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中原銀行股份有限公司*
ZHONGYUAN BANK CO., LTD.*

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

(Stock Code of H Shares: 1216)

(Stock Code of Preference Shares: 4617)

**REPLENISHMENT OF OTHER TIER-ONE CAPITAL
THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT AND
ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE**

CONVERTIBLE NEGOTIATED DEPOSIT AGREEMENT

The Board is pleased to announce that in order to actively implement the government's special debt policy of RMB8.0 billion, enhance the Bank's capital strength and risk resistance level, the Bank intends to carry out the convertible negotiated deposit business to replenish its other tier-one capital. The main contents of the proposal are summarized as below:

- (1) after the Finance Department of Henan Province or its designated authorities collecting the proceeds from issuance of the government's special bonds, the Financial Department of Henan Province or its designated authorities will open a special account in the Bank for the convertible negotiated deposit for the purpose of receiving such funds;
- (2) with the consent of the Finance Department of Henan Province, when the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and upon the satisfaction of specific requirements on the Minimum Public Float prescribed by the Stock Exchange, the Finance Department of Henan Province or its designated authorities shall convert the convertible negotiated deposit into ordinary Shares of the Bank in accordance with laws and regulations as well as the Agreement;
- (3) if the conversion conditions are not fully satisfied, the Bank shall repay the principal and interest upon the maturity of the convertible negotiated deposit in accordance with the Agreement; and
- (4) during the term of the convertible negotiated deposit, the Bank shall report the changes in the core tier-one capital adequacy ratio of the previous quarter to the Finance Department of Henan Province or its designated authorities by the 20th day of the first month of each quarter. When the core tier-one capital adequacy ratio of the Bank drops to 7.5%, pre-warning is triggered and the Bank shall promptly inform the Finance Department of Henan Province or its designated authorities of the situation, formulate emergency plans, and actively take appropriate measures to improve the ability of the Bank to resist risks and avoid the occurrence of triggering events.

LISTING RULES IMPLICATIONS OF THE CONVERTIBLE NEGOTIATED DEPOSIT AND ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE

Pursuant to Rule 19A.38 of the Listing Rules, the specific mandate of the proposed convertible negotiated deposit and issuance of the H Shares resulting from the conversion thereof are subject to the requirements for approval at the EGM and the Class Meetings.

The proposed convertible negotiated deposit and its specific mandate were considered and approved by the Board on 29 September 2022. None of the Directors has a material interest in the above matters and hence no Director has abstained from voting on such resolution of the Board.

This proposal was considered and adopted at the meeting of the Board held on 29 September 2022, which is to be proposed to the EGM and the Class Meetings by way of special resolution(s) for Shareholders' consideration and approval.

THE EGM AND CLASS MEETINGS

A circular containing, among other things, the details of the proposed issuance of the convertible negotiated deposit, the notices of the EGM and the Class Meetings, and other information as required under the Listing Rules, will be despatched to the Shareholders in due course.

The proposed issuance of the convertible negotiated deposit are subject to a number of conditions precedent, including but not limited to the approvals from the Shareholders and approvals from relevant regulatory bodies, which may or may not be fulfilled. There is no assurance that the Bank will proceed with the proposed issuance of the convertible negotiated deposit. The Shareholders and potential investors of the Bank should exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Bank.

The Board hereby announces that in order to actively implement the government's special bond policy of RMB8.0 billion, enhance the Bank's capital strength and risk resistance level, the Bank intends to carry out the convertible negotiated deposit business to replenish other tier-one capital of the Bank. The relevant proposal is hereby formulated with the details as follows.

BACKGROUND

At the executive meeting of the State Council presided by Premier Li Keqiang (李克強) on 1 July 2020, a quota for new local government's special bonds in 2020 was determined to be arranged for local governments to explore new reasonable ways to properly replenish the capital of small and medium-sized banks by subscribing convertible bonds in accordance with the laws and regulations, to enhance their ability to serve small and micro businesses, and also to support and guarantee employment.

As at 30 June 2022, the core tier-one capital adequacy of the Bank was approximately 7.97%, which is close to the minimum regulatory requirement of 7.50%. Therefore, the Bank has applied to the Finance Department of Henan Province (河南省財政廳) for special bonds in the amount of RMB8.0 billion under the guidance from the relevant department of CBIRC. According to the unified deployment of the Finance Department of Henan Province, the Bank intends to carry out a convertible negotiated deposit business of not more than RMB8.0 billion to coordinate with local government's special bond funds, so as to replenish its other tier-one capital in full.

MEANING AND NECESSITY OF CONVERTIBLE NEGOTIATED DEPOSIT

Meaning of Convertible Negotiated Deposit

Convertible negotiated deposit is an innovative capital tool to replenish the capital of small and medium-sized banks. It is to inject local government's bond funds that can be used to replenish the capital of small and medium-sized banks into target banks in the form of deposits to replenish the target banks' capital. At the same time, the subscriber of the convertible negotiated deposit enters into an agreement with the target bank to convert the deposits into ordinary shares of the target bank upon meeting the conditions for the conversion, or the target bank may repay the principal and interest accrued thereof upon the maturity of the convertible negotiated deposit or when it becomes redeemable.

Necessity of Convertible Negotiated Deposit

With the deepening of interest rate liberalization, banks are faced with the challenges of intensifying competition, decreasing interest margin, declining profitability, and increasing difficulties in risk management with respect to interest rate and liquidity. In light of the above, being compared to those of state-owned banks and large-sized joint-stock banks, city commercial banks are in a relatively disadvantageous position in the scale of self-owned funds, attractiveness and bargaining power in respect of clients' deposits. Since the COVID-19 epidemic in 2020, in particular, the external environment faced by small and medium-sized banks has become increasingly complicated. Therefore, it is an effective way to further improve the financial service capacity of the Bank by issuing the convertible negotiated deposit with special bond funds, replenishing other tier-one capital of the Bank and stabilizing long-term and core liabilities.

BASIC ELEMENTS FOR CONVERTIBLE NEGOTIATED DEPOSIT

Subject of Deposit: the Finance Department of Henan Province or its designated authorities, which are proposed to be wholly-owned subsidiaries or entities of the Finance Department of Henan Province. To effectively manage investment operation and segregate investment risk, it is the common practice for local governments to designate their wholly-owned subsidiaries or entities as investment holding entities.

Targets of Issuance: the Finance Department of Henan Province or the qualified state-owned enterprises under Henan SASAC

Quota: not more than RMB8.0 billion

Interest Rate: before the conversion, the interest rate of the convertible negotiated deposit shall match with the corresponding local government's special bond issuance interest rate. According to the recent bond issuance interest rate by the local government of Henan Province, the interest rate of the special bonds is expected to range from 2.5% to 4.5%. If the interest rate of the special bonds exceeds such range thereafter, the Bank will separately submit the same to the Shareholders' general meeting for approval.

Repayment of Principal and Interest: from the sixth year, the principal of the convertible negotiated deposit is repayable by equal annual installments based on the total par value of the convertible negotiated deposit, i.e. 20% of the principal is repaid annually, amounting to RMB1.6 billion. The interest is paid semi-annually on the convertible negotiated deposit, and the interest rate shall match with the interest rate of the corresponding local government's special bonds.

Purpose: to replenish other tier-one capital of the Bank, namely, other tier-one capital instruments and its premium as well as applicable portions of minority Shareholders' capital pursuant to the Administrative Measures for the Capital of Commercial Banks (for Trial) (《商業銀行資本管理辦法(試行)》) issued by the CBIRC.

Core Conversion Terms: when the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and other conditions as set out in the Agreement are fully satisfied, the convertible negotiated deposit will be converted into ordinary Shares periodically and counted towards the core tier-one capital of the Bank.

Specifically, in accordance with the Agreement, the conversion of the convertible negotiated deposit into ordinary Shares of the Bank shall satisfy the following conditions at the same time:

- (1) the core tier-one capital adequacy ratio of the Bank is lower than 5.125%;
- (2) the Finance Department of Henan Province consents to the conversion; and
- (3) the class and number of the converted ordinary Shares and the shareholding structure of the Bank after the conversion shall satisfy the specific requirements of the Stock Exchange for the Minimum Public Float, otherwise all or part of the Shares shall be held by the independent third parties of the Bank or the conversion shall be terminated. In view of the fact that the Bank has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.08(1) of the Listing Rules at the time of the listing of the Bank's H Shares, pursuant to which the minimum public float shall be the higher of (i) 16.82%; and (ii) such percentage of H Shares to be held by the public after the exercise of the over-allotment option of the enlarged issued share capital of the Bank pursuant to the global offering, on the condition that the Bank's market capitalization was equal to at least HK\$10 billion at the time of the listing of the H Shares of the Bank in July 2017. Immediately following the completion of the global offering and the exercise of the over-allotment option, the number of H Shares held by the public became approximately 18.90% of the then total issued share capital of the Bank. Therefore, the Bank shall from time to time maintain the minimum public float at 18.90% of the total issued share capital of the Bank pursuant to the waiver above (i.e. The Minimum Public Float). As at the date of this announcement, the number of H Shares of the Bank held by the public accounts for approximately 19.00% of the total issued share capital of the Bank. In this case, in order to be in compliance with the requirements of the Listing Rules regarding the Minimum Public Float, the ordinary Shares of the Bank converted in accordance with the term of convertible negotiated deposit and the Agreement can only be H Shares of the Bank that are issued overseas and listed on the Stock Exchange, with a par value of RMB1.0 per Share.

Notwithstanding the above, in compliance with the Minimum Public Float by the Bank at all times, in the event that any conversion (whether partially or fully) of the convertible negotiated deposit would cause the Bank's failure of satisfying the requirements of the Listing Rules regarding the Minimum Public Float, no such conversion of the convertible negotiated deposit shall take place.

Conversion Price: the Initial Conversion Price is determined on the basis of the higher value of (i) the average trading price of the H Shares of the Bank for the 20 trading days preceding the date of the resolution of the Board approving the convertible negotiated deposit (i.e. 29 September 2022), which will be converted into the price in RMB with the central parity of the RMB against HK\$ announced by the State Administration of Foreign Exchange on the date of the resolution of the Board, and (ii) the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit. As at 30 June 2022, the net assets per Share attributable to equity shareholders of the Bank was RMB2.04. The Initial Conversion Price is subject to the adjustment as set out below.

The basis for determining the Initial Conversion Price of the convertible negotiated deposit is based on the Measures for the Administration on Securities Issuance of Listed Companies of the China Securities Regulatory Commission and other relevant laws and regulations, as well as the conversion clauses of domestic and overseas preference shares issued by domestic banks (for replenishing other tier-one capital) with reference to the average trading price in the 20 trading days prior to the pricing base date.

Further, in accordance with the relevant requirements under the PRC Company Law, the conversion price of the converted H Shares under the convertible negotiated deposit shall not be less than the nominal value of the Shares, being RMB1.00 per Share. Accordingly, the minimum conversion price under the convertible negotiated deposit is RMB1.00 per Share (the “**Minimum Conversion Price**”).

For illustration purpose, the Minimum Conversion Price of the convertible negotiated deposit is RMB1.00 (equivalent to approximately HK\$1.10):

- (1) it represents a premium of approximately 57.14% to the average trading price of the H Shares on the date of the resolution of the Board (i.e. 29 September 2022);
- (2) it represents a premium of approximately 57.14% to the average trading price of the H Shares in the 5 trading days prior to the date of the resolution of the Board;
- (3) it represents a premium of approximately 54.49% to the average trading price of the H Shares in the 10 trading days prior to the date of the resolution of the Board;
- (4) it represents a premium of approximately 45.76% to the average trading price of the H Shares in the 30 trading days prior to the date of the resolution of the Board; and
- (5) it represents a premium of approximately 45.79% to the average trading price of the H Shares in the 60 trading days prior to the date of the resolution of the Board.

The Board believes that the above Initial Conversion Price is in line with PRC Company Law and is fair and reasonable.

Therefore, under the above conditions, as calculated by the Minimum Conversion Price of RMB1.00 per Share, the conversion for the convertible negotiated deposit may fall under one of the following scenarios:

- I. If the conversion conditions are triggered within 6 years (inclusive) after the issuance date of the convertible negotiated deposit, the amount of conversion of the convertible negotiated deposit involved will be RMB8.0 billion**

Assuming that (i) the deposit amount will be converted in full, the converted H Shares to be held by the Qualified Target Subscribers will be 8,000,000,000 H Shares, and (ii) there is no change of the shareholding structure of the Bank from the date of this announcement and up to the conversion of the convertible negotiated deposit, the shareholding structures of the Bank as at the date of this announcement and immediately after the conversion of the convertible negotiated deposit are set out as follows. Since the implement of conversion of the convertible negotiated deposit is subject to fulfilment of conditions (including but not limited to the requirement of the Minimum Public Float), the following table of shareholding structure is for illustration purpose only.

Name of Shareholders	Class of Shares	As at the date of this announcement			Immediately after the implementation of the conversion		
		Number of Shares	Approximate percentage of issued shares of the relevant class of the Bank ^{(1) (2)}	Approximate percentage of total issued shares of the Bank ^{(1) (2)}	Number of Shares	Approximate percentage of issued shares of the relevant class of the Bank ^{(1) (2)}	Approximate percentage of total issued shares of the Bank ^{(1) (2)}
Henan Investment Group Co., Ltd. [#] (河南投資集團有限公司) (“Henan Investment Group”) ⁽³⁾	Domestic Shares	2,919,676,294	9.86%	7.99%	2,919,676,294	9.86%	6.55%
Other Domestic Shareholders	Domestic Shares	26,685,147,028	90.14%	73.01%	26,685,147,028	90.14%	59.90%
Sub-total		29,604,823,322	100.00%	81.00%	29,604,823,322	100.00%	66.45%
Qualified Target Subscribers	H Shares	Nil	-	-	8,000,000,000	53.53%	17.96%
Other H Shareholders ⁽⁴⁾	H Shares	6,945,000,000	100.00%	19.00%	6,945,000,000	46.47%	15.59%
Total		36,549,823,322	100.00%	100.00%	44,549,823,322	100.00%	100.00%

Notes:

- (1) Certain amounts and percentage figures included in the table above have been subject to rounding adjustments, and any discrepancy between the total amount and the arithmetical sum of the amounts listed is due to rounding.
- (2) Immediately before the implementation of the conversion, the number of total issued Shares of the Bank was 36,549,823,322, comprising 29,604,823,322 Domestic Shares and 6,945,000,000 H Shares. For the avoidance of doubt, the 69,750,000 issued Preference Shares of the Bank have not been taken into account for the purpose of illustrating the change in the shareholding structure of the Bank as a result of the implementation of the conversion.
- (3) Henan Investment Group is wholly owned by the Finance Department of Henan Province (河南省財政廳). As at the date of this announcement, Henan Investment Group directly holds 2,264,396,518 Domestic Shares of the Bank and indirectly holds 17,696,926 Domestic Shares and 637,582,850 Domestic Shares through its controlled corporations, i.e. Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司) and Zhongyuan Trust Co., Ltd.[#] (中原信託有限公司), respectively. Therefore, Henan Investment Group is deemed to be interested in a total of 2,919,676,294 Domestic Shares under Part XV of the SFO.

- (4) Since only the H Shares held by other H Shareholders (representing approximately 15.59% of the total issued shares of the Bank) are counted towards the public float of the Bank, which falls below the Minimum Public Float, the conversion of the convertible negotiated deposit shall not proceed and the table of shareholding structure is for illustration purpose only.

For identification purpose only

If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with requirement of the Minimum Public Float (where applicable).

II. If the conversion conditions are triggered within 6-7 years (inclusive) after the issuance date of the convertible negotiated deposit, the amount of conversion of the convertible negotiated deposits involved will be RMB6.4 billion

Assuming that (i) the deposit amount will be converted in full, the converted H Shares to be held by the Qualified Target Subscribers will be 6,400,000,000 H Shares, and (ii) there is no change of the shareholding structure of the Bank from the date of this announcement and up to the conversion of the convertible negotiated deposit, the total share capital of the Bank is 42,949,823,322 Shares, including 29,604,823,322 Domestic Shares and 13,345,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

III. If the conversion conditions are triggered within 7-8 years (inclusive) after the issuance date of the convertible negotiated deposit, the amount of conversion of the convertible negotiated deposits involved will be RMB4.8 billion

Assuming that (i) the deposit amount will be converted in full, the converted H Shares to be held by the Qualified Target Subscribers will be 4,800,000,000 H Shares, and (ii) there is no change of the shareholding structure of the Bank from the date of this announcement and up to the conversion of the convertible negotiated deposit, the total share capital of the Bank is 41,349,823,322 Shares, including 29,604,823,322 Domestic Shares and 11,745,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

IV. If the conversion conditions are triggered within 8-9 years (inclusive) after the issuance date of the convertible negotiated deposit, the amount of conversion of the convertible negotiated deposits involved will be RMB3.2 billion

Assuming that (i) the deposit amount will be converted in full, the converted H Shares to be held by the Qualified Target Subscribers will be 3,200,000,000 H Shares, and (ii) there is no change of the shareholding structure of the Bank from the date of this announcement and up to the conversion of the convertible negotiated deposit, the total share capital of the Bank is 39,749,823,322 Shares, including 29,604,823,322 Domestic Shares and 10,145,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float requirement, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

V. If the conversion conditions are triggered within 9-10 years (inclusive) after the issuance date of the convertible negotiated deposit, the amount of conversion of the convertible negotiated deposits involved will be RMB1.6 billion

Assuming that (i) the deposit amount will be converted in full, the converted H Shares to be held by the Qualified Target Subscribers will be 1,600,000,000 H Shares, and (ii) there is no change of the shareholding structure of the Bank from the date of this announcement and up to the conversion of the convertible negotiated deposit, the total share capital of the Bank is 38,149,823,322 Shares, including 29,604,823,322 Domestic Shares and 8,545,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

In summary, the convertible negotiated deposit can be converted to a maximum of 8,000,000,000 H Shares of the Bank (taking up approximately 17.96% of the enlarged total ordinary share capital of the Bank), with a par value of RMB1.0 per Share, provided that the conditions for conversion are fully satisfied. Based on that and the conversion price of RMB1.00 per Share, the conversion will not result in a theoretical dilution effect. The Bank will ensure it complies with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Listing Rules at the time of entering into the Agreement and upon completion of the convertible negotiated deposit.

Upon the Shareholders approvals at the EGM and the Class Meetings, the implementation of the convertible negotiated deposit business does not need to submit to the CSRC or CBIRC for approval.

AUTHORIZATION

The aforesaid proposal will be put forward to the EGM and the Class Meetings for consideration and approval. The Bank and the Finance Department of Henan Province will enter into the Agreement after obtaining the approvals of the EGM and the Class Meetings. Upon the Shareholders' approvals at the EGM and the Class Meetings, the Board will authorize the senior management to carry out relevant work in a timely manner in accordance with the aforesaid proposal of convertible negotiated deposit and the requirements of the Finance Department of Henan Province and related regulatory authorities, such as making amendments to the plan and relevant agreements according to the requirements of regulatory authorities in the place where the Shares are listed. At the same time, the Board authorizes the senior management to handle the specific matters related to the issuance of the aforesaid convertible negotiated deposit, including but not limited to:

- (i) determining, adjusting and supplementing proposal and specific terms of convertible negotiated deposit, including but not limited to deposit size, deposit time, interest rate of deposit, deposit term, arrangement for repayment of principal and interest of deposit and other relevant matters;
- (ii) handling the relative specific matters in relation to replenishment of capital with convertible negotiated deposit, including but not limited to summing issuance application materials to finance department and regulatory authority, amending and entering into all relative legal documents in relation to convertible negotiated deposit, and completing relative procedures such as application, reporting, registration and filing;
- (iii) engaging professional parties including financial advisor, accounting firm and law firm to handle relative matters in relation to the issuance and application, and preparing, amending and submitting the application materials in relation to the issuance as requested by regulatory authority;
- (iv) amending the provisions of the Articles of Association after the issuance and conversion of convertible negotiated deposit where appropriate, and handling relative matters such as filing with administration of industry and commerce and CBIRC, registration of changes in registered capital and registration with securities registration and settlement authority;
- (v) adjusting specific issuance proposal according to provision or requirements on new policies by regulatory authority or market conditions (excluding those to be voted at general meeting in accordance with laws and regulation and the Articles of Association), if there is any change in the policy on convertible negotiated deposit by regulatory authority prior to the issuance or new requirements are imposed by regulatory authority or changes in market conditions;

- (vi) determining to delay the implementation or early termination of the issuance at its discretion in the event of occurrence of force majeure or under other circumstances that may make it difficult to implement the issuance proposal, or may have adverse consequences to the Bank after implementation, or there is any change in the policy on convertible negotiated deposit;
- (vii) handling all relative matters in relation to the redemption, conversion, resale of convertible negotiated deposit, payment of principal and interests, and other matters in relation to convertible negotiated deposit at its sole discretion in accordance with laws and regulations, approval from regulatory authority and provisions of the Articles of Association during the terms of convertible negotiated deposit, subject to the framework and principal considered and approved at general meeting; and
- (viii) handling other matters in relation to the issuance as permitted by laws and regulations.

Regarding the specific arrangements for this matter, the Bank will comply with the applicable rules and regulations of the place where the Shares are listed, including but not limited to the Listing Rules. Amongst the above authorizations, except for authorizations (iv) and (vii), the valid period of which is from the date of approvals at EGM and the Class Meetings to the date of completion of relative matters, the valid period for the remaining authorizations shall be within 12 months from the date of approvals at the EGM and the Class Meetings.

THE AGREEMENT ON REPLENISHING THE “CONVERTIBLE NEGOTIATED DEPOSIT” OF SMALL AND MEDIUM-SIZED BANKS’ CAPITAL WITH SPECIAL BONDS

Main Contents

The Finance Department of Henan Province intends to supplement other tier-one capital of the Bank by means of the convertible negotiated deposit, as detailed below:

- (1) after the Finance Department of Henan Province or its designated authorities collecting the proceeds from issuance of the government’s special bonds, the Finance Department of Henan Province or its designated authorities will open a special account in the Bank for the convertible negotiated deposit for the purpose of receiving such funds;
- (2) with the consent of the Finance Department of Henan Province, when the core tier-one capital adequacy ratio of the Bank is lower than 5.125%, and upon the satisfaction of specific requirements on the Minimum Public Float prescribed by the Stock Exchange, the Finance Department of Henan Province or its designated authorities shall convert the convertible negotiated deposit into ordinary Shares of the Bank in accordance with laws and regulations as well as the Agreement, further details of which are set out in the section of “Conversion Conditions” below;
- (3) if the conversion conditions are not fully satisfied, the Bank shall repay the principal and interest upon the maturity of the convertible negotiated deposit in accordance with the Agreement; and

- (4) during the term of the convertible negotiated deposit, the Bank shall report the changes in its core tier-one capital adequacy ratio of the previous quarter to the Finance Department of Henan Province or its designated authorities by the 20th day of the first month of each quarter. When the core tier-one capital adequacy ratio of the Bank drops to 7.5%, pre-warning is triggered and the Bank shall promptly inform the Finance Department of Henan Province or its designated authorities of the situation, formulate emergency plans, and actively take appropriate measures to improve the ability of the Bank to resist risks and avoid the occurrence of triggering events.

The term of the Agreement starts from the convertible negotiated deposit having been fully deposited into the Bank to the earlier of (i) the date of completion of the conversion of convertible negotiated deposit, or (ii) the expiry date of 10 years from the issuance date of the special bonds.

Agreement on the Convertible Negotiated Deposit

The convertible negotiated deposit amounts to RMB8.0 billion (the actual amount shall be subject to the amount of the local government's special bonds issued to supplement the capital of the Bank under the approval of the Henan provincial government).

The interest rate of the convertible negotiated deposit under the Agreement shall be fixed, and the annual interest rate (after considering tax factors) is subject to the actual issuing rate of the corresponding local government's special bonds. Interest shall be paid on the convertible negotiated deposit under the Agreement every six months, and the interest payment day of the convertible negotiated deposit shall be at least 10 working days ahead of the interest payment day of the local government's special bonds. The interest shall be paid to the local treasury of the Finance Department of Henan Province or its designated authorities by wire transfer. The transfer voucher of the Bank shall be the valid voucher of the interest payment.

The commencement date in calculation of interest of the convertible negotiated deposit shall be the date of the convertible negotiated deposit having been fully deposited into the Bank, and the date of cessation in calculation of interest of the convertible negotiated deposit shall be the completion date of the conversion of the convertible negotiated deposit or the expiry date of the term of convertible negotiated deposit.

From the sixth year, the principal of the convertible negotiated deposit is repayable by equal annual installments based on the total par value of the convertible negotiated deposit, i.e. 20% of the principal is repaid annually, amounting to RMB1.6 billion.

Conversion Conditions

The parties agree that the conversion of the convertible negotiated deposit into the ordinary Shares of the Bank shall be subject to the satisfaction of each of the following conditions:

- (1) the core tier-one capital adequacy ratio of the Bank is lower than 5.125%;
- (2) the Finance Department of Henan Province consents to the conversion; and

- (3) the class and number of the converted ordinary Shares and the shareholding structure of the Bank after the conversion of the convertible negotiated deposit shall satisfy the relevant requirements of laws and regulations, including but not limited to the particular requirement of the Minimum Public Float, otherwise the converted ordinary Shares shall be fully or partially held by independent third parties of the Bank or the conversion shall be terminated.

If the above conditions are fully satisfied, all or part of the convertible negotiated deposit placed in the Bank by the Finance Department of Henan Province or its designated authorities will be converted into ordinary Shares of the Bank and will be held by the Qualified Target Subscribers. The Qualified Target Subscribers will pay the corresponding consideration to the Finance Department of Henan Province or its designated authorities in respect of such Shares. The shareholding ratio of which will be determined based on the conversion price standards set out in the Agreement. For the avoidance of doubt, when the core tier-one capital adequacy ratio of the Bank is lower than 5.125% while the above conditions (2) and (3) are not satisfied, the Finance Department of Henan Province or its designated authorities shall not convert the Shares in a mandatory manner.

Conversion Price

The Initial Conversion Price is determined on the basis of the higher value of (i) average trading price of H Shares of the Bank for the 20 trading days preceding the date of the resolution of the Board approving the convertible negotiated deposit (i.e. 29 September 2022), which will be converted into the price in RMB with the central parity of the RMB against HK\$ announced by State Administration of Foreign Exchange on the date of the resolution of the Board, and (ii) the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit.

Further, in accordance with the relevant requirements under the PRC Company Law, the conversion price of the converted H Shares under the convertible negotiated deposit shall not be less than the nominal value of the Shares, being RMB1.00 per Share. Therefore, the Minimum Conversion Price under the convertible negotiated deposit is RMB1.00 per Share.

In case that the Initial Conversion Price is determined on the basis of the average trading price of H Shares of the Bank for the 20 trading days preceding the date of the resolution of the Board approving the convertible negotiated deposit (i.e. 29 September 2022), after the date of the resolution of the Board to carry on the convertible negotiated deposit business (before the date of the trigger event of the conversion), if the Bank issues bonus dividends of ordinary Shares, converts capital reserves to share capital and issues new Shares at a price lower than the audited net assets per Share in the year end prior to the issuance (excluding any additional share capital from the conversion of financial instruments issued by the Bank with a provision for conversion into Ordinary Shares) and makes rights issue (whether at a price lower than the audited net assets per Share in the year end prior to the issuance or not), the Bank will adjust the Initial Conversion Price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events, provided that the distribution of cash dividend of ordinary Shares by the Bank will not result in the adjustment of the Initial Conversion Price. The specific adjustment rules have been set as follow:

Bonus issue or conversion from capital reserves to share capital

$$P1=P0 \times N / (N+n);$$

Issuance of new Shares at a price lower than net assets per Share or rights issue

$$P1=P0 \times [(N \times M) + (n \times A)] / [(N \times M) + (n \times M)]$$

In the aforesaid rules, “P0” denotes the effective conversion price before adjustment; “N” denotes the aggregate ordinary Shares of the Bank before the issuance of bonus dividends of ordinary Shares, conversion of capital reserves to share capital, issuance of new Shares or right issue; “n” denotes the number of new Shares created due to the issuance of bonus dividends of ordinary Shares, conversion of capital reserves to share capital, issuance of new Shares or right issue; “A” denotes the price of new Share issue or rights issue; “M” denotes audited net assets per Share in the year end prior to the completion date of new Share issue or rights issue; and “P1” denotes the effective conversion price after adjustment.

In the case of rights issue (whether at a price lower than the audited net assets per Share in the year end prior to the issuance or not), the total number of ordinary Shares of the Bank will increase and the equity interest per Share will be diluted accordingly. Therefore, a corresponding discount shall be applied to the Initial Conversion Price so as to ensure that all Shareholders’ rights and interests are protected.

In accordance with the relevant requirements under the PRC Company Law, the conversion price of the converted H Shares under the convertible negotiated deposit shall not be less than the nominal value of the Shares. Therefore, the conversion price (with or without any adjustment aforementioned) shall not be less than the Minimum Conversion Price of RMB1.00 per Share.

The Bank undertakes that it will not issue new Shares at a price lower than net assets per Share during the term of the Agreement. In order to ensure the appreciation and preservation of state-owned assets and protect the interests of original Shareholders, in accordance with general market principles, the Bank will not issue new Shares at a price lower than the net assets per Share. Besides, in addition to the issuance of new Shares, the Bank may also adopt other methods such as the issuance of capital bonds to raise funds. Therefore, the aforementioned undertaking of the Bank will not affect its ability to raise funds in the future, and is in the overall interest of the Bank and its Shareholders.

The ordinary Shares to be issued as a result of the conversion of the convertible negotiated deposit will rank *pari passu* with the existing issued ordinary Shares, and all holders of ordinary Shares whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.

All or part of the convertible negotiated deposit will be converted by the Finance Department of Henan Province or its designated authorities to ordinary Shares of the Bank (i.e. the Target Shares), and the number of ordinary Shares to be converted will be equal to the outstanding principal amount of the convertible negotiated deposit dividend by the conversion price.

Implementation of the Conversion

The Finance Department of Henan Province or its designated authorities, the Bank and the prospective shareholders (including but not limited to the Qualified Target Subscribers which are related to the implementation of the conversion) of the Bank will enter into a capital increment agreement according to the conversion standards and conditions agreed in the Agreement. After the conversion, the Qualified Target Subscribers will, as the Shareholders of the Bank, exercise the corporate governance over the Bank based on the actual shareholding with other Shareholders of the Bank.

The convertible negotiated deposit in the Bank from the Finance Department of Henan Province or its designated authorities will be converted to the capital for subscription of the Shares after the aforementioned capital increment agreement is entered into among the Finance Department of Henan Province or its designated authorities, the Bank and the prospective shareholders (including but not limited to the Qualified Target Subscribers which are related to the implementation of the conversion) of the Bank, and the Articles of Association would also be amended accordingly.

After the register of members is determined, the Bank shall be responsible for the amendment to the corporate registration particulars in relation to the Target Shares with the company registration authority, and the Finance Department of Henan Province or its designated authorities and the Qualified Target Subscribers will provide assistance and cooperation correspondingly. As agreed among all the parties, since the date when the convertible negotiated deposit is deducted as the conversion capital from the convertible negotiated deposit account of the Finance Department of Henan Province or its designated authorities, the Bank will not pay any interest on those amounts of deducted convertible negotiated deposit. After the completion date of the conversion, the Shareholders whose names appear on the register of members after the conversion shall be entitled to the capital reserve, surplus reserve and accumulative undistributed profits of the Bank in proportion to their respective Shares.

Disposal of Shares

The Target Shares directly or indirectly held by the Finance Department of Henan Province or its designated authorities under the Agreement will be transferred in priority to the 5 top state-owned Shareholders according to their shareholding proportions under the coordination of the Bank by means of market-based transfer, in order to realize the disposal of the converted Shares, provided that the ultimate holders and the transferred Shares shall comply with the relevant rules and regulations of the Stock Exchange and be subject to the approval of the regulatory authorities. The above arrangement can minimize the reduction in the stake holding in the Bank by state-owned Shareholders from the disposal of the Target Shares by the Finance Department of Henan Province or its designated authorities so as to maintain the stability of the shareholding structure of the Bank as a whole.

The Bank shall provide assistance and cooperation for the transfer of the Shares held by the Finance Department of Henan Province or its designated authorities under the Agreement. For the avoidance of doubt, the Bank and the 5 top state-owned Shareholders have no obligations under the Agreement in relation to the disposal of the Target Shares.

Notwithstanding the above, in compliance with the Minimum Public Float by the Bank at all times, in the event that any disposal of the Target Shares (whether partially or fully) by the Finance Department of Henan Province or its designated authorities would cause the Bank's failure of satisfying the requirements of the Listing Rules regarding the Minimum Public Float, the Finance Department of Henan Province or its designated authorities shall not and the Bank shall procure the Finance Department of Henan Province or its designated authorities not to dispose of the Target Shares.

Liability for Breach of Contract

If the Bank submits any false information or document to the Finance Department of Henan Province or its designated authorities, provides an invalid warranty or undertaking, or breaches any repayment obligation under the Agreement, the Finance Department of Henan Province may at its discretion:

- (1) make remedy in accordance with the provisions on the remedial measures for breach of contract in the Agreement; and/or

- (2) declare the early termination of the Agreement and require the Bank to immediately repay all the principal, interest and other expenses payable as of the date on which the Finance Department of Henan Province or its designated authorities declares the early termination of the Agreement.

If the Bank fails to pay or fails to pay in full the principal, interest and other fees payable upon the maturity of the convertible negotiated deposit under the Agreement (including the declaration of the early termination of the Agreement by the Finance Department of Henan Province according to the relevant terms of the Agreement), and the Finance Department of Henan Province chooses not to convert the relevant convertible negotiated deposit into Shares in accordance with the conversion conditions as set out in the Agreement, the Finance Department of Henan Province shall have the right to charge penalty interest on the overdue principal, interest and fees on a daily basis at the rate of annual interest rate of convertible negotiated deposit multiplied by two times and dividend by the number of days of the year.

The Bank shall be obliged to ensure the safety of the deposit account of the Finance Department of Henan Province or its designated authorities under the Agreement, and pay the relevant interest on schedule and cooperate with the Finance Department of Henan Province or its designated authorities for the withdrawal of the relevant deposits according to the term of corresponding installments of deposits as set out in the Agreement. If the Bank fails to pay the interest as agreed or rejects the withdrawal request of the Finance Department of Henan Province or its designated authorities without reasonable ground, and still fails to pay the full amount within 5 working days as of the date of request by the Finance Department of Henan Province or its designated authorities, the Finance Department of Henan Province or its designated authorities shall have the right to terminate the Agreement, and the Bank shall immediately repay all or the remaining principal, accrued interest and all other expenses payable and shall indemnify the Finance Department of Henan Province or its designated authorities for any losses incurred.

The Bank shall make repayment on schedule according to the Agreement. If the Bank suffers losses or makes false profit but actual loss due to poor operation, which endangers the security of the convertible negotiated deposit, the Finance Department of Henan Province or its designated authorities shall have the right to withdraw the convertible negotiated deposit ahead of time.

Effectiveness and Termination

The Agreement shall come into force upon the satisfaction of each of the following conditions:

- (1) the Agreement is signed and stamped by the legal representatives or authorized representatives of the relevant parties;
- (2) the Agreement is approved by securities regulatory authorities in the place where the Bank's Shares are listed and considered and passed by the EGM and the Class Meetings; and
- (3) the convertible negotiated deposit and the conversion into the Target Shares under the Agreement is approved by the relevant government authorities or upstream authorities (if necessary).

The Agreement shall be terminated in any of the following circumstances:

- (1) the parties reach consensus to terminate the Agreement;
- (2) the convertible negotiated deposit cannot be implemented due to force majeure and other objective factors beyond the control of the parties; or

- (3) the severe violation of the Agreement or applicable laws by any party of the Agreement makes it impossible to perform and complete the Agreement. In this case, other parties have the right to unilaterally terminate the Agreement by written notice.

LISTING RULES IMPLICATIONS OF THE CONVERTIBLE NEGOTIATED DEPOSIT AND ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE

Pursuant to Rule 19A.38 of the Listing Rules, the specific mandate of the proposed convertible negotiated deposit and issuance of the H Shares resulting from the conversion thereof are subject to the requirements for approval at the EGM and the Class Meetings.

The proposed convertible negotiated deposit and its specific mandate were considered and approved by the Board on 29 September 2022. None of the Directors has a material interest in the above matters and hence no Director has abstained from voting on such Board resolution.

Save as disclosed below, the Bank did not conduct any other equity fund raising activities within the 12 months immediately preceding the date of this announcement.

Date of Announcement	Equity Fund Raising Activity	Net Proceeds Raised	Proposed Use of Proceeds	Actual Use of Proceeds
10 May 2022	Placing of 3,150,000,000 H Shares at the conversion price of HK\$1.8 per Share under specific mandate passed by the Shareholders on 10 March 2022	Approximately HK\$5,667 million	To replenish core tier 1 capital of the Bank	Fully used to replenish core tier 1 capital of the Bank

This proposal was considered and adopted at the meeting of the Board held on 29 September 2022, which is to be proposed to the EGM and the Class Meetings by way of special resolution(s) for Shareholders' consideration and approval.

THE EGM AND CLASS MEETINGS

A circular containing, among other things, (i) the details of the proposed issuance of the convertible negotiated deposit, (ii) the notices of the EGM and the Class Meetings, and (iii) other information as required under the Listing Rules, will be despatched to the Shareholders in due course.

The exchange rate used for reference purpose in this announcement is RMB1.00 to HK\$1.10.

WARNING

The proposed issuance of the convertible negotiated deposit are subject to a number of conditions precedent, including but not limited to the approvals from the Shareholders and approvals from relevant regulatory bodies, which may or may not be fulfilled. There is no assurance that the Bank will proceed with the proposed issuance of the convertible negotiated deposit. The Shareholders and potential investors of the Bank should exercise caution when they deal or contemplate dealing in the Shares or other securities (if any) of the Bank.

DEFINITIONS

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

“Agreement”	the agreement on the convertible negotiated deposit in the amount of RMB8.0 billion to be entered into by the Bank and the Finance Department of Henan Province
“Qualified Target Subscribers”	the Finance Department of Henan Province or the qualified state-owned enterprises under Henan SASAC
“Articles of Association”	the articles of association of the Bank, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meanings as ascribed thereto under the Listing Rules
“Bank”	Zhongyuan Bank Co., Ltd.* (中原銀行股份有限公司*), a joint stock company incorporated on December 23, 2014 in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange, and, if the context requires, includes its predecessors, branches, sub-branches and subsidiaries
“Board”	the board of Directors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), and, if the context requires, includes its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Class Meetings”	the Domestic Share class extraordinary general meeting and the H Share class extraordinary general meeting of the Bank to be convened for the relevant class Shareholders to consider, and if thought fit, to approve, among other things, the proposed issuance of convertible negotiated deposit and its specific mandate
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary share(s) issued by the Bank in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“Domestic Shareholder(s)”	the holder(s) of Domestic Share(s)
“EGM”	the extraordinary general meeting of the Bank to be convened for the Shareholders to consider, and if thought fit, to approve, among other things, the proposed issuance of convertible negotiated deposit and its specific mandate

“Group”	the Bank and its subsidiaries
“H Share(s)”	the overseas-listed ordinary share(s) in the share capital of the Bank, which are listed on the Main Board of the Stock Exchange (stock code: 1216) and traded in Hong Kong dollars, and has a nominal value of RMB1.00 each
“H Shareholder(s)”	the holder(s) of the H Share(s)
“Henan SASAC”	the State-owned Assets Supervision and Administration Commission of Henan Province
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not connected with the Bank (within the meaning of the Listing Rules)
“Initial Conversion Price”	subject to the adjustment mechanism pursuant to the Agreement, the initial conversion price upon the conversion of convertible negotiated deposit, which shall be determined on the basis of the higher value of (i) the average trading price of the H Shares for the 20 trading days preceding the date of the resolution of the Board approving the convertible negotiated deposit (i.e. 29 September 2022), which will be converted into the price in RMB with the central parity of the RMB against the Hong Kong dollars announced by State Administration of Foreign Exchange on the date of the resolution of the Board, and (ii) the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit, and in any event shall be less than RMB1.00 per Share
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minimum Public Float”	the minimum public float at 18.90% of the total issued share capital of the Bank, which shall be maintained by the Bank from time to time under the waiver granted by the Stock Exchange from strict compliance with the requirements under Rule 8.08(1) of the Listing Rules at the time of the listing of the Bank’s H Shares in July 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Bank

“Shareholder(s)”	the shareholder(s) of the Bank
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Share(s)”	the ordinary Share(s) to be converted by the Finance Department of Henan Province or its designated authorities under the convertible negotiated deposit pursuant to the terms of the Agreement
“%”	per cent

By order of the Board
ZHONGYUAN BANK CO., LTD.*
XU Nuojin
Chairman

Zhengzhou, the PRC
29 September 2022

As at the date of this announcement, the Board comprises Mr. XU Nuojin, Mr. WANG Jiong and Mr. LI Yulin as executive Directors; Ms. ZHANG Qiuyun and Mr. MI Hongjun as non-executive Directors; Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny as independent non-executive Directors.

* *Zhongyuan Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), 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.*