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If you are in 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, bank manager, solicitor, professional accountant or other professional adviser.

This circular is for your information only and is not intended to constitute or form part of an invitation or offer to acquire, purchase, or subscribe for securities of the Bank.



BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

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

(Stock Code: 1963)

(Stock Code of Preference Shares: 4616)

CONNECTED TRANSACTION – SUBSCRIPTION OF A SHARE CONVERTIBLE BONDS BY SUBSTANTIAL SHAREHOLDER AND ITS ASSOCIATES

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



A letter from the Board is set out on pages 5 to 15 of this circular.

The 2022 first EGM of the Bank will be held at 9:30 a.m. on Thursday, 17 March 2022 at Multi-Function Conference Hall, 3/F of the Building of the Head Office of Bank of Chongqing, No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC.

The notices and forms of proxy of the EGM have been despatched to the Shareholders and have also been uploaded to the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.cqcbank.com) on 28 February 2022. Whether or not you are able to attend the EGM, you are requested to complete the relevant form of proxy in accordance with the instructions printed thereon and return the same to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time specified for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

* *The Bank holds a financial licence number B0206H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000202869177Y. The Bank is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*

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DEFINITIONS

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

“A Share Convertible Bonds” or “Convertible Bonds”	convertible corporate bonds which can be converted into new A Shares proposed to be issued by the Bank in the PRC with an aggregate amount of not more than RMB13 billion (RMB13 billion inclusive)
“A Share(s)”	ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which are listed on the Main Board of the Shanghai Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Bank”	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01963) and whose A Shares are listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 601963)
“Board”	the board of Directors
“CB Conversion Price”	the price at which the new A Shares will be issued upon conversion of the Convertible Bonds, as may be adjusted from time to time
“CB Holders”	holders of the Convertible Bonds proposed to be issued
“Chongqing Chuanyi Automation”	Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司), a company incorporated in the PRC with limited liability and an associate of Chongqing Yufu which has the preferential right as an existing A Shareholder of the Bank to subscribe for the A Share Convertible Bonds to be issued

DEFINITIONS

“Chongqing Chuanyi Microcircuit”	Chongqing Chuanyi Microcircuit Co., Ltd. (重慶川儀微電路有限責任公司), a company incorporated in the PRC with limited liability and an associate of Chongqing Yufu which has the preferential right as an existing A Shareholder of the Bank to subscribe for the A Share Convertible Bonds to be issued
“Chongqing Hotel”	Chongqing Hotel Co., Ltd. (重慶賓館有限公司), a company incorporated in the PRC with limited liability and an associate of Chongqing Yufu which has the preferential right as an existing A Shareholder of the Bank to subscribe for the A Share Convertible Bonds to be issued
“Chongqing SASAC”	Chongqing State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會), which is established as a special institution directly under Chongqing Municipal Government and is authorized by Chongqing Municipal Government to represent the State to perform the duties of contributor
“Chongqing Silian Investment Management”	Chongqing Silian Investment Management Co., Ltd. (重慶四聯投資管理有限公司), a company incorporated in the PRC with limited liability and an associate of Chongqing Yufu which has the preferential right as an existing A Shareholder of the Bank to subscribe for the A Share Convertible Bonds to be issued
“Chongqing Transportation Financing Guarantee”	Chongqing Transportation Financing Guarantee Co., Ltd. (重慶交通融資擔保有限公司), a company incorporated in the PRC with limited liability and an associate of Chongqing Yufu which has the preferential right as an existing A Shareholder of the Bank to subscribe for the A Share Convertible Bonds to be issued
“Chongqing Yufu”	Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司), a company incorporated in the PRC with limited liability and a substantial shareholder of the Bank
“Chongqing Yufu Holding”	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), a company incorporated in the PRC with limited liability and wholly controls Chongqing Yufu

DEFINITIONS

“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“EGM”	the first extraordinary general meeting of 2022 of the Bank to be convened and held at 9:30 a.m. on Thursday, 17 March 2022 at Multi-Function Conference Hall, 3/F of the Building of the Head Office of Bank of Chongqing, No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC for the purposes of considering and, if thought fit, approving the Subscription
“Group”	the Bank and its controlled subsidiaries
“Guotai Junan”	Guotai Junan Capital Limited, being a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial advisor appointed by the Bank to the Independent Board Committee and Independent Shareholders in relation to the Subscription to be proposed at the EGM
“H Share(s)”	overseas-listed foreign shares in the share capital of the Bank with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong Dollars
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, being Dr. LIU Xing, Mr. WANG Rong, Dr. ZOU Hong, Dr. FUNG Don Hau and Mr. YUAN Xiaobin, which was established by the Board to advise the Independent Shareholders on the Subscription
“Independent Shareholders”	Shareholders other than those who have a material interest in the relevant resolution in relation to the Subscription to be proposed at the EGM

DEFINITIONS

“Issuance of A Share Convertible Bonds”	the issuance of A Share Convertible Bonds (including the Subscription) by the Bank in accordance with the Proposal on Issuance of A Share Convertible Bonds
“Latest Practicable Date”	25 February 2022, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposal on Issuance of A Share Convertible Bonds”	the proposal on the issuance of A Share Convertible Bonds considered and approved by the Shareholders at the annual general meeting of 2020 and the 2021 first class meetings of the Bank on 20 May 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value RMB1.00 each in the share capital of the Bank (including A Shares and/or H Shares)
“Shareholder(s)”	holder(s) of Share(s) of the Bank
“Southwest Securities”	Southwest Securities Co., Ltd. (西南證券股份有限公司), a company incorporated in the PRC with limited liability and an associate of Chongqing Yufu which has the preferential right as an existing A Shareholder of the Bank to subscribe for the A Share Convertible Bonds to be issued
“Subscription”	the subscription of A Share Convertible Bonds by Chongqing Yufu and its associates in accordance with the terms of the undertakings from Chongqing Yufu and the maximum subscription amount shall be RMB3.0 billion
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank

LETTER FROM THE BOARD



BANK OF CHONGQING CO., LTD.*
重慶銀行股份有限公司*

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

(Stock Code: 1963)

(Stock Code of Preference Shares: 4616)

Executive Directors:

Ms. LIN Jun
Mr. RAN Hailing
Mr. LIU Jianhua
Mr. WONG Wah Sing

Registered office:

No. 6 Yongpingmen Street
Jiangbei District
Chongqing
PRC

Non-executive Directors:

Mr. WONG Hon Hing
Mr. YANG Yusong
Mr. WU Heng
Mr. ZHONG Xian

Principal place of business

in Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent non-executive Directors:

Dr. LIU Xing
Mr. WANG Rong
Dr. ZOU Hong
Dr. FUNG Don Hau
Mr. YUAN Xiaobin

1 March 2022

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION – SUBSCRIPTION OF
A SHARE CONVERTIBLE BONDS BY SUBSTANTIAL
SHAREHOLDER AND ITS ASSOCIATES**

I. INTRODUCTION

The EGM of the Bank is proposed to be held on Thursday, 17 March 2022. The notices and forms of proxy of the EGM have been despatched to the Shareholders and have also been uploaded on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.cqcbank.com) on 28 February 2022.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with all information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution set out in the notice of the EGM.

II. SUBSCRIPTION OF A SHARE CONVERTIBLE BONDS BY SUBSTANTIAL SHAREHOLDER AND ITS ASSOCIATES

1. Background

References are made to the announcements dated 30 March 2021, 20 May 2021, 27 September 2021 and 18 November 2021 and the circular dated 26 April 2021 of the Bank (the “**Issuance Circular**”) in relation to the Proposal on Issuance of A Share Convertible Bonds, and the preferential rights of the existing A Shareholders of the Bank to subscribe for the A Share Convertible Bonds to be issued.

Based on the Proposal on Issuance of A Share Convertible Bonds, the existing A Shareholders of the Bank shall have preferential rights to subscribe for the A Share Convertible Bonds to be issued in proportion to their shareholding percentage of the number of A Shares of the Bank to the total number of issued A Shares of the Bank. The remaining portion of the preferential issuance of the Convertible Bonds to the existing A Shareholders (i.e. those given up by the existing A Shareholders) will be issued offline to institutional investors and/or online through the Shanghai Stock Exchange system. If there remains under-subscription, the under-subscribed A Share Convertible Bonds will be underwritten by the underwriting syndicate.

The actual amount to be preferentially allocated to the existing A Shareholders shall be determined by the Board (or its authorized person(s)) with reference to the market conditions before issuance, according to the authorization by the Shareholders at the general meeting.

2. Chongqing Yufu Undertaking

On 14 February 2022, the Bank received undertakings from Chongqing Yufu on the exercise of preferential rights for subscription of the A Share Convertible Bonds by Chongqing Yufu and its associates, pursuant to which, Chongqing Yufu and its associates shall only subscribe the A Share Convertible Bonds in proportion to their shareholding percentage of the number of A Shares of the Bank to the total number of issued A Shares of the Bank through preferential issuance, and they shall not participate in the online or offline subscription (if any) of the A Share Convertible Bonds other than the preferential issuance portion in proportion to its shareholding.

As at the Latest Practicable Date, Chongqing Yufu and its associates hold 436,685,931 A Shares of the Bank, representing approximately 23.04% of the total number of issued A Shares of the Bank. Accordingly, assuming that the Bank has issued the A Share Convertible Bonds at the maximum issuance amount of RMB13 billion and all A Share Convertible Bonds have been preferentially allocated to the existing A Shareholders, the maximum amount to be subscribed by Chongqing Yufu and its associates is approximately RMB3.0 billion.

LETTER FROM THE BOARD

Based on the current minimum initial CB Conversion Price of RMB11.28 per Share fixed by the Bank as disclosed in the Issuance Circular, which represents the audited net asset value per Share of the Bank as at 31 December 2020, all the A Share Convertible Bonds under the Subscription are convertible into a total of 265,495,832 A Shares. Pursuant to the Proposal on Issuance of A Share Convertible Bonds, the subscription price is the par value of the A Share Convertible Bonds of RMB100 each. Chongqing Yufu and its associates intend to subscribe in cash for the A Share Convertible Bonds under the Subscription. When participating in the Issuance of A Share Convertible Bonds, Chongqing Yufu and its associates pay the subscription monies in full as required by the Bank or the intermediary engaged by it.

3. Principal Terms of the A Share Convertible Bonds

The Subscription forms part of the Issuance of A Share Convertible Bonds. The terms of the A Share Convertible Bonds are set out in the Proposal on Issuance of A Share Convertible Bonds, and have been considered and approved at the 2020 annual general meeting, the 2021 first H Shareholders' class meeting and the 2021 first A Shareholders' class meeting of the Bank held on 20 May 2021. For details of the terms of the A Share Convertible Bonds and the relevant effect of the Issuance of A Share Convertible Bonds, please refer to Appendices II and III to this circular, which, for avoidance of doubt, are same as Appendices I and V to the Issuance Circular. For other details of the Issuance of A Share Convertible Bonds, please refer to the Issuance Circular.

The shareholding structure of the Bank as at the Latest Practicable Date and immediately after completion of the proposed issuance of the A Share Convertible Bonds and conversion of all the A Share Convertible Bonds into A Shares (assuming that (i) the Bank has issued the A Share Convertible Bonds at the maximum issuance amount of RMB13 billion; (ii) all A Share Convertible Bonds have been subscribed by Chongqing Yufu and its associates in proportion to their current respective holding of A Shares except those Directors and Supervisors and their associates holding A Shares who are subject to the dealing prohibitions under the Model Code; (iii) all A Share Convertible Bonds have been converted into A Shares at the minimum initial CB Conversion Price of RMB11.28 per Share; and (iv) the Bank will not further issue and allot any Shares before all the A Share Convertible Bonds are converted into A Shares) is as follows:

	As at the Latest Practicable Date		Immediately after completion of the proposed issuance of A Share Convertible Bonds and conversion of all the A Share Convertible Bonds into A Shares at RMB11.28 per Share	
	Number of Shares	As a percentage of total issued Shares	Number of Shares	As a percentage of total issued Shares
A Shares				
Chongqing Yufu ⁽¹⁾	410,868,803	11.8252%	660,668,359	14.2786%

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after completion of the proposed issuance of A Share Convertible Bonds and conversion of all the A Share Convertible Bonds into A Shares at RMB11.28 per Share	
	Number of Shares	As a percentage of total issued Shares	Number of Shares	As a percentage of total issued Shares
Associates of Chongqing Yufu, including:				
Chongqing Chuanyi Automation	16,129,476	0.4642%	25,935,858	0.5605%
Chongqing Hotel	4,571,761	0.1316%	7,351,370	0.1589%
Southwest Securities	914,351	0.0263%	1,470,290	0.0318%
Chongqing Chuanyi Microcircuit	136,571	0.0039%	219,638	0.0047%
Chongqing Silian Investment Management	12,679	0.0004%	20,391	0.0004%
Chongqing Transportation Financing Guarantee	4,052,290	0.1166%	6,516,031	0.1408%
Directors and Supervisors and their associates	501,005	0.0144%	501,005	0.0108%
Other Public Shareholders	1,458,297,591	41.9714%	2,345,284,029	50.6871%
Total issued A Shares	1,895,484,527	54.5541%	3,047,966,797	65.8737%
H Shares				
Dah Sing Bank, Limited	458,574,853	13.1983%	458,574,853	9.9109%
Chongqing Yufu (Hong Kong) Limited ⁽¹⁾	74,566,000	2.1461%	74,566,000	1.6115%
Public Shareholders	1,045,879,959	30.1015%	1,045,879,959	22.6039%
Total issued H Shares	1,579,020,812	45.4459%	1,579,020,812	34.1263%
Total issued Shares	3,474,505,339	100%	4,626,987,609	100%

Note (1) As at the Latest Practicable Date, Chongqing Yufu (Hong Kong) Limited is a subsidiary of Chongqing Yufu. Chongqing Yufu holds 410,868,803 A Shares of the Bank and Chongqing Yufu (Hong Kong) Limited holds 74,566,000 H Shares of the Bank.

The Subscription is subject to the Independent Shareholders' approval at the EGM as well as other conditions precedent to the issuance of A Share Convertible Bonds, including: (a) the approval of the Board of the Bank; (b) the approval of the shareholders' general meeting, A Shareholders' class meetings and H Shareholders' class meetings of the Bank; (c) the approval

LETTER FROM THE BOARD

of the Chongqing State-Owned Assets Supervision and Administration Commission; (d) the approval of the Chongqing Bureau of China Banking and Insurance Regulatory Commission; and (e) the approval of the CSRC. The above conditions precedent are non-waivable and as at the Latest Practicable Date, the plan for the issuance of A Share Convertible Bonds has been approved at the twenty-fourth meeting of the sixth session of the Board of the Bank, the Chongqing State-Owned Assets Supervision and Administration Commission, the 2020 annual general meeting, the 2021 first H Shareholders' class meeting and the 2021 first A Shareholders' class meeting of the Bank held on 20 May 2021, and Chongqing Bureau of China Banking and Insurance Regulatory Commission. The plan has been submitted to the CSRC for review and approval. Except for the approval of the CSRC on the plan of the issuance of A Share Convertible Bonds and the Independent Shareholders' approval at the EGM on the Subscription, all conditions precedent to the Subscription have been fulfilled. After obtaining the approvals from all relevant PRC regulatory authorities and the Independent Shareholders' approval at the EGM on the Subscription, the Bank will issue the A Share Convertible Bonds subject to market opportunities. Directors, Supervisors and their associates who are subject to dealing prohibitions under the Model Code will not subscribe for the A Share Convertible Bonds should the issuance of the A Share Convertible Bonds occur during the relevant dealing prohibition periods as stipulated under the Model Code.

As disclosed in the Issuance Circular, the plan for the issuance of A Share Convertible Bonds shall be valid for 12 months from the date on which the resolution was approved at the annual general meeting of 2020 and the 2021 first class meetings of the Bank on 20 May 2021. In the event that the issuance has not been completed within 12 months after such date, the Bank will resubmit resolutions to the general meeting and class meetings for consideration and approval to extend the validity of the issuance plan and the relevant authorization(s).

The public issuance of A Share Convertible Bonds is subject to certain relevant risks, including but not limited to risk of changes in politics, laws, regulations and policies, management risk, risk in approvals, etc. When evaluating the public issuance of A Share Convertible Bonds by the Bank, investors should take the aforementioned risk factors into due consideration.

4. Equity Fund-Raising Activities In The Past Twelve Months

In the past 12 months immediately before the Latest Practicable Date, the Bank has not conducted any equity financing activities involving the issuance of equity securities.

5. Reason for the Subscription in the Past Twelve Months

As the business scale of the Bank continues to expand with ongoing optimization of business structure, the Bank is bound to face the pressure of capital replenishment going ahead. In order to better meet the regulatory requirements and enhance its risk resistance capacity, it is necessary for the Bank to issue the A Share Convertible Bonds to further improve its capital adequacy. The issuance of A Share Convertible Bonds will allow the Bank to further enhance its capital strength, which will not only help the Bank meet its business development needs, but

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also contribute to its stronger capability in serving the real economy. To protect the interests of existing Shareholders and lower the dilutive impact on existing Shareholders caused by the issuance of A Share Convertible Bonds, the plan of the issuance of A Share Convertible Bonds provides to existing A Shareholders preferential rights to subscribe. A Shareholders are entitled to preferentially subscribe for A Share Convertible Bonds in proportion to their respective shareholding in the Bank's A share capital. The reason for conducting the Subscription is to provide Chongqing Yufu and its associates the same rights as other A Shareholders. Participation by Chongqing Yufu, as one of the substantial shareholders of the Bank, in the issuance of A Share Convertible Bonds will demonstrate its solid confidence in the prospects of the Bank. Completion of the Subscription, as it forms part of the Issuance of A Share Convertible Bonds, will help the Bank achieve the aforementioned benefits from the Issuance of A Share Convertible Bonds and allow the Bank to further enhance its capital strength. The Directors (excluding the independent non-executive Directors) believe that the terms of the issuance of A Share Convertible Bonds (including the Subscription) by the Bank are fair and reasonable and in the interests of the Shareholders as a whole.

After deducting issuance expenses, the proceeds from the Issuance of A Share Convertible Bonds will be utilized in full to support sound business development of the Bank in the future, i.e. to replenish the core Tier-1 capital of the Bank in accordance with relevant regulatory requirements after the conversion of the A Share Convertible Bonds.

6. Information on the Bank and Chongqing Yufu

The Bank

The Bank is a joint-stock limited company incorporated in the PRC, whose H Shares are listed on the main board of the Hong Kong Stock Exchange and whose A Shares are listed on the main board of the Shanghai Stock Exchange. The principal business activities of the Bank are acceptance of deposits from companies, extension of short-, mid – and long-term loans, registration of discounted bills acceptance, issuance of financial bonds, acting as issuance agency, acting as securities cashing agency, underwriting of government bonds and conducting interbank lending.

Chongqing Yufu

Chongqing Yufu is a limited liability company incorporated in the PRC and wholly-owned by Chongqing Yufu Holding whose ultimate controller is the Chongqing SASAC, conducting business including the acquisition and disposal of assets and relevant property investment, investment advisory, financial consultancy, consultancy and agency for corporate reorganizations and mergers, custody of enterprises and assets (businesses requiring pre-requisite approval under the laws and regulations of the country shall not be conducted before such approval is obtained) under the authority of the municipal government.

LETTER FROM THE BOARD

Chongqing Chuanyi Automation

Chongqing Chuanyi Automation is a limited liability company incorporated in the PRC with its shares listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 603100). As at the Latest Practicable Date, the ultimate actual controller of Chongqing Chuanyi Automation is the Chongqing SASAC, which, through China Silian Instrument Group Co., Ltd. (a wholly-owned subsidiary of Chongqing Yufu Holding), Chongqing Yufu and Chongqing Waters & Environment Holdings Group Ltd., holds 30.08%, 12.51% and 8.87% of Chongqing Chuanyi Automation respectively, and holds a total of 51.46% of Chongqing Chuanyi Automation. Chongqing Chuanyi Automation conducts business including automation control system integration and complete engineering, environmental analysis instruments and complete engineering, instrumentation, electrical automation systems and devices, high and low voltage electrical equipment, complete sets of devices of automatic instrumentation and control panels, desks, boxes, cabinets and related products, cable trays and related products, design, manufacturing, sales and technical consulting services of air purification equipment and accessories; design, manufacturing, sales, overhaul and maintenance of valves and related technical consulting services; design, manufacturing, sales and technical consulting services of medical devices (shall be confined only to operate with valid license certificates by branches); development, application and technical consulting services of computers and computer networks; hybrid integrated circuits and microelectronic devices, functional materials and components, automobile and motorcycle parts (excluding automobile engines and motorcycle engines), general mechanical design, manufacturing, sales and related technical consulting services; design, manufacturing, sales and technical consulting services of rail transit equipment and components; rail transit equipment engineering support, system integration, installation and commissioning, operation and maintenance, management and technical consulting services; design, manufacturing, sales, system integration, installation and commissioning of environmental protection equipment and its technical consulting services; complete sets of design, operation and maintenance, installation, commissioning, management and technical consulting services for municipal and environmental protection engineering systems; smelting, processing, manufacturing, sales and technical consulting services of precious metals, non-ferrous metals and alloys; manufacturing and sales of powder metallurgy products; processing of metal waste and scraps. (business involving licensing shall be operated under a valid license certificate) (projects subject to approval according to law shall only carry out business activities after being approved by relevant departments).

Chongqing Hotel

Chongqing Hotel is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including licensed projects including wholesale and retail of prepackaged food (operation shall be confined to branches) (for projects subject to approval in accordance with law, operating activities can only be conducted upon approval by relevant authorities and the specific business projects are subject to the approval documents or permits of the relevant departments), general projects including property management, real estate development (practice with qualification certificate), aquatic products (other than the products which are

LETTER FROM THE BOARD

specifically regulated by the state), sales of equipment and supplies for department stores, household appliances, arts and crafts, hairdressing and beauty, and providing hotel management consulting services (except for specific projects subject to approval in accordance with law, business activities shall be carried out based on the business license).

Southwest Securities

Southwest Securities is a limited liability company incorporated in the PRC with its shares listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 600369). As at the Latest Practicable Date, the ultimate actual controller of Southwest Securities is Chongqing SASAC, which, through Chongqing Yufu, Chongqing Chengtou (Group) Co., Ltd., Chongqing Expressway Group Co., Ltd., and Chongqing Water & Environment Holdings Group Ltd., holds 27.89%, 10.37%, 4.14% and 1.81% of Southwest Securities respectively, and holds a total of 44.21% of Southwest Securities. Southwest Securities conducts business including securities brokerage, securities investment consulting, financial advisory related to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary trading of securities, securities asset management, margin financing and securities lending, proxy sales of securities and investment funds, proxy sales of financial products, providing intermediary introduction services for futures companies and market making for stock options. (the above business scope shall be operated according to the permitted term of the license) (for projects subject to approval in accordance with law, operating activities can only be conducted upon approval by relevant authorities and the specific business projects are subject to the approval documents or permits of the relevant departments).

Chongqing Chuanyi Microcircuit

Chongqing Chuanyi Microcircuit is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including R&D, design, manufacturing and sales of integrated circuits, automotive electronic products, optical transmission equipment, information network terminal equipment, electronic components, transformers and inductors for communication and electronic equipment, printed circuits boards, special connectors, electronic modules, power electronic components, photovoltaic equipment, photovoltaic equipment components and related technical services; import and export of goods; import and export of technology; leasing of electronic equipment; general road freight. (Projects subject to approval according to law shall only carry out business activities after being approved by relevant departments.)

Chongqing Silian Investment Management

Chongqing Silian Investment Management is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including planting and sales of seedlings (business can only be carried out after obtaining relevant administrative licenses and shall be operated within the specified scope approved by the licenses), utilizing its own funds to engage in investment business (excluding financial services), operation and management of the invested assets,

LETTER FROM THE BOARD

providing consulting services on investment management information, business management services, import and export of goods, and import and export of technology. Engineering design and construction of landscaping, and maintenance and technical consulting services of landscaping. (business scope prohibited by law and administrative regulations shall not be operated; projects that require approval according to law and administrative regulations shall only be operated after approval according to law.)

Chongqing Transportation Financing Guarantee

Chongqing Transportation Financing Guarantee is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including licensed projects including loan guarantee, bill acceptance guarantee, trade financing guarantee, project financing guarantee, letter of credit guarantee and other financing guarantee businesses (operating according to the permitted term) (for projects subject to approval in accordance with law, operating activities can only be conducted upon approval by relevant authorities and the specific business projects are subject to the approval documents or permits of the relevant departments), general projects including litigation preservation guarantee business, performance guarantee business, and intermediary services including financing consultation and financial advisory related to guarantee business, and investments conducted with its own funds (except for specific projects subject to approval in accordance with law, business activities shall be carried out based on the business license).

III. EGM

The EGM of the Bank will be held at 9:30 a.m. on Thursday, 17 March 2022 at the Multi-Function Conference Hall, 3/F of the Building of the Head Office of Bank of Chongqing, No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC. The notices and forms of proxy of the EGM have been despatched to the Shareholders and have also been uploaded on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.cqcbank.com) on 28 February 2022.

The register of members of H Shares of the Bank will be closed from Monday, 14 March 2022 to Thursday, 17 March 2022 (both days inclusive), during which time no transfer of H Shares of the Bank will be effected and registered. In order to attend the EGM, holders of H Shares should ensure that all transfer documents, accompanied by the relevant H Share certificates, are lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 11 March 2022. Shareholders of the Bank whose names appear on the register of members of the Bank at the close of business on Friday, 11 March 2022 are entitled to attend and vote at the EGM.

To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to the Bank's H Share Registrar not less than 24 hours before the time appointed for the EGM. Completion and return of the proxy form will not preclude you from attending and voting at the EGM in person if you so wish.

LETTER FROM THE BOARD

IV. LISTING RULES REQUIREMENTS

As at the Latest Practicable Date, Chongqing Yufu directly and indirectly holds a total of 485,434,803 Shares, representing approximately 13.97% of the issued share capital of the Bank, and is a substantial shareholder of the Bank; Chongqing Chuanyi Automation, Chongqing Hotel, Southwest Securities, Chongqing Chuanyi Microcircuit, Chongqing Silian Investment Management and Chongqing Transportation Financing Guarantee, each being a subsidiary of Chongqing Yufu Holding and hence an associate of Chongqing Yufu, holds 16,129,476 A Shares, 4,571,761 A Shares, 914,351 A Shares, 136,571 A Shares, 12,679 A Shares and 4,052,290 A Shares, respectively, representing approximately 0.46%, 0.13%, 0.03%, 0.0039%, 0.0004% and 0.12% of the issued share capital of the Bank. Therefore, Chongqing Yufu and its aforementioned associates are connected persons of the Bank. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Bank subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Board has passed the relevant resolution on the connected transaction of the Bank in relation to the Subscription to be submitted to the Shareholders for consideration and approval. At such Board meeting, Mr. YANG Yusong was considered to have a material interest in, and therefore abstained from voting on, the relevant resolution on the connected transaction of the Bank in relation to the Subscription and he shall also abstain from voting on the relevant resolution at the EGM as he currently serves as deputy general manager of Chongqing Yufu Holding and chairman of the board of directors of Chongqing Yufu; otherwise, no Director was considered to have a material interest as defined under Rule 2.16 of the Hong Kong Listing Rules in any of the abovementioned resolutions nor was any of the Directors required to abstain from voting pursuant to the Articles of Association. Therefore, none of the Directors had abstained from voting at the relevant Board meeting.

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution(s) at the EGM will be taken by way of a poll.

Pursuant to Rule 2.15 of the Listing Rules, where shareholders' approval is required with regard to a transaction or arrangement, any shareholder that has a material interest in such transaction or arrangement shall abstain from voting on the resolution(s) approving such transaction or arrangement at the general meeting.

Chongqing Yufu and its associates and Mr. YANG Yusong are regarded as having a material interest in the Subscription and shall abstain from voting on the relevant resolution at the EGM.

Save as disclosed above, as far as the Directors are aware, as of the Latest Practicable Date, no Shareholder is considered to have a material interest in the transactions or arrangements contemplated under the resolutions to be considered and approved at the EGM, therefore none of the Shareholders has to abstain from voting at the EGM.

LETTER FROM THE BOARD

V. RECOMMENDATIONS

The Board (excluding the independent non-executive Directors) considers that the resolution to be proposed at the EGM is in the interests of the Bank and the Shareholders as a whole and accordingly recommends that the Shareholders vote in favour of the resolution to be proposed at the EGM.

By order of the Board
Bank of Chongqing Co., Ltd.*
LIN Jun
Chairman

Chongqing, the PRC

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription, which has been prepared for the purpose of inclusion in this Circular.



BANK OF CHONGQING CO., LTD.* **重慶銀行股份有限公司***

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

(Stock Code: 1963)

(Stock Code of Preference Shares: 4616)

1 March 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION – SUBSCRIPTION OF A SHARE CONVERTIBLE BONDS BY SUBSTANTIAL SHAREHOLDER AND ITS ASSOCIATES

We refer to the circular of the Bank dated 1 March 2022 (the “**Circular**”) dispatched to the Shareholders of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders as to whether the Subscription is fair and reasonable and in the interests of the Bank and its Shareholders as a whole and make recommendation on voting. Besides, Guotai Junan has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription.

We wish to draw your attention to the letter from the Board set out on pages 5 to 15 of the Circular and the letter from Guotai Junan as set out on pages 18 to 40 of the Circular.

Having considered the advice given by Guotai Junan, we are of the view that the Subscription, although not in the ordinary and usual course of business of the Bank, is conducted on normal commercial terms and is fair and reasonable and in the interests of Bank and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Yours faithfully,

For and on behalf of the Independent Board Committee of
Bank of Chongqing Co., Ltd

LIU Xing

Independent Non-executive Director

WANG Rong

Independent Non-executive Director

ZOU Hong

Independent Non-executive Director

FUNG Don Hau

Independent Non-executive Director

YUAN Xiaobin

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Guotai Junan, the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Subscription for the purpose of inclusion in this circular.



27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

1 March 2022

*To: The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION SUBSCRIPTION OF A SHARE CONVERTIBLE BONDS BY SUBSTANTIAL SHAREHOLDER AND ITS ASSOCIATES

INTRODUCTION

We refer to our appointment as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the subscription of A Share Convertible Bonds of the Bank by the substantial shareholder and its associates of the Bank (the “**Subscription**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Bank dated 1 March 2022 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in this Circular.

References are made to the announcements dated 30 March 2021, 20 May 2021, 27 September 2021 and 18 November 2021 (the “**Issuance Announcements**”) and the circular dated 26 April 2021 (the “**Issuance Circular**”) in relation to the Proposal on the Issuance of A Share Convertible Bonds and the preferential rights of the existing A Shareholders of the Bank to subscribe for the A Share Convertible Bonds to be issued, and the announcement dated 14 February 2022 in relation to the Subscription (the “**Subscription Announcement**”).

With reference to the Issuance Announcements and the Issuance Circular, the existing A Shareholders of the Bank shall have preferential rights to subscribe for the A Share Convertible Bonds to be issued in proportion to their shareholding percentage of the number of A Shares of the Bank to the total number of issued A Shares of the Bank. The remaining portion of the preferential issuance of A Share Convertible Bonds to the existing A Shareholders (i.e. those given up by the existing A Shareholders) will be issued offline to institutional investors and/or online through the Shanghai Stock Exchange system. If there remains under-subscription, the under-subscribed A Share Convertible Bonds will be underwritten by the underwriting syndicate. The actual amount to be preferentially allocated to the existing A Shareholders shall be determined by the Board (or its authorised person(s)) with reference to the market conditions before issuance, according to the authorization by the Shareholders at the general meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 14 February 2022, the Bank received undertakings from Chongqing Yufu on the exercise of preferential rights for subscription of the A Share Convertible Bonds by Chongqing Yufu and its associates, pursuant to which, Chongqing Yufu and its associates shall only subscribe the A Share Convertible Bonds in proportion to their shareholding percentage of the number of A Shares of the Bank to the total number of issued A Shares of the Bank through preferential issuance, and they shall not participate in the online or offline subscription (if any) of the A Share Convertible Bonds other than the preferential issuance portion in proportion to their shareholding.

As at the Latest Practicable Date, Chongqing Yufu directly and indirectly holds a total of 485,434,803 Shares, representing approximately 13.97% of the issued share capital of the Bank, and is a substantial shareholder of the Bank. Therefore, Chongqing Yufu and its associates, together holding 436,685,931 A Shares of the Bank and 74,566,000 H Shares of the Bank as at the Latest Practicable Date, are connected person of the Bank. Accordingly, assuming that the Bank has issued the A Share Convertible Bonds at the maximum issuance amount of RMB13 billion and all A Share Convertible Bonds have been preferentially allocated to the existing A Shareholders, the maximum amount to be subscribed by Chongqing Yufu and its associates is approximately RMB3.0 billion.

As stated in the Board Letter, the Subscription constitutes a non-exempt connected transaction of the Bank which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Chongqing Yufu and its associates and Mr. Yang Yusong are regarded as having a material interest in the Subscription and shall abstain from voting on the relevant resolution at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, being Dr. Liu Xing, Mr. Wang Rong, Dr. Zou Hong, Dr. Fung Don Hau and Mr. Yuan Xiaobin, has been formed to advise the Independent Shareholders on (i) whether the Subscription is conducted on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is conducted in the ordinary and usual course of business of the Bank 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 resolution(s) to approve the Subscription at the EGM. We, Guotai Junan Capital Limited, have been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

Apart from the normal professional fees for our services to the Bank in connection with our appointment as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders as described above, no arrangement exists whereby we shall receive any other fees and benefits from the Bank or where appropriate, any of their respective associates. We are independent from and not connected with the Bank or where appropriate, any of its respective substantial shareholders, Directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. In the past two years, there was no engagement between the Bank and us. Therefore, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Bank and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all statement, information and representations which have been provided by the management of the Bank and the Directors, for which they are solely and wholly responsible, were true, accurate and complete in all respects at the time when they were made and will continue to be so at the date hereof and were made after due and careful consideration. We have also assumed that all statements of belief, expectation, opinion and intention made by the management of the Bank and the Directors in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Bank, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors collectively and individually accept full responsibility for the accuracy of the information, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Bank, in the Circular. The Directors, having made all reasonable enquiries, 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. We, as the Independent Financial Advisor, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have not, however, conducted any independent in-depth investigation into the business and affairs of the Bank and the CB Holders (including Chongqing Yufu) or their respective associates, nor have we considered the taxation implication on the Bank or the Shareholders as a result of the proposed Subscription. Our opinion is necessarily based on the financial, economic, market, regulatory and other conditions in effect and the information made available to us as at the Latest Practicable Date.

Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Bank.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Subscription

(i) Information on the Bank

As stated in the Board Letter, the Bank is a joint-stock limited company incorporated in the PRC, of which the H Shares are listed on the Main Board of the Hong Kong Stock Exchange and whose A Shares are listed on the main board of the Shanghai Stock Exchange. The principal business activities of the Bank are acceptance of deposits from companies, extension of short-, mid- and long-term loans, registration of discounted bills acceptance, issuance of financial bonds, acting as issuance agency, acting as securities cashing agency, underwriting of government bonds and conducting interbank lending.

The table below sets out the capital adequacy ratio requirements pursuant to 《商業銀行資本管理辦法(試行)》 (Regulation Governing Capital of Commercial Banks (provisional), the “**Capital Rules**”) issued by China Banking and Insurance Regulatory Commission and the respective capital adequacy ratio of the Bank as at 31 December 2019, 31 December 2020 and 30 September 2021 as extracted from the annual report of the Bank for the years ended 31 December 2019 and 2020 and quarterly report for the nine months ended 30 September 2021:

	Regulatory requirements	As at 30 September 2021	As at 31 December 2020	As at 31 December 2019
	%	%	%	%
Core tier-1 capital adequacy ratio	≥7.50	9.25	8.39	8.51
Tier-1 capital adequacy ratio	≥8.50	10.34	9.57	9.82
Capital adequacy ratio	≥10.50	12.88	12.54	13.00

As noted from the table above, the Bank’s capital adequacy ratios were all in compliance with the regulatory requirements and the ratios have been increased as at 30 September 2021 as compared to that of 31 December 2020. However, the Bank recorded notifiable decreases in the ratios by 0.12 percentage point, 0.25 percentage point and 0.46

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

percentage point as at 31 December 2020 respectively, as compared to that of 31 December 2019. As set out in the Bank's 2020 annual report, the decrease in the capital adequacy ratios was mainly because of growth in the total on and off risk-weighted assets arising out of sound development of various operations. The capital adequacy ratios have been improved as at 30 September 2021 mainly due to the net proceeds of RMB3,705 million from A Share initial public offering.

(ii) Information on the Chongqing Yufu and its associates

As stated in the Board Letter, the Bank's connected persons which may be involved in the Subscriptions include Chongqing Yufu, Chongqing Chuanyi Automation, Chongqing Hotel, Southwest Securities, Chongqing Chuanyi Microcircuit, Chongqing Silian Investment Management and Chongqing Transportation Financing Guarantee.

Chongqing Yufu is a limited liability company incorporated in the PRC and wholly-owned by Chongqing Yufu Holding whose ultimate controller is the Chongqing SASAC, conducting business including the acquisition and disposal of assets and relevant property investment, investment advisory, financial consultancy, consultancy and agency for corporate reorganizations and mergers, custody of enterprises and assets (businesses requiring pre-requisite approval under the laws and regulations of the country shall not be conducted before such approval is obtained) under the authority of the municipal government.

Chongqing Chuanyi Automation is a limited liability company incorporated in the PRC with its shares listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 603100). As at the Latest Practicable Date, the ultimate actual controller of Chongqing Chuanyi Automation is Chongqing SASAC, which, through China Silian Instrument Group Co., Ltd. (a wholly-owned subsidiary of Chongqing Yufu Holding), Chongqing Yufu and Chongqing Waters & Environment Holdings Group Ltd., holds 30.08%, 12.51% and 8.87% of Chongqing Chuanyi Automation respectively, and holds a total of 51.46% of Chongqing Chuanyi Automation. Chongqing Chuanyi Automation conducts business including automation control system integration and complete engineering, environmental analysis instruments and complete engineering, instrumentation, electrical automation systems and devices, high and low voltage electrical equipment, complete sets of devices of automatic instrumentation and control panels, desks, boxes, cabinets and related products, cable trays and related products, design, manufacturing, sales and technical consulting services of air purification equipment and accessories; design, manufacturing, sales, overhaul and maintenance of valves and related technical consulting services; design, manufacturing, sales and technical consulting services of medical devices (shall be confined only to operate with valid license certificates by branches); development, application and technical consulting services of computers and computer networks; hybrid integrated circuits and microelectronic devices, functional materials and components, automobile and motorcycle parts (excluding automobile engines and motorcycle engines), general mechanical design, manufacturing, sales and related technical consulting services; design, manufacturing, sales and technical consulting services of rail transit equipment and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

components; rail transit equipment engineering support, system integration, installation and commissioning, operation and maintenance, management and technical consulting services; design, manufacturing, sales, system integration, installation and commissioning of environmental protection equipment and its technical consulting services; complete sets of design, operation and maintenance, installation, commissioning, management and technical consulting services for municipal and environmental protection engineering systems; smelting, processing, manufacturing, sales and technical consulting services of precious metals, non-ferrous metals and alloys; manufacturing and sales of powder metallurgy products; processing of metal waste and scraps. (business involving licensing shall be operated under a valid license certificate) (projects subject to approval according to law shall only carry out business activities after being approved by relevant departments).

Chongqing Hotel is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including licensed projects including wholesale and retail of prepackaged food (operation shall be confined to branches) (for projects subject to approval in accordance with law, operating activities can only be conducted upon approval by relevant authorities and the specific business projects are subject to the approval documents or permits of the relevant departments), general projects including property management, real estate development (practice with qualification certificate), aquatic products (other than the products which are specifically regulated by the state), sales of equipment and supplies for department stores, household appliances, arts and crafts, hairdressing and beauty, and providing hotel management consulting services (except for specific projects subject to approval in accordance with law, business activities shall be carried out based on the business license).

Southwest Securities is a limited liability company incorporated in the PRC with its shares listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 600369). As at the Latest Practicable Date, the ultimate actual controller of Southwest Securities is Chongqing SASAC, which, through Chongqing Yufu, Chongqing Chengtou (Group) Co., Ltd., Chongqing Expressway Group Co., Ltd., and Chongqing Water & Environment Holdings Group Ltd., holds 27.89%, 10.37%, 4.14% and 1.81% of Southwest Securities respectively, and holds a total of 44.21% of Southwest Securities. Southwest Securities is also a consolidated company of Chongqing Yufu. Southwest Securities conducts business including securities brokerage, securities investment consulting, financial advisory related to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary trading of securities, securities asset management, margin financing and securities lending, proxy sales of securities and investment funds, proxy sales of financial products, providing intermediary introduction services for futures companies and market making for stock options. (the above business scope shall be operated according to the permitted term of the license) (for projects subject to approval in accordance with law, operating activities can only be conducted upon approval by relevant authorities and the specific business projects are subject to the approval documents or permits of the relevant departments).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Chongqing Chuanyi Microcircuit is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including R&D, design, manufacturing and sales of integrated circuits, automotive electronic products, optical transmission equipment, information network terminal equipment, electronic components, transformers and inductors for communication and electronic equipment, printed circuits boards, special connectors, electronic modules, power electronic components, photovoltaic equipment, photovoltaic equipment components and related technical services; import and export of goods; import and export of technology; leasing of electronic equipment; general road freight. (Projects subject to approval according to law shall only carry out business activities after being approved by relevant departments.)

Chongqing Silian Investment Management is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including planting and sales of seedlings (business can only be carried out after obtaining relevant administrative licenses and shall be operated within the specified scope approved by the licenses), utilizing its own funds to engage in investment business (excluding financial services), operation and management of the invested assets, providing consulting services on investment management information, business management services, import and export of goods, and import and export of technology. Engineering design and construction of landscaping, and maintenance and technical consulting services of landscaping. (business scope prohibited by law and administrative regulations shall not be operated; projects that require approval according to law and administrative regulations shall only be operated after approval according to law.)

Chongqing Transportation Financing Guarantee is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Chongqing Yufu Holding as at the Latest Practicable Date, conducting business including licensed projects including loan guarantee, bill acceptance guarantee, trade financing guarantee, project financing guarantee, letter of credit guarantee and other financing guarantee businesses (operating according to the permitted term) (for projects subject to approval in accordance with law, operating activities can only be conducted upon approval by relevant authorities and the specific business projects are subject to the approval documents or permits of the relevant departments), general projects including litigation preservation guarantee business, performance guarantee business, and intermediary services including financing consultation and financial advisory related to guarantee business, and investments conducted with its own funds (except for specific projects subject to approval in accordance with law, business activities shall be carried out based on the business license).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Reasons for and benefits of the Subscription

As set out in the Issuance Announcements, the Bank is of the view that commercial banks have been faced by increasingly strict capital regulation in the backdrop of heightened regulatory requirements over the years. For example, there are de minimus requirements on core Tier-1 capital adequacy ratio, Tier-1 capital adequacy ratio and capital adequacy ratio, and a countercyclical capital requirement of not more than 2.5% may be imposed where appropriate pursuant to the Capital Rules.

As the Bank considers that its business scale continues to expand with ongoing optimization of business structure, it is bound to face the pressure of capital replenishment going ahead. In order to better meet the regulatory requirements and enhance its risk resistance capacity, it is necessary for the Bank to issue the A Share Convertible Bonds to further improve its capital adequacy.

The Bank also notes that it can no longer adequately meet the need from its rapid business development merely by relying on retained profit to supplement its core Tier-1 capital and it is necessary to establish a sustainable external capital replenishment method to broaden its capital replenishment channels. The Bank believes that the Issuance of A Share Convertible Bonds is one of the effective refinancing methods for the Bank, as a commercial bank listed on the Shanghai Stock Exchange in February 2021, to improve its capital adequacy. As such, the Bank advises that the Issuance of A Share Convertible Bonds will enable the Bank to further broaden its capital replenishment channels and improve its capital quality. Moreover, a sustainable securitised capital replenishment mechanism is conducive to better development of the Bank's business.

Furthermore, in light of its strategic vision of building a national top-notch listed commercial bank "remaining true to its original aspiration to create exceptional value through differentiated, safe and sound operations", the Bank adhered to serving local economy, small and micro enterprises as well as urban and rural residents, leading to continuous progress of various operations and a steady growth in asset size. With a commitment to serving the real economy, the Bank vigorously grows inclusive finance, focusing its small and micro enterprise banking business on technology-enabled and innovation-driven enterprises, green environmental industries and customers in the fields of agriculture, rural areas and farmers to contribute to rural revitalization. On corporate banking business, the Bank focuses on state-owned enterprises, private enterprises and livelihood-concerned customers in key industries, seeking to improve its refined management level. In order to better support transformation and upgrade the real economy, the Bank needs to further enhance its capital strength. In short, the Bank suggests that the proposed public issuance of A Share Convertible Bonds will allow itself to further enhance its capital strength, which will not only help the Bank in meeting its business development needs, but also contributing to its stronger capability in serving the real economy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As further set out in the Subscription Announcement, to protect the interests of existing Shareholders and lower the dilutive impact on existing Shareholders caused by the issuance of A Share Convertible Bonds, the plan of the issuance of A Share Convertible Bonds provides to existing A Shareholders preferential rights to subscribe. A Shareholders are entitled to preferentially subscribe for A Share Convertible Bonds in proportion to their respective shareholding in the Bank's A share capital. The reason for conducting the Subscription is to provide Chongqing Yufu and its associates the same rights as other A Shareholders. Moreover, Chongqing Yufu's participation in the subscription of the A Share Convertible Bonds will demonstrate the substantial shareholder's solid confidence in the prospects of the Bank. Completion of the Subscription, as it forms part of the Issuance of A Share Convertible Bonds, will help the Bank achieve the aforementioned benefits from the Issuance of A Share Convertible Bonds and allow the Bank to further enhance its capital strength.

Having considered the above benefits, we concur with the Bank that the issuance and thus the subscription of the A Share Convertible Bonds (including the Subscription) are in the interests of the Bank and the Shareholders as a whole.

(iv) Use of proceeds

As stated in the Board Letter, the proceeds from the Issuance of A Share Convertible Bonds, after deducting issuance expenses, will be utilised in full to support sound business development of the Bank in the future, i.e. to replenish the core Tier-1 capital of the Bank in accordance with relevant regulatory requirements after the conversion of the A Share Convertible Bonds.

2. Principal terms of the Subscription

As stated in the Board Letter, the Subscription forms part of the Issuance of A Share Convertible Bonds. The Subscription as a connected transaction shares the same terms with other non-connected subscription of the A Share Convertible Bonds. As such, in arriving at our opinion in respect of the Subscription, we have analysed the principal terms of the A Share Convertible Bonds.

The terms of A Share Convertible Bonds have been considered and approved at the 2020 annual general meeting, the 2021 first H Shareholders' class meeting and the 2021 first A Shareholders' class meeting of the Bank held on 20 May 2021. Shareholders may refer to Appendix I to the Issuance Circular or Appendix II to the Circular (for avoidance of doubt, is same as Appendix I of the Issuance Circular) for the full set of the terms and conditions of the issuance. Set out below are the principal terms of the A Share Convertible Bonds as extracted from the Issuance Circular:

(i) Types of securities to be issued

The type of the securities to be issued is corporate bonds that can be converted into A Shares of the Bank. Such A Share Convertible Bonds and A Shares of the Bank to be converted into will be listed on the Shanghai Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Issue size

The total amount of the A Share Convertible Bonds proposed to be issued will be not more than RMB13 billion (RMB13 billion inclusive). It has been proposed at the 2020 annual general meeting, the 2021 first H Shareholders' class meeting and the 2021 first A Shareholders' class meeting of the Bank held on 20 May 2021 to authorise the Board (or the Board's authorized person(s)) to determine the actual size of the Issuance within the above scope.

(iii) Par value and issue price

The A Share Convertible Bonds will be issued at par value which is RMB100 each.

In this respect, we noted that the determination of issue price is in compliance with the relevant PRC rules and regulations, in particular, the requirement under Article 16 of 《上市公司證券發行管理辦法》 (Administrative Measures for the Issuance of Securities by Listed Companies, the “**Securities Measures**”) that the par value of each convertible corporate bond shall be RMB100. As such, we concur with the Directors that the determination of the issue price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(iv) Term and conversion period

The term of the A Share Convertible Bonds will be six years from the date of issuance. The conversion period of the A Share Convertible Bonds commences on the first trading day immediately following the expiry of the six-month period after the date of completion of the Issuance of A Share Convertible Bonds and ends on the maturity date of the A Share Convertible Bonds.

In this respect, we noted that the term and conversion period are both in compliance with the requirements under Article 15 and 21 of the Securities Measures that, the term of convertible bonds shall be one year at least and six years at most, and the convertible bonds may only be converted into shares of the issuer not less than six months from the date of the completion of the offering. We also noted from Article 8 of 《可轉換公司債券管理辦法》 (Administrative Measures for the Convertible Corporate Bonds, the “**Convertible Bonds Measures**”) that convertible bonds may only be converted into shares of the issuer not less than six months from the date of the completion of the offering. As such, we concur with the Directors that the determination of the term and conversion period is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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(v) *Interest rate*

It has been proposed at the 2020 annual general meeting, the 2021 first H Shareholders' class meeting and the 2021 first A Shareholders' class meeting of the Bank to authorise the Board to determine the coupon rate of the A Share Convertible Bonds and the final interest rate of each interest accrual year with reference to government policies, market conditions and actual conditions of the Bank before the issuance.

We understood from the Bank that the above basis for the determination of interest rate of the A Share Convertible Bonds is in compliance with the relevant PRC rules and regulations. We noted from Article 16 of the Securities Measures that the interest rate of a convertible corporate bond shall be determined by the issuer and the leading underwriter through negotiations, and it shall satisfy the relevant provisions of the state. We also noted from Article 44 of 《公司債券發行與交易管理辦法》 (Administrative Measures for the Issuance and Trading of Corporate Bonds, the “**Issuance and Trading Measures**”) that the issuer and the lead underwriter shall negotiate and determine the interest rate of corporate bonds by market-based methods. Accordingly, we consider that the basis for the determination of interest rate is in compliance with the Securities Measures and the Issuance and Trading Measures.

According to the relevant market comparables as set out under the sub-section headed “Comparison with other market issues of the A share convertible bonds”, the interest rate of the convertible bonds under the issuance of A share convertible bonds by the Comparables (defined below) (i) are not fixed before their relevant shareholders meetings; and (ii) shall be determined by their respective board of directors with reference to the government policies, market conditions and the actual conditions of the issuer before the issuance.

After considering the above, we concur with the Directors that it is acceptable that the interest rate of the A Share Convertible Bonds was undetermined as at the Latest Practicable Date and the basis for the determination of the interest rate is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(vi) *Determination and adjustment of the CB Conversion Price*

(a) *Basis for determining the initial CB Conversion Price*

The initial CB Conversion Price of the A Share Convertible Bonds shall not be lower than the highest of the following: (i) the average trading price of A Shares of the Bank for the 20 trading days immediately before the date of publication of the offering document of the A Share Convertible Bonds (in the event that during such 20 trading days the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted based on ex-rights or ex-dividend share price); (ii) the average trading price of A Shares of the Bank on the trading day immediately before the date of publication of the

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offering document of the A Share Convertible Bonds; (iii) the latest audited net asset value per Share; and (iv) the par value of a Share. The actual initial CB Conversion Price shall be determined by the Board (or its authorised person(s)) with reference to market conditions, according to the authorization by the Shareholders at the general meeting.

We understood from the Bank that the above basis for the determination of the initial CB Conversion Price is in compliance with the relevant PRC rules and regulations. We noted from Article 22 of the Securities Measures and Article 9 of the Convertible Bonds Measures that the conversion price shall not be lower than the average trading price of the issuer's shares in 20 trading days and the average trading price of the last trading day prior to the publication of the offering document, and shall not be amended upward. Accordingly, we consider that the basis for determining the initial CB Conversion Price is in compliance with the Securities Measures and the Convertible Bonds Measures.

Furthermore, according to the relevant market comparables as set out under the sub-section headed "Comparison with other market issues of the A share convertible bonds", the initial conversion prices under the issuance of A share convertible bonds by the Comparables shall not be lower than the price as required under the Securities Measures.

As set out in the Issuance Circular and as confirmed by the Directors, despite that the initial CB Conversion Price has not been fixed at this stage, the Bank set the minimum initial CB Conversion Price of RMB11.28 per Share (the "**Minimum Conversion Price**") which represents the audited net asset value per Share of the Bank as at 31 December 2020.

The Minimum Conversion Price represents/equals to:

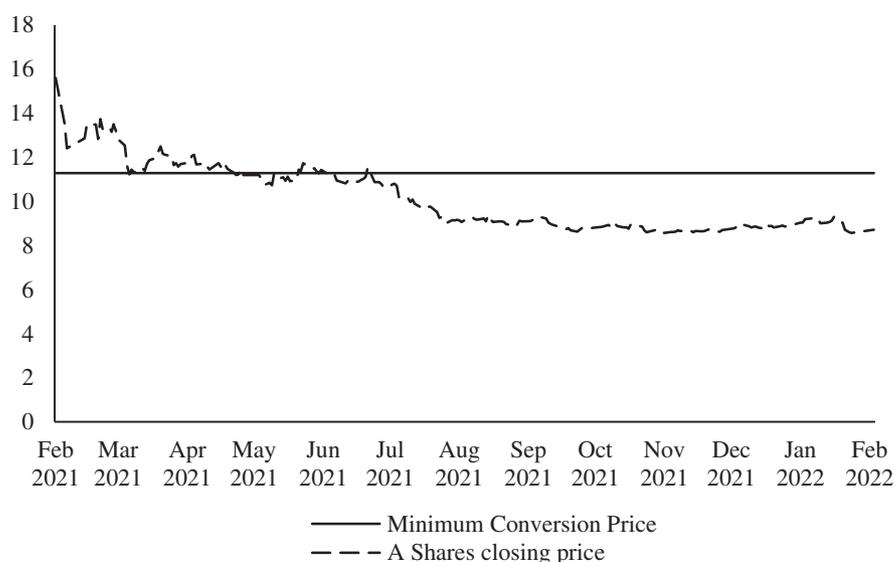
- (i) a premium of approximately 30.9% over the closing price of RMB8.62 per A Share as at the Latest Practicable Date;
- (ii) a premium of approximately 27.6% over the average closing price of RMB8.84 per A Share as quoted on the Shanghai Stock Exchange for the last 20 trading days up to and including the Latest Practicable Date;
- (iii) a premium of approximately 26.2% over the average closing price of RMB8.94 per A Share as quoted on the Shanghai Stock Exchange for the last 30 trading days up to and including the Latest Practicable Date; and
- (iv) the audited net asset value per Share attributable to the ordinary shareholders of the Bank of RMB11.28 as at 31 December 2020 as extracted from the annual report of the Bank for the year ended 31 December 2020.

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As depicted above, we noticed that the Minimum Conversion Price represents a premium over the recent closing prices of the A Share, which avoid the CB Holders (including Chongqing Yufu) to subscribe A Shares at a discount to the recent closing price of the A Share by way of conversion of the A Share Convertible Bonds.

We also reviewed the daily closing price of the A Shares as quoted on Bloomberg during the period commencing from 5 February 2021 up to and including 7 February 2022 (the “**Review Period**”), representing one year period since the listing of the Bank’s A Shares on the Shanghai Stock Exchange. The comparison of the Minimum Conversion Prices and the daily closing price of the A Shares are illustrated as follows:

Comparison of the Minimum Conversion Price and A Shares (in RMB)



We noted that the daily closing price of the A Shares ranged from RMB8.57 to RMB15.60 during the Review Period. The Minimum Conversion Price was within the said price range during the Review Period. In addition, during the Review Period, the Minimum Conversion Price was above the daily closing prices of the A Shares on 176 trading days out of the total 239 trading days for A Shares, representing approximately 73.6% of the total trading days.

After considering the above, including the compliance of basis for determining the initial CB Conversion Price and the same CB Conversion Price applied to all CB Holders (including Chongqing Yufu), we concur with the Directors that the basis for the determination of initial CB Conversion Price is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

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(b) Method and calculation formula of adjustments to the CB Conversion Price

Upon the occurrence of (i) certain situation which affect the share capital of the Bank after the issuance; (ii) distribution of cash dividend after the issuance; or (iii) certain situation that may change the type, amount, and/or shareholders' equity and therefore may affect the bond rights or conversion derivative rights of the CB Holders, the Bank will adjust the CB Conversion Price based on the actual situation and in accordance with the principles of fairness, impartiality and justice as well as the principle of fully protecting the CB Holders' interests.

We understood from the Bank that the above criteria for the adjustment of CB Conversion Price is in compliance with the relevant PRC rules and regulations. In this respect, we noted from Article 25 of the Securities Measures and Article 10 of the Convertible Bonds Measures that the conversion price shall be adjusted at the time when any change in the shares of the issuer is resulted from the allotment of shares, the issuance of rights issue, seasoned offering, share donation, dividends, split-up, capital reduction or any other event after the issuance of convertible corporate bonds, as long as the principle and method for adjusting the conversion price were stipulates in the offering document. Accordingly, we consider that the basis for the adjustment criteria is in compliance with the Securities Measures and the Convertible Bonds Measures.

Furthermore, according to the relevant market comparables as set out under the sub-section headed "Comparison with other market issues of the A share convertible bonds", we compared the above CB Conversion Price adjustment criteria to the Comparables and did not identify any deviation from the general market practices.

After considering that (i) the same adjustment mechanisms applied to all CB Holders (including Chongqing Yufu); and (ii) no deviation of the CB Conversion Price adjustment criteria from the market comparables and PRC rules and regulations, we concur with the Directors that the adjustment mechanism of the CB Conversion Price is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

(vii) Downward adjustment to the CB Conversion Price

If the closing prices of the A Shares of the Bank in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing CB Conversion Price during the term of the A Share Convertible Bonds, the Board may propose any such adjustments for the Shareholders to consider and seek their approval at a general meeting of the Bank.

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In the event that an adjustment to the CB Conversion Price is made due to ex-rights or ex-dividend during the aforementioned trading days, in respect of the trading days prior to such adjustment, the calculation shall be made based on the unadjusted CB Conversion Price and the closing price of the Shares on each such day, and in respect of the days on which such adjustment is made and the trading days afterwards, the calculation shall be made based on the adjusted CB Conversion Price and the closing price of the Shares on each such day.

The abovementioned proposal is subject to approval of two-thirds of the voting rights held by the Shareholders of the Bank present at the meeting. Shareholders who hold the A Share Convertible Bonds issued hereunder should abstain from voting. The adjusted CB Conversion Price shall not be lower than the highest of the following: (i) the average trading price of A Shares of the Bank for the 20 trading days immediately before the general meeting for consideration and approval of the aforementioned proposal; (ii) the average trading price of A Shares of the Bank on the trading day immediately before the general meeting for consideration and approval of the aforementioned proposal; (iii) the latest audited net asset value per Share; and (iv) the par value of a Share.

We understood from the Bank that the above basis for the mechanism of downward adjustment of the CB Conversion Price is in compliance with the relevant PRC rules and regulations. In this respect, we noted that there is no provision to forbid the downward adjustment to conversion price of A share convertible bonds under the relevant PRC rules and regulations, but such downward adjustment, if proposed by the Board, according to Article 26 of the Securities Measures and Article 10 of the Convertible Bonds Measures, is subject to the approval of two third or more of the voting rights held by the shareholders present at the meeting. In addition, the amended conversion price after the downward adjustment shall not be lower than the average trading price of the issuer's shares in 20 trading days and the average trading price of the last trading day prior to the general meeting for consideration and approval of the downward adjustment proposal. Accordingly, we consider that the downward adjustment mechanism is in compliance with the Securities Measures and the Convertible Bonds Measures.

Furthermore, according to the relevant market comparables as set out under the sub-section headed "Comparison with other market issues of the A share convertible bonds", we compared the above downward adjustment mechanism to the Comparables and noted that their respective issuance plan contained similar downward adjustment mechanism.

After considering that (i) same A Share Convertible Bonds terms applied to all CB Holders (including Chongqing Yufu); and (ii) the purpose of the downward adjustment mechanism as mentioned above, we are of the view that the downward adjustment mechanism is fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

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(viii) Method for determining the number of Shares for conversion

Where a CB Holder applies to convert the A Share Convertible Bonds held by him during the conversion period, the formula for calculating number of Shares to be issued upon conversion is: $Q = V/P$. Any fractional Share shall be rounded down to the nearest whole number. In the aforesaid formula, “V” denotes the aggregate nominal value of the A Share Convertible Bonds in respect of which the CB Holders apply for conversion; and “P” denotes the prevailing CB Conversion Price as at the date of application for conversion.

Within five trading days from the conversion of the A Share Convertible Bonds by the CB Holders, the Bank will pay the CB Holders in cash an amount equal to the nominal value of the remaining balance of such A Share Convertible Bonds which are insufficient to be converted into one Share and the interest accrued then on such balance in accordance with relevant requirements of the Shanghai Stock Exchange and such other authorities.

According to the relevant market comparables as set out under the sub-section headed “Comparison with other market issues of the A share convertible bonds”, we compared the above (i) conversion method; and (ii) treatment for insufficient balances in converting A Share Convertible Bonds, to the Comparables and noted that their respective issuance plan contained the same method and treatment. As such, we concur with the Directors that the method for determining the number of Shares for conversion is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

(ix) Terms of sale back

If the actual usage of the proceeds from the Issuance of A Share Convertible Bonds differs from the undertaking of the use of proceeds set out by the Bank in the offering document, and such difference is considered by the CSRC as a deviation from the use of the proceeds, the CB Holders will have a one-off right to sell the A Share Convertible Bonds back to the Bank at the nominal value plus the interest accrued then. Under this scenario, the CB Holders may sell their A Share Convertible Bonds back to the Bank during the sale back declaration period after it is announced by the Bank. If the CB Holders do not exercise their sale back rights during the sale back declaration period, the rights to sell back the A Share Convertible Bonds shall automatically lapse. Save as aforesaid, the A Share Convertible Bonds may not be sold back at the option of the CB Holders.

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We understood from the Bank that the above sale back term is in compliance with the relevant PRC rules and regulations. We noted from Article 24 of the Securities Measures and Article 11 of the Convertible Bonds Measures that the offering document may stipulate the sale back clauses and it shall specify that the convertible bonds holders will have the sell-back right for once if the issuer changes any of the purposes of proceeds raised. Accordingly, we consider that the sale back term is in compliance with the Securities Measures and the Convertible Bonds Measures.

Furthermore, according to the relevant market comparables as set out under the sub-section headed “Comparison with other market issues of the A share convertible bonds”, we compared the above sale back terms to the Comparables and noted that their respective issuance plan contained similar sale back terms.

After considering the above, including the compliance of the sale back term and similar sale back terms noted in the Comparables, we concur with the Directors that the sale back triggering criteria is on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

(x) Comparison with other market issues of the A share convertible bonds

To further assess whether the principal terms of the A Share Convertible Bonds would be fair and reasonable, we have also conducted a comparable analysis based on the criteria that the company has (i) public issuance of A share convertible bonds; (ii) the shares are listed on both the Stock Exchange and the Shenzhen Stock Exchange or the Shanghai Stock Exchange; and (iii) the publication of offering document is within the period from 31 December 2019 to 31 December 2021. We consider that the basis of selecting comparables with the criteria of publication offering document within the period from 31 December 2019 to 31 December 2021 is fair and reasonable given that (i) such criteria and period is sufficiently recent to demonstrate the prevailing market practices which is approved by the regulators; and (ii) we were able to identify sufficient relevant market issues for comparison within such period.

Based on our independent research, we have, on best effort basis, identified five comparables (the “**Comparables**”) which are exhaustive market issues based on the aforesaid criteria. We have reviewed certain key terms of the convertible bonds.

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Set out below is the summary of the Comparables as extracted from the announcement of the issuers published on the HKEXnews website:

Company name and stock code	Date of offering document	Issue size	Term and conversion period	Interest rate	Conversion price	Conversion price adjustment criteria	Downward adjustment mechanism	Method for determining the number of Shares for conversion	Terms of sale back
The Bank	Not yet published	Not more than RMB13 billion	Six years and becomes convertible on the first trading day following the expiry of the six-month period after completion of issuance	Determined by the board of the issuer pursuant to the authorization of the general meeting with reference to government policies, market conditions and actual conditions of the issuer	Not lower than the highest of the following: (i) the average trading price of A Shares for the 20 trading days before the publication of offering document; (ii) the average trading price of A Shares on the trading day before the publication of offering document; (iii) the latest audited net asset value per Share; and (iv) the par value of a Share	Upon the occurrence of (i) certain events which affect the share capital of the issuer; (ii) distribution of cash dividend; or (iii) certain events that may change the share class, quantity and/or shareholders' interests and therefore may affect the bondholder's rights and benefits, or the interests derived, after the issuance	When the closing prices of A Shares in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing CB Conversion Price during the term of A Share Convertible Bonds	Formula for calculating number of shares to be issued upon conversion: VP where "V" denotes the aggregate nominal value of the convertible bonds apply for conversion and "P" denotes the conversion price.	When the actual usage of the proceeds from the Issuance of A Share Convertible Bonds differs from the undertaking of the use of proceeds set out in the offering document, and such difference is considered by the CSRC as a deviation from the use of the proceeds

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Company name and stock code	Date of offering document	Issue size	Term and conversion period	Interest rate	Conversion price	Conversion price adjustment criteria	Downward adjustment mechanism	Method for determining the number of Shares for conversion	Terms of sale back
China CITIC Bank Corporation Limited (H Shares: 998; A Shares: 601998)	27 February 2019	RMB40 billion	Same as the Subscription	Same as the Subscription	Not lower than the highest of the following: (i) the average trading price of A shares for the 30 trading days before the publication of offering document; (ii) the average trading price of A shares for the 20 trading days before the publication of offering document; (iii) the average trading price of A shares on the trading day before the publication of offering document; (iv) the latest audited net asset value per share; and (v) the par value of a share	Same as the Subscription	Same as the Subscription	Same as the Subscription	Same as the Subscription

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Company name and stock code	Date of offering document	Issue size	Term and conversion period	Interest rate	Conversion price	Conversion price adjustment criteria	Downward adjustment mechanism	Method for determining the number of Shares for conversion	Terms of sale back
Ganfeng Lithium Co., Ltd. (H Shares: 123; A Shares: 2460)	6 September 2020	RMB2.15 billion	Same as the Subscription	Same as the Subscription	Not lower than the following: (i) the average trading price of A shares for the 20 trading days before the publication of offering document; and (ii) the average trading price of A shares on the trading day before the publication of offering document	Same as the Subscription	Same as the Subscription	Same as the Subscription	Same as the Subscription. In addition, the bondholders are entitled to sale back when the closing price of the A share on any 30 consecutive trading days are lower than 70% of the prevailing conversion price during the last two years of the term
China Southern Airlines Company Limited (H Shares: 1055; A Shares: 600029)	12 October 2020	RMB16 billion	Same as the Subscription	Same as the Subscription	Same as the Subscription	Same as the Subscription	When the closing prices of the A shares of the issuer in any 15 trading days out of any 30 consecutive trading days are lower than 85% of the prevailing conversion price during the term of convertible bonds	Same as the Subscription	Ditto

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Company name and stock code	Date of offering document	Issue size	Term and conversion period	Interest rate	Conversion price	Conversion price adjustment criteria	Downward adjustment mechanism	Method for determining the number of Shares for conversion	Terms of sale back
Zijin Mining Group Co., Ltd. (H Shares: 2899; A Shares: 601899)	29 October 2020	RMB6 billion	Five years and becomes convertible on the first trading day following the expiry of the six-month period after completion of issuance	Same as the Subscription	Not lower than the following: (i) the average trading price of A shares for the 20 trading days before the publication of offering document; and (ii) the average trading price of A shares on the trading day before the publication of offering document	Same as the Subscription	Ditto	Same as the Subscription	Ditto
Great Wall Motor Company Limited (H Shares: 2333; A Shares: 601633)	7 June 2021	RMB8 billion	Same as the Subscription	Same as the Subscription	Ditto	Same as the Subscription	Ditto	Same as the Subscription	Ditto

Source: <https://www.hkexnews.hk/>

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As depicted from the above summary, we note that the key terms of the A Share Convertible Bonds are largely identical to the Comparables, in particular, the determination of conversion period, interest rate, conversion price adjustment criteria and method for determining the number of shares for conversion. Despite certain Comparables may have (i) a shorter term of convertible bonds in years; (ii) slight differences in the determination of conversion price; (iii) a lower benchmark for downward adjustment of conversion price; and (iv) an additional term for the bondholders to sale back the convertible bonds, we consider that they may be favourable or unfavourable to the issuer of the Comparables, subject to the then issuance condition of the Comparables. Though (iii) and (iv) that they may be favourable to the subscriber of the Comparables, we are of the view that the terms of the Comparables and the Subscription could vary from each other within a range due to different businesses, operations and prospects of the issuers may have and it would not affect our opinion on the terms of the A Share Convertible Bonds and the Subscription as a part of it. More importantly, in our analysis of the principal terms above, all of them are in compliance with the relevant PRC rules and regulations. As such, we are of the opinion that the terms and conditions of the Subscription are in line with the market practice, and the Subscription is fair and reasonable so far as the Independent Shareholders are concerned.

(xi) Dilution effect on the shareholding interests of the public Shareholders

As stated in the table under the paragraph headed “PRINCIPAL TERMS OF THE A SHARE CONVERTIBLE BONDS” of the Board Letter, the shareholding interests of the existing public H Shareholders would be diluted by approximately 7.50% immediately after completion of the Subscription and conversion of all the A Share Convertible Bonds into A Shares at RMB11.28 per Share. Meanwhile, as the shareholding interests of Dah Sing Bank, Limited would also be decreased from approximately 13.20% to approximately 9.91%, it would no longer be a substantial shareholder of the Bank and become a public H Shareholder instead. As such, the shareholding interests of the public H Shareholders (including Dah Sing Bank, Limited) would be increased from approximately 30.10% to approximately 32.51%.

In addition, by (i) assuming, among other things, all the existing A Shareholders subscribed for the A Share Convertible Bonds to be issued in proportion to their shareholding percentage of the number of A Shares to the total number of issued A Shares; and (ii) taking into account the shareholding interests of the public A Shareholders, the aggregate shareholding interests of the public Shareholders (including all of the public A Shareholders and H Shareholders) would be increased from approximately 72.07% to approximately 83.20%.

After considering (i) the reasons for and benefits of the Subscription; (ii) the principal terms of the Subscription are in compliance with the relevant PRC rules and regulations; (iii) the research and comparison on Comparables; and (iv) no dilution effect to the public A Shareholders and thus all the public Shareholders as mentioned above, even though there is a dilution effect to the existing public H Shareholders, we are of the view that the overall shareholding effect is acceptable so far as the Independent Shareholders (including the public H Shareholders) are concerned.

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RECOMMENDATIONS

After taking into consideration of the factors and reasons as stated above, we are of the opinion that (i) the Subscription is conducted on normal commercial terms, fair and reasonable; (ii) the Subscription is in the interests of the Bank and the Shareholders as a whole although the Subscription is not conducted in the ordinary and usual course of business of the Bank. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) approving the Subscription at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) at the EGM in this regard.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Deputy General Manager

Note: Mr. Anthony Wong is a responsible officer of Guotai Junan Capital Limited, and is a person licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO who has over 21 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Bank and its subsidiaries. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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 this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests of the Directors, Supervisors and chief executive of the Bank and their respective associates in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO to be entered into the register maintained or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Bank and the Hong Kong Stock Exchange are as follows:

Name	Class of Shares	Nature of Shares	Number of Shares	% of Class	
				Issued Share Capital	% of Total Share Capital
LIN Jun	Beneficial owner	A Shares	8,600	0.00045	0.00025
RAN Hailing	Beneficial owner	A Shares	56,574	0.00288	0.00157
Liu Jianhua	Beneficial owner	A Shares	176,375	0.00931	0.00508
WONG Wah Sing	Beneficial owner	A Shares	8,700	0.00046	0.00025
WONG Hon Hing	Beneficial owner	A Shares	2,000	0.00011	0.00006
YANG Yusong	Beneficial owner	A Shares	1,033	0.00005	0.00003
HUANG Changsheng	Beneficial owner	A Shares	123,451	0.00651	0.00355
	Interest of Spouse	A Shares	60,647	0.00320	0.00175
WU Ping	Beneficial owner	A Shares	65,625	0.00346	0.00189

3. DIRECTORS' INTERESTS IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director, the following Directors are also directors or employees of a company which has an interest or short position in the Shares or underlying shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (i) Mr. Wong Hon Hing currently serves as executive director and vice chairman of the board of directors of Dah Sing Bank, Limited, executive director and vice chairman of the board of directors, the managing director and chief executive officer of Dah Sing Banking Group Limited and executive director, the managing director and chief executive officer of Dah Sing Financial Holdings Limited;
- (ii) Mr. Yang Yusong currently serves as deputy general manager of Chongqing Yufu Holding and chairman of the board of directors of Chongqing Yufu;
- (iii) Mr. Wu Heng currently serves as a general manager of the financial affairs department of SAIC Motor Corporation Limited and a general manager of SAIC Motor Financial Holding Management Co., Ltd.; and
- (iv) Ms. Zhong Xian currently serves as a director of Lifan Technology (Group) Co., Ltd..

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors, Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group was made up or was proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group as a whole.

7. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contracts with any member of the Group in which a more than one year's notice or payment of compensation (other than statutory compensation) shall be given by the latter when termination.

8. EXPERT'S QUALIFICATION AND CONSENT

Guotai Junan has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears. The letter given by Guotai Junan is given as of the date of this circular for incorporation herein.

The following is the qualification of Guotai Junan who has given its opinions or advices which are contained in this circular:

Name	Qualification
Guotai Junan	a licensed corporation authorised to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, Guotai Junan did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2020, being the date to which the latest published audited financial statements of the Bank were made up and did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. METHOD OF VOTING AT THE EGM

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to the proposed resolutions at the EGM.

11. MISCELLANEOUS

- (a) The company secretary of the Bank is HO Wing Tsz Wendy.
- (b) The registered office of the Bank is situated at No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC.
- (c) The H share registrar and transfer office of the Bank in Hong Kong is Computershare Hong Kong Investor Services Limited which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the website of the Bank at <https://http://www.cqcbank.com> from the date of this circular up to and including the date of the EGM:

- (a) the undertakings from Chongqing Yufu on the exercise of preferential rights for the subscription of the A Share Convertible Bonds by Chongqing Yufu and its associates;
- (b) the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular;
- (c) the letter from Guotai Junan as set out on pages 18 to 40 of this circular; and
- (d) the written consent from the expert referred to under the paragraph headed "Expert's Qualification and Consent" in this appendix.

**THE PROPOSAL ON THE PLAN FOR THE PUBLIC ISSUANCE OF A SHARE
CONVERTIBLE CORPORATE BONDS BY BANK OF CHONGQING CO., LTD.**

Pursuant to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Measures for Administration of the Issue of Securities by Listed Companies and the Administrative Measures for Capital Management of Commercial Banks (Trial) and other laws and regulations, the Bank formulated the plan for the public issuance of A share convertible corporate bonds ("**Convertible Bonds**") as detailed below:

1. TYPE OF SECURITIES TO BE ISSUED

The type of the securities to be issued is corporate bonds that can be converted into A Shares of the Bank. Such A Share Convertible Bonds and A Shares of the Bank to be converted into will be listed on the Shanghai Stock Exchange.

2. ISSUE SIZE

The total amount of the A Share Convertible Bonds proposed to be issued will be not more than RMB13 billion (RMB13 billion inclusive). The actual issue size shall be determined by the Board (or its authorized person(s)) within the above scope, according to the authorization by the Shareholders at the general meeting.

3. PAR VALUE AND ISSUE PRICE

The A Share Convertible Bonds will be issued at par value which is RMB100 each.

4. TERM

The term of the A Share Convertible Bonds will be six years from the date of issuance.

5. INTEREST RATE

The manner of determining the coupon rate of the A Share Convertible Bonds and the final interest rate of each interest accrual year shall be determined by the Board (or its authorized person(s)) with reference to government policies, market conditions and actual conditions of the Bank before the issuance, according to the authorization by the Shareholders at the general meeting.

6. TIMING AND METHOD OF INTEREST PAYMENT

(1) Calculation of the interest for interest accrual year

The interest for each interest accrual year (the “**Annual Interest**”) refers to the interest accrued to the holders of the A Share Convertible Bonds (the “**CB Holders**”) in each year on each anniversary of the date of issuance of the A Share Convertible Bonds, calculated based on the aggregate nominal value of their A Share Convertible Bonds.

The formula for calculating the Annual Interest is: $I = B \times i$

I: denotes the Annual Interest;

B: denotes the aggregate nominal value of the A Share Convertible Bonds held by a CB Holder as at the record date for interest payment rights in an interest accrual year (“**that year**” or “**each year**”);

i: denotes the coupon rate of the A Share Convertible Bonds of that year.

(2) Means of payment

- a. Interest of the A Share Convertible Bonds will be paid annually, accruing from the date of issuance of the A Share Convertible Bonds.
- b. Interest payment date: The interest is payable annually on each anniversary of the date of issuance of the A Share Convertible Bonds. If such day falls on a statutory holiday or rest day, the interest payment date shall be postponed to the first trading day immediately thereafter, provided that no additional interest will be accrued during the period of postponement. The period between an interest payment date and the immediately following interest payment date will be an interest accrual year.
- c. Record date for interest payment rights: The record date for interest payment rights in each year will be the last trading day preceding the interest payment date. The Bank will pay the interest accrued in that year within five trading days from the interest payment date. The Bank will not pay any interest for that year and subsequent interest accrual years to the CB Holders whose A Share Convertible Bonds have been applied to be converted into the A Shares of the Bank on or before the record date for interest payment rights.
- d. Tax payable on the interest income of a CB Holder shall be borne by such CB Holder.

7. CONVERSION PERIOD

The conversion period of the A Share Convertible Bonds commences on the first trading day immediately following the expiry of the six-month period after the date of completion of the issuance of the A Share Convertible Bonds and ends on the maturity date of the A Share Convertible Bonds.

8. DETERMINATION AND ADJUSTMENT OF THE CB CONVERSION PRICE

(1) Basis for determining the initial CB Conversion Price

The initial CB Conversion Price of the A Share Convertible Bonds shall not be lower than the highest of the following: the average trading price of A Shares of the Bank for the 20 trading days immediately before the date of publication of the offering document of the A Share Convertible Bonds (in the event that during such 20 trading days the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted based on ex-rights or ex-dividend share price); the average trading price of A Shares of the Bank on the trading day immediately before the date of publication of the offering document of the A Share Convertible Bonds; the latest audited net asset value per Share; and the par value of a Share. The actual initial CB Conversion Price shall be determined by the Board (or its authorized person(s)) with reference to market conditions, according to the authorization by the Shareholders at the general meeting.

Average trading price of A Shares for the 20 preceding trading days = Total trading amount of A Shares for such 20 preceding trading days/Total trading volume of A Shares for such 20 trading days; Average trading price of A Shares for the preceding trading day = Total trading amount of A Shares for such preceding trading day/Total trading volume of A Shares for such day.

(2) Adjustments to the CB Conversion Price and the calculation formula

After the issuance, upon the occurrence of distribution of scrip dividend, capitalization issue, issuance of new shares, rights issue (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds) or any other situation which affect the share capital of the Bank or distribution of cash dividend, the Bank will adjust the CB Conversion Price based on the actual situation and in accordance with the principles of fairness, impartiality and justice as well as the principle of fully protecting the CB Holders' interests. The specific CB Conversion Price adjustment formula will be specified by the Board (or its authorized person(s)) in the offering document in accordance with relevant regulations.

Where the abovementioned changes in share capital and/or shareholders' equity occur, the Bank will adjust the CB Conversion Price in accordance with the methods determined. The adjustment of the CB Conversion Price will be published in the form of an announcement on the media designated by the CSRC for the information disclosure of listed companies. The announcement will indicate the date of adjustment to the CB Conversion Price, adjustment method and suspension period of share conversion (if necessary). The Bank will also make announcement(s) in Hong Kong in accordance with requirements under the Listing Rules and the Articles of Association (if necessary). If the CB Conversion Price adjustment date is on or after the CB Holder's application for conversion, and before the share registration date, then such conversion will be based on the CB Conversion Price adjusted by the Bank.

In cases of repurchase, consolidation and subdivision of shares or any other situation that may change the type, amount, and/or shareholders' equity and therefore may affect the bond rights or conversion derivative rights of the CB Holders, the Bank will adjust the CB Conversion Price in accordance with the principles of fairness, impartiality and justice as well as the principle of fully protecting the CB Holders' interests. The content of the adjustment of the CB Conversion Price and the method of operation will be formulated in accordance with the applicable laws and regulations of the state and the relevant provisions of the securities regulatory authority.

9. DOWNWARD ADJUSTMENT TO THE CB CONVERSION PRICE

(1) Adjustment authorization and permitted adjustment magnitude

The CB Conversion Price may be subject to downward adjustments if, during the term of the A Share Convertible Bonds, the closing prices of the A Shares of the Bank in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing CB Conversion Price. The Board may propose any such adjustments for the Shareholders to consider and seek their approval at a general meeting of the Bank.

In the event that an adjustment to the CB Conversion Price is made due to ex-rights or ex-dividend during the aforementioned trading days, in respect of the trading days prior to such adjustment, the calculation shall be made based on the unadjusted CB Conversion Price and the closing price of the Shares on each such day, and in respect of the days on which such adjustment is made and the trading days afterwards, the calculation shall be made based on the adjusted CB Conversion Price and the closing price of the Shares on each such day.

The abovementioned proposal is subject to approval of two-thirds of the voting rights held by the Shareholders of the Bank present at the meeting. Shareholders who hold the A Share Convertible Bonds issued hereunder should abstain from voting. The adjusted CB Conversion Price shall not be lower than the highest of the following: the average

trading price of A Shares of the Bank for the 20 trading days immediately before the general meeting for consideration and approval of the aforementioned proposal (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted based on ex-rights or ex-dividend share price); the average trading price of A Shares of the Bank on the trading day immediately before the general meeting for consideration and approval of the aforementioned proposal; the latest audited net asset value per Share; and the par value of a Share.

(2) Procedure of adjustment

If the Bank decides to make a downward adjustment to the CB Conversion Price, the Bank will publish an announcement on the media designated by the CSRC for information disclosure of listed companies. Such announcement will include the resolutions of general meeting and will cover the magnitude of the adjustment, the share registration date, the suspension period of share conversion (if necessary). The Bank will also make announcement(s) in Hong Kong in accordance with requirements under the Listing Rules and the Articles of Association (if necessary). Share conversion will be restored for application based on the adjusted CB Conversion Price on the first trading day after the registration date (i.e. the effective date of the downward adjustment to the CB Conversion Price).

If the adjustment date is prior to the registration date and on or after the share conversion application date, the share conversion application shall be executed based on the CB Conversion Price after the adjustment.

10. METHOD FOR DETERMINING THE NUMBER OF SHARES FOR CONVERSION

Where a CB Holder applies to convert the A Share Convertible Bonds held by him during the conversion period, the formula for calculating number of Shares to be issued upon conversion is: $Q = V/P$. Any fractional Share shall be rounded down to the nearest whole number.

Where,

V denotes the aggregate nominal value of the A Share Convertible Bonds in respect of which the CB Holders apply for conversion;

P denotes the prevailing CB Conversion Price as at the date of application for conversion.

Within five trading days from the conversion of the A Share Convertible Bonds by the CB Holders, the Bank will pay the CB Holders in cash an amount equal to the nominal value of the remaining balance of such A Share Convertible Bonds which are insufficient to be converted into one Share and the interest accrued then on such balance in accordance with relevant requirements of the Shanghai Stock Exchange and such other authorities (please refer to “12. TERMS OF REDEMPTION” for details of the method of calculation of the interest accrued then).

11. DIVIDEND RIGHTS OF THE YEAR OF CONVERSION

The new A Shares of the Bank to be issued as a result of the conversion of the A Share Convertible Bonds shall rank pari passu with all the existing A Shares, and are entitled to dividend of that period for A Shareholders registered on the share registration date for dividend distribution.

12. TERMS OF REDEMPTION

(1) Terms of redemption at maturity

Within five trading days after the maturity of the A Share Convertible Bonds, the Bank will redeem all the A Share Convertible Bonds which have not been converted into Shares at a premium (including the annual interest of the final term) over the par value of the A Share Convertible Bonds. The actual premium shall be determined by the Board (or its authorized person(s)) with reference to market conditions, according to the authorization by the Shareholders at the general meeting.

(2) Terms of conditional redemption

During the conversion period of the A Share Convertible Bonds, if the closing price of the A Shares of the Bank is not lower than 130% (130% inclusive) of the prevailing CB Conversion Price in at least 15 trading days out of any 30 consecutive trading days, the Bank has the right to redeem all or part of the A Share Convertible Bonds which have not been converted into Shares based on the par value plus the interest accrued then, subject to the approval from relevant regulatory authorities (if necessary). In the event that an adjustment to the CB Conversion Price is made due to ex-rights or ex-dividend during the aforementioned trading days, in respect of the trading days prior to such adjustment, the calculation shall be made based on the unadjusted CB Conversion Price and the closing price of the Shares on each such day, and in respect of the trading days after the adjustment is made, the calculation shall be made based on the adjusted CB Conversion Price and the closing price of the Shares on each such day.

In addition, when the aggregate nominal value of the balance of the outstanding A Share Convertible Bonds issued hereunder is less than RMB30 million, the Bank shall have the right to redeem all the A Share Convertible Bonds which have not been converted into Shares at a price equal to the nominal value plus the interest accrued then.

The formula for calculating the interest accrued then is: $IA=B \times i \times t / 365$

IA: denotes the accrued interest for the current period;

B: denotes the aggregate nominal value of the A Share Convertible Bonds issued hereunder that are held by the CB Holders and will be redeemed;

i: denotes the coupon rate of the A Share Convertible Bonds for the current year;

t: denotes the number of days on which interest is accrued, meaning the actual number of calendar days from the last interest payment date (inclusive) to the redemption date (exclusive) of the interest accrual year.

13. TERMS OF SALE BACK

If the actual usage of the proceeds from the issuance of the A Share Convertible Bonds differs from the undertaking of the use of proceeds set out by the Bank in the offering document, and such difference is considered by the CSRC as a deviation from the use of the proceeds, the CB Holders will have a one-off right to sell the A Share Convertible Bonds back to the Bank at the nominal value plus the interest accrued then. Under this scenario, the CB Holders may sell their A Share Convertible Bonds back to the Bank during the sale back declaration period after it is announced by the Bank. If the CB Holders do not exercise their sale back rights during the sale back declaration period, the rights to sell back the A Share Convertible Bonds shall automatically lapse. Save as aforesaid, the A Share Convertible Bonds may not be sold back at the option of the CB Holders.

14. METHOD OF ISSUANCE AND TARGET INVESTORS

The actual method of the issuance of the A Share Convertible Bonds shall be determined by the Board (or its authorized person(s)), according to the authorization by the Shareholders at the general meeting. The target investors are natural persons, legal persons, securities investment funds and other investors that meet the conditions prescribed by the laws who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, except those prohibited by the state laws and regulations.

15. SUBSCRIPTION ARRANGEMENT FOR THE EXISTING SHAREHOLDERS

The existing A Shareholders of the Bank shall have preferential rights to subscribe for the A Share Convertible Bonds to be issued. The actual amount to be preferentially allocated to the existing A Shareholders shall be determined by the Board (or its authorized person(s)) with reference to the market conditions before issuance, according to the authorization by the Shareholders at the general meeting, and shall be disclosed in the offering document of the A Share Convertible Bonds.

Such preferential subscription shall be subject to the Company Law, the Listing Rules and any other applicable laws, regulations and rules of any government or regulatory authorities. If the subscription by existing Shareholders involves connected transaction as defined under the Listing Rules, the Bank shall comply with requirements relating to connected transactions under Chapter 14A of the Listing Rules.

16. MATTERS RELATED TO THE CB HOLDERS' MEETING**(1) Rights and obligations of CB Holders*****a. Rights of CB Holders***

- (i) Entitlement to interests in accordance with the amount of the convertible corporate bonds held by the CB Holders;
- (ii) Rights to convert A Share Convertible Bonds into A Shares of the Bank according to the conditions stipulated in the offering document of the A Share Convertible Bonds;
- (iii) Entitlement to exercise sale back rights according to the conditions stipulated in the offering document of the A Share Convertible Bonds;
- (iv) Assignment, bestowal or pledge of the A Share Convertible Bonds in accordance with the laws, administrative regulations and the Articles of Association;
- (v) Access to relevant information in accordance with the laws and the Articles of Association;
- (vi) Claim to the Bank for the principal and interests of the A Share Convertible Bonds in accordance with the period and manner stipulated in the offering document of the A Share Convertible Bonds;

- (vii) Participation in or entrusting agents to participate in CB Holders' meetings and exercising voting rights in accordance with the laws, administrative regulations, etc.;
- (viii) Other rights entitled to creditors of the Bank under the laws, administrative regulations and the Articles of Association.

b. Obligations of the CB Holders

- (i) Complying with the relevant terms of the Convertible Bonds of the Bank;
- (ii) Making due payment of the subscription amount for the Convertible Bonds;
- (iii) Complying with the valid resolutions passed by CB Holders' meeting;
- (iv) Except as specified in the laws, regulations, the Articles of Association or the offering document of the Convertible Bonds, the CB Holders may not request the Bank to make prepayment of the principal and interests of the Convertible Bonds;
- (v) Other obligations of the CB Holders prescribed by the laws, administrative regulations and the Articles of Association.

(2) CB Holders' meetings

a. Circumstances for convening CB Holders' meetings

Except as otherwise specified, a matter in any of the following circumstances shall be resolved through a resolution of CB Holders' meeting:

- (i) proposed changes to the important stipulations of the offering document of the bonds;
 - (A) changes to basic components of the bonds regarding repayment (including repaying party, term, coupon rate adjustment mechanism, etc.);
 - (B) changes to credit enhancement or other debt service coverage and relevant implementation arrangements;
 - (C) changes to the protection to bond investors and relevant implementation arrangements;

- (D) changes to the use of proceeds as stipulated in the offering document;
 - (E) changes to the redemption or sale back terms (if any) as stipulated in the offering document;
 - (F) other changes to significant events closely related to repayment arrangement for principal and interest of bonds and the solvency.
- (ii) proposed amendments to the rules of procedures for CB Holders' meeting;
 - (iii) proposed dismissal or change of the bond trustee manager or change to key terms of the bond trustee management agreement (including but not limited to the scope of mandate for entrusted management matters, the risk prevention and solving mechanism for conflicts of interest, the liability for breach of contract closely related to the rights and interests of CB Holders, and other stipulations);
 - (iv) any of the following events, where it is necessary to decide on or authorize to take corresponding measures (including but not limited to negotiating with the Bank and other relevant parties, initiating or participating in arbitration or litigation proceedings, whether to enforce the Bank and its guarantor (if any) to repay the principal and interest of bonds through litigation proceedings, whether to participate in legal procedures for the Bank's rectification, reconciliation, restructuring or bankruptcy, disposal of collaterals or other measures conducive to the protection of rights and interests of investors, etc.):
 - (A) the Bank has been or is expected to be unable to satisfy as scheduled the principal or interest of the Convertible Bonds;
 - (B) the Bank has been or is expected to be unable to satisfy as scheduled the interest-bearing liabilities other than the A Share Convertible Bonds, and the outstanding amount exceeds RMB50 million and reaches 10% or more of the latest audited net asset value of the Bank as the parent company, which may lead to a default of the A Share Convertible Bonds;
 - (C) the Bank is subject to capital reduction, consolidation, subdivision, an order to suspend its production or business, temporarily detained or revoked license, receivership, dissolution, application for bankruptcy, or bankruptcy proceedings according to law;

- (D) the Bank's solvency is in serious uncertainty due to failure of the Bank's management in performing its duties normally;
 - (E) the Bank's solvency is in serious uncertainty due to a transfer of assets at nil or obviously unreasonable consideration, waiver of debt, or provision of large-value guarantees to external parties by the Bank, its controlling shareholder or actual controller;
 - (F) material adverse changes to credit enhancement providers, credit enhancement measures or other debt service coverage;
 - (G) other events that may have a material adverse impact on the rights and interests of CB Holders.
- (v) a major debt restructuring plan proposed by the Bank;
 - (vi) other circumstances that shall be resolved by the CB Holders' meeting, as provided by the laws, administrative regulations, departmental rules, regulatory documents, or stipulated in the offering document of the Convertible Bonds and these terms.

b. Convening of CB Holders' meetings

- (i) CB Holders' meetings are convened mainly by the trustee manager.
- (ii) The Bank, the CB Holders holding individually or collectively 10% or more of the outstanding A Share Convertible Bonds, guarantors or other institutions or individuals providing credit enhancement or debt service coverage have the right to propose to the trustee manager for convening a CB Holders' meeting.
- (iii) If the trustee manager disagrees with or fails in convening the meeting as required, the Bank, the CB Holders holding individually or collectively 10% or more of the outstanding A Share Convertible Bonds, guarantors or other institutions or individuals providing credit enhancement or debt service coverage have the right to convene a CB Holders' meeting on their own account, in which case the trustee manager shall provide necessary assistance for convening the CB Holders' meeting, including: assisting in the disclosure of CB Holders' meeting notices, meeting results and other documents, causing searches on the CB Holder register on behalf of the convener and providing contact information, assisting the convener in contacting relevant institutions or individuals that should be present at the meeting, etc.

17. USE OF PROCEEDS

After deducting issuance expenses, the proceeds from the issuance of the A Share Convertible Bonds will be utilized in full to support sound business development of the Bank in the future, i.e. to replenish the core Tier-1 capital of the Bank in accordance with relevant regulatory requirements after the conversion of the A Share Convertible Bonds.

18. GUARANTEE AND SECURITIES

There is no guarantee or security in relation to the proposed issuance of the A Share Convertible Bonds.

19. VALIDITY PERIOD OF THE RESOLUTION

The resolution on issuance of the A Share Convertible Bonds is valid for 12 months from the date of approving the offering plan at the general meeting and the Class Meetings of the Bank.

The English version of this appendix is an unofficial translation of its Chinese version. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

**DILUTION OF IMMEDIATE RETURNS AND REMEDIAL MEASURES TO
THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS BY
BANK OF CHONGQING CO., LTD.**

Pursuant to the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) published by the CSRC and other relevant requirements, the Bank has conducted a careful analysis of the effects of the dilution of immediate returns by the public issuance of A share convertible corporate bonds (“**Convertible Bonds**”) on the Bank's major financial indicators, and the remedial measures taken are described below:

**I. ANALYSIS OF THE EFFECT OF DILUTION OF IMMEDIATE RETURNS BY THE
ISSUANCE OF THE CONVERTIBLE BONDS**

After the proceeds raised from the issuance have been received, they will be used to support the future development of the business of the Bank, and will be used to replenish the core Tier-1 capital of the Bank in accordance with relevant regulatory requirements after the conversion of the Convertible Bonds.

(I) Assumptions

The estimation of the effects of the issuance of the Convertible Bonds on major financial statistics and financial indicators of the Bank is based on the following assumptions:

1. Assuming that there are no major adverse changes in the macroeconomic environment, development conditions of the banking industry and the Bank's operating environment.
2. Assuming that there are no major changes in the Bank's share capital in 2021 and 2022, save as the initial offering.

3. Assuming the Bank completes the issuance of the Convertible Bonds on March 31, 2022 and the proceeds therefrom are in place. Such time is only used for calculating the effect of the dilution on immediate returns by the issuance of the Convertible Bonds on the major financial statistics and financial indicators, and the final time shall be subject to the approval of the CSRC and the actual completion time of the issuance of the Convertible Bonds of the Bank.
4. Assuming the proceeds raised from the issue of the Convertible Bonds is RMB13 billion, without considering the effects of issuance expenses. The actual amount of proceeds raised from the issuance of the Convertible Bonds is subject to the approval of regulatory authority, the issuance and subscriptions and the issuance expenses, etc.
5. Assuming that the conversion price of the Convertible Bonds is RMB12.29 per share, being the highest of the average trading price of ordinary shares of the Bank for the last 20 trading days, the average trading price of ordinary shares of the Bank for the last trading day prior to the date of the 24th meeting of the sixth session of the board of directors of the Bank (i.e. March 30, 2021) and the latest audited net assets per share. Such conversion price is only available for calculating the effect of the dilution on immediate returns by the issuance of Convertible Bonds on major financial data and financial indicators. The final initial conversion price will be determined by the Board (or its authorized person(s)) according to the authorization by the general meeting based on market conditions before the issuance, and may be subject to ex-rights, ex-dividend adjustment or downward adjustment.
6. Assuming that the coupon rate of the Convertible Bonds for the first year is 0.30%, which is only for interest rate calculation, and does not constitute a numerical prediction of actual coupon rate.
7. Assuming that impact of the proceeds received on the Bank's production, operation and financial conditions (such as the finance cost, efficiency of fund utilization, etc.) is not considered.
8. Assuming that the Bank's net profit attributable to shareholders of the parent company and the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses in 2021 and 2022 increase by 0%, 5% and 10% respectively as compared with the same in previous year.

The hypothetical analysis above does not constitute the Bank's profit forecast. It is only for calculating the impact of the dilution of immediate returns by the issuance of Convertible Bonds on the main financial indicators. Investors should not make investment decisions on this basis. If investors make investment decisions on this basis and suffer from losses, the Bank shall not be liable for compensation.

9. The Bank issued non-cumulative perpetual offshore preference shares with an amount of USD750 million and a dividend rate of 5.40% on December 20, 2017 at overseas market, assuming the end of the first dividend period will be reached in 2021 and 2022.
10. Save as the ordinary shares converted from the Convertible Bonds, assuming that there is no change in ordinary share capital due to any other factors, including profit distribution, mandatory conversion of preference shares, etc.
11. The earnings per share is calculated according to the relevant requirements of the Rules for Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Shares (《公開發行證券的公司信息披露編報規則第9號-淨資產收益率和每股收益的計算及披露》).

(II) The Effects on Major Financial Indicators of the Bank

Subject to the foregoing assumptions, the impacts of the Convertible Bonds on the key financial data and financial indicators of the Bank are set out below:

Item	Year ended 2021/ 31 December 2021	Year ended 2022/ 31 December 2022	
		Prior to issuance	After issuance
Total ordinary share capital (million shares)	3,474.51	3,474.51	3,474.51
Total weighted average ordinary share capital (million shares)	3,441.19	3,474.51	3,474.51
Assumption I: there is no growth in both 2022 and 2021 as compared to that of the previous year			
Net profit attributable to shareholders of the parent company (RMB million)	4,423.63	4,423.63	4,401.70
Net profit attributable to the holders of ordinary shares of the parent company (RMB million)	4,116.66	4,116.66	4,094.72
Basic earnings per share attributable to the holders of ordinary shares of the parent company (RMB/per share)	1.20	1.18	1.18
Diluted earnings per share attributable to the holders of ordinary shares of the parent company (RMB/per share)	1.20	1.18	0.96
Net profit attributable to the shareholders of the parent company after deducting non- recurring gains and losses (RMB million)	4,373.87	4,373.87	4,351.94

Item	Year ended 2021/ 31 December 2021	Year ended 2022/ 31 December 2022 Prior to issuance	After issuance
Net profit attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB million)	4,066.90	4,066.90	4,044.96
Basic earnings per share attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB/per share)	1.18	1.17	1.16
Diluted earnings per share attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB/per share)	1.18	1.17	0.95
Assumption II: there is a 5% increase in both 2022 and 2021 as compared to that of the previous year			
Net profit attributable to shareholders of the parent company (RMB million)	4,644.81	5,120.91	5,098.97
Net profit attributable to the holders of ordinary shares of the parent company (RMB million)	4,337.84	4,813.94	4,792.00
Basic earnings per share attributable to the holders of ordinary shares of the parent company (RMB/per share)	1.26	1.39	1.38
Diluted earnings per share attributable to the holders of ordinary shares of the parent company (RMB/per share)	1.26	1.39	1.12
Net profit attributable to the shareholders the parent company after deducting non-recurring gains and losses (RMB million)	4,592.57	4,822.19	4,800.26
Net profit attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB million)	4,285.60	4,515.22	4,493.29
Basic earnings per share attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB/per share)	1.25	1.30	1.29
Diluted earnings per share attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB/per share)	1.25	1.30	1.05

Item	Year ended 2021/ 31 December 2021	Year ended 2022/ 31 December 2022 Prior to issuance	After issuance
Assumption III: there is a 10% increase in both 2022 and 2021 as compared to that of the previous year			
Net profit attributable to shareholders of the parent company (RMB million)	4,866.00	5,352.60	5,330.66
Net profit attributable to the holders of ordinary shares of the parent company (RMB million)	4,559.03	5,045.62	5,023.69
Basic earnings per share attributable to the holders of ordinary shares of the parent company (RMB/per share)	1.32	1.45	1.45
Diluted earnings per share attributable to the holders of ordinary shares of the parent company (RMB/per share)	1.32	1.45	1.18
Net profit attributable to the shareholders of the parent company after deducting non-recurring gains and losses (RMB million)	4,811.26	5,292.39	5,270.45
Net profit attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB million)	4,504.29	4,985.42	4,963.48
Basic earnings per share attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB/per share)	1.31	1.43	1.43
Diluted earnings per share attributable to the holders of ordinary shares of the parent company after deducting non-recurring gains and losses (RMB/per share)	1.31	1.43	1.16

Note 1: Growth rate of net profit refers to the growth of net profit attributable to shareholders of the parent company and the growth of net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses of the Bank in 2022 and 2021;

Note 2: The net profit attributable to ordinary shareholders of the parent company = the net profit attributable to shareholders of the parent company – the dividends declared for the preference shares for the current period; the net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses = the net profit attributable to shareholders of the parent company after deducting non-recurring gains and losses – the dividends declared for the preference shares for the current period;

Note 3: The basic earnings per share and the diluted earnings per share is calculated according to the relevant requirements of the Rules for Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Shares (《公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露》), and the weighted average of ordinary shares outstanding. The Bank completed the public issuance on February 5, 2021. 347 million shares were added and its share capital was increased to RMB3.475 billion.

(III) Explanations for the estimation

1. The Bank's assumption analysis which is the basis of the abovementioned estimation does not constitute profit forecast of the Bank. Investors shall not make investment decisions based on them. The Bank will not be liable for any losses arising from investment decisions therefrom by any investor;
2. The total amount of funds raised from the Convertible Bond is only an estimate. The issuance time and completion time of conversion of the Convertible Bonds is merely illustrative assumptions. The total amount of the raised funds, the issue completion time and actual time of completion of the conversion that are approved by regulatory authorities and actually issued shall prevail.

**II. RISK WARNING ON THE DILUTION OF IMMEDIATE RETURN UPON THE
ISSUANCE OF THE CONVERTIBLE BONDS**

After the completion of the issuance of the Convertible Bonds and prior to the conversion of the Convertible Bonds into shares in full, the number of all outstanding potentially dilutive ordinary shares of the Bank will increase accordingly. The diluted earnings per share and diluted earnings per share after deducting non-recurring gains or losses of the Bank may decrease for the year in which the issuance of the Convertible Bonds is completed without taking account into the financial return of the proceeds to be raised.

After the completion of the issuance of the Convertible Bonds and prior to the conversion of the Convertible Bonds into shares, the Bank has to pay interests for the Convertible Bonds which have not been converted into shares at the coupon rate as agreed in advance. As the coupon rate of convertible bonds is generally low, the growth of the profit generated from the use of the proceeds through the issuance of the Convertible Bonds will exceed the amount of bond interests paid to the investors under normal circumstances; while under extreme circumstances, the immediate return of the ordinary shareholders of the Bank will be diluted due to the risk of the decrease in profit after tax of the Bank if the growth of the profit generated from the use of the proceeds through the issuance of the Convertible Bonds cannot cover the amount of bond interests paid to the investors.

After partial or full conversion of the Convertible Bonds, the aggregate amount of the Bank's share capital will increase accordingly, which will have a dilution effect on the original shareholding, return on net assets and earnings per share of the Bank to a certain extent.

In addition, the issuance of the Convertible Bonds is subject to the term of downward adjustment. When the term is triggered, the Bank may apply for the downward adjustment of the conversion price, which results in the increase of the total amount of the additional share capital through the issuance of the Convertible Bonds, and hence enlarging the potential dilution effect on the original shareholders of the Bank therefrom.

Investors are hereby reminded to pay attention to the risk of dilution of the Convertible Bonds' immediate returns. Meanwhile, the Bank's measures to compensate for the dilution of immediate returns are not equivalent to guaranteeing the Bank's future profits. The Bank will continue to disclose in the periodic reports the completion status of the remedial measures for the dilution on the immediate returns and the fulfillment of commitments made by the relevant commitment parties.

III. THE NECESSITY AND RATIONALITY OF THE ISSUANCE OF THE CONVERTIBLE BONDS

(I) Improve the level of capital adequacy to better meet regulatory requirements.

After the implementation of the Administrative Measures on the Capital of Commercial Banks (Trial) on January 1, 2013, the regulatory authorities raised higher requirements on the capital adequacy ratio of commercial banks. It is therefore necessary for the Bank to further improve capital adequacy ratio through the issuance to satisfy future development needs while better meeting regulatory requirements, so as to improve the Bank's risk-resistant ability.

(II) Broaden external financing channels and establish sustainable capital replenishment methods.

With the rapid development of the Bank's businesses, replenishing core Tier-1 capital with retained profits has been unable to meet the needs of capital replenishment. The proposed issuance of Convertible Bonds is one of the effective refinancing methods for the Bank, as a commercial bank listed on the Shanghai Stock Exchange in February 2021, to improve its capital adequacy. The proposed issuance of Convertible Bonds will enable the Bank to further broaden its capital replenishment channels and improve its capital quality. A sustainable securitized capital replenishment mechanism is conducive to better development of the Bank's business.

(III) Support business development needs and better serve the real economy.

Upon the issuance, the Bank's capital strength will be further enhanced, which will not only enable the Bank to meet business development needs, but also help strengthen the Bank's ability to serve the real economy.

Considering development needs, regulatory requirements and shareholder value realization, the issuance complies with relevant laws, regulations and policies, and is in line with the Bank's long-term development strategy. It can further enhance the Bank's capital strength and market competitiveness, and is of great significance for the Bank to respond to future financial system reforms and banking industry competition, to achieve sustained and steady growth in various businesses, and to enhance market influence.

IV. RELATIONSHIPS BETWEEN THE INVESTMENT PROJECTS TO BE FINANCED WITH THE PROCEEDS AND THE EXISTING BUSINESSES OF THE BANK, AND PREPARATIONS IN TERMS OF HUMAN RESOURCES, TECHNOLOGIES AND MARKET MADE BY THE BANK FOR THE INVESTMENT PROJECTS TO BE FINANCED WITH THE PROCEEDS

The proceeds from the issuance of the Convertible Bonds are intended to be used to support for the continuous, steady and healthy development of the Bank's business, which complies with the regulatory requirements and the Bank's long-term strategic development direction. They will provide capital support for the steady and rapid development of the Bank's businesses, which is conducive to promoting the Bank's long-term sustainable development, future providing adequate credit support for the development of the real economy, and creating sustainable investment returns for shareholders.

The Bank attaches great importance to the construction of a talent team. Business transformation and improvement are inseparable from a professional talent team and the scientific guidance of the performance appraisal system. The Bank will further establish a flexible market-oriented talent mechanism, increase the staffing and resource allocation for professional positions, and implement an exit mechanism. Meanwhile, an evaluation system that matches the development strategy should be constructed, giving full play to the role of the "strategic baton" in performance evaluation, and guiding the implementation of the strategy.

The Bank attaches great importance to technological innovation, and will further enhance the position of technology in the Bank, gradually transforming from the current supporting business needs to developing together with the business. Besides, based on internal capabilities and business development considerations, the Bank will introduce more external cooperation in technology, match business needs through a more flexible, fast and low-cost development model, and drive comprehensive financial technology innovation.

In terms of market, the Bank will further consolidate and strengthen the local Chongqing market, and connect with Chongqing's strategic development positioning and direction in terms of planning institutional layout and adjusting business structure. In terms of channel construction, while optimizing offline channels and consolidating offline sites, the Bank actively seizes opportunities for the development of Internet finance and develops financial products and services with good experience. In the future strategy, based on the strategic positioning of building a "Customer Service Expert", the Bank will create distinctive business

advantages adhering to the development path of differentiation, specialization and refinement, and provide customers with customized and distinctive products, services and comprehensive solutions to help customers realize value appreciation and become an “expert of financial services for the targeted customers”.

V. REMEDIAL MEASURES ADOPTED BY THE BANK IN RESPECT OF DILUTION IN IMMEDIATE RETURNS FROM THE PUBLIC ISSUANCE OF CONVERTIBLE BONDS

The public issuance of Convertible Bonds may result in the dilution of investors' immediate returns. In this regard, the Bank will take a variety of measures to improve operating performance and enhance sustainable returns. The specific measures are as follows:

(I) The current status of the Bank's operation and development

As of December 31, 2020, the Bank has total assets of RMB561.641 billion, representing an increase of RMB60.410 billion or 12.05% as compared to that of the end of 2019; net loans and advances of RMB272.259 billion, representing an increase of RMB33.633 billion or 14.09% as compared to that of the end of 2019; total deposits of RMB314.500 billion, representing an increase of RMB33.451 billion or 11.9% as compared to that of the end of 2019; and total shareholders' equity of RMB41.994 billion, representing an increase of RMB3.381 billion or 8.75% as compared to that of the end of 2019.

The principal business of the Bank includes corporate banking, retail banking and treasury business.

Corporate banking is one of the Bank's core businesses. The Bank provides various corporate business products and services to corporate customers, mainly including corporate loans, corporate deposits, and corporate intermediary business products and services. The Bank's corporate banking business position has gradually transformed from a traditional credit business to a professional financial service provider, and is committed to becoming a comprehensive financial solution provider.

In terms of retail banking business, the Bank provides diversified products and services for individual customers, including personal loans, personal deposits, bank cards, and personal intermediary services. With high-quality financial services and a good brand image, the Bank's retail banking business is showing a trend of rapid growth.

Treasury business mainly includes investment portfolio management business, inter-bank market business, client wealth management business and investment banking business. The treasury business effectively meets the needs of asset and liability management, fully implements the liquidity risk and interest rate risk management

functions, comprehensively improves the profitability of the treasury business, and provides strong support for achieving the Bank's profit target. After years of operation and experience accumulation, the Bank's treasury business has continued to expand and a good market image has been established in the financial inter-bank market.

(II) Major risks and measures for improvement of current business segments of the Bank

1. Major risks

As a special corporate operating currency and credit, the Bank's risks mainly include credit risk, operational risk, market risk, liquidity risk, information technology risk, reputation risk, legal compliance risk, etc.

2. Major measures for improvement

The Bank adopts a prudent risk management strategy and is committed to achieving a balance between risk and return by building a comprehensive risk management system. Through continuous development and strengthening of risk management, the Bank strives to achieve the following goals: establishing a comprehensive risk management system covering all risk areas; optimizing risk management procedures and integrating risk identification, measurement, monitoring, reporting and control into all steps of the business process; developing and applying advanced risk management technologies and methods to improve risk identification and measurement capabilities; and building a "balanced, prudent, and sound" risk culture.

(III) Specific measures for improving operating performance

In order to ensure the effective use of proceeds, effectively prevent the risk of shareholders' immediate returns being diluted, and improve the Bank's ability to maintain returns in the future, the Bank intends to take the following specific measures:

1. Improving efficiency and reasonableness of capital utilisation

In order to improve the efficiency of capital utilisation, the Bank will endeavour to adjust and optimise the asset structure and develop capital-saving business. This will be put into implementation in terms of allocating credit resources more reasonably, increasing earnings for the customers; optimising the business model, strengthening financial innovation, exploring low-capital-consuming business, striving to achieving the transformation of asset structure, income structure, and profit model; appropriately improving risk mitigation level and reducing capital occupancy during business development; guiding the business

departments and branches and sub-branches in terms of adjustment of business structure and customer base, restraining growth of risky assets with economic capital, achieving reasonable balance between capital and risk levels, and improving efficiency and reasonableness of capital utilisation.

2. *Maintaining stability of policies on returns to shareholders*

In order to maintain stable policies on returns to shareholders, the Articles of Association have specified the profit distribution policies and dividend rate and the minimum rate of cash dividend pursuant to the Guideline No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividend by Listed Companies so that investors would have an expectation of stable returns. The Bank attaches great importance to protection of Shareholders' interest, and will continue to maintain the continuity and stability of the profit distribution policies and to create long-term value for the Shareholders.

3. *Improving the risk management system*

For better identification, measurement, monitoring and reporting of major risk conditions, the Bank has established sound internal assessment procedures for capital adequacy to ensure that the capital level commensurate with major risks and risk management level and that the capital planning is in line with operational status, changes in risk profiles and long-term development strategies. The Bank will improve its comprehensive risk management and establish an integrated risk management system covering all risk areas to achieve organic integration of business development and risk management.

4. *Improving management and use of proceeds*

Given the distinctive nature of the commercial banking business, the proceeds will be used to replenish the capital, rather than for any particular projects. Therefore, it is not feasible to measure the income attributable to such proceeds separately. The Bank will strengthen the management on proceeds and use the proceeds in a reasonable and effective manner to improve the level of return on capital.

**VI. UNDERTAKINGS OF THE BANK'S DIRECTORS AND SENIOR MANAGEMENT
ON THE IMPLEMENTATION OF REMEDIAL MEASURES FOR THE DILUTION
OF IMMEDIATE RETURNS CAUSED BY THE PUBLIC ISSUANCE OF
CONVERTIBLE BONDS**

Directors and senior management of the Bank will faithfully and diligently perform their duties, and safeguard the legitimate rights and interests of the Bank and all shareholders. According to relevant regulations of the CSRC and in order to secure the implementation of the Bank's remedial measures for the dilution of the returns, each of the Directors and senior management of the Bank made the following undertakings:

- (1) he/she will not transfer any benefits to other entities or persons unconditionally or unfairly nor otherwise make any actions prejudicing the interests of Bank of Chongqing;
- (2) he/she will restrict the expenditures of the Directors and senior management for performing his/her duties;
- (3) he/she will not use any assets of Bank of Chongqing for any investment or expenditure unrelated to the performance of his/her own duties;
- (4) that the remuneration policy formulated by the Board of Directors or the Remuneration and Appraisal Committee shall be in line with the implementation of Bank of Chongqing's remedial measures for the dilution of returns;
- (5) that the conditions of the proposed share incentive plan of Bank of Chongqing in the future, if any, shall be in line with the implementation of Bank of Chongqing's remedial measures for the dilution of returns.

NOTICE OF EGM

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BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

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

(Stock Code: 1963)

(Stock Code of Preference Shares: 4616)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Bank of Chongqing Co., Ltd. (the “Bank”) will be held at 9:30 a.m. on Thursday, 17 March 2022 at Multi-Function Hall, 3/F of the Building of the Head Office of Bank of Chongqing, No. 6 Yongpingmen Street, Jiangbei District, Chongqing, the PRC to consider and, if thought fit, to pass the following resolution:

Ordinary Resolution

1. To consider and approve the connected transaction in relation to the subscription of A Share Convertible Corporate Bonds to be publicly issued by Bank of Chongqing Co., Ltd. by Chongqing Yufu Capital Operation Group Co., Ltd. and its associates.

By order of the Board
Bank of Chongqing Co., Ltd.*
WONG Wah Sing
Executive Director

Chongqing, the PRC, 1 March 2022

NOTICE OF EGM

Notes:

1. Voting by poll

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), all votes of resolutions at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the voting results will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.cqcbank.com) in accordance with the Listing Rules.

2. Closure of register of members and eligibility for attending and voting at the EGM

Holders of H shares of the Bank are advised that the H share register of members of the Bank will close from Monday, 14 March 2022 to Thursday, 17 March 2022 (both days inclusive), during which time no transfer of H shares of the Bank will be effected and registered. In order to qualify for attending and voting at the EGM, instruments of transfer accompanied by relevant share certificates and other appropriate documents must be lodged with the Bank’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:30 p.m. on Friday, 11 March 2022.

Shareholders of the Bank whose names appear on the register of members of the Bank at the close of business on Friday, 11 March 2022 are entitled to attend and vote at the EGM.

3. Proxy

Every shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether or not they are members of the Bank, to attend and vote on his/her behalf at the EGM.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointer or his/her attorney duly authorized in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person’s seal or signed by its director or an attorney duly authorized in writing. The instrument appointing the proxy shall be deposited at the Bank’s H share registrar for holders of H shares not less than 24 hours before the time specified for holding the EGM. If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other documents of authority under which the instrument is signed shall be notarized. The notarized power of attorney or other documents of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Bank’s H share registrar.

4. Other businesses

- (i) The EGM is expected to last for no more than half a working day. Shareholders and their proxies attending the meeting shall be responsible for their own traveling and accommodation expenses.
- (ii) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong
Tel No.: (852) 2862 8628
Fax No.: (852) 2865 0990

As at the date of this notice, the executive directors of the Bank are Ms. LIN Jun, Mr. RAN Hailing, Mr. LIU Jianhua and Mr. WONG Wah Sing; the non-executive directors are Mr. WONG Hon Hing, Mr. YANG Yusong, Mr. WU Heng and Ms. ZHONG Xian; and the independent non-executive directors are Dr. LIU Xing, Mr. WANG Rong, Dr. ZOU Hong, Dr. FUNG Don Hau and Mr. YUAN Xiaobin.

* *The Bank holds a financial licence number B0206H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000202869177Y. The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*