance, the articles regarding the Bank's registered capital, number of Shares and shareholding structure as provided in the Articles of Association will be amended to reflect relevant changes due to the Issuance. The Board intends to seek Shareholders' approval at the EGM to authorize the Board or its delegate(s) to make corresponding amendments to the relevant articles in the Articles of Association in accordance with the results of the proposed share issuance, the details of which are set out below:

The existing Articles of Association	The amended Articles of Association
Article 5 The registered capital of the Bank is RMB10,069,791,330.00, the paid-in capital registered by the Bank with the administration authorities for industry and commerce.	Article 5 The registered capital of the Bank is RMB[•], the paid-in capital registered by the Bank with the administration authorities for industry and commerce.
Article 25 Upon approval by the approval authorities authorized by the State Council, the Bank may issue a total number of 10,069,791,330 ordinary shares.  The capital structure of the Bank is 10,069,791,330 ordinary shares, including 7,525,991,330 Domestic Shares, accounting for 74.7383% of the total ordinary shares issued by the Bank; and 2,543,800,000 H Shares, accounting for 25.2617% of the total ordinary shares issued by the Bank.	Article 25 Upon approval by the approval authorities authorized by the State Council, the Bank may issue a total number of [•] ordinary shares.  The capital structure of the Bank is [•] ordinary shares, including [•] Domestic Shares, accounting for [•] % of the total ordinary shares issued by the Bank; and [•] H Shares, accounting for [•] % of the total ordinary shares issued by the Bank.

After being considered and approved at the EGM, the amended Articles of Association will be effective from the date of approval by the CBIRC Gansu Office and the completion of the Issuance.

### 4. CONNECTED TRANSACTION - THE SUBSCRIPTION

#### (I) THE SUBSCRIPTION

The target placees of the Domestic Share Issuance include the Substantial Shareholder Subscribers. As of April 17, 2020, the Bank has also received the Letters of Intent from Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group, respectively. According to these Letters of Intent, Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and

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## LETTER FROM THE BOARD

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Jinchuan Group (or their respective designated subsidiaries) have expressed their intention to participate in the subscription in the Domestic Share Issuance, subject to the approval for the Issuance by domestic and overseas regulatory authorities and fulfilment of necessary procedures. As advised by the Bank's PRC legal advisors, the Letters of Intent are legally binding under the PRC laws.

Assuming that 3.75 billion Domestic Shares will be issued in full under the Domestic Share Issuance, the numbers of Domestic Shares expected to be subscribed by Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group (or their respective designated subsidiaries) are up to 1.55 billion, 1.5 billion, 0.35 billion and 0.35 billion respectively, representing approximately 41.33%, 40.00%, 9.33% and 9.33% of the total number of Domestic Shares to be issued respectively. If the Domestic Shares being issued under the Domestic Shares Issuance is less than 3.75 billion, the Bank expects that the respective subscription percentages of the Substantial Shareholder Subscribers remain the same, while the actual number of shares to be subscribed for will be reduced proportionally. Parties plan to enter into definitive agreements at a later stage after the Bank has obtained all requisite regulatory approvals (including but not limited to the approvals by the CBIRC Gansu Office and the CSRC) and the approvals by the Shareholders at the EGM and the Class Meetings for the Issuance and the Subscription. The subscription terms of the Substantial Shareholder Subscribers' participation in the Domestic Share Issuance, including but not limited to the number of Domestic Shares to be subscribed and the subscription price, will be finalised in accordance with the definitive subscription agreement then signed, provided that relevant terms of the definitive subscription agreement will conform with the issuance plan for Domestic Shares.

Whilst the subscription price is not yet fixed at this early stage, the Bank will ensure that the Subscription price will be determined based on the pricing mechanism as set out in the issuance plan for the Domestic Share Issuance. The issue price of the Domestic Shares will not be lower than the par value of the Shares (i.e. RMB1.00 per Share) pursuant to the requirements under the PRC Company Law, nor will it be lower than the issue price of the H Shares under the H Share Issuance. The above-mentioned minimum issue price for each of the Domestic Share Issuance and the H Share Issuance, i.e. RMB1.00 per Share, represents:

- a premium of 28.85% of the closing price of the H Shares at HK\$0.85 (equivalent to RMB0.78) as of April 17, 2020, the date on which the Bank received all Letters of Intent;
- a premium of 31.96% of the average closing price of the H Shares at HK\$0.83 (equivalent to RMB0.76) for the five trading days preceding April 17, 2020, the date on which the Bank received all Letters of Intent;
- a premium of 30.39% of the closing price of the H Shares at HK\$0.84 (equivalent to RMB0.77) as of the Latest Practicable Date;

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## LETTER FROM THE BOARD

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- a premium of 31.96% of the average closing price of the H Shares at HK\$0.83 (equivalent to RMB0.76) for the last five trading days preceding the Latest Practicable Date; and
- a discount of 59.18% of the audited net asset value per share of the Bank at RMB2.45 as of December 31, 2019.

When considering whether the minimum subscription price of RMB1.00 is fair and reasonable, the Bank has taken into account the current market price of the H Shares, the price-to-book multiple (the “**P/B Multiple**”) and market demand of the H Shares, and it has considered the P/B Multiples of the comparable PRC provincial or regional banks whose H shares are listed on the Stock Exchange:

- (1) as indicated above, the minimum subscription price of RMB1.00 per Share represents a premium of the closing price as of and the five-day average closing price of the H Shares preceding each of April 17, 2020 and the Latest Practicable Date;
- (2) the P/B Multiple of the H Shares calculated based on the minimum subscription price is 0.4 times. By comparison, the P/B Multiple of the H Shares calculated based on the closing prices of the H Shares as of April 17, 2020 and the Latest Practicable Date were both 0.3 times;
- (3) apart from the Bank, there are 18 provincial or regional banks in the PRC whose H shares are listed on the Stock Exchange. The Bank notes that the P/B Multiples of these 18 banks as at the Latest Practicable Date ranged from 0.2 times to 1.0 times, 17 out of these 18 banks had their P/B Multiples below 1.0 times; and
- (4) despite the fact that the P/B Multiple based on the minimum subscription price is 0.4 times, the Bank will make best efforts to negotiate with the Substantial Shareholder Subscribers for a higher subscription price to achieve a higher P/B Multiple.

Based on the above reasons, the Board considers that the minimum subscription price at RMB1.00 per Share, with P/B Multiple of 0.4 times, or a discount of 59.18% of the audited net asset value per Share of the Bank as of December 31, 2019, is reasonable and in line with the current market conditions.

Given that (i) the subscription price will be determined with reference to the prevailing market price of the H Shares, (ii) the subscription price will not be lower than the subscription price in the H Share Issuance, and (iii) the minimum subscription price complies with the requirements under the PRC Company Law, the Board considers that the pricing mechanism is fair and reasonable and in the interests of the Bank and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Bank currently expects that, other than the Substantial Shareholder Subscribers, no other investors participating in the Issuance will become a Substantial Shareholder (as defined in the Listing Rules) of the Bank upon completion of the Issuance.

### (II) LISTING RULES IMPLICATIONS

Both Gansu State-owned Assets Investment and Gansu Highway Aviation Tourism are Substantial Shareholders of the Bank. As of the Latest Practicable Date, Gansu State-owned Assets Investment and its controlled corporations hold 1,627,195,578 Domestic Shares, representing approximately 16.16% of the total number of issued Shares of the Bank. Gansu State-owned Assets Investment holds 47.97% equity interests and 31.58% equity interests in Jinchuan Group and Jiuquan Iron & Steel, respectively. Therefore, Jinchuan Group and Jiuquan Iron & Steel are associates of Gansu State-owned Assets Investment. Gansu Highway Aviation Tourism and its controlled corporations hold 1,257,696,100 Domestic Shares, representing approximately 12.49% of the total number of issued Shares of the Bank. Accordingly, Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group and their respective subsidiaries are connected persons of the Bank. The Subscription will constitute a connected transaction of the Bank pursuant to the Listing Rules and is subject to the disclosure, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Bank will convene an EGM to seek Independent Shareholders' approval for the Subscription.

As Ms. WU Changhong, Mr. GUO Jirong and Mr. ZHANG Youda, all of whom Directors, hold certain positions in Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group, respectively, they are deemed to have a significant interest in the Subscription. As such, they have abstained from voting on the Board's resolution approving the Subscription. Save as disclosed above, there are no other Directors who have or are currently deemed to have a significant interest in the consideration and approval of the Subscription.

The Bank has established an Independent Board Committee comprising of all Independent Non-executive Directors to advise Independent Shareholders on the Subscription and the transactions contemplated thereunder. None of members of the Independent Board Committee have a material interest in the Subscription and the transactions contemplated thereunder. Caitong International Capital has been engaged to advise the Independent Board Committee and Independent Shareholders as to the Subscription and the transactions contemplated thereunder.



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### (III) INFORMATION ON THE BANK AND THE SUBSTANTIAL SHAREHOLDER SUBSCRIBERS

#### **The Bank**

The Bank is the only provincial city commercial bank in Gansu Province of China, and has established a comprehensive business network across Gansu Province. The Bank principally engages in corporate banking, retail banking and financial market operations businesses.

#### **Gansu State-owned Assets Investment**

Gansu State-owned Assets Investment, a company established in the PRC on November 23, 2007, is 84% owned by Gansu SASAC and 16% owned by Jiuquan Iron & Steel, and principally engages in state-owned capital (equity) management and financing business, industry consolidation and investment business, fund investment and venture capital business, listed equity management and operation business, wholesale and retail of non-ferrous materials, and other businesses as approved by competent authorities. As at the Latest Practicable Date, Gansu State-owned Assets Investment directly holds approximately 3.57% equity interests in the Bank and indirectly holds approximately 12.59% equity interests in the Bank through its controlled corporations, Gansu Electric Power Investment and Jinchuan Group.

#### **Gansu Highway Aviation Tourism**

Gansu Province Highway Aviation Tourism Investment Group Co., Ltd (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999 and a wholly-owned subsidiary of the Gansu SASAC. Its principal business is the operation of high-grade highways and civil aviation airports of Gansu Province, development of major tourism resources, investment and financing of major tourism projects, financial insurance, trade and their development, construction and operational management and construction and operation of transportation ancillary facilities. As of the Latest Practicable Date, Gansu Highway Aviation Tourism directly holds approximately 11.49% equity interests in the Bank and holds approximately 1% equity interests in the Bank through its controlled corporation, Gansu Financial Capital Management Co., Ltd. (甘肅金融資本管理有限公司).

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## LETTER FROM THE BOARD

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### **Jiuquan Iron & Steel**

Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, which is 68.42% owned by Gansu SASAC and 31.58% by Gansu State-owned Assets Investment. It principally engages in manufacturing, mining, agriculture, forestry, animal husbandry, fishery, production and supply of electricity, gas and water, construction, transportation, warehousing, information transmission, computer services and software, wholesale and retail, accommodation and catering, real estate, leasing and business services, scientific research, technical services and geological exploration, water conservancy, environmental and public facilities management, residential services and other services, education, healthcare, culture, sports and entertainment and others. As of the Latest Practicable Date, Jiuquan Iron & Steel holds approximately 6.30% of our Shares.

### **Jinchuan Group**

Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investment is its largest shareholder, holding 47.97% of its equity interests. It principally engages in the production and sale of nickel, copper, cobalt, platinum precious metals and sulfuric acid and other chemical products. As of the Latest Practicable Date, Jinchuan Group holds approximately 6.30% of our Shares. The second largest shareholder of Jinchuan Group is China Development Bank Capital Co., Ltd. (國開金融有限責任公司), which holds 13.53% of the equity interests of Jinchuan Group, and mainly engaged in investment and assets management. The third largest shareholder of Jinchuan Group is Gansu SASAC, which holds 12.89% of the equity interests of Jinchuan Group. The remaining 25.61% of the equity interests of Jinchuan Group is held by 19 other shareholders, each holding less than 5%.

## **5. REASONS FOR THE ISSUANCE AND THE SUBSCRIPTION**

The Issuance is launched mainly to replenish the Bank's Core Tier 1 Capital, to ensure continuing compliance with regulatory requirements, to enhance the Bank's resilience to shocks, to shore up market confidence and to optimize its equity structure.

## LETTER FROM THE BOARD

As noted from the table below, while the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and the capital adequacy ratio (collectively, the "**Capital Adequacy Indicators**") are in compliance with the regulatory requirements under the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (China Banking Regulatory Commission Order [2012] No.1) (the "**Administrative Measures**"), there has been a decrease in such ratios since December 31, 2018.

	Regulatory requirements <i>(Note 1)</i>	As at December 31,		As at
		2018	2019	March 31, 2020
Core tier 1 capital adequacy ratio (%)	≥ 7.5	11.01	9.92	9.75
Tier 1 capital adequacy ratio (%)	≥ 8.5	11.01	9.92	9.75
Capital adequacy ratio (%)	≥ 10.5	13.55	11.83	11.02

*Note 1:* The minimum capital adequacy requirements as set out in the Administrative Measures.

The Board believes the Issuance will help to increase the Bank's capital base, so as to further enhance its Capital Adequacy Indicators to ensure the Bank's continuing compliance with the regulatory requirement. In addition, as a prudent operation and management, the Bank endeavors to maintain higher Capital Adequacy Indicators for at least one to two percentage points higher than the minimum capital adequacy ratio required by law in order to better adapt to changes in the economic cycle. By improving its capital base through the Issuance, the Bank can improve its stability, strengthen the Bank's risk management ability and thus lay a stronger foundation to support its future business growth and sustainable development. The Substantial Shareholder Subscribers' intention to subscribe for Domestic Shares pursuant to the proposed Domestic Share Issuance indicates their confidence in the future of the Bank and their support to the Bank's long-term development, which is conducive for the Bank to optimize its capital structure, reduce financial risks and strengthen the core competitiveness of its principal business.

The Directors (excluding the Independent Non-executive Directors whose opinions will be published in the Letter from the Independent Board Committee after considering the recommendations of the Independent Financial Adviser) are of the view that the Subscription is consistent with the plan of the Domestic Share Issuance, and is fair and reasonable and in line with the interests of the Bank and its Shareholders as a whole.

## LETTER FROM THE BOARD

### 6. EFFECT OF THE ISSUANCE ON THE SHAREHOLDING STRUCTURE OF THE BANK

Once allotted, the new Domestic Shares and new H Shares issued under the Issuance will rank *pari passu* in all respect with those Domestic Shares and H Shares already issued at the time of the Issuance.

Assuming that there are no other changes to the total issued share capital of the Bank other than the Issuance from the Latest Practicable Date to the date of the completion of the Issuance, the shareholding structure of the Bank (1) as at the Latest Practicable Date; (2) immediately after the completion of the H Share Issuance (assuming the number of H Shares to be issued is 1.25 billion shares, and the Domestic Share Issuance is not completed); (3) immediately after the completion of the Issuance (assuming the number of Domestic Shares to be issued is 3.75 billion shares, the number of H Shares to be issued is 1.25 billion shares) and Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group (or their respective designated subsidiaries) subscribe for 1.55 billion, 1.5 billion, 0.35 billion and 0.35 billion Domestic Shares is set out below:

	As at the Latest Practicable Date		Immediately after the completion of the H Share Issuance (assuming only H Shares are issued)		Immediately after the completion of the proposed Issuance	
	Number of shares	Approximate percentage of total issued shares of the Bank	Number of shares	Approximate percentage of total issued shares of the Bank	Number of shares	Approximate percentage of total issued shares of the Bank
<b>Domestic Shares</b>	<b>7,525,991,330</b>	<b>74.74%</b>	<b>7,525,991,330</b>	<b>66.49%</b>	<b>11,275,991,330</b>	<b>74.83%</b>
Including						
Total Domestic Shares held by core connected persons	3,758,923,720	37.33%	3,758,923,720	33.21%	7,508,923,720	49.83%
Gansu State-owned Assets Investment <sup>(2)</sup>	359,250,972	3.57%	359,250,972	3.17%	1,909,250,972	12.67%
Jinchuan Group <sup>(2)</sup>	633,972,303	6.30%	633,972,303	5.60%	983,972,303	6.53%
Gansu Electric Power Investment <sup>(2)</sup>	633,972,303	6.30%	633,972,303	5.60%	633,972,303	4.21%
Gansu Highway Aviation Tourism <sup>(3)</sup>	1,257,696,100	12.49%	1,257,696,100	11.11%	2,757,696,100	18.30%
Jiuquan Iron & Steel	633,972,303	6.30%	633,972,303	5.60%	983,972,303	6.53%
Mr. LIU Qing, a Director	301,714	0.00%	301,714	0.00%	301,714	0.00%
Mr. XU Yongfeng, a Supervisor	225,514	0.00%	225,514	0.00%	225,514	0.00%
Mr. LUO Zhenxia, a Supervisor	205,711	0.00%	205,711	0.00%	205,711	0.00%
Mr. LI Yongjun <sup>(4)</sup> , a Supervisor	239,326,800	2.38%	239,326,800	2.11%	239,326,800	1.59%
Domestic Shares held by other non-connected Domestic Shareholders	3,767,067,610	37.41%	3,767,067,610	33.28%	3,767,067,610	25.00%
<b>H Shares (held by public shareholders)</b>	<b>2,543,800,000</b>	<b>25.26%</b>	<b>3,793,800,000</b>	<b>33.51%</b>	<b>3,793,800,000</b>	<b>25.17%</b>
<b>Total</b>	<b>10,069,791,330</b>	<b>100.00%</b>	<b>11,319,791,330</b>	<b>100.00%</b>	<b>15,069,791,330</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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*Notes:*

- (1) Certain amounts and percentage figures included in the table above have been subject to rounding adjustments, any discrepancy between the total amount and the arithmetical sum of the amounts listed is due to rounding.
- (2) Gansu State-owned Assets Investment directly holds 359,250,972 Domestic Shares of the Bank, representing approximately 3.57% of the total issued share capital of the Bank. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 47.97% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.
- (3) Gansu Highway Aviation Tourism holds 1,157,154,433 Domestic Shares of the Bank, representing approximately 11.49% of the total issued share capital of the Bank; Gansu Highway Aviation Tourism holds 100% of the equity interests in Gansu Financial Capital Management Co., Ltd., and Gansu Financial Capital Management Co., Ltd. holds 100,541,667 Domestic Shares of the Bank, representing approximately 1% of the total issued share capital of the Bank. Therefore, Gansu Financial Capital Management Co., Ltd. is a controlled corporation of Gansu Highway Aviation Tourism. Pursuant to the SFO, Gansu Highway Aviation Tourism is deemed to be interested in the Shares held by Gansu Financial Capital Management Co., Ltd..
- (4) Mr. LI Yongjun (a Supervisor) and his spouse collectively hold 2.0% equity interest in Yong Xin Hua Holdings Co., Ltd. (永新華控股有限公司). Gansu Yong Xin Construction and Installation Engineering Company Limited (甘肅永新建築安裝工程有限公司) and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited (甘肅黃海電子機電設備工程有限公司) hold 33.0% and 65.0% equity interest in Yong Xin Hua Holdings Co., Ltd., respectively. Mr. LI Yongjun and his spouse collectively hold 100.0% equity interest in Gansu Yong Xin Construction and Installation Engineering Company Limited and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited. Yong Xin Hua Holdings Co., Ltd. holds 239,326,800 Domestic Shares of the Bank as at the Latest Practicable Date. Pursuant to the SFO, Mr. LI Yongjun is deemed to be interested in the Shares of the Bank held by Yong Xin Hua Holdings Co., Ltd..

As of the Latest Practicable Date, the Bank has not identified any placing agent or other investor, nor has it entered into any definitive agreement, in connection with the Issuance. The Bank will make further announcement(s) upon entering into any definitive agreement(s) with placing agent(s) and/or investor(s) in connection with the Issuance where appropriate or as required under the Listing Rules.

### **7. THE EGM AND THE CLASS MEETINGS**

The EGM and the Class Meetings will be held on Wednesday, June 3, 2020 at the conference room at 4/F of Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC. The notices of the EGM and the Class Meetings were despatched to Shareholders on April 17, 2020.

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## LETTER FROM THE BOARD

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The reply slips and proxy forms of the EGM and the Class Meetings have been despatched on Friday, April 17, 2020 and have been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). If you intend to attend the EGM and the Class Meetings either in person or by proxy, you are required to complete and return the reply slips for the meetings to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 28628555), on or before Thursday, May 14, 2020.

Whether or not you are able to attend the EGM or the Class Meetings, you are advised to read the notice of the 2020 First Extraordinary General Meeting and the Class Meetings carefully and to complete the proxy forms that have been despatched to you in accordance with the instructions printed thereon. H Shareholders must return the proxy form to the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, while Domestic Shareholders must return the proxy form to the registered office and the principal place of business of the Bank in the PRC at Bank of Gansu Tower, No.525 Donggang West Road, Chengguan District, Lanzhou, Gansu Province, the PRC, by hand or by post no later than 24 hours before the time specified for convening the EGM and the Class Meetings or any adjourned meeting thereof. Completion and return of the proxy forms will not preclude you from attending and voting at the EGM and/or the Class Meetings or any adjourned meeting(s) thereof in person if you so wish.

However, given the recent development of the epidemic caused by novel coronavirus pneumonia, in order to facilitate the prevention and control of the epidemic and to safeguard the health and safety of the Shareholders and investors, the Bank encourages the Shareholders to adopt the appropriate way to vote at the EGM or the Class Meetings, such as appointing the chairman of the EGM or the Class Meetings as a proxy to vote on relevant resolutions, instead of attending the EGM or the Class Meetings in person.

### **8. CLOSURE OF REGISTER OF H SHAREHOLDERS**

The register of H Shareholders will be closed from Monday, May 4, 2020 to Wednesday, June 3, 2020, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM and the Class Meetings, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, April 29, 2020.

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## LETTER FROM THE BOARD

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### 9. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of Shareholders at the EGM and/or the Class Meetings must be taken by poll other than resolutions related to procedural or administrative matter as may be permitted by the chairman to be voted by a show of hand. Therefore, all resolutions as set out in the notice of the EGM and the Class Meetings will be voted by poll. The poll results will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Bank at [www.gsbankchina.com](http://www.gsbankchina.com) upon conclusion of the EGM and the Class Meetings.

To the best knowledge of the Bank, the Substantial Shareholder Subscribers and their respective associates are required to abstain from voting on the resolutions in connection with the Issuance and the Subscription at the EGM and the 2020 First Domestic Share Class Meeting. These include: (1) Gansu State-owned Assets Investment (directly holding 3.57% of the total issued capital of the Bank) and its associates, namely, (a) Jiuquan Iron & Steel (directly holding 6.30% of the total number of issued Shares of the Bank), (b) Jinchuan Group (directly holding 6.30% of the total number of issued Shares of the Bank) and (c) Gansu Electric Power Investment (directly holding 6.30% of the total number of issued Shares of the Bank); and (2) Gansu Highway Aviation Tourism (directly holding 11.49% of the total number of issued Shares of the Bank) and its associate Gansu Financial Capital Management Co., Ltd. (甘肅金融資本管理有限公司) (directly holding 1% of the total issued capital of the Bank).

Save as mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Issuance, the Subscription, the change of registered capital of the Bank and the proposed amendments to the Articles of Association and has to abstain from voting at the EGM and the Class Meetings on the above resolutions.

### 10. RECOMMENDATION

The Directors consider that the Issuance and the Subscription and the transactions contemplated thereunder are in the interests of the Bank and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Issuance and the Subscription and the transactions contemplated thereunder and at the relevant Class Meetings in respect of the Issuance. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee considers that the terms of the Subscription and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Subscription.

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## LETTER FROM THE BOARD

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### 11. FURTHER INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular, containing its recommendation in respect of the Subscription and the transactions contemplated thereunder; and (2) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 52 of this circular, containing its recommendation in respect of the Subscription and the transactions contemplated thereunder.

Your attention is drawn to the additional information set out in the appendix to this circular.

**This circular is solely for the purpose of providing Shareholders and potential investors with information in connection with the Issuance and the Subscription and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Bank. As the Issuance and the Subscription are subject to the satisfaction of certain conditions and relevant regulatory approvals (including but not limited to the approvals by the CBIRC Gansu Office and CSRC), they may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Bank's securities.**

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

Lanzhou, Gansu Province

May 18, 2020

\* *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 a Director is still subject to the approval of regulatory authorities.*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

May 18, 2020

*To the Shareholders*

#### **CONNECTED TRANSACTION – THE SUBSCRIPTION**

Dear Sir or Madam,

We refer to the circular (the “**Circular**”) of Bank of Gansu Co., Ltd.\* (the “**Bank**”) dated May 18, 2020 of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular. Caitong International Capital Co., Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” on pages 1 to 25 of the Circular and the “Letter from the Independent Financial Adviser” on pages 28 to 52 of the Circular and the additional information contained in the appendix to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” contained in the Circular, we concur with the view of the Independent Financial Adviser and consider that although the connected transaction in relation to the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription and the transactions contemplated thereunder are in the interest of the Bank and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM for approving the Subscription and the transactions contemplated thereunder.

Yours faithfully,

**TANG Xiuli**

**LUO Mei**

**WONG Sincere**

**DONG Ximiao**

*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Caitong International Capital to the Independent Board Committee and the Independent Shareholders in respect of the Subscription prepared for the purpose of inclusion in this Circular.*



Unit 4811, 48th Floor, COSCO Tower,  
183 Queen's Road Central  
Hong Kong

May 18, 2020

*To the Independent Board Committee and Independent Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTION OF PROPOSED SUBSCRIPTION OF DOMESTIC SHARES BY SUBSTANTIAL SHAREHOLDER SUBSCRIBERS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated May 18, 2020 issued by the Bank to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, on March 30, 2020, the Board approved the proposed issuance of not more than 3.75 billion Domestic Shares and not more than 1.25 billion H Shares to eligible subscribers, including the Substantial Shareholder Subscribers, so as to replenish its core tier 1 capital, to ensure continuing compliance with regulatory requirements, to enhance its resilience to shocks, to shore up market confidence and to optimize its equity structure. The net proceeds raised from the Issuance after deducting related issuance costs will be used entirely to replenish the Bank's core tier 1 capital.

As of April 17, 2020, the Bank has also received the Letters of Intent from Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group, respectively. According to these Letters of Intent, Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group (or their respective designated subsidiaries) have expressed their intention to participate in the Subscription in the Domestic Share Issuance, subject to the approval for the Issuance by domestic and overseas regulatory authorities and fulfilment of necessary procedures.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Assuming that 3.75 billion Domestic Shares will be issued in full under the Domestic Share Issuance, the number of Domestic Shares expected to be subscribed by Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group (or their respective designated subsidiaries) are up to 1.55 billion, 1.5 billion, 0.35 billion and 0.35 billion respectively, representing approximately 41.33%, 40.00%, 9.33% and 9.33% of the total number of Domestic Shares to be issued, respectively.

Parties plan to enter into definitive agreements at a later stage after the Bank has obtained all requisite regulatory approvals (including but not limited to the approvals by the CBIRC Gansu Office and the CSRC) and the approvals by the Shareholders at the EGM and the Class Meetings for the Issuance and the Subscription. The subscription terms of the Substantial Shareholder Subscribers' participation in the Domestic Share Issuance, including but not limited to the number of Domestic Shares to be subscribed and the subscription price, will be finalized in accordance with the definitive subscription agreement then signed, provided that relevant terms of the definitive subscription agreement will conform with the issuance plan for Domestic Shares.

The Issuance will be conducted under the Specific Mandate, and will constitute a variation of class rights of the Domestic Shareholders and the H Shareholders under the Articles of Association. Pursuant to the Articles of Association and Rule 19A.38 of the Listing Rules, the Bank will convene the EGM and the Class Meetings to seek approval from the Shareholders in relation to the granting of the Specific Mandate in order to conduct the Issuance.

Both Gansu State-owned Assets Investment and Gansu Highway Aviation Tourism are Substantial Shareholders. As of the Latest Practicable Date, Gansu State-owned Assets Investment and its controlled corporations held 1,627,195,578 Domestic Shares, representing approximately 16.16% of the total number of the issued Shares. Gansu State-owned Assets Investment holds 47.97% equity interests and 31.58% equity interests in Jinchuan Group and Jiuquan Iron & Steel, respectively. Therefore, Jinchuan Group and Jiuquan Iron & Steel are associates of Gansu State-owned Assets Investment. Gansu Highway Aviation Tourism and its controlled corporations held 1,257,696,100 Domestic Shares, representing approximately 12.49% of the total number of issued Shares. Accordingly, Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group and their respective subsidiaries are connected persons of the Bank. The Subscription will constitute a connected transaction of the Bank pursuant to the Listing Rules and is subject to the disclosure, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Bank will convene the EGM to seek Independent Shareholders' approval for the Subscription.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the Independent Non-executive Directors (namely Ms. TANG Xiuli, Ms. LUO Mei, Mr. WONG Sincere and Mr. DONG Ximiao), who have no material interest in the Subscription and the transaction contemplated thereunder, has been established to advise the Independent Shareholders as to (i) whether the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Bank and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to be proposed at the EGM and the Class Meetings. We, Caitong International Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. For the avoidance of doubt, it is not part of our engagement to advise on the H Share Issuance, or to advise the Independent Board Committee or the Independent Shareholders on voting on the resolution(s) in this regard.

### OUR INDEPENDENCE

In the past two years preceding the Latest Practicable Date, there was no engagement between us and the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Bank, its Substantial Shareholders, the Substantial Shareholder Subscribers or their respective associates or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Accordingly, we are considered eligible to give independent advice on the Subscription. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Bank, its Substantial Shareholders, the Substantial Shareholder Subscribers or their respective associates.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the board resolutions approving the Issuance (including but not limited to the Subscription), the Letters of Intent, the annual report of the Bank for the year ended December 31, 2019 (the “**2019 Annual Report**”) and the Circular.

In addition, we have relied on the information, facts and representations provided, and the opinions expressed, by the Bank and/or the Directors and/or the management of the Group (the “**Management**”). We have also relied on the information, facts and representations contained or referred to in the Circular and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material respects at the time they were made and will remain true, accurate and complete in all material respects up to the Latest Practicable Date. Independent Shareholders will be notified of material changes of such information provided and our opinion, if any, as

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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soon as possible after the Latest Practicable Date and up to the date of the EGM and the Class Meetings. We have also assumed that all statements of beliefs and opinions made by the Directors in the Circular were reasonably made after due enquiry and the expectations and intentions made by the Bank and/or the Directors and/or the Management will be met or carried out as the case may be. We have also sought and received confirmation from the Bank that no material facts have been omitted from the information provided and the opinions expressed to us. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group and/or the Substantial Shareholder Subscribers in their respective existing state, nor have we carried out any independent verification of the information provided by the Bank and/or the Directors and/or the Management.

The Circular, for which the Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Bank, and/or the Substantial Shareholder Subscribers. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons:

#### **1. Information on the Bank**

##### ***(a) Business overview of the Bank***

The Bank is a joint stock company incorporated in Gansu Province of China on November 18, 2011 with limited liability in accordance with PRC laws. The Bank is the only provincial city commercial bank in Gansu Province of China and has established a comprehensive business network across Gansu Province of China. The Bank principally engages in corporate banking, retail banking and financial market operations businesses.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) Financial performance of the Bank**

Set out below is a summary of the consolidated financial results of the Bank for the years ended December 31, 2018 and 2019 as extracted from the 2019 Annual Report.

	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2019</b>
	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)
Net interest income	7,128	5,288
Net fee and commission income	166	253
Operating income	8,872	7,233
Profit for the year attributable to the Shareholders	3,435	509

The net interest income was the largest component of the Bank's operating revenue, accounting for approximately 80.3% and 73.1% of the operating income in 2018 and 2019, respectively. According to the 2019 Annual Report, the decrease in such percentage in 2019 was attributable to adjustments to the Bank's business structure and a decrease in net interest income as a result of the rise of capital cost.

The net fee and commission income of the Bank increased by approximately 52.4% from RMB166 million in 2018 to RMB253 million in 2019, primarily due to lower fees.

The Bank recorded an operating income of approximately RMB7,233 million in 2019, representing a decrease of approximately 18.5% as compared to that in 2018. As stated in the 2019 Annual Report, such decrease was mainly due to adjustments to its business structure, intensive market competition and the rise of capital cost.

Besides, the Bank recorded a net profit attributable to Shareholders of approximately RMB509 million in 2019, representing a decrease of approximately 85.2% as compared to that in 2018. Such decrease was mainly attributable to the increased provisions for credit impairment loss as a result of the declined asset quality and the decrease in the operating income.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(c) Capital adequacy indicators of the Bank**

Set out below is a summary of the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio (collectively, the “**Capital Adequacy Indicators**”) as at December 31, 2018 and 2019 and March 31, 2020 as extracted from the 2019 Annual Report and as stated in the Letter from the Board.

	Regulatory requirements (Note) %	As at December 31, 2018 %	As at March 31, 2019 %	As at March 31, 2020 %
<b>Core tier 1 capital adequacy ratio</b>	≥ 7.5	11.01	9.92	9.75
<b>Tier 1 capital adequacy ratio</b>	≥ 8.5	11.01	9.92	9.75
<b>Capital adequacy ratio</b>	≥ 10.5	13.55	11.83	11.02

*Note:* The minimum capital adequacy requirements set out in the Administrative Measures (as defined below).

As noted from the table above, the Bank's Capital Adequacy Indicators as at March 31, 2020 were in compliance with the regulatory requirements (further analysis is set out in the paragraph headed “3. Supervision of capital adequacy in the PRC” below). But, as shown in the table above, the Bank recorded notifiable decreases in all three Capital Adequacy Indicators as at December 31, 2019 as compared to those as at December 31, 2018 and recorded further decreases as at March 31, 2020.

## 2. Information on the Substantial Shareholder Subscribers

**(a) Gansu State-owned Assets Investment**

As stated in the Letter from the Board, Gansu State-owned Assets Investment, a company established in the PRC on November 23, 2007, is 84% owned by Gansu SASAC and 16% owned by Jiuquan Iron & Steel and principally engages in state-owned capital (equity) management and financing business, industry consolidation and investment business, fund investment and venture capital business, listed equity management and operation business, wholesale and retail of non-ferrous materials, and other businesses as approved by competent authorities.

As at the Latest Practicable Date, Gansu State-owned Assets Investment directly held approximately 3.57% equity interests in the Bank and indirectly held approximately 12.59% equity interests in the Bank through its controlled corporations, Gansu Electric Power Investment and Jinchuan Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) *Gansu Highway Aviation Tourism***

As stated in the Letter from the Board, Gansu Highway Aviation Tourism, a company incorporated in the PRC on December 24, 1999, is a wholly-owned subsidiary of the Gansu SASAC. Its principal business is the operation of high-grade highways and civil aviation airports of Gansu Province, development of major tourism resources, investment and financing of major tourism projects, financial insurance, trade and their development, construction and operational management and construction and operation of transportation ancillary facilities.

As of the Latest Practicable Date, Gansu Highway Aviation Tourism directly held approximately 11.49% equity interests in the Bank and held approximately 1% equity interests in the Bank through its controlled corporation, Gansu Financial Capital Management Co., Ltd. (甘肅金融資本管理有限公司).

**(c) *Jiuquan Iron & Steel***

As stated in the Letter from the Board, Jiuquan Iron & Steel is a company incorporated in the PRC on May 26, 1998, which is 68.42% owned by Gansu SASAC and 31.58% by Gansu State-owned Assets Investment. It principally engages in manufacturing, mining, agriculture, forestry, animal husbandry, fishery, production and supply of electricity, gas and water, construction, transportation, warehousing, information transmission, computer services and software, wholesale and retail, accommodation and catering, real estate, leasing and business services, scientific research, technical services and geological exploration, water conservancy, environmental and public facilities management, residential services and other services, education, healthcare, culture, sports and entertainment and others.

As of the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.30% of the Shares.

**(d) *Jinchuan Group***

As stated in the Letter from the Board, Jinchuan Group is a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investments is its largest shareholder, holding 47.97% of its equity interests. It principally engages in the production and sale of nickel, copper, cobalt, platinum precious metals and sulfuric acid and other chemical products. The second largest shareholder of Jinchuan Group is China Development Bank Capital Co., Ltd. (國開金融有限責任公司), which holds 13.53% of the equity interests of Jinchuan Group, and mainly engaged in investment and assets management. The third largest shareholder of Jinchuan Group is Gansu SASAC, which holds 12.89% of the equity interests of Jinchuan Group. The remaining 25.61% of the equity interests of Jinchuan Group is held by 19 other shareholders, each holding less than 5%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As of the Latest Practicable Date, Jinchuan Group held approximately 6.30% of the Shares.

### 3. Supervision of capital adequacy in the PRC

On June 7, 2012, the then China Banking Regulatory Commission (which was merged with China Insurance Regulatory Commission in 2018 and known as the China Banking and Insurance Regulatory Commission (the “CBIRC”) now) promulgated the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (China Banking Regulatory Commission Order [2012] No.1) (the “Administrative Measures”) which was effective since January 1, 2013. Pursuant to the Administrative Measures, for non-systematically important banks, the minimum ratios for core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50% respectively. Therefore, as a non-systematically important bank, the Bank shall comply with such requirements.

Set out below is a summary of the Capital Adequacy Indicators of commercial banks in the PRC as at December 31, 2019 according to the CBIRC:

	As at December 31, 2019	
	The PRC	
	commercial	
	banks	The Bank
Core tier 1 capital adequacy ratio (%)	10.92 <sup>(1)</sup>	9.92
Tier 1 capital adequacy ratio (%)	11.95 <sup>(2)</sup>	9.92
Capital adequacy ratio (%)	14.64 <sup>(3)</sup>	11.83

Source: website of the CBIRC ([www.cbirc.gov.cn](http://www.cbirc.gov.cn))

Notes:

- (1) Calculated by dividing the aggregate net core tier 1 capital of all commercial banks in the PRC by the aggregate risk weighted assets of all commercial banks in the PRC as at December 31, 2019.
- (2) Calculated by dividing the aggregate net tier 1 capital of all commercial banks in the PRC by the aggregate risk weighted assets of all commercial banks in the PRC as at December 31, 2019.
- (3) Calculated by dividing the aggregate net capital base of all commercial banks in the PRC by the aggregate risk weighted assets of all commercial banks in the PRC as at December 31, 2019.

It is noted that the Bank recorded a lower level for all the three Capital Adequacy Indicators than that of the commercial banks in the PRC as at December 31, 2019.

#### **4. Impact of COVID-19 outbreak**

As stated in the 2019 Annual Report, the sudden outbreak of COVID-19 has further exacerbated the downturn pressure of the global and China's economies. Since the nationwide outbreak of COVID-19 in January 2020, the prevention and control measures on the epidemic have been taken on a continuous basis across the country. The Board expects that the COVID-19 outbreak would have an impact on the operations of entities in some provinces and cities and certain industries as well as the overall economic situation, which may in turn affect the quality or returns of the Bank's credit assets and investment assets to the extent of which could not be estimated as at the Latest Practicable Date. Therefore, the Directors are of the view that it is very important for the Bank to strengthen its capital base so as to continue to comply with regulatory requirements, to enhance its resilience to shocks, to shore up market confidence and to optimize its equity structure. In the meantime, the Bank will continue to pay close attention to the development of the COVID-19 outbreak, evaluate and take positive steps to address its impact on the financial condition, results of operations and other aspects of the Bank.

#### **5. Reasons for and benefits of the Domestic Share Issuance**

As set out in the Letter from the Board, the Issuance, including the Domestic Share Issuance, is launched mainly to replenish the Bank's core tier 1 capital, to ensure continuing compliance with regulatory requirements, to enhance the Bank's resilience to shocks, to shore up market confidence and to optimize the Bank's equity structure. The Board believes the Issuance will help to increase the Bank's capital base, so as to further enhance its Capital Adequacy Indicators to ensure the Bank's continuing compliance with the regulatory requirement. In addition, as a prudent operation and management, the Bank endeavors to maintain higher Capital Adequacy Indicators for at least one to two percentage points higher than the minimum capital adequacy ratio required by law in order to better adapt to changes in the economic cycle. By improving its capital base through the Issuance, the Bank can improve its stability, strengthen the Bank's risk management ability and thus lay a stronger foundation to support its future business growth and sustainable development. The Substantial Shareholder Subscribers' intention to subscribe for Domestic Shares pursuant to the proposed Domestic Share Issuance indicates their confidence in the future of the Bank and their support to the Bank's long-term development, which is conducive for the Bank to optimize its capital structure, reduce financial risks and strengthen the core competitiveness of its principal business.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we have reviewed the Bank's Capital Adequacy Indicators, as at December 31, 2019 with those of other provincial or regional banks (the "Comparable Banks") in the PRC listed on the Stock Exchange, which, in our opinion, represent an exhaustive and representative list, as set out below:

Company name	Stock code	As at December 31, 2019		
		Core tier 1 capital adequacy ratio (%)	Tier 1 capital adequacy ratio (%)	Capital adequacy ratio (%)
Bank of Jinzhou Co., Ltd.	416	5.14	6.46	8.39
Zhongyuan Bank Co., Ltd.	1216	8.51	10.31	13.02
Guangzhou Rural Commercial Bank Co., Ltd.	1551	9.96	11.65	14.23
Bank of Tianjin Co., Ltd.	1578	10.62	10.63	15.24
Jiangxi Bank Co., Ltd.	1916	9.96	9.97	12.63
Bank of Chongqing Co., Ltd.	1963	8.51	9.82	13.00
Luzhou Bank Co., Ltd.	1983	9.31	9.31	12.09
China Zheshang Bank Co., Ltd.	2016	9.64	10.94	14.24
Shengjing Bank Co., Ltd.	2066	11.48	11.48	14.54
Jinshang Bank Co., Ltd.	2558	11.47	11.47	13.60
Chongqing Rural Commercial Bank Co., Ltd.	3618	12.42	12.44	14.88
Huishang Bank Corporation Limited	3698	8.85	10.85	13.21
Bank of Qingdao Co., Ltd.	3866	8.36	11.33	14.76
Jilin Jiutai Rural Commercial Bank Corporation Limited	6122	9.55	9.66	11.98
Harbin Bank Co., Ltd.	6138	10.22	10.24	12.53
Bank of Jiujiang Co., Ltd.	6190	8.97	8.97	11.64
Bank of Zhengzhou Co., Ltd.	6196	7.98	10.05	12.11
Bank of Guizhou Co., Ltd.	6199	12.30	12.30	14.45
<b>Average:</b>		<b>9.63</b>	<b>10.44</b>	<b>13.14</b>
<b>Median:</b>		<b>9.60</b>	<b>10.47</b>	<b>13.12</b>
<b>Maximum:</b>		<b>12.42</b>	<b>12.44</b>	<b>15.24</b>
<b>Minimum:</b>		<b>5.14</b>	<b>6.46</b>	<b>8.39</b>
<b>The Bank</b>		<b>9.92</b>	<b>9.92</b>	<b>11.83</b>
Regulatory requirements		7.50	8.50	10.50

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the three Capital Adequacy Indicators of the Bank were all within the range of the Comparable Banks as at December 31, 2019. The Bank's core tier 1 capital adequacy ratio of approximately 9.92% was slightly higher than that of the average of the Comparable Banks, being approximately 9.63%, whilst the Bank's tier 1 capital adequacy ratio and the capital adequacy ratio of approximately 9.92% and 11.83% respectively, were below those of the average of the Comparable Banks, being approximately 10.44% and 13.14% respectively.

Having considered that (i) the Bank has recorded decreases in all three Capital Adequacy Indicators as at December 31, 2019 as compared to those as at December 31, 2018 and recorded further decreases as at March 31, 2020; (ii) all the three Capital Adequacy Indicators of the Bank were lower than that of the commercial banks in the PRC as at December 31, 2019 as illustrated in the paragraph headed "3. Supervision of capital adequacy in the PRC" above; (iii) the Bank only recorded a core tier 1 capital adequacy ratio slightly higher than that of the average of the Comparable Banks and recorded a tier 1 capital adequacy ratio and a capital adequacy ratio below the average of that of the Comparable Banks; (iv) the COVID-19 outbreak may have adverse impact on the financial condition and the results of operations of the Bank; (v) the Board believes that by improving its capital base through the Issuance, the Bank can improve its stability, strengthen the Bank's risk management ability and thus lay a stronger foundation to support its future business growth and sustainable development, we are of the view that replenishing the Bank's core tier 1 capital is incidental to the Bank's development of its ordinary and usual course of business though not in the ordinary course of business of the Bank and so in the interests of the Bank and the Shareholders as a whole.

### **6. Principal terms of the Subscription**

The Bank and the Substantial Shareholder Subscribers plan to enter into the definitive agreements at a later stage after the Bank has obtained all requisite regulatory approvals (including but not limited to the approvals by the CBIRC Gansu Office and the CSRC) and the approvals by the Shareholders at the EGM and the Class Meetings for the Issuance and the Subscription. The subscription terms of the Substantial Shareholder Subscribers' participation in the Domestic Share Issuance, including but not limited to the number of Domestic Shares to be subscribed and the subscription price, will be finalized in accordance with the definitive subscription agreement then signed, provided that relevant terms of the definitive subscription agreement will conform with the issuance plan for Domestic Shares.

Summarized below are the principal terms of the Domestic Share Issuance, under which the Subscription will be conducted. Independent Shareholders are advised to read in full for further details of the Issuance, including but not limited to the Domestic Share Issuance, as set out in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(a) *Number of Domestic Shares to be issued***

The Subscription will be conducted under the Domestic Share Issuance and the aggregate number of Domestic Shares to be issued will not exceed 3.75 billion Domestic Shares, and the actual number of Domestic Shares to be issued is to be determined subject to the approvals by the relevant regulatory authorities.

As of April 17, 2020, the Bank has received the Letters of Intent from Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group, respectively. According to these Letters of Intent, Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group (or their respective designated subsidiaries) have expressed their intention to participate in the Subscription in the Domestic Share Issuance, subject to the approval for the Issuance by domestic and overseas regulatory authorities and fulfilment of necessary procedures. As advised by the Bank's PRC legal advisors, the Letters of Intent are legally binding under the PRC laws.

Assuming that 3.75 billion Domestic Shares will be issued in full under the Domestic Share Issuance, the numbers of Domestic Shares to be subscribed by Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group (or their respective designated subsidiaries) are up to 1.55 billion, 1.5 billion, 0.35 billion and 0.35 billion, representing approximately 41.33%, 40.00%, 9.33% and 9.33% of the total number of Domestic Shares to be issued, respectively. If the Domestic Shares being issued under the Domestic Share Issuance is less than 3.75 billion, the Bank expects that the respective subscription percentages of the Substantial Shareholders Subscribers remain the same, while the actual number of Shares to be subscribed for will be reduced proportionally.

**(b) *Method of pricing***

The issue price of the Domestic Share Issuance, which shall also be the subscription price (the "**Subscription Price**") of the Substantial Shareholder Subscribers under the Subscription, will be determined with reference to market practice and regulatory requirements, the capital market condition and the price of the H Shares, with regard to factors such as interest of the Shareholders, acceptability to the investors and issuance risk. The exchange rate of the final issue price will be the exchange rate of Hong Kong dollars against Renminbi quoted by the People's Bank of China on the date when the issue price of the Domestic Share Issuance is determined. For further details of the pricing principle, please also refer to the section headed "1. The Issuance – (III) Pricing principle of the Issuance" in the Letter from the Board. As stated in the Letter from the Board, as at the Latest Practicable Date, the indicative range for the issue price of the Domestic Shares and the H Shares had not yet been determined.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, whilst the Subscription Price is not yet fixed at this early stage, the Bank will ensure that the Subscription Price will be determined based on the pricing mechanism as set out in the issuance plan for the Domestic Share Issuance. The Subscription Price will not be lower than the par value of the Shares (i.e. RMB1.00 per Share) (the “**Minimum Subscription Price**”) pursuant to the requirements under the PRC Company Law, nor will it be lower than the issue price of the H Shares under the H Share Issuance. In addition, according to Rule 7.27B of the Listing Rules, the Bank may not undertake a specific mandate placing that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange found that there are exceptional circumstances.

The Minimum Subscription Price represents:

- a premium of 30.39% of the closing price of the H Shares at HK\$0.84 (equivalent to RMB0.77) as of the Latest Practicable Date;
- a premium of 31.96% of the average closing price of the H Shares at HK\$0.83 (equivalent to RMB0.76) for the last five trading days preceding the Latest Practicable Date;
- a premium of 28.85% of the closing price of the H Shares at HK\$0.85 (equivalent to RMB0.78) as of April 17, 2020, the date on which the Bank received all Letters of Intent;
- a premium of 31.96% of the average closing price of the H Shares at HK\$0.83 (equivalent to RMB0.76) for the five trading days preceding April 17, 2020, the date on which the Bank received all Letters of Intent;
- a discount of 15.75% of the closing price of the H Shares at HK\$1.30 (equivalent to RMB1.19) as of March 30, 2020 (being the date the Bank published the issuance plan);
- a discount of 15.10% of the average closing price of the H Shares at HK\$1.29 (equivalent to RMB1.18) for the last five trading days preceding March 30, 2020; and
- a discount of 59.18% of the audited net asset value per share of the Bank at RMB2.45 as of December 31, 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, as stated in the Letter from the Board, the issue price of the H Share Issuance shall not represent a discount of more than 20% (the “**Maximum Discount**”) to the benchmark price. The benchmark price refers to the below (whichever is higher):

- (I) the closing price as of the date of execution of the H Shares placing and subscription agreement(s);
- (II) the average closing price for the five trading days preceding the earliest of the following three dates;
  - 1. the date on which the H Shares placing transaction or arrangement is announced;
  - 2. the date of execution of the H Shares placing and subscription agreement(s);
  - 3. the price determination date of the placement or subscription of H Shares.

Therefore, the Subscription Price, in any case, shall be not less than the Minimum Subscription Price and represent a discount not higher than the Maximum Discount.

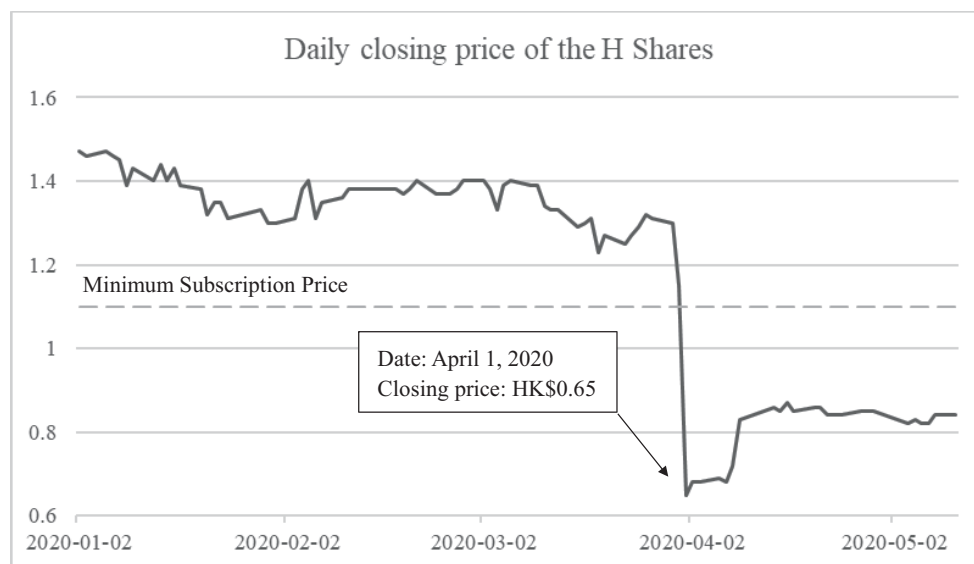
*(i) Historical price performance of the H Shares*

To assess the fairness and reasonableness of the Subscription Price, we have reviewed the historical daily closing prices of the H Shares as quoted on the Stock Exchange during the past three months immediately preceding the date of the Board resolution approving the Issuance (i.e. March 30, 2020) and up to the Latest Practicable Date (i.e. from January 1, 2020 to May 11, 2020) (the “**Review Period**”). We consider that the Review Period would be a reasonable and sufficient period to assess the fairness and reasonableness of the Subscription Price after taking into account the impact of the outbreak of COVID-19 in January 2020 on the global and China’s economies and the capital market in Hong Kong, as evidenced by the volatility and decline in Hang Seng Index since January 2020. Therefore, it is considered that the daily closing prices of the H Shares during the Review Period would provide a timely and meaningful reference in view of the current market conditions.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the chart of the daily closing price of the H Shares on the Stock Exchange for the Review Period.



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

It is noted that the closing price of the H Shares recorded a significant drop on April 1, 2020, decreasing from HK\$1.15 on March 31, 2020 to HK\$0.65 on April 1, 2020. According to the announcement of the Bank dated April 1, 2020, the Board is aware that certain Shareholders pledged their H Shares to a number of financial institutions for their own financing purposes. In order to fulfill the obligations under the relevant financing arrangements, the H Shares pledged by such Shareholders were forced to be sold, which caused relatively significant fluctuation to the price of the H Shares on April 1, 2020. Since then, the closing price of the H Shares gradually increased to HK\$0.84 on the Latest Practicable Date.

During the Review Period, the closing prices of the H Shares ranged from HK\$0.65 to HK\$1.47, with an average of approximately HK\$1.20. The Minimum Subscription Price, which is approximately HK\$1.10 (equivalent to RMB1.00 assuming the exchange rate of HK\$1.00 = RMB0.91302), is thus within the price range of the daily closing prices of the H Shares during the Review Period. In particular, it is noted that since April 1, 2020 up to the Latest Practicable Date (the “**Recent Period**”), the closing prices of the H Shares ranged from HK\$0.65 to HK\$0.87, which were significantly lower than the Minimum Subscription Price, and the Minimum Subscription Price represents a premium of approximately 69.2% and 26.4% as compared to the lowest and the highest closing prices of the H Shares during the Recent Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Comparable analysis on recent issues*

In assessing whether the Subscription Price would be fair and reasonable, we have also conducted a comparable analysis of issues of new ordinary shares by companies listed on the Stock Exchange excluding any listing of new shares on another stock exchange, based on the following criteria:

- (1) the respective company is listed on the Stock Exchange;
- (2) the issue was initially announced during the Review Period;
- (3) the new shares were/will be issued under specific mandate; and
- (4) the new shares were/will be issued for cash and the issue was not/will not be pro rata issue of shares to all shareholders of the respective company.

We have, on a best effort basis, identified 16 issues (the “**Recent Comparables**”) based on the aforementioned selection criteria and have reviewed the respective placing/subscription/issue price as compared to (i) the closing prices on the respective last trading day; and (ii) the average closing price for the last 5 trading days up to and including the respective last trading day (collectively, the “**Benchmarked Prices**”). We consider that the Review Period would be appropriate for benchmarking sufficient number of comparables to reflect the recent market sentiment and prevailing market practice. Set out below is the summary of the Recent Comparables:

Date of announcement	Company name	Stock code	Premium/(discount) of placing/ subscription/issue price over/to the average closing price for last 5 trading days		Constituted connected transaction
			the closing price on the last trading day <sup>(1)</sup>	up to and including the last trading day <sup>(1)</sup>	
April 28, 2020	IR Resources Limited	8186	(39.1%)	(41.7%)	Yes
April 23, 2020	Binhai Investment Company Limited	2886	10.8%	7.1%	Yes
April 20, 2020	China Saite Group Company Limited	153	(11.5%)	3.3%	No
April 17, 2020	Shanghai Dongzheng Automotive Finance Co., Ltd.	2718	N/A <sup>(2)</sup>	a discount of not more than 20% <sup>(2)</sup>	No

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Premium/(discount) of placing/ subscription/issue price over/to the average closing price for last 5 trading days		Constituted connected transaction
			the closing price on the last trading day <sup>(1)</sup>	up to and including the last trading day <sup>(1)</sup>	
April 14, 2020	AsiaInfo Technologies Limited	1675	(26.9%)	(26.4%)	No
April 9, 2020	Creative China Holdings Limited	8368	8.9%	7.2%	Yes
April 3, 2020	VCREDIT Holdings Limited	2003	3.3%	4.6%	No
April 3, 2020	Gemini Investments (Holdings) Limited	174	81.8%	98.0%	Yes
April 3, 2020	Sinopharm Tech Holdings Limited	8156	(10.3%)	(15.1%)	Yes
March 27, 2020	Asia Energy Logistics Group Limited	351	(3.0%)	(7.0%)	Yes
March 24, 2020	WuXi AppTec Co., Ltd.	2359	N/A <sup>(3)</sup>	a discount of not more than 20% <sup>(3)</sup>	No
March 10, 2020	Bank of Jinzhou Co., Ltd.	416	(10.9%)	(11.5%)	No
March 2, 2020	China Regenerative Medicine International Limited	8158	(23.1%)	(16.8%)	No
February 6, 2020	China Finance Investment Holdings Limited	875	(36.3%)	(35.1%)	Yes
January 22, 2020	CT Vision (International) Holdings Limited	994	(20.8%)	(21.4%)	Yes
January 8, 2020	Sunway International Holdings Limited	58	25.0%	17.7%	Yes
<b>Average:</b>			<b>(3.7%)</b>	<b>(2.7%)</b>	
<b>Median:</b>			<b>(10.6%)</b>	<b>(9.2%)</b>	
<b>Maximum:</b>			<b>81.8%</b>	<b>98.0%</b>	
<b>Minimum:</b>			<b>(39.1%)</b>	<b>(41.7%)</b>	
The Subscription (based on the Minimum Subscription Price) <sup>(4)</sup>			<b>30.4%</b>	<b>32.0%</b>	Yes
The Subscription (based on the Maximum Discount) <sup>(5)</sup>			a discount of not more than 20% <sup>(6)</sup>	a discount of not more than 20% <sup>(6)</sup>	Yes

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

- (1) The last trading day represented the last trading day immediately prior to the date of the relevant agreement of the Recent Comparables.
- (2) According to the announcement of Shanghai Dongzheng Automotive Finance Co., Ltd. dated April 17, 2020, the new H shares to be issued under specific mandate shall be issued at a price to be determined, provided that the issue price (i) will be not lower than the nominal value per share; (ii) will not be lower than 80% of the average closing price of its H shares as quoted on the Stock Exchange over the last five trading days prior to the date of determining such issue price; and (iii) shall be set to ensure that it will not result in a theoretical dilution effect of 25% or more.
- (3) According to the announcement of WuXi AppTec Co., Ltd. dated March 24, 2020, the new H shares to be issued under specific mandate shall be issued at a price to be determined, provided that the issue price will be not lower than 80% of the average closing price of its H shares as quoted on the Stock Exchange over the last five trading days prior to the date of determining such issue price and shall comply with the relevant PRC practice at relevant time.
- (4) Assuming that the Latest Practicable Date is last trading day for determining the final Subscription Price.
- (5) Assuming that the Subscription Price would represent a discount of 20% to the closing price of the H Shares as quoted on the Stock Exchange on the last trading day or the average closing price of the H Shares as quoted on the Stock Exchange for the five trading days up to and including the last trading day.
- (6) According to the method of pricing of the Subscription, the Subscription Price shall not represent a discount of more than 20% to the Benchmarked Prices.

As indicated in the table above, the Minimum Subscription Price would represent a premium of each of the Benchmarked Prices assuming that the Latest Practicable Date is the last trading day for determining the final Subscription Price and such premiums shall be within the ranges of those of the Recent Comparables and well above the average of the Recent Comparables.

Furthermore, assuming that the final Subscription Price would be calculated based on the Maximum Discount (i.e. the discount of 20% to the closing price on the last trading day or the average closing price for the five trading days up to and including the last trading day), the Subscription Price would represent the Maximum Discount, which would still be within the range of the Recent Comparables.

Price-to-earnings multiple (“**P/E Multiple**”) analysis and price-to-book multiple (“**P/B Multiple**”) analysis were not adopted for the analysis on the Recent Comparables since the Recent Comparables consist of listed companies from different industries and the P/E Multiple and the P/B Multiple may vary across different industries.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*(iii) Comparable analysis on banking sector*

Apart from the Recent Comparables, we have also conducted P/E Multiple analysis and P/B Multiple analysis with the Comparable Banks as at the Latest Practicable Date in assessing whether the Subscription Price would be fair and reasonable. P/E Multiple analysis and P/B Multiple analysis are adopted as they are two common approaches for comparable analysis for the valuation of profit-generating entities and entities with significant net asset value.

Set out below is the summary of the P/E Multiple analysis and the P/B Multiple analysis on the Comparable Banks:

Company name	Stock code	As at the Latest Practicable Date	
		P/E Multiple <sup>(1)(2)</sup>	P/B Multiple <sup>(1)(3)</sup>
Bank of Jinzhou Co., Ltd.	416	N/A <sup>(4)</sup>	0.2
Zhongyuan Bank Co., Ltd.	1216	7.5	0.4
Guangzhou Rural Commercial Bank Co., Ltd.	1551	4.2	0.5
Bank of Tianjin Co., Ltd.	1578	4.1	0.4
Jiangxi Bank Co., Ltd.	1916	9.2	0.5
Bank of Chongqing Co., Ltd.	1963	2.9	0.3
Luzhou Bank Co., Ltd.	1983	9.8	0.9
China Zheshang Bank Co., Ltd.	2016	5.3	0.5
Shengjing Bank Co., Ltd.	2066	10.5	0.7
Jinshang Bank Co., Ltd.	2558	5.7	0.4
Chongqing Rural Commercial Bank Co., Ltd.	3618	3.5	0.4
Huishang Bank Corporation Limited	3698	3.1	0.4
Bank of Qingdao Co., Ltd.	3866	9.5	0.7
Jilin Jiutai Rural Commercial Bank Corporation Limited	6122	9.9	0.8
Harbin Bank Co., Ltd.	6138	3.7	0.3
Bank of Jiujiang Co., Ltd.	6190	13.2	1.0
Bank of Zhengzhou Co., Ltd.	6196	3.7	0.3
Bank of Guizhou Co., Ltd.	6199	9.0	0.9
	<b>Average:</b>	<b>6.7</b>	<b>0.5</b>
	<b>Median:</b>	<b>5.7</b>	<b>0.4</b>
	<b>Maximum:</b>	<b>13.2</b>	<b>1.0</b>
	<b>Minimum:</b>	<b>2.9</b>	<b>0.2</b>
<b>The Subscription (based on the Minimum Subscription Price)</b>		<b>19.8<sup>(5)</sup></b>	<b>0.4<sup>(6)</sup></b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

- (1) Calculated based on HK\$1.00 = RMB0.91302.
- (2) P/E Multiple is calculated by dividing the market capitalization of the respective bank based on its closing price of H shares as at the Latest Practicable Date by the profits attributable to owners of the respective bank for the year ended December 31, 2019.
- (3) P/B Multiple is calculated by dividing the market capitalization of the respective bank based on its closing price of H shares as at the Latest Practicable Date by the net assets attributable to owners of the respective bank as at December 31, 2019.
- (4) Bank of Jinzhou Co., Ltd. recorded net losses for the year ended December 31, 2019.
- (5) P/E Multiple of the Subscription is calculated by dividing the market capitalization of the Bank based on the Minimum Subscription Price by the profits attributable to owners of the Bank for the year ended December 31, 2019.
- (6) P/B Multiple of the Subscription is calculated by dividing the market capitalization of the Bank based on Minimum Subscription Price by the net assets attributable to owners of the Bank as at December 31, 2019.

The P/E Multiple of the Subscription as calculated above is significantly above the range of P/E Multiples of the Comparable Banks and the P/B Multiple of the Subscription as calculated above is within the range, and same as the median, of P/B Multiples of the Comparable Banks as at the Latest Practicable Date. As set out in the Letter from the Board, the P/B Multiple of the H Shares calculated based on the closing price of the H Shares as of the Latest Practicable Date was 0.3 times only. The P/B Multiple of the Subscription as calculated above is even higher than the Bank's current P/B Multiple of its H Shares.

It is noted that the net asset value ("NAV") per Share of the Bank as at December 31, 2019 was higher than the Minimum Subscription Price and the Minimum Subscription Price represented a discount of approximately 59.18% of the audited NAV per Share. However, as shown in the table above, the P/B Multiples of the Comparable Banks as at the Latest Practicable Date ranged from 0.2 to 1.0, with an average of 0.5 and a median of 0.4. Save for Bank of Jiujiang Co., Ltd, the closing prices of the all other Comparable Banks as at the Latest Practicable Date were below their respective net asset value per share as at December 31, 2019. It is also noted that the closing price of H Shares had been lower than its NAV per Share during the Review Period, and it may not be commercially feasible for the Bank to secure subscriber(s) to agree on an issue price higher than or equal to the NAV per Share. Therefore, based on the above, we concur with the Directors that the discount to the NAV per Share is reasonable and acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the Subscription Price shall be not less than the Minimum Subscription Price and represent a discount not higher than the Maximum Discount; (ii) the Minimum Subscription Price would be within the range of the daily closing prices of the H Shares during the Review Period; (iii) the Minimum Subscription Price shall represent a premium of at least 26.4% over the daily closing price of the H Shares during the Recent Period; (iv) the premium of the Minimum Subscription Price to the Benchmarked Prices or the Maximum Discount shall be within the range of that of Recent Comparables; and (v) the P/E Multiple and the P/B Multiple of the Subscription as calculated above are above and within the ranges of those of the Comparable Banks respectively, we concur with Directors that the Subscription Price would be fair and reasonable so far as the Independent Shareholders are concerned and is on normal commercial terms.

**(c) *Lock-up arrangement***

The Domestic Shares to be issued and held by investors participating in the non-public Domestic Share Issuance shall be transferred in accordance with the PRC Company Law, Implementation Measures for the Administrative Licensing Items concerning Chinese-Funded Commercial Banks (《中資商業銀行行政許可事項實施辦法》), the Interim Measures on the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), Articles of Association and other relevant rules. In particular, the subscribers who will hold 5% or more of the total number of Shares upon completion of the Domestic Share Issuance shall not transfer their newly-subscribed Shares within 5 years from the date on which the Shares are issued and allotted to them. Accordingly, any Domestic Shares subscribed by the Substantial Shareholder Subscribers pursuant to the Subscription shall be subject to a 5-year lock-up from the date on which such newly-subscribed Domestic Shares are issued and allotted to them.

Save as the above, there is no other lock-up arrangements under the Domestic Share Issuance. As stated in the Letter from the Board, the Bank currently expects that, other than the Substantial Shareholder Subscribers, no other investors participating in the Issuance will become a Substantial Shareholder upon completion of the Issuance. Therefore, save for the Substantial Shareholder Subscribers, it is expected that no other investors participating in the Issuance shall be subject to any lock-up arrangements.

Having considered the above, we concur with the Directors' view that the terms of the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is on normal commercial terms.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7. Effects of the Domestic Share Issuance on shareholding structure in the Bank

Independent Shareholders are advised to read the effects of the Issuance on the shareholding structure of the Bank under the section headed “6. Effect of the Issuance on the shareholding structure of the Bank” as contained in the Letter from the Board.

Assuming that (i) there are no other changes to the total issued share capital of the Bank other than the Issuance from the Latest Practicable Date to the date of the completion of the Issuance; (ii) the number of Domestic Shares and H Shares to be issued under the Subscription and the H Share Issuance are 3.75 billion Domestic Shares and 1.25 billion H Shares respectively, shareholding of the existing public Shareholders will be diluted from approximately 62.7% to approximately 50.2%

In assessing whether the shareholding dilution to the Independent Shareholders is acceptable, we have reviewed the theoretical dilution effect (as defined under the Listing Rules) (the “**Theoretical Dilution Effect**”) of the Issuance (assuming that the number of Domestic Shares and H Shares to be issued under Subscription and the H Share Issuance are 3.75 billion Domestic Shares and 1.25 billion H Shares respectively) with that of the Recent Comparables.

Set out below is the summary of the theoretical dilution effect:

Date of announcement	Company name	Stock code	Theoretical Dilution Effect
April 28, 2020	IR Resources Limited	8186	-12.0%
April 23, 2020	Binhai Investment Company Limited	2886	0.0%
April 20, 2020	China Saite Group Company Limited	153	-3.5%
April 17, 2020	Shanghai Dongzheng Automotive Finance Co., Ltd.	2718	-3.3% <sup>(1)</sup>
April 14, 2020	AsiaInfo Technologies Limited	1675	-5.5%
April 9, 2020	Creative China Holdings Limited	8368	0.4%
April 3, 2020	VCREDIT Holdings Limited	2003	1.8%
April 3, 2020	Gemini Investments (Holdings) Limited	174	13.6%
April 3, 2020	Sinopharm Tech Holdings Limited	8156	-2.5%
March 27, 2020	Asia Energy Logistics Group Limited	351	-4.8%
March 24, 2020	WuXi AppTec Co., Ltd.	2359	-0.8% <sup>(2)</sup>
March 10, 2020	Bank of Jinzhou Co., Ltd.	416	-5.1%
March 2, 2020	China Regenerative Medicine International Limited	8158	-6.1%



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Theoretical Dilution Effect
February 6, 2020	China Finance Investment Holdings Limited	875	-23.4%
January 22, 2020	CT Vision (International) Holdings Limited	994	-4.2%
January 8, 2020	Sunway International Holdings Limited	58	2.9%
<b>Average:</b>			<b>-3.3%</b>
<b>Median:</b>			<b>-3.4%</b>
<b>Maximum:</b>			<b>13.6%</b>
<b>Minimum:</b>			<b>-23.4%</b>
<b>The Bank (based on Minimum Subscription Price)</b>			<b>9.4%<sup>(3)</sup></b>
<b>The Bank (based on Maximum Discount)</b>			<b>-6.6%<sup>(4)</sup></b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

- (1) As the number of shares to be issued and the issue price have not been finalized according to the announcement of Shanghai Dongzheng Automotive Finance Co., Ltd. dated April 17, 2020, the theoretical dilution effect is calculated on the basis that (i) there are no other changes to the total issued share capital of the company other than the subscription from the date of the announcement to the date of the completion of the subscription; (ii) the issue price shall be the lowest price based on its method of pricing; and (iii) the maximum of 427,930,280 H shares shall be issued.
- (2) As the number of shares to be issued and the issue price have not been finalized according to the announcement of WuXi AppTec Co., Ltd dated March 24, 2020, the theoretical dilution effect is calculated on the basis that (i) there are no other changes to the total issued share capital of the company other than the subscription from the date of the announcement to the date of the completion of the subscription; (ii) the issue price shall be the lowest price based on its method of pricing; and (iii) the maximum of 68,205,400 H shares shall be issued.
- (3) Assuming that (i) the benchmarked price used for the calculation of the Theoretical Dilution Effect is the average closing price in the 5 trading days immediately prior to the Latest Practicable Date; (ii) the issue price of the Issuance shall be the Minimum Subscription Price; (iii) the maximum of 5 billion Shares shall be issued under the Issuance; and (iv) there are no other changes to the total issued share capital of the Bank other than the Issuance from the Latest Practicable Date to the date of the completion of the Issuance.
- (4) Assuming that (i) the issue price of the Issuance shall be the calculated based on the Maximum Discount; (ii) the maximum of 5 billion Shares shall be issued under the Issuance; and (iii) there are no other changes to the total issued share capital of the Bank other than the Issuance from the Latest Practicable Date to the date of the completion of the Issuance.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, assuming that the Subscription Price shall be the Minimum Subscription Price, there would be no theoretical dilution effect. On the other hand, assuming that the Subscription Price shall be based on the Maximum Discount as calculated above, the Issuance would result in a theoretical dilution effect of approximately 6.6%, which would be within the range of the theoretical dilution effect of the Recent Comparables, representing theoretical dilution effect from nil to 23.4%.

Having considered the need of the Bank to replenish the its core tier 1 capital and the Theoretical Dilution Effect of the Issuance as calculated above shall be within the range of that of the Recent Comparables, we are of the opinion that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

### **8. Alternative financing methods**

As the main purpose of the Issuance (including the Subscription) is to replenish the Bank's core tier 1 capital, it would not be appropriate to conduct debt financing.

As advised by the Bank, the Directors have considered alternatives to replenish the Bank's core tier 1 capital, including rights issue and open offer. The Board is of the view that non-public issuance of Domestic Shares and H Share Issuance would require a simpler process and provide great operability than a rights issue or an open offer. In addition, a rights issue or an open offer will also likely involve higher transaction costs (such as underwriting fees).

In addition, we have, on a best effort basis, identified 14 rights issues/open offers initially announced by companies listed on the Stock Exchange during the Review Period, and noted that 12 out of 14, or approximately 86%, of the rights issue/open offer were conducted at a discount to the average of the closing price of the respective company (as quoted on the Stock Exchange for the last five trading days up to and including the last trading day) over 10%, ranging from 10.3% to 37.9% and with an average discount of approximately 23.4%. The remaining two rights issue were first announced back to January, 2020, and the relevant discount represented nil and 1.6%. In particular, it is noted that the market sentiment for the capital market in Hong Kong has been relatively low recently, as indicated by the significant decline in Hang Seng Index since February, 2020. Therefore, a rights issue or an open offer may not be attractive to the Shareholders unless the proposed issue/offer price represents a substantial discount to the prevailing trading price of the Shares.

Taking into account the above, we concur with the Directors' view that the Subscription would be a financing method with lower costs and higher certainty in the amounts of fundraising than the financing alternatives as mentioned above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that (i) the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Subscription is incidental to the Bank's development of its ordinary and usual course of business though not in the ordinary course of business of the Bank and is in the interests of the Bank and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM and the Class Meetings to approve the Subscription.

Yours faithfully,

For and on behalf of

**Caitong International Capital Co., Limited**

**Michael Lam**

*Chief Executive Officer*

*Mr. Michael Lam has been a responsible officer registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO since 2004 and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

**I. RESPONSIBILITY STATEMENT**

This circular aims to provide information on the Group and is published in accordance with the Listing Rules. The Directors jointly and severally accept full responsibility for the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters not contained in this circular the omission of which would make any statement herein or this circular misleading.

**II. DISCLOSURE OF INTERESTS**

As at Latest Practicable Date, the interests of the Directors, Supervisors and the Chief Executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as required to be notified to the Bank and the Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares of the Bank	Percentage of the Total Share Capital of the Bank
					(%)	(%)
Mr. LIU Qing	Chairman, Executive Director	Domestic Shares	Beneficial owner	301,714 (L) <sup>(1)</sup>	0.004	0.003
Mr. XU Yongfeng	Employee Supervisor	Domestic Shares	Beneficial owner	225,514 (L) <sup>(1)</sup>	0.003	0.002
Mr. LUO Zhenxia	Employee Supervisor	Domestic Shares	Beneficial owner	205,711 (L) <sup>(1)</sup>	0.003	0.002
Mr. LI Yongjun	Shareholder Supervisor	Domestic Shares	Interest in the controlled corporation <sup>(2)</sup>	239,326,800 (L) <sup>(1)</sup>	3.180	2.377

*Notes:*

(1) L represents long position.

(2) Mr. LI Yongjun (a Supervisor of the Bank) and his spouse collectively hold 2.0% equity interest in Yong Xin Hua Holdings Co., Ltd. (永新華控股有限公司) directly. Gansu Yong Xin Construction and Installation Engineering Company Limited (甘肅永新建築安裝工程有限公司) and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited (甘肅黃海電子機電設備工程有限公司) hold 33.0% and 65.0% equity interest in Yong Xin Hua Holdings Co., Ltd., respectively. Mr. LI Yongjun and his spouse collectively hold 100.0% equity interest in Gansu Yong Xin Construction and Installation Engineering Company Limited and Gansu Huanghai Electronic and Mechanical Devices Engineering Company Limited. Yong Xin Hua Holdings Co., Ltd. holds 239,326,800 Domestic Shares of the Bank directly as at the Latest Practicable Date. Pursuant to the SFO, Mr. LI Yongjun is deemed to be interested in the Shares of the Bank held by Yong Xin Hua Holdings Co., Ltd..

Saved as disclosed above, as of Latest Practicable Date, none of the Directors, Supervisors or the Chief Executive of the Bank has interests or short positions defined above.

### **III. COMPETING INTEREST**

As of the Latest Practicable Date, none of the Directors and their respective close associates is interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

### **IV. INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT**

As of the Latest Practicable Date, none of the Directors or Supervisors of the Bank is materially interested in any contracts or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

None of the Directors or Supervisors of the Bank has any direct or indirect interest in any assets which have been, since December 31, 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any members of the Group, or are proposed to be acquired or disposed of by, or leased to any members of the Group.

### **V. POSITIONS OF DIRECTORS AND SUPERVISORS IN SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, Director WU Changhong is the deputy general manager of Gansu Highway Aviation Tourism; Director ZHANG Hongxia is the senior manager of the office of Baoshang Bank Co., Ltd.; Director GUO Jirong is the head of the asset resources management department of Jiuquan Iron & Steel; Director ZHANG Youda is the deputy general manager and chief financial officer of Jinchuan Group; Director LIU Wanxiang is the director and general manager of Gansu Electric Power Investment, and Gansu Highway Aviation Tourism, Baoshang Bank Co., Ltd., Jiuquan Iron & Steel, Jinchuan Group and Gansu Electric Power Investment hold interests or short positions in the Shares and underlying Shares of the Bank which would be required to be notified to the Bank in accordance with Divisions 2 and 3 of Part XV under the SFO. Saved as disclosed above, there is no other Director or Supervisor holds position in a company, which has interests or short positions in the Shares and underlying Shares of the Bank which would be required to be notified to the Bank in accordance with Divisions 2 and 3 of Part XV under the SFO.

**VI. MATERIAL ADVERSE CHANGE**

The Board expects that the COVID-19 outbreak since January 2020 would have an impact on the operations of entities in some provinces and cities in the PRC and certain industries as well as the overall economic situation, which may in turn affect the quality or returns of the credit assets and investment assets of the Group since December 31, 2019 (the date to which the latest published audited consolidated financial statements of the Group have been made up). The degree of impact will depend on the prevention and control measures on the epidemic, the duration of the epidemic and the implementation of various measures and policies. As of the Latest Practicable Date, the Board has not been able to estimate the extent of financial or business impact of the epidemic on the Group.

**VII. LITIGATION**

As of the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

**VIII. SERVICE CONTRACTS**

No service contracts that cannot be terminated by the Group within one year without compensation (other than statutory compensation) have been or have been proposed to be entered into between the Group and the Directors as of the Latest Practicable Date.

**IX. EXPERT**

The following are the qualifications of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Caitong International Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As of the Latest Practicable Date, Caitong International Capital has no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities which carry voting rights in any member of the Group.

As of the Latest Practicable Date, Caitong International Capital is not interested, directly or indirectly, in any assets which had since December 31, 2019 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Caitong International Capital has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.

#### **X. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Bank in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, within 14 days from the date of this circular (excluding Saturdays, Sundays and public holidays):

- (1) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 26 to 27 of this circular;
- (2) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 28 to 52 of this circular;
- (3) the written consent referred to in the paragraph headed "Expert" of this appendix;
- (4) the Letters of Intent; and
- (5) this circular.

#### **XI. LANGUAGE**

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.