

# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your H Shares (as defined herein) in Bank of Qingdao Co., Ltd., you should at once hand this prospectus and the accompanying Provisional Allotment Letter (as defined herein) and Excess Application Form (as defined herein) to the purchaser or other transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form and (where applicable) the documents specified in the paragraph "Statutory and General Information – Documents Delivered to the Registrar of Companies" in Appendix III to this prospectus have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Hong Kong Stock Exchange (as defined herein) and the Securities and Futures Commission take no responsibility as to the contents of any of the Prospectus Documents (as defined herein) or any other documents referred to above.

Dealings in the securities of Bank of Qingdao Co., Ltd. and the H Rights Shares (as defined herein) and the Nil-paid H Rights (as defined herein) may be settled through the CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of and permission to deal in the H Rights Shares and the Nil-paid H Rights on the Hong Kong Stock Exchange and subject to compliance with the stock admission requirements of HKSCC (as defined herein), the H Rights Shares and the Nil-paid H Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the respective commencement dates of dealings in the H Rights Shares and the Nil-paid H Rights on the Hong Kong Stock Exchange or such other date(s) as determined by HKSCC. All activities under the CCASS are subject to the General Rules of the CCASS and the CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities have not been registered under the U.S. Securities Act of 1933, as amended, (the "U.S. Securities Act") or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any securities (including the Shares and the Rights Shares (in their nil-paid or fully-paid forms)) or to take up entitlements to any securities (including the Shares and the Rights Shares (in their nil-paid or fully-paid forms)) in any jurisdiction in which such an offer or solicitation is unlawful. Neither this prospectus nor anything in this prospectus forms the basis of any contract of commitment whatsoever.

**BQD**  **青島銀行**

**Bank of Qingdao Co., Ltd.\***

**青島銀行股份有限公司\***

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

**(H Shares Stock Code: 3866)**

**(Preference Shares Stock Code: 4611)**

**H SHARE RIGHTS ISSUE OF 528,910,494 H SHARES ON THE BASIS OF  
THREE (3) H RIGHTS SHARES FOR EVERY TEN (10) EXISTING H SHARES AT  
HK\$3.92 PER H RIGHTS SHARE  
PAYABLE IN FULL ON ACCEPTANCE**

**A SHARE RIGHTS ISSUE OF 823,996,506 A SHARES ON THE BASIS OF  
THREE (3) A RIGHTS SHARES FOR EVERY TEN (10) EXISTING A SHARES AT  
RMB3.2 PER A RIGHTS SHARE  
PAYABLE IN FULL ON ACCEPTANCE**

**GLOBAL COORDINATOR OF THE H SHARE RIGHTS ISSUE**

 **CITIC SECURITIES**

**UNDERWRITERS OF THE H SHARE RIGHTS ISSUE**

 **CITIC SECURITIES**

 **AMTD 尚乘**

 **CICC 中金公司**

 **CMS 招商證券國際**

**JOINT BOOKRUNNERS OF THE H SHARE RIGHTS ISSUE**

 **CITIC SECURITIES**

 **AMTD 尚乘**

 **CICC 中金公司**

 **CMS 招商證券國際**

 **INTESA SANPAOLO**

Existing H Shares have been dealt in on an ex-rights basis from Wednesday, 5 January 2022. Dealings in the Nil-paid H Rights will take place from Tuesday, 18 January 2022 to Tuesday, 25 January 2022 (both days inclusive).

The latest time for acceptance of and payment for H Rights Shares and application of and payment for excess H Rights Shares is at 4:00 p.m. on Friday, 28 January 2022. Further details on the expected timetable for the H Share Rights Issue are set out in the section headed "Expected Timetable" in this prospectus.

The procedure for acceptance or transfer of the H Rights Shares is set out in the "Letter from the Board" on pages 57 to 100 of this prospectus.

The H Share Rights Issue will proceed on a fully-underwritten basis. The Underwriting Agreement contains provisions entitling the Underwriters by notice in writing to terminate the Underwriting Agreement on the occurrence of certain events, including force majeure, as set out in the paragraph headed "Letter from the Board – Termination of the Underwriting Agreement" on pages 89 to 91 of this prospectus. If the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed. Any person dealing in the H Shares and/or Nil-paid H Rights up to the time when all conditions to which the H Share Rights Issue is subject are fulfilled (which is expected to be 5:00 p.m. on Monday, 31 January 2022) will bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Shareholders' and potential investors' attention is also drawn to the paragraph headed "Letter from the Board – Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights" in this prospectus. Any person who is in any doubt about his/her position is recommended to consult his/her professional adviser.

\* *Bank of Qingdao 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 out banking and/or deposit-taking business in Hong Kong.*

14 January 2022

---

## NOTICE

---

The H Share Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. Furthermore, if any of the conditions of the H Share Rights Issue set out under the paragraph headed “Letter from the Board-Conditions of the H Share Rights Issue” are not fulfilled, the H Share Rights Issue will not proceed, in which case a further announcement will be made by the Bank at the relevant time. Shareholders’ and potential investors’ attention is drawn to the paragraph headed “Letter from the Board-Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights”. It should also be noted that the H Shares have been dealt in on an ex-rights basis from Wednesday, 5 January 2022 and that dealings in the Nil-paid H Rights are expected to take place from 9:00 a.m., Tuesday, 18 January 2022 to 4:00 p.m., Tuesday, 25 January 2022 (both days inclusive). Such dealings will take place when the conditions of the H Share Rights Issue remain unfulfilled, and the Underwriting Agreement does not become unconditional or is subject to termination in accordance with the terms thereof. Any person dealing in the securities of the Bank up to the date on which such condition is fulfilled or waived and up to the Latest Time for Termination (as defined herein) and any person dealing in the Nil-paid H Rights from 9:00 a.m., Tuesday, 18 January 2022 to 4:00 p.m., Tuesday, 25 January 2022 (being the first and last day of dealings in the Nil-paid H Rights, respectively) will accordingly bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Any person dealing in or contemplating any dealing in the securities of the Bank, the Nil-paid H Rights and/or the H Rights Shares during this period, who is in any doubt about his, her or its position, is recommended to consult his, her or its own professional adviser.

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE H SHARE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO H SHAREHOLDERS, BENEFICIAL H SHAREHOLDERS OR INVESTORS WITH REGISTERED ADDRESSES IN THE SPECIFIED TERRITORIES.** This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Nil-paid H Rights or the H Rights Shares or to take up any entitlements to the Nil-paid H Rights or the H Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the Nil-paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter or the Excess Application Form will be registered under the securities laws of any of the Specified Territories and none of the Nil-paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter and the Excess Application Form will qualify for distribution under any of the relevant securities laws of any of the Specified Territories (other than pursuant to any applicable exceptions as agreed by the Bank). Accordingly, the Nil-paid H Rights and the H Rights Shares may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within any Specified Territories other than Hong Kong absent registration or qualification under the respective securities laws of such Specified Territories, or absent exemption from the registration or qualification requirements under applicable rules of such Specified Territories.

No action has been taken by the Bank to permit a public offering of the Nil-paid H Rights and/or H Rights Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the

---

## NOTICE

---

purpose of and does not constitute an offer or invitation in any jurisdiction or in any circumstances, in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Nil-paid H Rights and/or H Rights Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring the Nil-paid H Rights and/or H Rights Shares under the H Share Rights Issue will be required to confirm, or be deemed by his/her acquisition of the Nil-paid H Rights and/or H Rights Shares to confirm, that he/she is aware of the restrictions on offers and sales of the Nil-paid H Rights and/or H Rights Shares described in this prospectus.

For a description of certain restrictions regarding the take-up of the Nil-paid H Rights for, and the offering and sale of, the H Rights Shares, see the notices below.

### NOTICE TO INVESTORS IN ITALY

The offering of the H Rights Shares has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, the Bank has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any H Rights Shares in the Republic of Italy in an offer to the public and that sales of the H Rights Shares in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, the Bank has represented and agreed that it will not offer, sell or deliver any H Rights Shares or distribute copies of the Prospectus Documents and any other document relating to the H Rights Shares in the Republic of Italy except:

- (1) to “qualified investors”, as defined in Regulation (EU) 2017/1129 of 14 June 2017 (the “**Prospectus Regulation**”, as amended); or
- (2) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under the Prospectus Regulation, Italian Legislative Decree No. 58 of 24 February 1998, as amended (the “**Consolidated Financial Act**”) or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

---

## NOTICE

---

Any such offer, sale or delivery of the H Rights Shares or distribution of copies of the Prospectus Documents or any other document relating to the H Rights Shares in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, the Consolidated Financial Act, CONSOB Regulation No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations;
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### *Provisions relating to the secondary market in the Republic of Italy*

Investors should also note that, in any subsequent distribution of the H Rights Shares in the Republic of Italy, the Prospectus Regulation and the Consolidated Financial Act may require compliance with the law relating to public offers of securities. Furthermore, Article 100-*bis* of the Consolidated Financial Act provides that where the H Rights Shares are placed solely with “qualified investors” and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of H Rights Shares who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the H Rights Shares were purchased, unless an exemption provided for under the Prospectus Regulation or the Consolidated Financial Act applies.

### **NOTICE TO INVESTORS IN CAYMAN ISLANDS**

No invitation has been or will be made by or on behalf of the Bank to the public in the Cayman Islands to subscribe for any of the Shares and H Rights Shares.

---

## NOTICE

---

### NOTICE TO INVESTORS IN BRITISH VIRGIN ISLANDS (“BVI”)

No invitation has been made or will be made, directly or indirectly, to the public in the BVI to purchase the H Rights Shares, and the H Rights Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the BVI, except as otherwise permitted by the BVI laws.

### NOTICE TO INVESTORS IN THE PRC

If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in Nil-paid H Rights or fully-paid H Rights Shares, he/she/it shall be responsible for complying with relevant laws of the PRC. The Bank will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Bank suffer any losses and damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or resident shall be responsible to compensate the Bank for the same. The Bank shall not be obliged to issue the nil-paid H Rights Shares or fully-paid H Rights to any such Shareholder and/or resident, if issuing the nil-paid H Rights Shares or fully-paid H Rights to he/she/it does not comply with the relevant laws of the PRC.

For the avoidance of doubt, the PRC Southbound Trading Investors can participate in the H Share Rights Issue through CSDCC. CSDCC will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their Nil-paid H Rights on the Hong Kong Stock Exchange under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of Shares held on the H Share Rights Issue Record Date at the Subscription Price under the H Share Rights Issue in accordance with the relevant laws and regulations.

**However, CSDCC will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.** The PRC Southbound Trading Investors (or the relevant CSDCC participants as the case may be) whose stock accounts in the CSDCC are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares on the Hong Kong Stock Exchange via CSDCC under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and can neither purchase any Nil-paid H Rights nor transfer such Nil-paid H Rights to other PRC Southbound Trading Investors. In order to ensure the timeliness of the clearing and currency exchange of payment for H Share Rights Issue, the long stop date for the reporting of H Share Rights Issue set by CSDCC is three (3) Shenzhen Stock Exchange business days earlier than that set by HKSCC.

### NOTICE TO INVESTORS IN SINGAPORE

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Nil-paid H

---

## NOTICE

---

Rights or the H Rights Shares may not be circulated or distributed, nor may the Nil-paid H Rights or the H Rights Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) existing members of the Bank pursuant to Section 273(1)(cd)(i) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”), (ii) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (iii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iv) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Nil-paid H Rights or the H Rights Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Nil-paid H Rights or the H Rights Shares pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

---

## NOTICE

---

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Nil-paid H Rights or the H Rights Shares are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations).

### NOTICE TO INVESTORS IN LIECHTENSTEIN

This Prospectus has not been and will not be filed with the Liechtenstein Financial Markets Authority (FMA) and the Issuer is not obliged to do so. This Offer is made on the basis of an exemption under the Prospectus Regulation as set forth in the following.

In relation to each member state of the European Economic Area (each a “**Relevant State**”), including Liechtenstein, no shares have been offered or will be offered to the public in that Relevant State prior to the publication of a prospectus in relation to the Rights Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation (Regulation (EC) 2017/1129, as amended).

Notwithstanding the foregoing, the offering of Rights Shares in a Relevant State may be made and is made in Liechtenstein under the following exemptions under the Prospectus Regulation:

1. to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation; or
2. to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation);

and no such offer of the Rights Shares shall require the Bank or the Global Coordinator to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

### NOTICE TO INVESTORS IN TAIWAN

The H Rights Shares have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the H Rights Shares in Taiwan.



---

## NOTICE

---

### NOTICE TO INVESTORS IN DENMARK

The Prospectus Documents and the offering of the H Rights Shares have not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark. Accordingly, the H Rights Shares may not be offered, sold or delivered and the Prospectus Documents may not be distributed or delivered, directly or indirectly, in the Kingdom of Denmark by way of a public offering or otherwise unless in compliance with the Danish Capital Markets Act, Consolidated Act No. 2014 of 1 November 2021 as amended from time to time, and the Prospectus Regulation.

Notwithstanding the foregoing, an offering of H Rights Shares in the Kingdom of Denmark may be made without the publication of a prospectus which has been approved by the Danish Financial Supervisory Authority pursuant to applicable exemptions for the publishing of a prospectus pursuant to the Prospectus Regulation.

### NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area (each a “**Relevant State**”), no shares have been offered or will be offered to the public in that Relevant State prior to the publication of a prospectus in relation to the Rights Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation. Notwithstanding the foregoing an offering of Rights Shares in a Relevant State may be made under the following exemptions under the Prospectus Regulation:

1. to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
2. to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation); or
3. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Rights Shares shall require the Bank or the Global Coordinator to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to the Rights Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Rights Shares to be offered so as to enable an investor to decide to subscribe for or purchase any Rights Shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.



---

## NOTICE

---

Any resale of H Rights Shares being offered pursuant to the Prospectus Documents in the European Economic Area to persons in circumstances which may give rise to an offer to the public, may become subject to a separate obligation to publish a prospectus pursuant to the Prospectus Regulation Article 5(1), for which the Bank and the Global Coordinator expressly disclaims any liability or obligations.

### NOTICE TO INVESTORS IN THE UK

This prospectus and any other Prospectus Document is being distributed only to, and is directed only at, persons who are outside the United Kingdom, or if in the United Kingdom to persons who are “qualified investors” within the meaning of article 2(e) of the UK Prospectus Regulation who are also persons who: (i) have professional experience in matters relating to investments falling within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (ii) are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) otherwise are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) in connection with the issue or sale of any H Rights Shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred as “**Relevant Persons**”). The H Rights Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the H Rights Shares will be engaged in only with, Relevant Persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus or any of its contents.

An offer to the public of any H Rights Shares which are the subject of the offering contemplated by this prospectus may not be made in the United Kingdom, except that an offer to the public in the United Kingdom of any H Rights Shares may be made at any time under the following exemptions under the UK Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation); or
- any other circumstances falling within section 86 of the FSMA,

provided that no such offer of H Rights Shares shall require the Bank and/or any Underwriter or any of its or their affiliates to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

---

## NOTICE

---

This prospectus has been prepared on the basis that any offer of the H Rights Shares referred to herein in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of securities referred to herein. Accordingly, any person making or intending to make an offer in the United Kingdom of H Rights Shares which are the subject of the Rights Issue may only do so in circumstances in which no obligation arises for the Bank or any of the Underwriters to publish a prospectus pursuant to section 85 of the FSMA, in each case, in relation to such offer. Neither the Bank, nor any of the Underwriters, have authorized, nor do they authorize, the making of any offer of H Rights Shares in circumstances in which an obligation arises for the Bank or any of the Underwriters to publish a prospectus for such offer.

For the purposes of this provision, the expression “an offer to the public” in relation to the H Rights Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any H Rights Shares to be offered so as to enable an investor to decide to purchase or subscribe for any H Rights Shares, and the expression “UK Prospectus Regulation” means the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Each person in the United Kingdom who acquires any H Rights Shares in the Rights Issue or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the Bank, the Underwriters and its and their affiliates that it meets the criteria outlined in this section.

### **NOTICE TO INVESTORS IN THE U.S.**

This prospectus may not be circulated, distributed, forwarded, delivered or redistributed, electronically or otherwise, to persons within the U.S., and may not be relied upon as a basis for any investment decision or for any other purpose by any person within the U.S.

These materials do not constitute or form a part of any offer or solicitation of any offer to purchase or subscribe for securities in the U.S. The H Rights Shares in their nil-paid and fully-paid forms have not been and will not be registered under the U.S. Securities Act or under any securities laws of any state or other jurisdiction of the U.S. and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the U.S. except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S. The H Rights Shares in both nil-paid and fully-paid forms, the Prospectus Documents have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state’s securities commission in the U.S. or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the H Rights Shares in either nil-paid or fully-paid form, the Provisional Allotment Letter, the Excess Application Form or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States. There will be no public offer or any directed selling efforts of these securities in the U.S. The H Rights Shares in both nil-paid and fully-paid forms are being offered and sold in offshore transactions in reliance on

---

## NOTICE

---

Regulation S under the U.S. Securities Act. Each purchaser or subscriber of H Rights Shares being offered and sold the Rights Shares outside the U.S. will be deemed to have represented and agreed, among other things, that the purchaser or subscriber is acquiring the H Rights Shares in an offshore transaction meeting the requirements of Regulation S under the U.S. Securities Act. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

Any person purchasing or taking up the Nil-paid H Rights or subscribing for or accepting the H Rights Shares will be required to represent, among others, that such person:

- (i) is not within the United States;
- (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares;
- (iii) is not doing so for the account of any person who is located in the United States, unless:
  - (a) the instruction to take up was received from a person outside the United States; and
  - (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account; or (B) is an investment manager or investment company that it is acquiring the H Rights Shares in an “offshore transaction” within the meaning of Regulation S under the U.S. Securities Act and who is not otherwise a U.S. Person within the meaning and meeting the requirements of Regulation S under the U.S. Securities Act; and
- (iv) is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, resale, transfer, deliver or distribute, directly or indirectly, of any such Nil-paid H Rights or H Rights Shares into the United States or any other jurisdiction referred to in (ii) above.

---

## NOTICE

---

### **FORWARD-LOOKING STATEMENTS**

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, but not limited to, statements in respect of the Bank’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Bank operates, technological advances, financial and economic developments, legal and regulatory changes, and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Bank’s strategy, operations and industry development. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any assumptions underlying forward-looking statements prove to be incorrect, the Bank’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Bank or that the Bank does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realized.

Prospective investors are cautioned that forward-looking statements speak only as at the Latest Practicable Date. Except as required by applicable laws, the Bank does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, being it as a result of new information, future events or otherwise.

### **ARBITRATION OF DISPUTES**

If you have a claim against or dispute with us, a Director, a Supervisor, the general manager or other senior officers of ours, or a holder of our A Shares relating to any rights or obligations conferred or imposed by our Articles of Association or by the PRC Company Law and other relevant laws and administrative regulations concerning our affairs, our Articles of Association require you to submit the dispute or claim to either the China International Economic and Trade Arbitration Commission, or the Hong Kong International Arbitration Centre, for arbitration. Our Articles of Association further provide that the arbitral award will be final and conclusive and binding on all parties.

---

## CONTENTS

---

<b>DEFINITIONS</b> .....	1
<b>EXPECTED TIMETABLE</b> .....	9
<b>SUMMARY OF THE RIGHTS ISSUE</b> .....	11
<b>RISK FACTORS</b> .....	13
<b>BUSINESS</b> .....	43
<b>LETTER FROM THE BOARD</b> .....	57
<b>APPENDIX I – FINANCIAL INFORMATION OF THE COMPANY</b> .....	I-1
<b>APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY</b> .....	II-1
<b>APPENDIX III – STATUTORY AND GENERAL INFORMATION</b> .....	III-1

---

## DEFINITIONS

---

*In this prospectus, unless the context otherwise requires, the following expressions and terms have the following meanings:*

“2021 First A Share Class Meeting” or “A Share Class Meeting”	the 2021 first A share class meeting of the Bank held on Friday, 26 March 2021 at which, among others, the Rights Issue and related matters were considered and approved
“2021 First EGM” or “EGM”	the 2021 first extraordinary general meeting of the Bank held on Friday, 26 March 2021 at which, among others, the Rights Issue and related matters were considered and approved
“2021 First H Share Class Meeting” or “H Share Class Meeting”	the 2021 first H share class meeting of the Bank held on Friday, 26 March 2021 at which, among others, the Rights Issue and related matters were considered and approved
“A Rights Share(s)”	the new A Share(s) proposed to be placed and issued to the Qualified A Shareholders pursuant to the A Share Rights Issue
“A Share(s)”	the Bank’s ordinary shares of RMB1.00 each, which are listed on the Shenzhen Stock Exchange (stock code: 002948) and traded in RMB
“A Share Rights Issue”	the proposed issue of 823,996,506 A Rights Shares at the Subscription Price on the basis of up to three (3) A Rights Shares for every ten (10) existing A Shares held on the A Share Rights Issue Record Date
“A Share Rights Issue Prospectus”	the prospectus, which is in Chinese, containing the details of the A Share Rights Issue which has been published by the Bank on the website of the Shenzhen Stock Exchange ( <a href="http://www.szse.cn">www.szse.cn</a> ), the website of the Bank ( <a href="http://www.qdccb.com">www.qdccb.com</a> ) and the HKEXnews website of Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) on Thursday, 30 December 2021
“A Share Rights Issue Record Date”	Tuesday, 4 January 2022, or such other date determined by the Board or its authorized person(s) by reference to which entitlements of the A Share Rights Issue are to be determined

---

## DEFINITIONS

---

“A Shareholder(s)”	holder(s) of A Shares
“Announcement”	the announcement published by the Bank and dated 29 December 2021 on the proposed H Share Rights Issue and A Share Rights Issue
“Articles of Association”	the articles of association of the Bank (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bank”	Bank of Qingdao Co., Ltd. (and its branches), a joint stock company with limited liability incorporated in the PRC, and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 3866)
“Beneficial H Shareholder(s)”	any beneficial owner(s) of H Shares whose H Shares are registered in the name of a registered H Shareholder as shown in the H-share register
“Board”	the board of directors of the Bank
“business day”	any day other than Saturday, Sunday or public holiday(s) on which commercial banks and financial institutions in Hong Kong are generally open for normal business to the public
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant, or a custodian participant or a CCASS Investor Participant



---

## DEFINITIONS

---

“CSDCC”	China Securities Depository and Clearing Corporation Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	the Bank and its subsidiaries and branches
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“CSRC Announcement”	the announcement of the CSRC Filing Requirements for Hong Kong Listed Issuers Making Rights Issue to Mainland Shareholders through Mainland-Hong Kong Stock Connect (CSRC Announcement [2016] No. 21)
“Director(s)”	the director(s) of the Bank
“EUR”	Euro, the lawful currency of the Eurozone
“Excess Application Form(s)”	application form(s) for excess H Rights Shares
“Excluded H Shareholder(s)”	H Shareholders whose names appear on the H-share register at the close of business on the H Share Rights Issue Record Date and whose addresses as shown on the register are in any of the Specified Territories (except those H Shareholders or Beneficial H Shareholders whose addresses are in Italy, the PRC, Singapore, Liechtenstein, Denmark and the UK and whom the Company is satisfied that they meet the relevant requirements); and any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Company to be residents in any of the Specified Territories (but excluding those H Shareholders whose addresses are in Italy, the PRC, Singapore, Liechtenstein, Denmark and the UK and whom the Company is satisfied that they meet the relevant requirements)

---

## DEFINITIONS

---

“Global Coordinator”	CLSA Limited
“H Rights Share(s)”	the new H Share(s) proposed to be placed and issued to the Qualified H Shareholders pursuant to the H Share Rights Issue
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange (stock code: 03866) and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share Rights Issue”	the proposed issue of 528,910,494 H Rights Shares at the Subscription Price on the basis of up to three (3) H Rights Shares for every ten (10) existing H Shares held on the H Share Rights Issue Record Date
“H Share Rights Issue Record Date”	Thursday, 13 January 2022, or such other date determined by the Board or its authorized person(s) by reference to which entitlements of the H Share Rights Issue are to be determined
“H Shareholder(s)”	holder(s) of H Shares
“H-share register”	the H-share register of the Bank
“HK\$” or “Hong Kong dollars”	Hong Kong dollar, the lawful currency of Hong Kong
“HK Northbound Trading Investors”	the Hong Kong investors who hold the shares of PRC listed companies through HKSCC as nominee under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise revised from time to time

---

## DEFINITIONS

---

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Irrevocable Undertakings”	the irrevocable undertakings of Intesa Sanpaolo S.p.A. and Haitian (HK) Holdings Limited
“Intermediary”	in relation to a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees, means the Beneficial H Shareholder’s broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited the Beneficial H Shareholder’s H Shares with a CCASS Participant
“Joint Bookrunners”	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited and Intesa Sanpaolo S.p.A.
“Latest Acceptance Date”	Friday, 28 January 2022 or such later date as the Bank and the Underwriters may agree in writing
“Latest Practicable Date”	12 January 2022, being the latest practicable date prior to the printing of this prospectus
“Latest Time for Termination”	5:00 p.m. on Monday, 31 January 2022
“Listing Rules of the Shenzhen Stock Exchange”	the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Nil-paid H Rights”	the rights to subscribe for H Rights Shares (in the form of H Rights Shares in nil-paid) before the Subscription Price is paid
“Offshore Preference Share(s)”	Non-cumulative perpetual offshore preference shares with a total size of US\$1.203 billion and dividend rate of 5.50% issued by the Bank
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this prospectus, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the People’s Republic of China

---

## DEFINITIONS

---

“PRC Southbound Trading Investors”	PRC investors (including enterprises and individuals) who hold the shares of Hong Kong listed companies through CSDCC as nominee under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
“Price Determination Date”	29 December 2021, the date on which the Subscription Price was fixed for the purpose of the Rights Issue
“Prospectus Documents”	this prospectus, the Provisional Allotment Letter(s) and the Excess Application Form(s)
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the H Rights Shares
“Qingdao Office of CBIRC”	Qingdao Office of the CBIRC
“Qualified A Shareholder(s)”	A Shareholder(s) whose name(s) appear(s) on the register of members of the Bank at the Shenzhen branch of CSDCC after the close of trading on the A Share Rights Issue Record Date
“Qualified H Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the H-share register of the Bank on the H Share Rights Issue Record Date (not being Excluded H Shareholders)
“Rights Issue”	A Share Rights Issue and/or H Share Rights Issue
“Rights Issue Record Date(s)”	A Share Rights Issue Record Date and/or H Share Rights Issue Record Date
“Rights Share(s)”	A Rights Share(s) and/or H Rights Share(s)
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shanghai Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shanghai

---

## DEFINITIONS

---

“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Shares
“Shenzhen-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shenzhen
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Specified Territory(ies)”	Italy, the PRC, Singapore, Liechtenstein, Taiwan, Denmark, the UK and the U.S.
“STA”	the State Taxation Administration of the PRC (中國國家稅務總局)
“State Council”	the State Council of the PRC (中國國務院)
“Subscription Price(s)”	the Subscription Price of HK\$3.92 per H Rights Share and/or the Subscription Price of RMB3.2 per A Rights Share (as the case may be)
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“Supervisory Committee”	the supervisory committee of the Bank
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Underwriters”	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited
“Underwriting Agreement”	the underwriting agreement dated 29 December 2021 entered into between the Bank, the Underwriters and the Joint Bookrunners in relation to the H Share Rights Issue

---

## DEFINITIONS

---

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

*Unless otherwise specified in this prospectus, the exchange rate adopted in this prospectus for illustration only is HK\$1 to RMB0.81734. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates.*

*Unless otherwise specified in this prospectus, all figures disclosed in the “Risk Factors” and “Business” sections of this prospectus are presented in accordance with the International Financial Report Standards.*

---

## EXPECTED TIMETABLE

---

### Expected H Share Rights Issue Timetable

H-share register re-opens . . . . .	Friday, 14 January 2022
Despatch of Prospectus Documents. . . . .	Friday, 14 January 2022
First day of dealings in Nil-paid H Rights . . . . .	Tuesday, 18 January 2022
Latest time for splitting Nil-paid H Rights . . . . .	4:30 p.m. on Thursday, 20 January 2022
Last day of dealings in Nil-paid H Rights . . . . .	Tuesday, 25 January 2022
Latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares . . . . .	4:00 p.m. on Friday, 28 January 2022
Latest time for the termination of the Underwriting Agreement and for the H Share Rights Issue to become unconditional. . . . .	5:00 p.m. on Monday, 31 January 2022
Announcement of results of acceptance of and excess applications for H Rights Shares. . . . .	Wednesday, 9 February 2022
Despatch of certificates for fully-paid H Rights Shares . . . . .	Thursday, 10 February 2022
Despatch of refund cheques in respect of not accepted or partially accepted applications for excess H Rights Shares . . . . .	Thursday, 10 February 2022
Commencement of dealings in fully-paid H Rights Shares . . . . .	9:00 a.m. on Friday, 11 February 2022



---

## EXPECTED TIMETABLE

---

*All dates and times herein refer to Hong Kong local time and dates. Shareholders should note that the dates specified in the expected timetable of the H Share Rights Issue as set out above, and in other parts of this prospectus, are indicative only and may be changed by the Board. In the event any special circumstances arise, the Board or the authorized person(s) by the Board may extend or make adjustments to the timetable if it considers appropriate. Any such change to the expected timetables will be published or notified to the Shareholders accordingly.*

### **EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR H RIGHTS SHARES AND APPLICATION AND PAYMENT FOR EXCESS H RIGHTS SHARES**

The latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will not take place if a tropical cyclone warning signal number 8 or above, or an “extreme conditions” caused by super typhoons or “black” rainstorm warning is issued by the Hong Kong Observatory:

1. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be extended to 5:00 p.m. on the same business day; or
2. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in the paragraph headed “Expected H Share Rights Issue Timetable” above may be affected. An announcement will be made by the Bank in such event as soon as practicable.

---

## SUMMARY OF THE RIGHTS ISSUE

---

The following information is derived from this prospectus, and should be read in conjunction with the full text of this prospectus.

### H Shares Rights Issue Statistics

Basis of the H Share Rights Issue:	Three (3) H Rights Shares for every ten (10) existing H Shares held by the Qualified H Shareholders on the H Share Rights Issue Record Date
Number of H Shares in issue as at the Latest Practicable Date:	1,763,034,980 H Shares
Number of H Rights Shares proposed to be issued (assuming the number of H Shares in issue on the H Share Rights Issue Record Date remains the same as at the Latest Practicable Date):	528,910,494 H Shares
Aggregate nominal value of H Rights Shares:	RMB528,910,494
Subscription Price:	HK\$3.92 per H Rights Share
Global Coordinator:	CLSA Limited
Underwriters:	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited
Joint Bookrunners:	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited and Intesa Sanpaolo S.p.A.

---

## SUMMARY OF THE RIGHTS ISSUE

---

### A Share Rights Issue Statistics

Basis of A Share Rights Issue:	Three (3) A Rights Shares for every ten (10) existing A Shares held by the Qualified A Shareholders on the A Share Rights Issue Record Date
Number of A Shares in issue as at the Latest Practicable Date:	2,746,655,020 A Shares
Number of A Rights Shares proposed to be issued (assuming the number of A Shares in issue on the A Share Rights Issue Record Date remains the same as at the Latest Practicable Date):	823,996,506 A Shares
Subscription Price:	RMB3.2 per A Rights Share
Sponsor:	CITIC Securities Co., Ltd.
Joint Lead Underwriters:	CITIC Securities Co., Ltd., China International Capital Corporation Limited, Zhongtai Securities Co., Ltd. and China Merchants Securities Co., Ltd.

---

## RISK FACTORS

---

*You should carefully consider the risks described below and other information contained in this prospectus before making an investment decision. The occurrence of any of the following events could harm the Company. If these events occur, the trading price of the H Shares and the nil-paid H Rights Shares could decline, and you may lose all or part of your investment. Additional risks not currently known to the Bank or that the Company now considers immaterial may also cause the Company to incur losses and affect your investment.*

### I. RISKS RELATING TO THE COMPANY'S BUSINESS

#### (I) Credit risk

Credit risk refers to the uncertainty of the loss or gain that may be caused to a bank due to the default of customer in a transaction or the decline of credit rating when a commercial bank engages in banking business. Credit risk is one of the major risks faced by commercial banks. The concentration of the Company's credit risk is mainly from loan business, interbank lending and borrowing business, debt securities investment business and off-balance sheet business.

##### *1. Risks relating to the loan business*

Credit risk relating to the loan business is a major component of the Company's credit risk exposure. Loan business is an important source of income for the Company, and loans and advances to customers account for a relatively high proportion of the Company's total assets. As of 31 December 2018, 2019, 2020 and 30 June 2021, the Company's loans and advances to customers amounted to RMB123,367 million, RMB169,158 million, RMB202,358 million and RMB229,631 million, respectively, accounting for 38.84%, 45.28%, 44.01% and 45.78% of the Company's total assets, respectively. The Company may suffer losses if the loan customers fail to repay principal and interest in full when due.

##### *(1) Risks relating to the loan portfolio*

The Company's continued growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its loan portfolio. As of 31 December 2018, 2019, 2020 and 30 June 2021, the non-performing loan ratio of the Company was 1.68%, 1.65%, 1.51% and 1.49%, respectively, which gradually decreased during the above periods.

Although the Company has taken various measures to strengthen the loan quality control in recent years, the Company cannot assure you that the quality of its existing or future loan portfolio will not deteriorate. Factors such as slowdown in China's economic growth and other adverse macroeconomic trends could

---

## RISK FACTORS

---

negatively affect the daily operations, financial conditions and liquidity of the Company's borrowers. As a result, it may reduce their ability to repay the Company's indebtedness and the quality of the loan portfolio may decline. At the same time, the Company also grants loans to micro, small and medium enterprises ("MSMEs"), who are relatively small in scale, low in risk-resistance capacity and transparency of financial information. Therefore, the Company cannot fully rely on the information disclosed in the financial statements with respect to the loans to MSMEs, and shall also take factors such as the personal integrity and creditworthiness of the business owner into account. The Company's non-performing loans may increase if the operating conditions of the above MSMEs deteriorate significantly due to national policies or market factors, or if the personal credibility of the business owner changes significantly, or if the Company makes inaccurate assessment of the credit risk of the MSMEs borrowers.

In addition, although the Company is committed to continuously improving the credit risk management policies, procedures and systems, the Company cannot assure you that the actual operation of the credit risk management policies, procedures and systems can meet the expectations. Failure to effectively operate the credit risk management policies, procedures and systems could result in a deterioration in the quality of the Company's loan portfolio. It may lead to an increase in the balance of the non-performing loans, which may adversely affect the Company's financial conditions and results of operations.

*(2) Risks relating to provision for loan impairment*

As of 31 December 2018, 2019, 2020 and 30 June 2021, the balance of the Company's provision for loan impairment was RMB3,558 million, RMB4,423 million, RMB5,303 million and RMB6,101 million, respectively, and the provision coverage ratio was 168.04%, 155.09%, 169.62% and 174.53%, respectively. The Company makes provision for loan impairment based on its assessment and forecast of various factors affecting the loan quality. These factors include, but are not limited to, the operating conditions, repayment ability, willingness to repay, realizable value of collaterals, the ability to fulfill their obligations as guarantors of the Company's borrowers, the implementation of the Company's credit policies, as well as domestic and international economic environment, macroeconomic policies, interest rates, exchange rates and legal and regulatory environment. Most of the above factors are beyond the Company's control, and therefore actual circumstances in the future may differ from the Company's assessment and forecast of the above factors. The adequacy of the Company's provision for loan impairment depends on the reliability of the Company's risk assessment system to assess potential losses and the Company's ability to accurately collect, process and analyze relevant statistics.

---

## RISK FACTORS

---

The Company has adopted a prudent policy in making provision for impairment losses. However, if the Company's assessment or forecast of factors affecting the loan quality is inconsistent with actual circumstances, or the Company's assessment results are inaccurate, or the Company's application of the assessment system is insufficient or the Company's ability to collect, process and analyze relevant statistics is inadequate, the Company's provision for impairment losses may not be sufficient to cover actual losses, and the Company may need to increase its provision for loan impairment, which may result in a decrease in the Company's net profit and adversely affect the business, asset quality, financial conditions and results of operations of the Company.

*(3) Risks related to loan collaterals*

As of 30 June 2021, the Company's total loans to customers amounted to RMB234.916 billion. The loans by type of collateral include guaranteed loans, mortgage loans, pledged loans and unsecured loans. Among which, the total amount of secured loans of the Company (including guarantees, mortgages and pledges) were RMB189.117 billion, accounting for 80.50% of the total loans to customers.

A significant portion of the Company's loans is secured by collaterals and pledges, primarily including real estate, marketable securities, equipment, inventories and other collaterals. Due to the fluctuations in macroeconomic conditions, changes in legal environment, changes in austerity policies on the real estate market and other factors beyond the Company's control, the value of such collaterals or pledges may fluctuate or decline, resulting in difficulties in the realization of collaterals or pledges and decreases in the recoverable amount, which may adversely affect the Company's operating conditions and financial conditions.

As of 30 June 2021, the total amount of unsecured loans granted by the Company was RMB45.799 billion, accounting for 19.50% of the total loans to customers. The Company's unsecured loans are mainly granted to key customers with better credit profiles and a low probability of default in general. However, if the borrower's repayment ability falls rapidly due to its severe deterioration in its operating conditions or if the borrower is unable to repay the loan principal and interest due to other factors, the Company will suffer losses given those loans are not secured, which will in turn affect the results of operations and financial conditions of the Company.

---

## RISK FACTORS

---

(4) *Risks relating to loan concentration*

① Risks relating to concentration of loan customers

As of 30 June 2021, the loan balance of the single largest borrower of the Company was RMB3.424 billion, accounting for 7.53% of the net capital of the Company; the loan balance of the top ten single borrowers was RMB18.914 billion in aggregate, accounting for 41.58% of the net capital of the Company and 8.05% of the total loans of the Company.

As of 30 June 2021, the Company's loans to its ten single largest customers or group customers were all classified as normal loans. However, if the quality of loans to the Company's ten single largest loan customers deteriorates, the Company's non-performing loans may increase significantly, which may also adversely affect the Company's ability to extend new loans or roll over loans to these borrowers, and the Company's asset quality, results of operations and financial conditions may be materially and adversely affected.

② Risks relating to concentration of the lending industry

As of 30 June 2021, the top five industries of the Company's corporate loans (including discounted bills) were manufacturing, construction, leasing and commercial services, real estate and wholesale and retail, accounting for 19.82%, 16.15%, 14.14%, 13.46% and 12.90% of the Company's corporate loan balances, respectively, and the above-mentioned top five industries' loans accounted for 76.47% of the total corporate loan balances. A significant downturn in any of these industries could deteriorate the quality of the Company's loans in these industries and the non-performing loans may significantly increase, which could materially and adversely affect the asset quality, results of operations and financial conditions of the Company.

In response to the industry concentration risk, the Company continued to optimize the full-process management of credit extension and strengthened risk management and control in key areas. The Company actively adopted various measures to reduce industry concentration risk. Firstly, the Company continuously strengthened credit granting management in key industries, monitored credit risk status and prevented excessive credit expansion. Secondly, the Company established credit policies for key industries with specific credit granting conditions and management requirements. The Company set high entry barriers and limited access for high-risk industries, implemented unified concentration management, optimized the structure of industrial investment, and conducted special management and control on customers in industries included in the negative list with high credit risk



---

## RISK FACTORS

---

exposure. Thirdly, the Company continued to monitor and analyze the industry concentration risk, strengthened the capability of industry analysis, and improved its forecasting ability of specific industries.

### ③ Risks relating to concentration of the Company's business regions

The Company conducts its business primarily in Qingdao, with a majority of the business concentrated in Qingdao. As of 30 June 2021, 55.57% of the Company's loans were extended to customers in Qingdao, and most of the branches and sub-branches were located in Qingdao. Qingdao has a leading position in terms of total economic volume among the city-level regions of Shandong Province. Its marine economy, high-end manufacturing industry and foreign trade are its featured economy and advantageous industries, with obvious regional advantages, sufficient market vitality and good development prospects, thus providing excellent conditions for the steady development of the Company.

In the near term, most of the Company's loans, income and profit will continue to be sourced from Qingdao. If there is a significant decrease in the pace of economic growth in Qingdao or a significant change in the regional economic environment, the operations and credit status of the Company's customers may deteriorate, which may materially and adversely affect the asset quality, financial conditions and results of operations of the Company.

In response to the risk of concentration of the loan regions, the Company mainly adopts the countermeasures principally including: the Company reasonably plans the regional layout of credit business and optimizes the regional allocation of credit resources based on the current overall operating conditions of the Company and the regional distribution of branches and sub-branches; the Company establishes a dynamic monitoring and early warning reporting system for regional risk status, and adjusts business structure in a timely manner according to the risk development trend; the Company focuses on optimizing the investment structure of the sectors and industries of its credit customers to reduce the potential credit risk from regional concentration.

In terms of the risk classification in the credit industry, the Bank established and regularly updates the credit policies, and specifies the classification of industry risks in the industry credit policies. The Credit Policy of Bank of Qingdao (2021) of the Bank currently in force has clarified the industry classification and corresponding credit management measures for all corporate credit customers of the Bank. The Credit Policy of Bank of Qingdao (2021) provides a clear definition of credit management requirements for

---

## RISK FACTORS

---

industry credit policies in 24 industries, which are classified into five categories, namely priority support, appropriate support, prudent intervention, other non-specific industries and industries that we have reduced or withdrawn from.

The category of priority support covers public utility industry, high-end equipment manufacturing industry, information technology industry, cultural industry, environmental governance industry, modern logistics industry, etc.; the category of appropriate support covers real estate industry, construction industry, marine aquaculture and fisheries industry, automobile parts and components manufacturing industry, port industry, etc.; the category of prudent intervention covers textile industry, food processing industry, tire manufacturing industry, metal structure manufacturing industry, non-ferrous metal smelting and electrolytic aluminum industry, steel industry, coal, coking and coal trading industry, refinery and petrochemical industry, etc.; the category of other non-specific industries means that the de facto controllers and enterprises have no bad credit records, and are not involved in significant risk events. The enterprise shall have obtained all necessary licenses and approvals and operate in compliance with laws and regulations. The enterprise itself is not involved in excessive production capacity or low-end production capacity expressly eliminated by the State, and in principle, the principal business of the company does not belong to the industries prohibited for intervention in the category of reduction and withdrawal under the Bank's credit policies. The industries that the Bank has reduced and withdrawn from refer to the projects or enterprises with high pollution, high energy consumption and overcapacity in industries such as iron and steel, cement, flat glass, vessels, oil refining, tire, non-ferrous metal, coke and paper making, i.e. specific projects or enterprises in these industries instead of all enterprises in the overall industry.

The Bank does not, in principle, adopt a "clean cut" reduction and withdrawal policy for all customers in a particular industry as a whole with respect to industries or customers under the category of reduction and withdrawal that the Bank believes are of higher risk, and the Bank's reduction and withdrawal category refers to specific projects or enterprises in certain relevant industries, and not all enterprises in the entire industry as a whole. For example, enterprises whose main production equipment, process or main products are listed under the restriction or elimination category of the Catalogue for Guiding Industrial Structure Adjustment (the latest version) shall not be granted new credit, and the existing credit shall be gradually reduced and withdrawn. For projects in industries with overcapacity such as iron and steel, coal, electrolytic aluminum, cement, flat glass and vessels, the Bank strictly implements the Guiding Opinions of the State Council on Resolving the Conflict of Rampant Overcapacity (Guo Fa [2013] No. 41) and the Catalogue of Investment Projects Approved by the Shandong Provincial Government (the

---

## RISK FACTORS

---

latest version), and earnestly implements the requirements of the State Council and the provincial government on resolving the conflict of overcapacity. For coal mine projects, the Bank strictly implements the requirements of the Opinions of the State Council on Resolving Overcapacity in the Coal Industry to Achieve Development out of Difficulty (Guo Fa [2016] No. 7), and in principle, the Bank shall not grant credit for newly-built coal mine projects and technological transformation projects of new capacity. There are also similar reduction and withdrawal policies for industries such as shipbuilding and chemical industry. In addition, the Bank shall not intervene with fisheries and aquaculture enterprises with insufficient resource advantages, insignificant economies of scale, large fluctuations in operation, relatively backward management and no guarantee for quality and safety, and in principle will not intervene with fisheries enterprises that are only engaged in offshore fishing.

The Bank attaches great importance to the risk challenges faced by loans to the “heavy pollution, high energy consumption and overcapacity” industries, strictly controls admission standards and the overall scale of loans. As of 31 December 2018, 2019, 2020 and 30 June 2021, the balance of loans to the “heavy pollution, high energy consumption and overcapacity” industries was RMB2.723 billion, RMB2.733 billion, RMB2.844 billion and RMB2.684 billion, respectively, accounting for only 2.15%, 1.58%, 1.38% and 1.14% of the total balance of loans. The scale of loans to industries has been relatively small, and the proportion of loans has been small and continuously decreasing.

In terms of credit response measures, the Bank formulates strict credit access policies for high-risk industries or customers, exercises strict control over new project loans for industries with overcapacity, gradually reduces and withdraws credit grants to enterprises with low productivity, high energy consumption and backward technology, and reduces the proportion of loans to the industries with “heavy pollution, high energy consumption or overcapacity”. At the same time, the Bank strengthens the research on macro policies, risk screening and early warning, timely grasps the industry risk dynamics, anticipates the potential risks faced by the industry, and takes forward-looking risk prevention measures.

### *(5) Risks relating to loans in the real estate industry*

As of 30 June 2021, the balance of real estate loans to corporate customers of the Company amounted to RMB22.537 billion, accounting for 9.59% of the total loans, with a non-performing loan ratio of 0.46%; the balance of residential loans amounted to RMB43.940 billion, accounting for 18.71% of the total loans, with a non-performing loan ratio of 0.16%.

---

## RISK FACTORS

---

If there are any changes in the PRC's macroeconomic conditions, national laws and regulations, relevant policies or other factors that may cause adverse changes to the real estate industry in the future, the real estate market experiences significant adjustments or changes, or the Company encounters problems in real estate credit management, the quality of the Company's real estate-related loans may be adversely affected, which may in turn adversely affect the results of operations and financial conditions of the Company.

*(6) Risks relating to loans to local government financing platforms*

According to the statistics of the CBIRC, local government financing platforms mainly include government-led or absolute-controlled entities, the main business of which is financing. All or part of their financing activities are directly or indirectly undertaken or guaranteed by local financial department. The funds raised are mainly used for infrastructure construction or investment and financing institutions of quasi-public welfare government investment projects. As of 30 June 2021, the balance of the Company's loans to local government financing platforms was RMB17.021 billion, accounting for 7.25% of the total loans, all of which were classified as normal loans with a non-performing loan ratio of 0.

If certain borrowers are unable to repay their loans due to changes in national macro-economy, changes in national laws and regulations and policies and other factors, the asset quality, financial conditions and results of operations of the Company may be adversely affected.

*(7) Risks relating to loans to industries with overcapacity*

The industries with overcapacity in which the Company extends loans to primarily include iron and steel, cement, flat glass, vessels, oil refinery, tire, electrolytic aluminum and coal. As of 30 June 2021, the Company's balance of loans to the above industries was RMB2.484 billion, accounting for 1.06% of the total loans.

If certain borrowers in industries with overcapacity are unable to repay their loans due to macro-economic control or changes in international economic environment, the asset quality, financial conditions and results of operations of the Company may be adversely affected.

---

## RISK FACTORS

---

### ***2. Risks relating to interbank lending business***

Interbank lending business refers to the short-term borrowing and lending of funds between the Company and other financial institutions for the purpose of adjusting fund surplus and deficit. The Company's interbank loans are mainly targeted at domestic commercial banks and non-bank financial institutions. The credit levels of domestic commercial banks and non-bank financial institutions are relatively high, and the Company has established a relatively comprehensive risk control mechanism for the interbank lending business. Nevertheless, if there are significant changes in the macro or micro environment faced by the borrowers of the Company's interbank loans, which may result in their failure to repay the principal and accrued interest of the Company's interbank loans on time, the financial conditions and results of operations of the Company will be adversely affected.

### ***3. Risks relating to debt securities investment business***

As of 30 June 2021, the scale of the Company's debt securities investment (excluding accrued interest) was RMB123.736 billion, mainly including government bonds, local government bonds as well as debt securities issued by policy banks and other financial institutions. The above debt securities are mainly guaranteed by national credit or quasi-national credit, and the credit risk is relatively low. Nevertheless, any material change in the operating conditions of the relevant financial institutions that materially affects the results of operations or solvency of the debt securities issuers may adversely affect the rating and value of the Company's investments in debt securities, which in turn may affect the financial conditions and asset quality of the Company.

### ***4. Risks relating to off-balance sheet business***

The Company's off-balance sheet business mainly includes bank acceptances, letters of credit, letters of guarantee, credit card commitments and loan commitments, among which the off-balance sheet items relating to credit business constitute future (instead of current) contingent assets and liabilities, and affect the Company's future solvency and profitability to a certain extent. As of 30 June 2021, the balance of bank acceptances of the Company was RMB23.544 billion, the balance of letters of credit issued was RMB7.415 billion, the balance of letters of guarantee issued was RMB1.049 billion, the balance of credit card commitments was RMB10.543 billion, and the balance of loan commitments was RMB202 million.

These commitments expose the Company to credit risk, and the financial conditions and results of operations of the Company may be adversely affected if the Company is unable to obtain repayment from the customers for these commitments after the Company has fulfilled its commitments on behalf of the customers in advance.

---

## RISK FACTORS

---

### (II) Market risk

The Company is exposed to market risk, which is the risk of loss of the Company's business arising from adverse movements in market prices including interest rates, exchange rates, commodity prices and stock prices. Market risk exists in the trading and non-trading businesses of the Company.

#### *1. Interest rate risk*

The operating income of commercial banks in China is mainly derived from interest spread income, and changes in interest rates will have a direct impact on the operations of commercial banks. Different market judgments on the risk level of financial instruments and intense competition among financial institutions may lead to different movements of interest rates of deposits and loans and further affect the net interest spread of the Company. Like most domestic commercial banks in China, the Company's income from principal operations is largely dependent on net interest income, and changes in interest rates pose certain risks to the Company's future earnings.

With the fluctuation of interest rates, banks may be exposed to interest rate risk as customers exercise their options regarding deposit or loan terms. In particular, for fixed interest rate business, changes in interest rates may lead to potential risks of early repayment of loan principal and interest and early withdrawal of deposits by customers. When the interest rate increases, the deposit customers may withdraw low-interest deposits in advance and place them as new term deposits at higher interest rates, thereby increasing the cost of interest expense of the Company. When the interest rate decreases, the loan customers may repay high-interest rate loans in advance and re-apply for new loans at low interest rates, resulting in a decrease in the interest income of the Company.

In addition to the changes in net interest income of the Company, changes in interest rates may also cause fluctuations in the market value of the Company's assets, liabilities and off-balance sheet financial products. If the structure of assets and liabilities is not balanced, and the value of interest rate-sensitive assets and interest rate-sensitive liabilities change differently, it will bring risk of uncertainty to the Company's profitability and capital adequacy level. In addition, fluctuations in interest rates affect the value of the debt securities portfolio of the Company. An increase in market interest rates or investors' expectation of an increase in market interest rates generally results in a decrease in the price of debt securities and a decrease in the appraised market value of the debt securities portfolio of the Company, which in turn will adversely affect the results of operations and financial conditions of the Company.

---

## RISK FACTORS

---

### 2. *Exchange rate risk*

Due to the complicated reasons for the formation and changes of exchange rates, banks engaging in foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the changes in exchange rate if the mismatch in the currency type and duration structure of assets and liabilities results in a foreign exchange risk exposure.

The Company is mainly engaged in Renminbi business, with certain transactions involving U.S. dollar, Hong Kong dollar, Euro and Japanese yen. As the currency type and duration structure of assets and liabilities do not match completely, changes in exchange rates may have certain impacts on the Company's profits. With the gradual liberalization of the Renminbi exchange rate and the steady development of the Company's foreign exchange business, exchange rate fluctuations may affect the Company's financial conditions, results of operations and the Company's ability to meet capital adequacy ratios and other regulatory requirements, given the complicated reasons for the formation and changes of exchange rates and the restrictions of foreign exchange flows.

### (III) **Liquidity risk**

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain sufficient funds at a reasonable cost to sustain its asset growth or pay debts due despite its solvency. There are two types of liquidity risk namely financing liquidity risk and market liquidity risk. Financing liquidity risk refers to the risk that a commercial bank is unable to meet its capital needs in a timely and effective manner without affecting its daily operations or financial conditions. Market liquidity risk refers to the risk that a commercial bank is unable to sell assets at a reasonable market price to obtain funds due to lack of market depth or market volatility.

As of 30 June 2021, the liquidity ratio of the Company in the consolidated statements was 73.80%, which was in compliance with regulatory requirements. The net position of assets and liabilities of the Company was RMB32.290 billion, of which the net position of assets and liabilities within one month (excluding repayable on demand) was RMB-12.788 billion. Among the Company's asset classes, as the term structure of the Company's loans is not consistent with the term structure of the deposits, it may result in liquidity risk due to the mismatches between deposit and loan maturities.

Based on the experience of the Company, a substantial portion of the deposits will not be withdrawn immediately upon maturity and will remain with the Company. However, the Company cannot assure you that this situation will continue, particularly as the domestic capital markets continue to develop. If a significant portion of the demand deposit customers withdraw their deposits or do not roll over their deposits upon maturity, the Company may need to seek more costly sources of funding to meet its funding needs, and the Company may not be able to obtain funds on commercially reasonable terms and in a timely manner when funding needs arise. At the same time, in the event of a deterioration in the market environment and



---

## RISK FACTORS

---

financing difficulties in the money market, the Company's financing ability may also be impaired accordingly. On the other hand, changes in the macroeconomic environment and changes in other social factors that lead to a significant increase in credit demand, the substantial performance of loan commitments and the unexpected increase in non-performing loans will also affect the liquidity of the Company. All of the above situations may materially and adversely affect the liquidity of the Company.

### **(IV) Operational risk**

The Company has established internal control and risk management measures in place for all of its major business areas and business segments. However, every control system has inherent limitations. Changes in the internal and external environment, insufficient awareness among concerned parties and inadequate implementation of the existing system, may limit the function of the internal control mechanism or even render it ineffective, which in turn may give rise to operational risk.

#### ***1. Risk of the Company being penalized due to its failure to completely prevent or timely discover relevant illegal or improper activities***

The Company is subject to laws, administrative regulations, departmental rules and other regulatory documents applicable to the banking industry operations, including laws and regulations on anti-money laundering and anti-terrorism. These laws and regulations require the Company to adopt, implement and improve relevant policies and procedures and to report suspicious and large-sum transactions to the relevant regulatory authorities.

Although the Company has established internal systems to monitor and prevent the use of the Company's networks for money laundering activities, or illegal or improper trading by terrorists and organizations, the Company may not be able to completely prevent such organizations or individuals from using the Company to engage in money laundering or other improper activities due to the inherent limitations of these relevant policies and procedures and the increasing complexity and concealment of money laundering criminal activities. If the Company fails to fully comply with these applicable laws and regulations, the relevant regulatory authorities have the power to impose fines or other penalties on the Company, which could harm the business, financial conditions and reputation of the Company.

---

## RISK FACTORS

---

***2. Risk of the Company being penalized or bearing loss due to its failure to fully detect and prevent fraud or other misconduct committed by employees or other third parties***

Fraud or other misconduct by the Company's employees or other third parties may subject the Company to economic losses, regulatory sanctions and reputational damage. Misconduct of the Company's employees includes, but is not limited to, improper credit extension, fraudulent deposit taking, violation operations, improper accounting treatment, theft, embezzlement of customer funds, fraud and bribery. Misconduct by third parties against the Company includes, but is not limited to, fraud, theft and robbery.

The Company takes measures to continuously strengthen the inspection and prevention of misconduct by the employees and other third parties, but fraud or other misconduct by the Company's employees or third parties is difficult to be fully detected and prevented, and the precautions the Company takes may not be effective in all circumstances. There can also be no assurance by the Company that such fraud and other misconduct committed against the Company, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on the business, financial conditions and results of operations of the Company.

***3. Risk of failure of the Company's information technology system to operate properly on the Company's business***

The Company's business operations depend, to a large extent, on the ability of the Company's information technology systems to properly and timely process a large number of transactions involving multiple markets and a wide range of products.

The proper functioning of the Company's core business system, financial management system, credit management system and other data processing systems, as well as the communication network between various branches and the main data processing center, are critical to the business development of the Company. The Company's business could be affected by a partial or complete failure of its information technology system or communication network due to natural disasters, long-term power outages, computer viruses, problems with the services of the Company's network cable providers and equipment damage.

The smooth operation of the Company's information technology system also depends on the accuracy and reliability of the input data of the system, which is subject to personnel factors, and any incorrect input or error in transaction data records and delays in processing may subject the Company to claims for losses and regulatory penalties.

---

## RISK FACTORS

---

The security of the Company's transmission of confidential information is critical to the operations of the Company. The Company's networks and systems may be subject to unauthorized access and other security concerns. The Company cannot assure you that its existing security measures will be sufficient to protect its systems from unauthorized break-ins, viruses or other disruptions. Any significant security breach or other disruptions could adversely affect the business, financial conditions and results of operations of the Company.

The Company's ability to maintain its competitiveness depends, to a certain extent, on its ability to upgrade and optimize the information technology systems in a timely and cost-effective manner. The Company may not be able to timely and adequately obtain information from the existing information systems to manage risks and respond accordingly to market changes and other changes in the prevailing operating environment. As a result, the Company has made, and will continue to make, investments to improve and upgrade the information technology systems of the Company. The Company's failure to improve and upgrade the information technology systems in a correct and timely manner could adversely affect the competitiveness of the Company.

#### ***4. Risks relating to the management of branches***

As of 30 June 2021, the Bank had 15 branches, 140 sub-branches and one head office. Each of its branches has certain autonomy in its operation, which increases the difficulty of the Bank to effectively avoid or timely detect management and risk control errors in its branches. The Bank has adopted various measures for centralized management and risk control, and has established a "vertical" management system between its head office and branches. The Bank may suffer losses and its business and reputation may be adversely affected if the measures fail to prevent management and control risks of all branches.

#### **(V) Risk of capital adequacy ratio**

Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) implemented by the CBRC on 1 January 2013, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of commercial banks shall not be lower than 5%, 6% and 8%, respectively. Meanwhile, commercial banks are required to set aside reserve capital on the basis of minimum capital requirements. The capital reserve requirements should be 2.5% of risk-weighted assets. Under certain circumstances, commercial banks are required to set aside countercyclical capital in addition to the minimum capital requirements and the capital reserve requirements. The countercyclical capital requirements should be 0-2.5% of risk-weighted assets. Systemically important banks are also required to set aside additional capital equivalent to 1% of risk-weighted assets. The capital adequacy ratios of systematically important banks and non-systematically important banks under normal conditions are no less than 11.5% and 10.5%, respectively. In addition, the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法

---

## RISK FACTORS

---

(試行)》) also requires commercial banks to maintain a minimum core tier-one capital adequacy ratio of 7.5%, a minimum tier-one capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by the end of 2018.

As of 30 June 2021, the Company's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 15.90%, 11.05% and 8.29%, respectively, which were all in compliance with the relevant requirements of the above regulatory requirements. If the Company is unable to replenish or increase the capital in a timely manner in the future, the quality of the Company's assets will deteriorate, and the regulatory authorities may impose higher requirements on capital adequacy ratios or adjust the guidelines on the calculation of capital adequacy ratios, the Company may not be able to meet the regulatory authorities' requirements on capital adequacy ratios of commercial banks, which may adversely affect the business development and profitability of the Company.

## II. RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

### (I) Risk of changes in the economic environment in China

The operation and development of the banking industry is closely related to factors such as the overall national economic situation, the growth rate of the domestic economy, the growth rate of residents' income, the progress of social welfare system reform and changes in population. Changes in the above factors will have a significant impact on the Company's business.

Substantially all of the Company's business, assets and operations are located in the PRC. Therefore, the Company's results of operations, financial conditions and business prospects are, to a large extent, subject to the economic growth, macroeconomic policies and industrial restructuring in the PRC. If the operating conditions of enterprises in certain industries deteriorate due to the national economic environment, the non-performing assets of banks will increase, which will in turn increase the credit risk of the banking industry.

At present, the domestic and international environment for China's economic growth is still complicated, unstable and uncertain, and there are certain uncertainties as to whether China's economic growth rate can rebound or maintain a higher economic growth rate. The external economic environment in which the Company operates in the future will still face many uncertainties. Adverse changes in the external economic environment may materially and adversely affect the business, financial conditions and results of operations of the Company. In addition, any future calamities, including acts of war, natural disasters, epidemics, regional outbreaks of violence, and adverse changes in the economies of other major countries in the world, may adversely affect the economic growth of the PRC, which in turn may affect the asset quality, results of operations and financial conditions of the Company, and may result in a significant decrease in the results of operations of the Company or even, in extreme cases, a decrease in the operating profit by more than 50%.

---

## **RISK FACTORS**

---

### **(II) Risk of intensified competition among commercial banks**

At present, China has formed a financial system consisting of large commercial banks, joint-stock commercial banks, city commercial banks, policy banks, rural commercial banks, rural cooperative banks, foreign financial institutions, urban credit cooperatives, rural credit cooperatives and other financial institutions. The competitors of the Company primarily include large commercial banks and joint-stock commercial banks in the regions where the Company operates, as well as other city commercial banks and other local banks in the regions where the Company operates. In addition, with the continuous deepening of China's market-oriented economic reform, the banking industry has also gradually opened up to foreign investment, and foreign banks have gradually entered the financial market of China. China's commercial banking system has presented a market competition layout of financial diversity and openness, and competition among financial institutions has gradually intensified.

The increasingly fierce competition may reduce the market share of the Company's major products and services, delay the growth of loans, deposit portfolios and other products and services, reduce interest income or non-interest income, increase interest expense, and result in deterioration of asset quality, which will adversely affect the implementation of the Company's strategies, business development, results of operations and financial conditions.

### **(III) Risk of changes in regulatory policies**

The business of the Company is directly affected by changes in the PRC laws and regulations and regulatory policies in the PRC banking industry. The CBIRC, as the primary banking industry regulator, has issued a series of rules, regulations and guidelines. These laws, regulations and regulatory systems may change in the future, and the Company cannot assure you that such changes will not materially and adversely affect the business, financial conditions and results of operations of the Company. For example, the Measures for the Supervision and Administration of Wealth Management Business of Commercial Banks (Draft for Comments) issued by the CBIRC in July 2018, which, if officially implemented, may require the Company to further standardize and strengthen the compliance management of product sales when conducting wealth management business. The MPA assessment conducted by the People's Bank of China on financial institutions since 2016 may also require the Company to achieve a higher level of capital adequacy ratio. In addition, some of the laws, regulations or policies relating to the banking industry are still evolving and being revised. The Company cannot assure you that the Company will be able to adapt to these changes in a timely manner. The Company's failure to fully comply with these laws, regulations or policies may subject the Company to penalties or restrictions on the business activities of the Company, which may adversely affect the Company.

At present, the business policy of separation of banking, securities and insurance industries is adopted in China, and the scope of business of commercial banks is strictly bound. Commercial banks must have the corresponding business license qualifications to engage in banking business. If the regulatory policies are adjusted in the future, the scope of business of the banking business may change or new types of business be added. If the Company fails to

---

## RISK FACTORS

---

obtain the operating qualifications for new businesses in a timely manner, it may face loss of customers, which may reduce its competitiveness in the industry and adversely affect the results of operations of the Company.

### **(IV) Risk of effectiveness of credit risk management system**

As commercial banks have very limited access to information, for example, sometimes they are unable to obtain relevant information from government departments such as environmental protection, public security, judiciary and power supply in a timely and effective manner. As a result, the Company may not be able to fully assess the credit risk of a particular customer based on complete, accurate or reliable information. The Company currently relies primarily on its internal resources and external public information to assess the credit risk of its customers or counterparties, which may adversely affect its ability to effectively manage its credit risk, and as a result, the asset quality, results of operations and financial conditions of the Company may be adversely affected.

### **(V) Risk of adjustment of monetary policies**

Monetary policies are an important means for the People's Bank of China to manage macro financial operations and micro financial business activities. The People's Bank of China may adjust the money supply by using the statutory reserve ratio, re-discount rate and open market operations, which may affect the credit business, profitability and liquidity of commercial banks. Under the background of global economic integration, the development of China's economy is to a certain extent affected by the changes in the global economy. In order to timely adapt to the changes in the economy, the domestic monetary policies are subject to adjustment from time to time.

The adjustment of monetary policies may affect the credit extension of commercial banks, which may in turn affect the results of operations of commercial banks. Under the stimulus of monetary easing policies, banks may increase the volume of credit granting and thus the credit risk exposure may also increase. Under the influence of the tightening monetary policies, the People's Bank of China may increase the reserve requirement ratio, increase the issuance of the central bank's bills, and implement window guidance, which may reduce the share of credit granting and thus lower the profit of the banks.

Faced with the escalating Sino-US trade frictions in recent years, macro-control has stressed on more proactive fiscal policies and prudent monetary policies. In the face of the complicated economic landscape and capital trend in the future, the People's Bank of China will pay more attention to the intensity and pace of monetary policy adjustment, and pay more attention to improve the foresight, flexibility and effectiveness of policies, so as to effectively guide the market expectations. If the People's Bank of China adjusts its monetary policies in response to future changes in macroeconomic conditions, and the Company fails to timely respond to changes in monetary policies and adjust its operating strategies, the business development and results of operations of the Company may be directly and adversely affected.

---

## **RISK FACTORS**

---

### **(VI) Risk of interest rate liberalization**

Interest rates in the PRC are regulated by the People's Bank of China, commercial banks are subject to ceiling and floor restrictions on RMB-denominated loans and deposits, respectively, and the loan-to-deposit spread is still significantly affected by changes in benchmark interest rates. The People's Bank of China has gradually liberalized the restrictions on interest rates on loans and deposits in recent years. Since 20 July 2013, the regulation of lending rates of financial institutions has been fully liberalized, the minimum lending rate of financial institutions of 0.7 time has been cancelled, and the lending rate is determined by financial institutions at their own discretion based on commercial principles. Since 24 October 2015, the regulation of deposit interest rates of financial institutions has been fully liberalized, and the maximum deposit interest rate of 1.5 times of the People's Bank of China benchmark rate has been removed. The deposit interest rate is determined by financial institutions independently based on commercial principles, which also marks the basic completion of the interest rate liberalization reform.

The liberalization of interest rates will, to a certain extent, reduce the net interest spread of commercial banks and have a significant impact on the profitability of the banking industry. If the Company is unable to maintain its customer base for deposits and loans and maintain its net interest spread in the course of interest rate liberalization, the business development and profitability of the Company will be materially and adversely affected.

### **III. OTHER RISKS**

#### **(I) Reputational risk**

In the course of its operations, the Company's business operations and economic value may be adversely affected as a result of negative comments from stakeholders regarding the Company's operations, management and other activities or external events.

Due to the diverse sources of reputational risk, prevention is more difficult. Any material reputational incident that causes significant losses to the Company, triggers systematic risks or affects the stability of the social and economic order may adversely affect the business development and economic value of the Company.

#### **(II) Risks arising from cross-regional operations**

Currently, the business of the Company is mainly concentrated in Qingdao, and the rapid growth of the Company in recent years has largely benefited from its in-depth understanding of the economy and cultural environment in Qingdao. The Bank has established 15 branches in Qingdao, Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Laiwu, Linyi, Jining, Tai'an and Heze, and is actively seeking to establish branches in other regions of Shandong Province. Subject to the approval of the regulatory authorities, the Bank may seek to establish branches in other regions outside Shandong Province in the future.



---

## **RISK FACTORS**

---

However, in the course of implementing cross-regional operations, it takes time for the Bank to obtain approval from regulatory authorities, and the approval from regulatory authorities is also subject to other factors such as regulatory policies.

As the Company may not have sufficient understanding of the economic and social environment in other regions, whether the management capabilities and experience of the Company can meet its needs for cross-regional business expansion is also required to be examined in future practice. As a result, the Company cannot assure you that it will be able to establish or achieve stable and sustainable development in other regions in the future. If the Company incurs losses in pursuing cross-regional operations, the results of operations, financial conditions and business prospects of the Company may be adversely affected.

### **(III) Litigation risks arising from business operations**

The Company is involved in a number of pending litigation and legal disputes in the course of its business operations, which generally arise from the Company's attempts to recover amounts owed by borrowers or from claims brought against the Company by its customers or third parties.

There can be no assurance that the judgment of any litigation involved will be in the Company's favor or that its provisions and liabilities for litigation and disputes will be adequate to cover the losses arising therefrom. If the Company's assessment of the risks associated with litigation changes, its provisions and liabilities will also change accordingly. In addition, the Company may be subject to potential litigation or disputes in the future, which could expose the Company to additional risks and losses. The Company cannot assure you that the outcome of current or future disputes or litigation will not have a material adverse effect on the business, reputation, financial conditions and results of operations of the Company.

### **(IV) Legal and compliance Risk**

The Company must comply with the relevant operational requirements and guidelines of the regulatory authorities in the ordinary course of its daily operations. The regulatory authorities such as the People's Bank of China, CBIRC and SAFE conduct regular and ad hoc inspections, examinations and inquiries in respect of the Company's compliance with regulatory requirements. If the Company fails to meet the regulatory requirements and guidelines of the relevant regulatory authorities, or fails to fully comply with all relevant rules, the Company may be subject to penalties such as fines, which may adversely affect the business, financial conditions, results of operations and reputation of the Company.

The Company cannot assure you that it will not be subject to penalties such as fines for non-compliance in the future. If the Company is subject to penalties such as fines due to its non-compliance with regulatory requirements and guidelines, the financial conditions, results of operations and reputation of the Company may be adversely affected.



---

## RISK FACTORS

---

### **(V) Risk of changes in accounting and financial tax policies**

The accounting policies adopted by the Company are formulated on the basis of the unified regulations of the MOF and are in compliance with the relevant regulations of the People's Bank of China, the CBIRC and the CSRC. Any adjustments to the above principles, systems and regulations will directly lead to changes in the financial results of the Company.

Currently, the tax policies implemented by the Company are uniformly regulated by the tax authorities, and the major types of taxes currently paid to the tax authorities include income tax, value-added tax, urban maintenance and construction tax and education surcharge. If there is any material adjustment to the tax policies, the increase in tax items or tax burden will directly affect the after-tax profit level of the Company, and the financial conditions and results of operations of the Company may be adversely affected.

### **(VI) Decision-making risks caused by class voting**

The Bank issued H Shares and listed on the Hong Kong Stock Exchange in December 2015, and issued A Shares and listed on the Shenzhen Stock Exchange in January 2019. According to the requirements of relevant laws and regulations, the listing rules of the places where the Bank's Shares are listed and the Articles of Association, some significant matters shall be subject to class voting by the H Shareholders and A Shareholders of the Bank respectively before implementation. The above-mentioned class voting arrangements, and the differences in the regulatory and information disclosure rules for different capital markets between H Shares and A Shares have also added uncertainties to the decision-making and implementation of some significant matters of the Company. As a result, the Company may be exposed to decision-making risks caused by class voting.

## **IV. RISKS RELATING TO THE PRC**

### **(I) The Company's operations and prospects may be affected by China's economic, political and social conditions as well as government policies**

The vast majority of the Company's assets are located in the PRC and substantially all revenues are derived from its operations in the PRC and, as a result, the financial conditions, results of operations and business prospects of the Company are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC's macro-economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has taken various actions to introduce free market forces, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and related industries by issuing

---

## RISK FACTORS

---

industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, its monetary policies and preferential treatment of particular industries or enterprises.

The Company's performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to affect China's economic growth.

The Company is unable to predict all the risks and uncertainties that it faces as a result of the current economic, political, social and regulatory development, and many of these risks are beyond the Company's control. All such factors may adversely affect the business, financial conditions and results of operations of the Company.

### **(II) The legal protections available to you under relevant laws and regulations in the PRC legal system may be limited**

The Bank is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with various economic matters in line with its economic development, such as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and the PRC banking industry continues to evolve, the effect of these laws and regulations on the rights and obligations of the parties concerned may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

The Articles of Association of the Bank provide that, apart from disputes over the recognition of Shareholders or the register of Shareholders, disputes between H Shareholders and the Bank, its Directors, Supervisors or senior management or other Shareholders arising out of the Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related laws and administrative regulations concerning the Bank's affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center. Awards made by the PRC arbitral authorities (including CIETAC) recognized under the Arbitration Ordinance (Chapter 609 of the Laws of Hong Kong) (the "**Arbitration Ordinance**") can be enforced in Hong Kong, subject to provisions of the Arbitration Ordinance. Hong Kong arbitration awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, the Bank cannot assure you that any action brought in the PRC by H Shareholders to enforce a Hong Kong arbitral award made in favor of H Shareholders would succeed.

---

## RISK FACTORS

---

### **(III) Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Bank and the Directors, Supervisors and management of the Bank**

The Bank is a joint-stock company incorporated under the laws of the PRC with limited liability, and substantially all of the Company's assets are located in the PRC. In addition, a majority of the Bank's Directors, Supervisors, and all of its senior management are likely to be located within the PRC. As a result, it may not be possible to effect service of process upon the Bank or most of its Directors, Supervisors and senior management within the United States or elsewhere outside the PRC, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On 14 July 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. Under the 2006 Arrangement, a choice of court agreement in writing refers to an agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing.

On 18 January 2019, the Supreme Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. After a judicial interpretation has been promulgated by the Supreme People's Court and the relevant procedures have been completed by the Hong Kong Special Administrative Region, both sides shall announce a date on which

---

## RISK FACTORS

---

the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a “written choice of court agreement” has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

**(IV) The Bank is subject to the PRC laws and regulations on currency conversion, and the fluctuation of the Renminbi exchange rate may materially and adversely affect its ability to pay dividends to H Shareholders**

Under China’s existing laws and regulations on foreign exchange, the Bank will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances, which would limit the Bank’s ability to exchange Renminbi for other currencies. Therefore, the Bank may not be able to pay dividends in foreign currencies to the H Shareholder.

From time to time, the value of the Renminbi against the U.S. dollar and other currencies fluctuates, and is affected by a number of factors, such as changes in China’s and the international community’s political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar so that the Renminbi is now permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the People’s Bank of China. The PRC government further reformed the Renminbi exchange rate regime in the following years. On 11 August 2015, the People’s Bank of China announced its intention to improve the central parity of the Renminbi against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On the same day, the central parity of the Renminbi against the U.S. dollar depreciated nearly 1.9% as compared to 10 August 2015, and further depreciated nearly 1.6% on 12 August 2015 as compared to 11 August 2015. On 31 December 2016, the International Monetary Fund announced that the Renminbi had entered into its special drawing rights currency market. In 2016, the Renminbi depreciated against the U.S. dollar by approximately 6.8%. In 2017, the Renminbi appreciated against the U.S. dollar by approximately 5.8%. In 2018, the Renminbi depreciated against the U.S. dollar by approximately 5.0%. In 2019, the RMB depreciated against the U.S. dollar by approximately 1.7%. For the year ended 31 December 2020, the Renminbi appreciated against the U.S. dollar by approximately 6.5%. With the development of foreign exchange markets and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate regime. It is difficult to predict

---

## RISK FACTORS

---

how market forces or the PRC or U.S. government policies, including any adjustment of the U.S. dollar interest rate by the U.S. Federal Reserve System, will impact the exchange rate between the Renminbi and the U.S. dollar in the future.

As substantially all of the Company's revenue is denominated in Renminbi, and the proceeds from the H Rights Issue will be received in Hong Kong dollars, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other currencies may result in the decrease in the value of the Bank's foreign currency denominated assets and the proceeds from the H Rights Issue. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, the H Shares in foreign currency. In addition, there are limited instruments available for the Company to reduce its foreign exchange exposure at reasonable costs. The Company cannot assure you that it will be able to minimize or reduce its foreign currency risk exposure relating to its foreign currency denominated assets. Furthermore, the Company is also currently required to obtain the approval from SAFE before converting significant amounts of foreign currencies into Renminbi. All of these factors could adversely affect the financial conditions and results of operations of the Company.

**(V) H Shareholders may be subject to PRC taxation on dividends paid by the Bank and gains realized through their disposal of the H Shares**

Under applicable PRC tax laws, regulations, and statutory documents, non-resident individuals and enterprises are subject to different tax obligations with respect to dividends received from the Bank or gains realized upon the sale or other disposition of the H Shares. Non-PRC resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC at a rate of 20% on their dividends and gains sourced from the PRC unless specifically exempted by the finance authority of the State Council or reduced or eliminated by an applicable income tax treaty or arrangement. The Bank is required to withhold and settle such tax on behalf of the non-resident individuals from dividend payments made to them. According to relevant applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10% in general, unless a different rate applies under an applicable tax treaty or arrangement or where the non-resident individuals reside in a jurisdiction that does not have a tax treaty or arrangement with the PRC. Hong Kong investors are not required to pay individual income tax in the PRC on gains realized from public trading of H shares purchased on the same exchange pursuant to the Fourth Protocol of the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion signed on 1 April 2015, effective on 29 December 2015. However, as of the Latest Practicable Date, there remains uncertainty in the interpretation and application of relevant current Chinese tax laws and regulations as to whether gains realized upon disposal of H Shares by non-resident individuals in other jurisdictions are subject to PRC individual income tax if such tax is not exempted pursuant to a tax treaty/arrangement with the PRC.

---

## **RISK FACTORS**

---

Non-resident enterprises that do not have establishments or places in the PRC, or have establishments or places in the PRC but their income is not effectively connected to such establishments or places are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC resident enterprises and gains realized upon disposal of equity interests in PRC resident enterprises pursuant to the Enterprise Income Tax Law of the PRC and its implementation regulations, which may be further reduced or exempted under an applicable income tax treaty or arrangement between the PRC and the jurisdiction where the non-PRC resident enterprise resides. As of the Latest Practicable Date, there are no explicit rules about how to levy tax on gains realized by non-resident enterprise H Shareholders through the sale or transfer by other means of H Shares.

There remains uncertainty as to how the PRC tax laws, regulations and statutory documents are interpreted and implemented by the PRC tax authorities. PRC tax laws, regulations and statutory documents may also change. If there are any unfavorable changes to applicable tax laws or interpretations or application with respect to such laws, the value of your investment in the H Shares may be materially affected.

### **(VI) Payment of dividends is subject to restrictions under the PRC laws**

Under the PRC law and the Articles of Association of the Bank, dividends may be paid only out of distributable profits. The profit distribution plan of the Bank is subject to approval by a Shareholders' general meeting. In addition to the financial statements prepared in accordance with PRC accounting standards and regulations, the Bank will also prepare the financial statements of the Company in accordance with the International Financial Reporting Standards. The Bank's profit after tax available for distribution for a particular financial year shall be the lower of profit after tax as shown in the financial statements prepared under either of the two accounting standards mentioned above. The Bank is prohibited from paying dividends for a given year out of its profit after tax to the Shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve and general reserve as well as discretionary reserve as approved by the Shareholders' meeting. As a result, the Bank may not have distributable profits to make dividend distributions to the Shareholders of the Bank, including in respect to periods where the Bank has recorded an accounting profit. Any distributable profits not distributed in a given year may be retained and remain available for distribution in subsequent years. In addition, the CBIRC has the right to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking regulations.



---

## RISK FACTORS

---

**(VII) Natural disasters, epidemics, acts of war or terrorism or other factors beyond the Company's control may have a material adverse effect on its business operations, financial conditions and results of operations**

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the Company's control may adversely affect the economy, infrastructure and livelihood of the people in the regions where the Company conducts its business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of life, injury and destruction of assets and may disrupt the business and operations of the Company. Severe communicable disease outbreaks, including the COVID-19, could lead to widespread health crises which may materially and adversely affect the financial markets and the national economy. Acts of war or terrorism may also injure the Company's employees, cause loss of life, or disrupt the business operations of the Company.

### **V. RISKS RELATING TO THE RIGHTS ISSUE**

**(I) Unless you take up all of the Nil-paid H Rights and subscribe for the H Rights Shares provisionally allotted to you, this offering will dilute your investment and proportionate ownership interest in the Bank**

If you choose not to take up your Nil-paid H Rights fully, your proportionate ownership and voting interest in the Bank will be diluted. Even if you elect to sell your Nil-paid H Rights prior to the expiration of the applicable trading period, or such Nil-paid H Rights are sold on your behalf, the consideration you receive may not be sufficient to compensate you fully for such dilution of your proportionate ownership and voting interest in the Bank.

**(II) The market prices of H Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period**

Once you take up your Nil-paid H Rights pursuant to the Rights Issue, you may not revoke such take up. Although the Subscription Price of HK\$3.92 for the H Rights Shares represented a discount to the closing price of HK\$4.43 per H Share on 29 December 2021 (being the date of the Underwriting Agreement), the market prices of the H Shares may fall below the Subscription Price prior to the expiration of the subscription period as a result of, among other things, global or the PRC's economic or political conditions, the market's perception of the likelihood of completion of the Rights Issue, regulatory changes affecting the Company's operations and variations in the Company's financial results. Many of these factors are beyond the Company's control. If you take up your Nil-paid H Rights and the market price of the Bank's H Shares trades below the Subscription Price on the date the H Rights Shares are issued to you in respect of such Nil-paid H Rights, you will have purchased the H Rights Shares at a price higher than the market price. Any decrease in market prices may continue after the completion of the Rights Issue and, as a result, you may not be able to sell such H Rights Shares at a price equal to or greater than the Subscription Price.

---

## RISK FACTORS

---

### **(III) Trading characteristics of the A Share and H Share markets may differ**

The Bank's H Shares have been listed and have traded on the Hong Kong Stock Exchange since December 2015 and the Bank's A Shares have been listed and have traded on the Shenzhen Stock Exchange since January 2019. The Rights Issue consists of both the A Share Rights Issue and the H Share Rights Issue. Without approval from the relevant regulatory authorities, the A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. The A share and H share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of individual and institutional participation. As a result of these differences, the trading prices of the A Shares and H Shares may not be the same.

Moreover, fluctuations in the A Share price may affect the H Share price, and vice versa. Because of the different characteristics of the A share and H share markets, the changes in the prices of the A Shares may not be indicative of the price trend of the H Shares performance. You should therefore not place undue reliance on the recent trading history of the A Shares and the progress or results of the A Share Rights Issue when evaluating the H Share Rights Issue.

### **(IV) An active trading market for the Nil-paid H Rights may not develop on the Hong Kong Stock Exchange or any over-the-counter trading market and, even if a market does develop, the trading price of the Nil-paid H Rights may fluctuate**

A trading period has been set for the Nil-paid H Rights from 9:00 a.m., Tuesday, 18 January 2022 to 4:00 p.m., Tuesday, 25 January 2022 (both days inclusive). The Bank cannot assure you that an active trading market in the Nil-paid H Rights on the Hong Kong Stock Exchange will develop during the applicable trading period for Nil-paid H Rights or that any over-the-counter trading market in the Nil-paid H Rights will develop. Even if an active market develops, the trading price of the Nil-paid H Rights may be volatile and subject to the same factors affecting the price of the Bank's H Shares.

### **(V) The Subscription Price is not an indication of the Bank's underlying value**

The Subscription Price was determined on the Price Determination Date with reference to valuation indicators including the stock price, P/E ratio and P/B ratio of the Bank in the secondary market, taking into account factors such as the development of the Bank and the interests of the Shareholders, as well as the core tier-one capital needs of the Bank for the next three years and following the principles negotiated and determined between the Bank and the sponsor (underwriters). Consistent with the customary practice for a rights issue, the Subscription Price was set at a discount to the market price of the H Shares at the recent closing prices of the H Shares. The Subscription Price does not bear a direct relationship to past operations, cash flow, earnings, financial conditions or any other established criteria for value and you should not consider the Subscription Price to be any indication of the Bank's underlying value.



---

## RISK FACTORS

---

**(VI) Future sales or perceived sales of substantial amounts of the H Shares in the public market or the conversion of the A Shares into H Shares could have a material adverse effect on the prevailing market price of the H Shares and the Bank's ability to raise additional capital in the future**

The market price of the H Shares could decline as a result of substantial future sales of the H Shares or other securities relating to the Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of the Shares could materially adversely affect the prevailing market price of the H Shares and the Bank's ability to raise future capital at a favorable time and price. The Shareholders would experience a dilution in proportion of their holdings upon the issuance or sale of additional securities for any purpose.

In addition, subject to the approval of the CSRC or the authorized securities regulatory authorities of the State Council, the A Shares may be transferred to overseas investors and such transferred shares may be listed or traded on an overseas stock exchange provided certain conditions are met and certain procedures are completed. In the event of the conversion of A Shares into H Shares for listing and trading on the Hong Kong Stock Exchange, the Bank must obtain prior approval from the CSRC and other relevant PRC regulatory authorities and the Hong Kong Stock Exchange. Approvals from holders of the A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. Conversion of a substantial number of the A Shares into H Shares, or the perception that such conversion may occur, could materially and adversely affect the market price of the H Shares.

**(VII) Dividends distributed in the past may not be indicative of the Bank's dividend policy in the future**

Any future declaration of dividends will be proposed by the Board of the Bank and the amount of dividends will depend on various factors, including the operating results, profitability, financial conditions, future business prospects of the Bank and other factors that the Board of the Bank may consider to be important. The Bank cannot guarantee if and when it will pay dividends in the future.

**(VIII) The Bank's corporate disclosure standards may differ from those in other jurisdictions**

The Bank is subject to the disclosure requirements under the Hong Kong Listing Rules. These disclosure requirements differ in certain respects from those applicable to companies in certain other countries, including the United States. There may be less publicly available information about public companies listed in Hong Kong, such as the Bank, than is regularly made available by public companies in other countries, including the United States.

---

## RISK FACTORS

---

**(IX) You may not be able to participate in future rights issues and may experience dilution of your shareholdings**

The Bank may, from time to time, distribute rights to the Shareholders of the Bank, including rights to acquire securities. The Bank will not distribute the securities to which these rights relate to holders of the H Shares in the U.S. unless such securities are either exempt from registration under the U.S. Securities Act or are registered under the U.S. Securities Act. There can be no assurance that the Bank will be able to establish an exemption from registration under the U.S. Securities Act with respect to these securities, and the Bank is under no obligation to file a registration statement with respect to these securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of the Bank's H Shares may be unable to participate in rights issues and may experience dilution of their holdings as a result. Non-U.S. holders of the Bank's H Shares (except for those in Hong Kong) may also be unable to participate in future rights offerings, depending on the securities laws of the local jurisdictions, and as a result may also experience dilution. In addition, if the Bank is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, the Bank will allow the rights to lapse, in which case holders of the Bank's H Shares will receive no value for these rights.

**(X) Risks related to Use of Proceeds**

According to the development strategies and actual conditions of the Company, the total amount of proceeds from the Rights Issue are approximately RMB4.329 billion, which will be used to replenish the core tier-one capital, improve the capital adequacy ratio of the Company, support the sustainable and healthy development of future business and enhance the capital strength and competitiveness of the Company. As the revenue arising from use of proceeds is closely related to the business climate of the securities market in China, the Company's analysis of the macro-economy of China, the ability to capture opportunities in the securities market and the business capabilities of the Company, the proceeds carry some uncertainty.

**(XI) Risks of dilution of current returns due to the Rights Issue**

Upon completion of the Rights Issue, the core tier-one capital of the Company will increase, and the profit realization and Shareholders' returns of the Bank will still rely mainly on the Company's existing business, which will lead to a certain degree of decline in the short run in indicators such as the Company's earnings per share. Thus, there are risks of dilution of current returns upon the Bank's issuance of Shares pursuant to the Rights Issue. In addition, if the proceeds from the issuance cannot achieve the expected benefits, it may also result in a dilution of the Company's earnings per share, thereby reducing the Shareholders' return of the Bank.

---

## RISK FACTORS

---

### VI. ACTIVITIES BY THE UNDERWRITERS

The Underwriters of the H Share Rights Issue and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting in respect of the H Share Rights Issue. The Underwriters and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking business, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Underwriters and their affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Bank and/or persons and entities with relationships with the Bank and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Bank's activities. In relation to the H Share Rights Issue, the activities of the Underwriters and their affiliates could include acting as agent for buyers and sellers of the Nil-paid H Rights and/or H Rights Shares, or entering into transactions with those buyers and sellers in a principal capacity and proprietary trading in the Nil-paid H Rights and/or H Rights Shares. These activities may require the Underwriters and their affiliates to enter into transactions involving the buying and selling of the H Shares, directly or indirectly, as soon as trading in Nil-paid H Rights commences, hedging, buying and selling and entering into over-the-counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) whose underlying assets include H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties.

These activities may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters or their affiliates holding long positions of H Rights Shares and/or H Shares, and/or short positions in the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing. In relation to issues by the Underwriters or their affiliates of any listed securities having H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in H Shares in most cases. All such activities may occur both during and after the end of the trading period of the Nil-paid H Rights. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

### I. OVERVIEW

The Bank, formerly known as Qingdao City Cooperative Bank and Qingdao City Commercial Bank, was established in November 1996 and is headquartered in Qingdao, Shandong Province. Having experienced several years of development, the Bank has constantly improved in terms of corporate governance, risk management and control and IT construction, and has developed distinctive features of “sound governance, attentive service, solid risk control and prominent technology”. In December 2015, the Bank’s H Shares were listed on the Hong Kong Stock Exchange; in January 2019, the Bank’s A Shares were listed on the Shenzhen Stock Exchange.

The Bank mainly offers several services and products such as corporate and personal deposits, loans, payment and settlement to its customers, and its development is driven by three major business segments including retail banking, corporate banking and financial markets, which have formed a stronger customer base and shaped new financial business model of distinctive and high-quality development. The Bank’s business is based in Qingdao with a footprint extending to other regions of Shandong Province. As of 30 June 2021, there were 15 branches in major cities of Shandong Province such as Jinan, Yantai and Weihai. The number of outlets reached 156. The Bank has two subsidiaries. In February 2017, the Bank initiated the establishment of BQD Financial Leasing Company Limited, which was owned as to 51% by the Bank. In September 2020, the Bank initiated the establishment of Qingyin Wealth Management Company Limited (“**Qingyin Wealth Management**”), which was wholly owned by the Bank. As of 30 June 2021, the Bank had more than 4,000 employees.

As of 30 June 2021, various operating indicators of the Company were ranked in the forefront of the banking industry in Shandong Province, and total assets amounted to RMB501.637 billion, total liabilities amounted to RMB469.347 billion, capital adequacy ratio was 15.90%, and non-performing loan ratio was 1.49%, down by 0.02 percentage points as compared with that at the end of the previous year. In 2020, the accumulated net profit was RMB2.453 billion, representing an increase of 5.04% over the same period of the previous year. For the six months ended 30 June 2021, the accumulated net profit was RMB1.833 billion, representing an increase of 17.16% over the same period of the previous year.

### II. OVERVIEW OF BUSINESS DEVELOPMENT

#### (I) Retail banking

Adhering to the central idea of “customer-centric”, the Bank continued to enhance its capability to serve customers with the use of financial technology. Through online and offline integrated construction, the Bank identified customers online and promoted in-depth marketing at lobbies, thereby achieving two-way diversion of “flow” and linkage effect, and further expanding the customer base. Making full use of big data, artificial intelligence and other means, the Bank tapped into customer needs and continued to update the product system at a fast pace, so as to diversify product functions and carry out precision marketing. In 2020, the Company recorded operating income of RMB1.951 billion in respect of retail banking, accounting for 18.49% of the Company’s operating income. For the six months ended 30 June 2021, the Company recorded operating income of RMB1.064 billion in respect of retail banking, accounting for 19.97% of the Company’s operating income.

### *1. Retail customers and customer asset management*

The growth rate of financial assets retained by retail customers reached a new high. As of 30 June 2021, the number of retail customers (including credit card customers) of the Bank reached 6,893.7 thousand, representing an increase of 569.2 thousand or 9.00% as compared with that at the end of the previous year. The assets retained by retail customers in the Bank reached a record high of RMB232.942 billion, representing an increase of RMB30.143 billion or 14.86% as compared with that at the end of the previous year, achieving double-digit growth in two consecutive years. In particular, the number of customers with financial assets of over RMB200,000 amounted to 275.3 thousand, representing an increase of 28.7 thousand as compared with that at the end of the previous year, with a total assets scale of RMB201.392 billion retained in the Bank. They accounted for 86.46% in the assets scale of its total retail banking customers, representing an increase of 0.89 percentage points as compared with that at the end of the previous year.

The Bank's retail deposits have broken through and stood firmly over the milestone of RMB100 billion. As of 30 June 2021, the Bank's balance of retail deposits reached RMB100.590 billion, representing an increase of RMB12.251 billion or 13.87% as compared with that at the end of the previous year and accounting for 34.03% of the total deposits from customers, representing an increase of 1.58 percentage points as compared with that at the end of the previous year. In particular, demand deposits reached RMB26.753 billion, representing an increase of RMB3.854 billion or 16.83% as compared with that at the end of the previous year.

The Bank continued to optimize and enhance smart outlet projects. Centering on intelligent development of financial services and customer needs, the smart outlet projects of the Bank made use of big data, cloud computing, artificial intelligence and mobile Internet, 5G and other emerging technologies. In 2020, the Bank introduced new functions such as smart queuing, marketing centers and product manuals, and 84% of personal non-cash businesses were handled via smart equipment terminals, which greatly relieved pressure of counters. For the six months ended 30 June 2021, the smart outlet projects reached the construction goal of "mobile services, scenario-based transactions, intelligent processes and non-coercion in marketing". 140 branches of the Bank have deployed the smart outlet service model with a promotion rate of 95%. The Bank rationalized the high-efficiency hall service marketing process, and integrated business handling, service marketing and customer maintenance, speeding up basic business handling by 75% on average. The success rate of cross-selling was greatly improved.

The intelligent marketing system opened a new chapter in "retail customer base management". In 2020, the Bank launched the "Retail Smart Marketing System (CRM)" and "Qingyin Marketing Link (Mobile CRM)" created by itself, and built a marketing data middle platform, laying a data foundation for the transformation of online and offline digital marketing. In particular, the CRM system opened up the marketing access channels on the SMS terminal and the customer managers terminal, focused on "customer

acquisition – customer vitalization – customer retention”, and deeply dug into and analyzed customer information and customer behavior, in order to further strengthen the precision marketing capabilities of the Bank. Mobile CRM, a mobile marketing tool integrating convenience, reliability and security, allowed marketing staff to keep abreast of customer information and product information anytime and anywhere, and pursue marketing opportunities. During the six months ended 30 June 2021, the Bank proactively built a retail marketing middle platform. According to basic characteristics and transaction behaviors of customers, we summarized more than 400 customer characteristic tags, and established data models such as “loss warning” and “new customer growth” through the big data algorithm for the first time, and did a solid work in customer operation and management and laid a foundation for digital transformation for the Bank’s retail business. At the same time, in order to improve the use experience of the staff, the Bank independently developed the first “Marketing Link” APP on top of traditional computer terminals, which allowed “viewing data on a mobile phone, and marketing anywhere” and facilitated the operation and management of customers by different employees of branches anytime and anywhere.

The Bank expanded the scope of retail services and promoted financial services to rural areas. In 2020, the Bank, in association with China UnionPay, issued the exclusive “rural vitalization cards” with reference to the characteristics of rural financial services, so as to provide rural retail customers with convenient and efficient bank asset and settlement services, and a series of value-added services that benefit farmers was further provided. In 2020, the Bank issued a total of 60,000 “rural vitalization cards”, and the assets retained by cardholders in the Bank reached RMB1.8 billion. Meanwhile, the Bank set up comprehensive service stations for inclusive finance and agricultural support across Shandong Province. As at the end of 2020, the Bank had 189 agricultural support service stations in operation.

## **2. Retail loans**

As of 30 June 2021, the balance of retail loans of the Bank amounted to RMB67.434 billion, representing an increase of RMB6.679 billion or 10.99% as compared with that at the end of the previous year. The balance of retail loans accounted for 28.71% of the total balance of various loans. In 2020, the retail loan business of the Bank focused on increasing service efficiency with an aim to increase market share. The Bank overcame the adverse impact of the pandemic with its various businesses all experiencing encouraging developments. During the six months ended 30 June 2021, the Bank increased the comprehensive income of retail loan business by improving comprehensive capabilities, namely adjusting the structure and operating its customer base while expanding the scale of business.

The Bank improved risk management capabilities and maintained stability in asset quality. As of 30 June 2021, the balance of non-performing loans to retail customers reached RMB411 million while non-performing loan ratio to retail customers was 0.61%. Among the new non-performing retail loan, mortgage loans and loans repaid by collaborative partners accounted for 86.59%. The collaterals had sufficient value, and loan loss was controllable.



---

## BUSINESS

---

The Bank enhanced comprehensive profitability, and the interest income derived from loans gradually increased. In 2020, the Bank realized interest income from retail loans of RMB3.164 billion, representing a year-on-year increase of RMB781 million or 32.77%, accounting for 30.63% of the Bank's total interest income from loans.

The Bank constructed quality channels for obtaining customers, and maintained stable development of housing loans. Adhering to the position of "Housing is for people to live in, not for speculation", the Bank collaborated with top-ranking developers and intermediaries across the country to thoroughly prevent and control market risks as well as support residents' reasonable self-occupancy needs to purchase housing. As of 30 June 2021, the balance of personal housing loans of the Bank reached RMB43.940 billion, representing an increase of RMB3.352 billion or 8.26% as compared with that at the end of the previous year; and the number of customers reached 74.6 thousand, representing an increase of 3.7 thousand compared with that at the end of the previous year.

The Bank developed featured micro loan business relying on financial technology. In respect of internet online personal loans, the Bank cooperated with well-known domestic internet companies to develop business of internet-based small-amount consumption loans, operation loan business of Small and Micro Enterprises and individual business owners. In 2020, the Bank granted a total of 1,976.7 thousand loans with an amount of RMB19.407 billion. As at the end of 2020, the balance of loans was RMB10.484 billion, representing an increase of 2.24% as compared with that at the end of the previous year. In respect of supply chain finance, in 2020, the Bank deepened its relationship with existing core corporations and customers and granted credit of RMB1.080 billion in aggregate to a total of 1,592 distributors of 17 domestic leading fast-moving consumer goods enterprises with a loan balance of RMB241 million as at the end of 2020. During the six months ended 30 June 2021, the Bank granted a total of 930.3 thousand loans with an amount of RMB10.021 billion. As of 30 June 2021, the balance of loans was RMB12.518 billion, representing an increase of 19.40% as compared with that at the end of the previous year.

### **3. *Credit card business***

In 2020, the Bank newly issued 732.6 thousand credit cards (except public services cards, the same hereinafter), so the cumulative number of credit cards issued by the Bank reached 2,037.1 thousand. In 2020, the transaction amount of credit cards amounted to RMB35.721 billion, representing an increase of 89.31% year on year. As of 30 June 2021, the cumulative number of credit cards issued by the Bank reached 2,415.6 thousand. During the six months ended 30 June 2021, the cumulative transaction amount was RMB23.621 billion, representing an increase of 47.03% year on year. As of 30 June 2021, the overdraft balance was RMB6.760 billion, representing an increase of 25.44% as compared with that at the end of the previous year.

The Bank secured card issuance with complementary channels and mitigated risks as empowered by financial technology. Firstly, the Bank secured card issuance with multiple channels through online, offline and crossover cooperation. Although the card issuance rate slowed down in the first half of 2020 due to the pandemic, the monthly card issuance in the second half of the year quickly recovered, with a peak of nearly 100 thousand cards issued. Secondly, the Bank adhered to a prudent risk management strategy, and made use of financial technology to identify and respond to pre-loan risks in advance, strengthened post-loan collection, and made sure that non-performing loans were at a low level.

The Bank adopted precision marketing with data interconnection, and further enhanced brand influence. Based on big data analysis, the Bank further built a hierarchical customer base model to break “data islands” and strengthened digital marketing. The Bank achieved precise investment by focusing on areas and customer groups. Meanwhile, the Bank continued to promote brand building for credit cards, and was awarded the “Best Co-branded Credit Card Product in China” by the Asian Banker magazine of Singapore.

The Bank increased revenue through deep cultivation, and enhanced output with categorized investment. In 2020, the Bank reshaped the full-process experience of credit card installment business, combined with the hierarchical customer base model, to improve business conversion efficiency, and rapidly increased the proportion of interest-generating products, driving the yield of credit card business related assets. The Bank focused on value creation and made investment based on business classification, which improved the efficiency of input and output.

#### ***4. Wealth management and private banking business***

In 2020, in response to the impact of the pandemic, the Bank focused on enhancing the capability to serve remote and online customers, accelerated the “online transformation” of the wealth management business, and introduced measures such as “remote double recording and online salon”. As a result, its business volume increased rather than decreased during the pandemic. In 2020, the Bank realized wealth management fee and commission income of RMB207 million, which passed the RMB200 million mark, representing a year-on-year increase of 97.15%, including income from agency for collective trust program amounting to RMB154 million, income from agency for insurance amounting to RMB22 million, and income from agency for funds amounting to RMB31 million. The Bank recorded sales of RMB6.737 billion in agency for trust products, RMB275 million in agency for insurance premiums, and sales of RMB3.867 billion in agency for open-ended funds.

As of 30 June 2021, the Bank’s customers with assets under management of over RMB2.00 million reached 14.3 thousand, representing an increase of 2.5 thousand as compared with that at the end of the previous year, and the assets retained in the Bank amounted to RMB63.584 billion, representing an increase of RMB12.999 billion as compared with that at the end of the previous year. The growth rate reached 21.37% and 25.70%, respectively.



### **5. *Customer service management***

In 2020, the Bank took a series of actions to enhance its service value with its focus pinned on “customer base”. Firstly, under the guideline of offering a “warm and valuable” customer service experience, the Bank exploited the opportunities arising from the upgrade of the IT infrastructure of its outlets while increasing its efforts in service exploration and capitalization and promotion of its 5+N services, developing new standards for customer service experience of “friendliness, accessibility, and professionalism”, taking a firm grip on the opportunities for “face-to-face” services, further promoting the exploration of its service value by building new business halls that prioritize “operation, connection and experience” so as to strengthen its outlets’ capability to obtain and vitalize customers. Secondly, the Bank steadily promoted the construction of the intelligent service management system by starting to use intelligent customer service robots in WeChat banking, mobile banking and online banking, thereby fully upgrading online customer service experience by means of technology. Thirdly, the Bank comprehensively strengthened consumer rights protection, and enhanced the quality and efficiency of consumer complaint management with restructuring and process reengineering. With the closed-loop service experience management of “diagnosis-tracking-optimization- monitoring-upgrade”, the Bank further consolidated the entity responsibility for consumer complaints, and executed business governance with data management thinking. In 2020, the consumer complaint rate of the Bank was 0.0014%, and the settlement rate was 100%. The management indicators including consumer complaints were stable and improving. Fourthly, the Bank was further recognized for its service brand, and was selected as one of the “Top 500 Asian Brands” of China’s 500 Most Valuable Brands in 2020 and was granted the “Five-Star Diamond Award”, the highest award in the services sectors across the world, for five consecutive years.

### **(II) Corporate banking**

In 2020, the corporate banking business of the Bank focused on the “dual-base” strategy and “network construction”, and the contribution from customer base and customer service capabilities was continuously enhanced. By achieving “refined” management through hierarchical operations, the basic customer base groups continued to be consolidated. Our customer service capabilities and customer stickiness enhanced significantly as we continuously improved basic products and basic services as well as product system based on customer and market needs. In 2020, the operating income from the corporate banking business was RMB5.796 billion, accounting for 54.95% of the Company’s operating income. During the six months ended 30 June 2021, the operating income from the corporate banking business of the Company reached RMB2.827 billion, accounting for 53.08% of the Company’s operating income.

### **1. Corporate deposits**

As of 30 June 2021, the balance of corporate deposits (excluding accrued interest) reached RMB194.842 billion, representing an increase of RMB11.395 billion or 6.21% as compared with that as at the end of the previous year, accounting for 65.91% of the balance of various deposits (excluding accrued interest). Newly added corporate deposits for the year reached an all-time high. In particular, corporate demand deposit amounted to RMB112.968 billion, representing an increase of RMB1.477 billion or 1.32% as compared with that at the end of the previous year. Corporate time deposit amounted to RMB81.874 billion, representing an increase of RMB9.918 billion or 13.78% as compared with that at the end of the previous year. The average cost rate of corporate deposits was 1.72%.

In 2020, the Bank blended in with the local economy, returned to its business origins to boost the scale of deposits, and increased customer stickiness and overall contribution through product and service optimization. Focusing on public finance, open tender for projects and other segments, the Bank won the bid for 23 key projects in the year, including the business of fund deposit in special fiscal accounts, agency business for the payroll of government agencies and public institutions, as well as medical and medical insurance platforms, driving an increase in corporate deposits of more than RMB1.4 billion. Bond underwriting and investment businesses had a significant effect in stimulating the growth of deposits. While obtaining fees and commission income from relevant businesses, the Bank realized deposits of business funds at the Bank, achieving corporate deposits of more than RMB26 billion. As at the end of 2020, among the customers of the Bank's bond business, there were 49 customers whose annual average daily corporate deposits increased by more than RMB50 million.

### **2. Corporate loans**

As of 30 June 2021, the Bank's balance of corporate loans (including discounted bills and excluding accrued interest) amounted to RMB167.482 billion, representing an increase of RMB21.490 billion, or 14.72% as compared with that at the end of the previous year, accounting for 71.29% of the total loans. In particular, the balance of the loans of private enterprises was RMB79.084 billion, representing an increase of RMB11.627 billion, or 17.24% as compared with that at the beginning of the year, accounting for 47.22% of the total corporate loans. The balance of Green Credit was RMB17.483 billion, representing an increase of RMB2.250 billion, or 14.77% as compared with that at the beginning of the year, accounting for 10.44% of the total corporate loans.

In 2020, the Bank actively responded to the decisions and deployments of the State in relation to pandemic prevention and control, adhered to its primary position of financial services, firmly implemented the “Stability in Six Areas” and “Six Priorities” requirements, innovated financial products, opened up green channels, provided financial support for the resumption of work and production of enterprises, and strengthened the credit support for private economy and inclusive Small and Micro Enterprises, continuously improving the quality and efficiency of serving the real economy. At the same time, the Bank carried out differentiated credit policies and guidelines, optimized credit structure, and gave priority to the financing in the areas of inclusive finance, green finance, technology finance and the blue economy. Also, the Bank continued to support infrastructure construction and other key engineering and construction projects, and met the diversified financing needs of enterprises, promoting the financial supply-side reform.

### **3. *Corporate customers***

As of 30 June 2021, the Bank had 216.4 thousand corporate customers, representing an increase of 18.2 thousand or 9.18% as compared with that at the end of the previous year. The number of corporate customers with a deposit of RMB10 million or more reached 1,875.

In 2020, the Bank thoroughly implemented the “dual-base strategy”. The Bank carried out comprehensive stratification of corporate customer base and launched its CRM management system of corporate customers to implement refined hierarchical and categorized management of customers, strengthening technological support and empowerment. The Bank established a team of specialized business managers for corporate basic customer groups to achieve full coverage of effective one-to-one customer service, and implemented precise marketing for basic corporate customer groups. The Bank also entered into strategic cooperation agreements with various municipal People’s Governments in Shandong Province, as well as state-owned enterprise groups in key areas in China and Shandong Province. We also actively promoted the “two policy tools for inclusive Small and Micro Enterprises”. With measures such as postponed payment, credit loans, mortgage credit enhancement and low-cost sub-loans, we strengthened the financial support for inclusive small and micro customers and provided inclusive financial services that were “inclusive, profitable, and high-quality and efficient” in a practical manner. As of 30 June 2021, the inclusive loans to Small and Micro Enterprises of the Bank included loans to Small and Micro Enterprises, loans to individual business owners and loans to owners of Small and Micro Enterprises. Their balance was RMB21.066 billion, representing an increase of RMB2.901 billion or 15.97% as compared with the beginning of the year. The average interest rate of the inclusive loans to Small and Micro Enterprises was 5.08%, and the number of loans to inclusive Small and Micro Enterprises reached 35.5 thousand, representing an increase of 1.7 thousand from the beginning of the year, and featured branches serving Small and Micro Enterprises totaled 13.

#### ***4. Corporate products***

In 2020, the Bank implemented the “network construction”, which offered superior products with multidimensional linkage by promoting industry professionalism and customer integration. First, it further improved the corporate banking channels and platforms with the official launch of its mobile corporate banking service and version 2.0 of its online cash management service platform, as well as the completion of connection of over 50 cash management projects. Second, it empowered its major products with financial technology, exemplified by the online launches of multiple products such as “Qing Easy Payment (青易繳)”, “Purchase Loan (採購貸)” and “Tax and Goods (稅貸通)”, and, in terms of supply chain finance, the completion of the development of the online business mode of “Cloud Factoring (雲保理)” and “Pool Financing (池融資)”, which augmented the ability of its business scenarios to reach customers. Third, it blended in with the local economy and responded to the government’s call at all levels for supporting real-economy enterprises and weak links. During the pandemic, the Bank first launched the “Anti-coronavirus Loan (抗疫貸)” to support Small and Micro Enterprises in resuming work and production and debuted innovative featured products such as “Shi Yi Loan\* (食宜貸)”, “Yi Dai Tong\* (醫貸通)” and “Anti- Coronavirus Discount\* (抗疫貼)”, as well as working with the Bureau of Commerce and Finance of Shandong Province to launch “Lu Mao Loan\* (魯貿貸)”, utilizing its supply chain financial products to realize online lending. Fourth, it scaled new heights in terms of product innovation. The Bank concluded the first cross-border Kazakhstan Tenge settlement in Shandong, and became the first in Shandong Province to establish direct link with the cross-border financial blockchain service platform of State Administration of Foreign Exchange. Its “Science and Technology Road Show Loan (科創路演貸)” product won the second prize in “Qingdao Financial Innovation (青島市金融創新)” awarded by the Qingdao Local Financial Supervision Bureau. In addition, it jointly established a cross-border supply chain financial platform with COSMO’s industrial internet platform and concluded the first order in the PRC.

During the six months ended 30 June 2021, the first “Carbon neutralization” loan in Shandong Province, the first supply chain bill financing business in the province and the first online forfaiting transaction business of a corporate bank in the province of the Bank had gone into operation. The Bank also launched the first green supply chain financial product of a bank corporation in the province, namely “Carbon E-Link” (碳E鏈), and signed a blue bond investment commitment agreement with International Finance Corporate (IFC) of World Bank Group.

\* *For identification purposes only*

**(III) Financial market business**

In 2020, bracing the impact of the sudden outbreak of the pandemic, the significant changes in economic and financial landscapes both at home and abroad, and the large scale shake-up of the global fiscal situation, the financial market business of the Bank developed in accordance with its strategic planning with an emphasis on synergy, and contributed to the development of the Bank's businesses by optimizing the investment portfolio, promoting the asset securitization business, saving capital appropriation and revitalizing stock assets. In 2020, the operating income of the financial market business amounted to RMB2.322 billion, accounting for 22.01% of the Company's operating income. During the six months ended 30 June 2021, the operating income of the financial market business of the Company reached RMB1.253 billion, accounting for 23.53% of the Company's operating income.

**1. Proprietary investment**

In 2020, the Bank continued to improve the investment portfolio and enhanced investment quality and efficiency. First, management costs dropped significantly with the reduction of non-underlying assets and the transition of asset investment from entrusted management to independent management. Second, in terms of saving capital appropriation, while maintaining the downtrend of the financial investment risk weighted assets, the Bank achieved a steady increase in total investment and investment returns, resulting in a considerable increase in the revenue-generating efficiency per unit risk asset. Third, it participated in various innovative businesses. In 2020, the Bank invested in the first batch of standardized bills approved for issuance in the PRC, which helped the Bank familiarize with the transaction structure and pricing mechanism of emerging products on the market; the Bank invested in the strategically enhanced asset management plans with government bonds and options, which equipped the Bank with derivative strategy on the basis of its fixed income strategy.

As of 30 June 2021, the Bank's proprietary investment (excluding accrued interest) reached RMB186.344 billion, representing an increase of RMB18.541 billion or 11.05% as compared with that at the end of the previous year. Among which: the scope of bond investment reached RMB123.736 billion, representing an increase of RMB4.825 billion or 4.06% as compared with that at the end of the previous year, which was mainly attributable to the increase of investment in central government bonds as well as local government bonds. The investment in public fund products amounted to RMB35.472 billion, representing an increase of RMB11.109 billion or 45.59% as compared with that at the end of the previous year, which was mainly attributable to the increased investment in public bond fund and currency fund products.

## **2. *Interbank business***

The Bank made active attempts at market trade and derivative transactions, constantly increasing the transaction volume. In 2020, the delivery amount of bonds of the Bank in the interbank market nationwide reached RMB14.20 trillion. In the ranking of delivery amount of bonds issued by China Central Depository & Clearing Co., Ltd., the Bank ranked No.29 among national financial institutions and No.9 among city commercial banks, both up by two places compared with the previous year. The Bank was granted the titles of “Core Dealer”, “Outstanding Currency Market Dealer” and the “Innovative Trading Mechanism (X-Repo)” awards issued by the National Interbank Funding Center, as well as the title of “Outstanding Dealer”, and the “Best Progressive Agency for Local Bond Banking Underwriters” award issued by China Central Depository & Clearing Co., Ltd.

The Bank rationally managed its interbank liabilities and reduced financing costs. As of 30 June 2021, the balance of interbank deposits (excluding accrued interest) was RMB8.462 billion. The balance of interbank deposit certificates amounted to RMB67.083 billion, representing an increase of 34.14% as compared with that at the end of the previous year, and accounting for 14.56% of the Bank’s total liabilities. In 2020, the Bank issued the first special interbank deposit certificate for pandemic prevention, specifically supporting companies engaging in pandemic prevention and control via loan placement and other means to meet their capital needs, which involved an issue size of RMB200 million, with an interest rate of 2.65%, representing a decrease by 10 bps compared with the market price. During the six months ended 30 June 2021, the Bank issued the first foreign currency interbank deposit certificate on the inter-bank market in Shandong Province, with an issue size of USD10 million, a term of 3 months and an interest rate of 0.30%. This issue of deposit certificate realized the diversified fundraising of market-oriented funds, and diversified the original financing channels, providing investors with new foreign currency investment varieties.

The Bank obtained multiple qualification licenses and achieved numerous breakthroughs in business innovation. The Bank obtained the ordinary class derivatives transaction business qualification, interest rate options business qualification, standard bond forward business qualification, and trustee qualification for non-financial corporate debt financing instruments. In addition, it was approved for engaging in RMB and foreign exchange forwards, swaps and options businesses on behalf of customers, became a bond quotation agency and joined the RMB-Tenge regional trading market. With a diversified portfolio of financial risk management tools, the Bank was able to better meet customer needs and provide them with comprehensive financial services.

The Bank fully revitalized stock assets and drove the asset securitization business. In 2020, the Bank successfully completed the issuance of residential mortgage-backed securities (RMBS) and collateralized loan obligations (CLO), continuing to optimize the Bank’s asset-liability structure. In October 2020, the Bank issued the first RMBS product in Shandong Province that reached RMB4.224 billion. While in December 2020, the Bank issued the “2020 first credit asset-backed securities of Haiying (海盈2020年第一期信貸資產支持證券)” with the issue size at RMB4.170 billion.



### ***3. Asset management***

With the extended transition period under the new regulations and requirements on asset management, the organization and establishment of wealth management subsidiary at the start-up phase and the recurrent emergence of the pandemic, the Bank achieved steady growth in terms of management scale of its wealth management business, significantly increased its service fee income from wealth management, continued to enhance its capacity for net-worth management, constantly optimized its product and asset structures, and maintained sustainable and healthy development for the asset management business.

As of 30 June 2021, wealth management products of the Company reached 915, with a balance of RMB156.719 billion, and the scale of wealth management products increased by 26.26% over the same period of the previous year. In 2020, wealth management products issued by the Company reached 1,820, raising a total amount of RMB545.790 billion, all of which were non-principal-guaranteed wealth management products, representing an increase of 31.90% as compared to the same period of the previous year. In 2020, the Company realized service fee and commission income from wealth management products of RMB1.008 billion, representing an increase of 45.04% as compared to the same period of the previous year. During the six months ended 30 June 2021, wealth management products issued by the Company reached 724, raising a total amount of RMB333.569 billion, all of which were non-principal-guaranteed wealth management products, representing an increase of 32.63% as compared to the same period of the previous year. During the six months ended 30 June 2021, the bond market experienced low fluctuation, with staged opportunities for transaction weaker than the same period of last year, and the service fee and commission income from wealth management products reached RMB415 million.

As of 30 June 2021, the balance of the Company's wealth management investment products amounted to RMB185.160 billion, and asset types directly and indirectly invested mainly included fixed return type, non-standard debt assets type and capital market assets type, etc. Among them, fixed return assets amounted to RMB164.547 billion, accounting for 88.87%; non-standard debt assets amounted to RMB14.541 billion, accounting for 7.85%; capital market assets amounted to RMB2.819 billion, accounting for 1.52%; and public funds amounted to RMB3.253 billion, accounting for 1.76%.

The Bank, in strict accordance with the new regulations and requirements on asset management and their supporting policies, continued to promote the net-worth transformation of wealth management products and further consolidated its market position. As of 30 June 2021, the balance of net-worth wealth management products of the Company was RMB149.088 billion, representing an increase of 33.29% as compared to that at the end of the previous year, accounting for 95.13% of the balance of wealth management products, representing an increase of 5.01 percentage points as compared to that at the end of the previous year. During the six months ended 30 June 2021, according to the Bank Wealth Management Capabilities Ranking Report (1Q 2021) published by PY Standard, the Company ranked 5th in comprehensive capabilities of wealth management business among city commercial banks.

In 2020, the Bank received the approval on the establishment of Qingyin Wealth Management, a wholly-owned subsidiary of the Bank, which went through smooth preparation and was approved for opening. Subsequent to the commencement of business, Qingyin Wealth Management launched the first direct mobile client service for a banking wealth management subsidiary in the PRC and released the brand new “Bright Life (璀璨人生)” series of wealth management products. During the six months ended 30 June 2021, the Company provided full support to its wealth management subsidiaries to advance various tasks. Qingyin Wealth Management stayed committed to the strategic policy of driving product design with strong investment research capabilities and driving customer base expansion with excellent product design. Leverage on professional and characteristic services, Qingyin Wealth Management adopted the market strategy featuring leadership in direct marketing and competition with sales agency, making the “Bright Life” series of wealth management products reach to more customers through more diverse channels. Meanwhile, Qingyin Wealth Management continued to pay attention to policies and people’s livelihood hotspots, promote investment in social impact, create featured products such as carbon neutrality, ESG, charity, and blue finance, and fulfill corporate social responsibilities. As of 30 June 2021, the balance of existing products of Qingyin Wealth Management reached RMB48.865 billion, representing an increase of 31.79 times as compared with that at the end of the previous year.

#### **4. *Investment banking***

The Bank deeply explored the Shandong market and ranked among the top of Shandong Province in terms of underwriting scale of debt financing. In 2020, in spite of the impact of the COVID-19 pandemic, the Bank completed the launch of 53 debt products, representing an increase of 12 products or 29.17% as compared to the previous year; the issue amount totaled RMB30.730 billion, representing an increase of RMB11.670 billion or 62.02% as compared to the previous year; and the underwriting amount was RMB21.843 billion, representing an increase of RMB8.711 billion or 66.33% from the previous year. Among which, the Bank underwrote 27 debt financing tools rated AA and AA+, with the underwriting scale at RMB11.013 billion, ranking first in Shandong Province; it underwrote 12 targeted debt financing instruments, with an underwriting scale of RMB5.796 billion, ranking first in Shandong Province; and it underwrote 25 medium-and long-term debt financing tools, with the underwriting scale at RMB11.373 billion, ranking second in Shandong Province. During the six months ended 30 June 2021, the Bank underwrote the issue of 29 debt-related projects, with a total issue size of RMB17.930 billion, and the underwriting amount of the Bank was RMB12.055 billion. The issue amount increased by RMB1.650 billion or 10.14%, and the underwriting amount increased by RMB1.012 billion or 9.16%, as compared with the same period last year. The Bank issued tier-two capital bonds with a total amount of RMB6 billion in two phases for the purpose of supplementing the tier-two capital of the Bank and consolidating its capital base; and issued residential mortgage-backed securities with a total amount of RMB1.766 billion to expand the limit of credit and loan granted.



---

## BUSINESS

---

The Bank innovated bond underwriting and explored new ways to serve its customers. In 2020, the Bank underwrote the first offshore asset acquisition notes in the PRC amounting to RMB1.8 billion, developed project income notes registration business totaling RMB10.7 billion, and designed credit risk mitigation contracts for private enterprises, etc. The Bank further explored new paths to financing through more “first orders”.

During the six months ended 30 June 2021, the Bank underwrote the issue of first carbon-neutral bond in Shandong Province, the first public offering project income notes in Shandong Province, and the first equity contribution note in Qingdao City.

---

LETTER FROM THE BOARD

---

**BQD**  **青島銀行**  
**Bank of Qingdao Co., Ltd.\***  
**青島銀行股份有限公司\***

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

**(H Shares Stock Code: 3866)**

**(Preference Shares Stock Code: 4611)**

***Members of the Board:***

*Executive Directors:*

GUO Shaoquan (*Chairman*)  
WANG Lin  
LUI Peng  
LU Lan

*Non-executive Directors:*

ZHOU Yunjie  
Rosario STRANO  
TAN Lixia  
Marco MUSSITA  
DENG Youcheng  
CHOI Chi Kin, Calvin

*Independent Non-executive Directors:*

Simon CHEUNG  
FANG Qiaoling  
Tingjie ZHANG  
XING Lecheng  
ZHANG Xu

***Registered Address and***

***Address of Head Office:***

Building No. 3, No. 6 Qinling Road  
Laoshan District  
Qingdao, Shandong Province  
the PRC

***Address of the Registered Office  
in Hong Kong:***

31st Floor, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

*To the Qualified H Shareholders and, for information purposes only, the Excluded H Shareholders*

Dear Sirs/Madams,

**H SHARE RIGHTS ISSUE OF 528,910,494 H SHARES ON THE BASIS OF  
THREE (3) H RIGHTS SHARES FOR EVERY TEN (10) EXISTING H SHARES AT  
HK\$3.92 PER H RIGHTS SHARE  
PAYABLE IN FULL ON ACCEPTANCE**

**A SHARE RIGHTS ISSUE OF 823,996,506 A SHARES ON THE BASIS OF  
THREE (3) A RIGHTS SHARES FOR EVERY TEN (10) EXISTING A SHARES AT  
RMB3.2 PER A RIGHTS SHARE  
PAYABLE IN FULL ON ACCEPTANCE**

**INTRODUCTION**

References are made to (i) the announcement of the Bank dated 26 February 2021 and the circular of the Bank dated 8 March 2021, in relation to, among others, the proposed issue of A Shares and H Shares by way of rights issue; (ii) the poll results announcement of the Bank dated 26 March 2021, in relation to, among others, the 2021 First EGM, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting, at which the Rights Issue and related matters were considered and approved.

\* *Bank of Qingdao 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 out banking and/or deposit-taking business in Hong Kong.*

---

## LETTER FROM THE BOARD

---

On 16 April 2021, the Bank received the written approval for the Rights Issue, i.e. the Approval in respect of the Rights Issue of Bank of Qingdao from Qingdao Office of CBIRC (Qing Yin Bao Jian Fu [2021] No. 140) (《青島銀保監局關於青島銀行配股方案的批覆》(青銀保監覆[2021]140號)) from Qingdao Office of CBIRC. On 6 December 2021 and 14 December 2021, the Bank successively received the written approval for the H Share Rights Issue, i.e. the Approval in respect of the Issuance of Overseas Listed Foreign Shares of Bank of Qingdao Co., Ltd. (Zheng Jian Xu Ke [2021] No. 3861) (《關於核准青島銀行股份有限公司發行境外上市外資股的批覆》(證監許可[2021]3861號)) and the written approval for the A Share Rights Issue, i.e. the Approval in respect of the Rights Issue of Bank of Qingdao Co., Ltd. (Zheng Jian Xu Ke [2021] No. 3932) (《關於核准青島銀行股份有限公司配股的批覆》(證監許可[2021]3932號)) from the CSRC.

A summary of the major terms of the H Share Rights Issue and the expected timetable of the H Share Rights Issue are set forth in this prospectus. The H-share register was closed from Friday, 7 January 2022 to Thursday, 13 January 2022 (both days inclusive). The last day of dealings in the H Shares on cum-rights basis was Tuesday, 4 January 2022 and the H Shares were dealt with on an ex-rights basis from Wednesday, 5 January 2022. To qualify for the H Share Rights Issue, an H Shareholder must be registered as a member of the Bank at the close of business on Thursday, 6 January 2022 and must not be an Excluded H Shareholder.

The H Share Rights Issue will be fully underwritten by the Underwriters on the terms and conditions set out in the Underwriting Agreement.

The Chinese version of the A Share Rights Issue Prospectus is available for public inspection on the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)) from Thursday, 30 December 2021. Neither the A Share Rights Issue Prospectus nor any other information on the above websites is incorporated in this prospectus. A summary of the major terms of the A Share Rights Issue and the timetable of the A Share Rights Issue are included herein for information purposes only.

The H Share Rights Issue is conditional upon the fulfilment of the conditions set out under the paragraph headed “Conditions of the H Share Rights Issue” below and is subject to the terms and conditions of the Underwriting Agreement. If any of the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue will not proceed. The Underwriting Agreement contains provisions entitling the Underwriters by notice in writing to terminate the Underwriting Agreement upon the occurrence of certain events. In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue will not proceed. Shareholders’ and potential investors’ attention is drawn to the paragraph headed “Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights” below. It should also be noted that the H Shares have been dealt in on an ex-rights basis from Wednesday, 5 January 2022 and that dealings in the H Rights Shares in nil-paid form will take place from Tuesday, 18 January 2022 to Tuesday, 25 January 2022 (both days inclusive). Such dealings will take place when the conditions of the H Share Rights Issue remain unfulfilled, and the Underwriting Agreement does not become unconditional or is subject to termination in accordance with the terms thereof. Any person dealing in the securities of the Bank up to the date on which such condition is fulfilled or waived and up to the Latest Time for Termination and any person dealing in the Nil-paid H Rights from Tuesday, 18 January 2022 to Tuesday, 25 January 2022 (being the first and last day

---

## LETTER FROM THE BOARD

---

of dealings in the Nil-paid H Rights, respectively) will accordingly bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Bank, the Nil-paid H Rights and/or the H Rights Shares during this period who is in any doubt about his or her or its position is recommended to consult his or her or its own professional adviser.

The purpose of this prospectus is to provide you with, among others, details of the H Share Rights Issue as well as certain financial and other information in respect of the Bank.

### H SHARE RIGHTS ISSUE

The H Share Rights Issue is proposed to be conducted on the basis of three (3) H Rights Shares for every ten (10) existing H Shares held by Qualified H Shareholders on the H Share Rights Issue Record Date at the Subscription Price of HK\$3.92 per H Rights Share. The A Share Rights Issue is conducted on the basis of three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Rights Issue Record Date at the Subscription Price of RMB3.2 per A Rights Share. Besides taking into account factors including the development of the Bank and the interests of the Shareholders, as well as the core tier-one capital needs of the Bank for the next three years and following the principles negotiated and determined between the Bank and the sponsor (underwriters), the Subscription Price of HK\$3.92 per H Rights Share and RMB3.2 per A Rights Share were mainly determined by making reference to: (i) the closing price of HK\$4.43 per H Share as quoted on the Hong Kong Stock Exchange and RMB4.68 per A Share as quoted on the Shenzhen Stock Exchange on 29 December 2021; (ii) discount range of A share rights issue of around 12.03% to 46.23% and H share rights issue of around 15.42% to 46.22% for comparable Chinese banks in recent years; and (iii) the prevailing market conditions and valuation indicators such as stock price, P/E ratio and P/B ratio<sup>1</sup> of the Bank in the secondary market. The H Share Rights Issue will proceed on a fully underwritten basis on the terms and conditions set out in the Underwriting Agreement.

The Rights Issue, comprising the A Share Rights Issue and the H Share Rights Issue, is estimated to raise (i) gross proceeds in an aggregate amount of approximately RMB4.329 billion (assuming full subscription for the A Rights Shares) or RMB3.538 billion (assuming 70% subscription for the A Rights Shares); and (ii) net proceeds (after deducting all the costs and expenses (except underwriting fee) incidental to the Rights Issue) in an aggregate amount of approximately RMB4.320 billion (assuming full subscription for the A Rights Shares) or RMB3.529 billion (assuming 70% subscription for the A Rights Shares).

The H Share Rights Issue is conditional upon the fulfilment of the conditions set out under the paragraph headed “Conditions of the H Share Rights Issue” below.

*Note:*

1. The P/E ratio calculated by dividing the subscription price of the H Rights Shares by the basic earnings per share for 2020 was approximately 8.62 times; the P/B ratio calculated by dividing the subscription price of the H Rights Shares by the net assets per share attributable to ordinary Shareholders of the Bank for 2020 was approximately 0.73 times.

---

## LETTER FROM THE BOARD

---

Details of the H Share Rights Issue are as follows:

### H Shares Rights Issue Statistics

Basis of the H Share Rights Issue:	Three (3) H Rights Shares for every ten (10) existing H Shares held by the Qualified H Shareholders on the H Share Rights Issue Record Date
Number of H Shares in issue as at the Latest Practicable Date:	1,763,034,980 H Shares
Number of H Rights Shares proposed to be issued (assuming the number of H Shares in issue on the H Share Rights Issue Record Date remains the same as at the Latest Practicable Date):	528,910,494 H Shares
Aggregate nominal value of H Rights Shares:	RMB528,910,494
Subscription Price:	HK\$3.92 per H Rights Share
Global Coordinator:	CLSA Limited
Underwriters:	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited
Joint Bookrunners:	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited and Intesa Sanpaolo S.p.A.

Assuming no change in the number of issued H Shares on or before the H Share Rights Issue Record Date, the 528,910,494 H Rights Shares proposed to be issued pursuant to the terms of the H Share Rights Issue represent: (i) 30% of the existing issued H Share capital of the Bank as at the Latest Practicable Date; and (ii) 23.08% of the issued H Share capital of the Bank as enlarged by the allotment and issuance of the H Rights Shares (assuming there is no other change in the shareholding structure of the Bank since the Latest Practicable Date).

As at the Latest Practicable Date, save for the Offshore Preference Shares, the Bank has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into H Shares.

---

## LETTER FROM THE BOARD

---

The issuance of Offshore Preference Shares was completed on 19 September 2017 and the Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 20 September 2017, with an actual issuance of 60.15 million shares at a par value of RMB100 per share. Upon the occurrence of a trigger event, the Bank shall, after reporting to and obtaining the approval from the CBIRC but without the need for obtaining the consent of the holders of Preference Shares or the ordinary Shares: (a) cancel any dividends accrued but unpaid in respect of the relevant loss absorption amount up to and including the conversion date; and (b) irrevocably and compulsorily convert with effect from the conversion date all or part of the Offshore Preference Shares into such number of H Shares as is equal to (i) the liquidation preference amount held by the holders of Offshore Preference Shares (as converted into Hong Kong dollars at the fixed exchange rate of US\$1.00 to HK\$7.7574) divided by (ii) the effective conversion price (subject to adjustments as provided in the terms and conditions of the Offshore Preference Shares), rounded down to the nearest whole number of H Shares (to the extent permitted by applicable laws and regulations). Any fractional Share of less than one H Share resulting from the conversion will not be issued and will not be replaced by any cash payment or other adjustment. As at the Latest Practicable Date, no trigger event has occurred which would result in the conversion of the Offshore Preference Shares into H Shares.

### *Basis of Entitlement*

Subject to fulfilment of the conditions set out in the paragraph headed “Conditions of the H Share Rights Issue” below, the Qualified H Shareholders will be provisionally allotted three (3) H Rights Shares for every ten (10) existing H Shares held by the Qualified H Shareholders at the close of business on the H Share Rights Issue Record Date at the Subscription Price, being HK\$3.92, for each H Rights Share. Application for all or any part of a Qualified H Shareholder’s provisional allotment should be made by lodging the completed Provisional Allotment Letter with the H Share Registrar with a cheque or banker’s cashier order for the sum payable for the H Rights Shares being applied for on or before the Latest Acceptance Date.

### *Qualified H Shareholders*

The Bank is dispatching the Prospectus Documents comprising this prospectus, the Provisional Allotment Letter(s) and the Excess Application Form(s), to the Qualified H Shareholders only. To qualify for the subscription of the H Rights Shares, an H Shareholder must be registered as a member of the Bank at the close of business on the H Share Rights Issue Record Date and must not be an Excluded H Shareholder.

The last day of dealings in the H Shares on a cum-rights basis for the H Share Rights Issue was Tuesday, 4 January 2022. The H Shares have been dealt in on an ex-rights basis from Wednesday, 5 January 2022. In order to be a Qualified H Shareholder, H Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 January 2022.

---

## LETTER FROM THE BOARD

---

Qualified H Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Bank (except in relation to any dilution resulting from the subscription by third parties of any H Rights Shares for odd lots/fractional Shares aggregated). If a Qualified H Shareholder does not subscribe for any of his/her/its entitlement in full under the H Share Rights Issue, his/her/its shareholding in the Bank will be diluted.

### *PRC Southbound Trading Investors*

The Directors have made the relevant enquiries and were advised that the PRC Southbound Trading Investors may participate in the H Share Rights Issue through CSDCC. CSDCC will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their Nil-paid H Rights on the Hong Kong Stock Exchange under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of the H Shares held on the H Share Rights Issue Record Date at the Subscription Price under the H Share Rights Issue in accordance with the relevant laws and regulations. However, CSDCC will not support applications by such PRC Southbound Trading Investors for excess H Rights Shares under the H Share Rights Issue through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. In addition, according to the legal advice from the PRC legal adviser of the Bank, the PRC Southbound Trading Investors (or the relevant CSDCC participants as the case may be) whose stock accounts in CSDCC are credited with Nil-paid H Rights can only sell those Nil-paid H Rights on the Hong Kong Stock Exchange via CSDCC under Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect and can neither purchase any Nil-paid H Rights nor transfer such Nil-paid H Rights to other PRC Southbound Trading Investors.

According to the legal advice from the PRC legal adviser of the Bank, the PRC Southbound Trading Investors and H Shareholders who have been exempted by or have obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations are entitled to participate in the H Share Rights Issue. Save as to the above, other H Shareholders in the PRC are not entitled to participate in the H Share Rights Issue.

**The PRC Southbound Trading Investors should seek advice from their intermediaries (including brokers, custodians, nominees or CSDCC participants) and/or other professional advisers for details of the logistical arrangements as required by CSDCC, and provide instructions for such intermediaries in relation to the acceptance and/or sale of the Nil-Paid H Rights. Such instructions should be given in advance of the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of the intermediaries of the PRC Southbound Trading Investors and/or CSDCC in order to allow sufficient time to ensure that such instructions are given effect.**



---

## LETTER FROM THE BOARD

---

According to the legal advice of the PRC legal adviser of the Bank, as the Prospectus Documents have not been and are not intended to be filed with or approved by the CSRC other than in accordance with the CSRC Announcement, the H Rights Shares (in both their nil-paid and fully-paid forms) shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity is a PRC Southbound Trading Investor (subject to certain limitations in relation to its rights to participate in the H Share Rights Issue as explained in this prospectus) or a Qualified H Shareholder in the PRC, or it has otherwise been exempted by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

As such, the Prospectus Documents may not be distributed in or forwarded to the PRC or used in connection with any offer for subscription or sale of the H Rights Shares (in nil-paid and fully-paid forms) in the PRC, except that the same may be despatched to CSDCC in the PRC or the Qualified H Shareholder in the PRC or to the extent in compliance with applicable PRC laws and regulations, and the Prospectus Documents may not be made publicly available in the PRC.

### **Distribution of this prospectus and the other Prospectus Documents**

This prospectus accompanied by the other Prospectus Documents will be despatched to the Qualified H Shareholders only. For the Excluded H Shareholders, the Bank will, to the extent reasonably practicable and legally permitted, send this prospectus to them for their information purposes only. The Bank will not send any Provisional Allotment Letter or Excess Application Form to the Excluded H Shareholders.

This prospectus will not be sent to any H Shareholders or Beneficial H Shareholders in the Specified Territories except to those H Shareholders or Beneficial H Shareholders who satisfy relevant requirements to the satisfaction of the Bank.

Distribution of this prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong may be restricted by laws. Persons who come into possession of the Prospectus Documents (including, but not limited to, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any H Shareholder or Beneficial H Shareholder who is in any doubt as to his/her/its position should consult an appropriate professional adviser without delay. In particular, subject to certain exceptions as determined by the Bank, persons in possession of this prospectus should not distribute, forward or transmit into or from any Specified Territories, this prospectus, whether with or without the Provisional Allotment Letter or the Excess Application Form.

---

## LETTER FROM THE BOARD

---

It is the full responsibility of any person (including, but not limited to, any agent, custodian, nominee and trustee) outside Hong Kong wishing to accept and/or make an application for the H Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the H Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Bank that those local laws and requirements have been fully complied with. H Shareholders should consult their professional advisers if in doubt. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above.

### **Excluded H Shareholders**

Excluded H Shareholders are those H Shareholders with registered addresses in, or who are otherwise known by the Bank to be residents of, places outside Hong Kong and in respect of whom the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to offer the H Rights Shares on account either of the legal restrictions under the laws of the relevant place in which the H Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that place.

The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions (including but not limited to the Specified Territories) and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the H Rights Shares to the H Shareholders in those territories. Having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exception as described below, it is necessary or expedient to restrict the ability of H Shareholders in the Specified Territories to take up their rights under the H Share Rights Issue due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps the Bank and the H Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in those territories.

Accordingly, for the purposes of the H Share Rights Issue, the Excluded H Shareholders are:

- (i) H Shareholders whose name(s) appear in the H-share register at the close of the business on the H Share Rights Issue Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders with addresses in Italy, the PRC, Singapore, Liechtenstein, Denmark and the UK who fulfil the relevant requirements to the satisfaction of the Bank; and

---

## LETTER FROM THE BOARD

---

- (ii) any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Bank to be resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders with addresses in Italy, the PRC, Singapore, Liechtenstein, Denmark and the UK who fulfil the relevant requirements to the satisfaction of the Bank.

As of the Latest Practicable Date, to the best of the Bank's knowledge and information having made all reasonable enquiries, 20 of the H Shareholders have their addresses as shown in the register in the Specified Territories. Among them, 1 Shareholder has a registered address in Italy (holding 624,753,980 H shares, representing approximately 13.85% of the total issued share capital of the Bank); 6 Shareholders have registered addresses in the PRC (holding an aggregate of 370,508,500 H Shares, representing approximately 8.22% of the total issued share capital of the Bank); 5 Shareholders have registered addresses in Singapore (holding an aggregate of 48,091,500 H Shares, representing approximately 1.07% of the total issued share capital of the Bank); 1 Shareholder has a registered address in Liechtenstein (holding 29,000,000 H Shares, representing approximately 0.64% of the total issued share capital of the Bank); 1 Shareholder has a registered address in Taiwan (holding 7,566,000 H Shares, representing approximately 0.17% of the total issued share capital of the Bank); 1 Shareholder has a registered address in Denmark (holding 2,000 H Shares, representing approximately 0.000044% of the total issued share capital of the Bank); 4 Shareholders have registered addresses in the UK (holding an aggregate of 18,629,500 H Shares, representing approximately 0.41% of the total issued share capital of the Bank); and 1 Shareholder has a registered address in the U.S. (holding 53,000 H Shares, representing approximately 0.0012% of the total issued share capital of the Bank).

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than (a) Hong Kong; and (b) the PRC, in accordance with the CSRC Announcement.

In respect of the Excluded H Shareholders, the Bank will, to the extent reasonably practicable and legally permitted, send this prospectus to them for their information purposes only, but the Bank will not send the Provisional Allotment Letter(s) and the Excess Application Form(s) to the Excluded H Shareholders.

This prospectus will not be sent to any H Shareholders or Beneficial H Shareholders in the Specified Territories except to those H Shareholders or Beneficial H Shareholders who satisfy relevant requirements to the satisfaction of the Bank.

Notwithstanding any other provision in this prospectus or the Provisional Allotment Letter or the Excess Application Form, the Bank reserves the right to permit any H Shareholder or Beneficial H Shareholder to participate in the H Share Rights Issue and take up his/her/its rights if the Bank, in its absolute discretion, is satisfied that the offer under the H Share Rights Issue is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

---

## LETTER FROM THE BOARD

---

The Bank also reserves the right to treat as invalid, and will not be bound to allot or issue any H Rights Shares in respect of, any acceptance or purported acceptance of the offer of Nil-paid H Rights or the H Rights Shares which:

- (i) appears to the Bank or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction; or
- (ii) in the case of a Provisional Allotment Letter, provides for an address for delivery of the share certificates in, or, in the case of a credit of H Rights Shares in CCASS, a CCASS Participant whose address is in, or is otherwise a resident of, any Specified Territories or any other jurisdiction in which it would be unlawful to deliver such share certificates or make such a credit or if the Bank believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Receipt of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or the crediting of Nil-paid H Rights to a stock account in CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form must be treated as sent for information purpose only and should not be copied or redistributed. Persons (including, but not limited to, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or whose stock account in CCASS is credited with Nil-paid H Rights should not, in connection with the H Share Rights Issue, distribute or send the same in, into or from, or transfer Nil-paid H Rights to any person in, into or from, any of the Specified Territories. If a Provisional Allotment Letter or an Excess Application Form or any credits of Nil-paid H Rights to a stock account in CCASS are received by any person in any Specified Territories, or by his/her/its agent, custodian, nominee or trustee, he/she/it should not seek to take up the rights referred to in the Provisional Allotment Letter or transfer the Provisional Allotment Letter (or apply for any excess H Rights Shares under the Excess Application Form) or transfer the Nil-paid H Rights in CCASS unless such person is able to demonstrate to the satisfaction of the Bank, or the Bank determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, but not limited to, agents, custodians, nominees and trustees) who does forward this prospectus or a Provisional Allotment Letter or an Excess Application Form in, into or from any Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Arrangements will be made for the H Rights Shares, which would otherwise have been provisionally allotted to the Excluded H Shareholders, to be sold in the market in their nil-paid form, as soon as practicable after the commencement of the dealings in the Nil-paid H Rights, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid on a pro-rata basis to the Excluded H Shareholders, which means the Bank will pay individual amounts of more than HK\$100 to the relevant Excluded H Shareholders, provided that the Bank will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded H Shareholders will be made available for excess application by the Qualified H Shareholders.

---

## LETTER FROM THE BOARD

---

With respect to the Excluded H Shareholders who hold interests in H Shares through CCASS, their nominees (excluding HKSCC Nominees), custodians or other intermediaries may sell, on such Excluded H Shareholders' behalf, their entitlements to the Nil-paid H Rights in compliance with applicable securities laws and distribute the proceeds thereof as appropriate. Any H Rights Shares in respect of unsold entitlements of the Excluded H Shareholders and any unsold fractional entitlements to the H Rights Shares together with any H Rights Shares in respect of Nil-paid H Rights not taken up by the Qualified H Shareholders or otherwise not subscribed for by transferees of Nil-paid H Rights, will be made available for excess application on Excess Application Form(s) by Qualified H Shareholders.

### **Limited categories of persons in the Specified Territories who may be able to take up their Nil-paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue**

Notwithstanding what is said in the paragraph headed "Excluded H Shareholders" above, the following limited categories of persons in the Specified Territories may be able to take up their rights under the H Share Rights Issue:

- (i) H Shareholders or Beneficial H Shareholders (other than PRC Southbound Trading Investor) in the PRC are generally Excluded H Shareholders, however, Qualified Domestic Institutional Investors (the "QDIIs") and Beneficial H Shareholders who hold interests in H Shares through QDIIs may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue, provided that they fulfil the requirements under the relevant PRC laws and regulations to the satisfaction of the Bank.
- (ii) H Shareholders or Beneficial H Shareholders in the UK are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in the UK who the Bank reasonably believes are "qualified investors" within the meaning of article 2(e) of the UK Prospectus Regulation and who are also persons who: (i) have professional experience in matters relating to investments falling within the definition of "investment professionals" in Article 19(5) of the Order; (ii) are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) otherwise are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the FSMA) may otherwise be lawfully communicated may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus disclosure requirements pursuant to the FSMA, the UK Prospectus Regulation and other applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Bank.

In each case, the Bank reserves the absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so.

---

## LETTER FROM THE BOARD

---

### **Procedures for acceptance or transfer and splitting of Provisional Allotments of the H Rights Shares**

#### *General*

Any person (including, but not limited to, any agent, nominee and trustee) wishing to take up his/her/its rights under the H Share Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territories, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The attention of H Shareholders with registered addresses in any of the Specified Territories or holding H Shares on behalf of persons with such addresses is drawn to the paragraphs headed “Excluded H Shareholders” and “Limited categories of persons in the Specified Territories who may be able to take up their Nil-paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue” above.

Each subscriber (including, but not limited to, any agent, nominee and trustee) of H Rights Shares being offered and sold outside the United States will be deemed (by accepting delivery of this prospectus) to have given each of the following representations and warranties to the Bank and the Underwriters and to any person acting on their behalf (unless, in their sole discretion, the Bank and the Underwriters waive such requirement expressly in writing):

- i. he/she/it was an H Shareholder at the H Share Rights Issue Record Date, or he/she/it lawfully acquired or may lawfully acquire the Nil-paid H Rights, directly or indirectly, from relevant person;
- ii. he/she/it is not located in any other jurisdiction in which it is unlawful to purchase or take up the Nil-paid H Rights or subscribe for or accept H Rights Shares;
- iii. he/she/it is not resident or located in, or a citizen of, the United States;
- iv. he/she/it is not accepting an offer to purchase or take up the Nil-paid H Rights or subscribe for or accept H Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of, the United States at the time the instruction to accept was given;
- v. he/she/it is not doing so for the account of any person who is located in the United States, unless:
  - a. the instruction to purchase or take up the Nil-paid H Rights or to subscribe for or accept H Rights Shares was received from a person outside the United States; and

---

## LETTER FROM THE BOARD

---

- b. the person giving such instruction has confirmed that he/she/it (x) has the authority to give such instruction and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that is acquiring the H Rights Shares in an “offshore transaction” within the meaning of Regulation S under the U.S. Securities Act;
- vi. he/she/it is acquiring the Nil-paid H Rights and/or the H Rights Shares in an “offshore transaction” as defined in Regulation S under the U.S. Securities Act;
- vii. he/she/it has not been offered the H Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act;
- viii. he/she/it is not purchasing or taking up the Nil-paid H Rights or subscribing for or accepting the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-paid H Rights or H Rights Shares into the United States or any other jurisdiction referred to in paragraph (ii) above; and
- ix. he/she/it understands that neither the Nil-paid H Rights nor the H Rights Shares have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state, territory, or possession of the United States and the Nil-paid H Rights or H Rights Shares are being distributed and offered outside the United States in reliance on Regulation S under the U.S. Securities Act. Consequently, he/she/it understands the Nil-paid H Rights or H Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the United States, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above.

### *Actions to be taken by Qualified H Shareholders*

#### *Subscription for all H Rights Shares provisionally allotted*

For each Qualified H Shareholder, a Provisional Allotment Letter is enclosed with this prospectus which entitles the Qualified H Shareholder(s) to whom it is addressed to subscribe for the number of the H Rights Shares shown thereon. If a Qualified H Shareholder wishes to take up his/her/its right to subscribe for any or all of the H Rights Shares provisionally allotted to him/her/it as specified in the Provisional Allotment Letter, he/she/it must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 28 January 2022.



---

## LETTER FROM THE BOARD

---

All remittances must be made in Hong Kong dollars and by cheque or cashier's order. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Bank of China (Hong Kong) Nominees Limited – Bank of Qingdao – PAL**" and crossed "**Account Payee Only**". Qualifying H Shareholders should note that they may apply for a number of H Rights Shares equal to or less than the number set out in the Provisional Allotment Letter (by following the instructions in the paragraph below headed "Transfers and "splitting" of Nil-paid H Rights").

It should be noted that, unless the duly completed Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:00 p.m. on the Latest Acceptance Date, whether by the original allottee or any person in whose favor the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Bank may, at its absolute discretion, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions. The Bank may require such incomplete Provisional Allotment Letter to be completed by the relevant applicants at a later stage.

All cheques and cashier's orders together with the Provisional Allotment Letter(s) will be presented for payments immediately following receipt and all interest earned on such monies will be retained for the benefit of the Bank. Any Provisional Allotment Letter in respect of which the cheque or cashier's order is dishonored on first presentation is liable to be rejected and, in that event, the provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. No receipt will be issued in respect of any application monies received. If the Underwriters terminate the Underwriting Agreement before the Latest Time for Termination in accordance with the terms thereof and the H Share Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons or, in the case of joint applicants, the first-named person in the H-share register or transfer form, without interest and by means of cheques despatched by ordinary post to their respective registered addresses at the risk of such persons on or about Thursday, 10 February 2022.

### *Transfers and "splitting" of Nil-paid H Rights*

The Nil-paid H Rights can be traded on the Hong Kong Stock Exchange. A Qualified H Shareholder can accept all of his/her/its provisional allotment of H Rights Shares, or sell all of his/her/its provisional allotment on the Hong Kong Stock Exchange, or accept only part of his/her/its provisional allotment and sell the remaining part on the Hong Kong Stock Exchange.

---

## LETTER FROM THE BOARD

---

If a Qualified H Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its Nil-paid H Rights provisionally allotted to him/her/it under the Provisional Allotment Letter or transfer his/her/its Nil-paid H Rights to more than one person, the entire Provisional Allotment Letter must be surrendered and lodged for cancellation, together with a covering letter stating clearly the number of split Provisional Allotment Letter(s) required and the number of Nil-paid H Rights to be comprised in each split Provisional Allotment Letter (which, in aggregate, should be equal to the number of H Rights Shares provisionally allotted to such holder as stated in Box B of the original Provisional Allotment Letter), by no later than 4:30 p.m. on Thursday, 20 January 2022 to the H Share Registrar, Computershare Hong Kong Investor Services Limited, who will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letter(s) in the denominations required which will be available for collection at the H Share Registrar after 9:00 a.m. on the second business day after the surrender of the original Provisional Allotment Letter(s). This process is commonly known as “splitting” the Nil-paid H Rights. Hong Kong ad valorem stamp duty will be payable upon transfer of the Qualified H Shareholder’s rights to subscribe for the relevant H Rights Shares to the transferee and on acceptance of those rights by the transferee.

Having “split” the Nil-paid H Rights, a Qualified H Shareholder who wishes to accept the provisional allotment of H Rights Shares represented by a new Provisional Allotment Letter should do so in accordance with the instructions given above in relation to the subscription for all the H Rights Shares provisionally allotted.

If a Qualified H Shareholder wishes to transfer all of his/her/its Nil-paid H Rights under a Provisional Allotment Letter (or a split Provisional Allotment Letter, as the case may be) to another person, he/she/it should complete and sign the “Form of Transfer and Nomination” (Form B) in the Provisional Allotment Letter and hand the Provisional Allotment Letter to the person(s) to or through whom he/she/it is transferring his/her/its Nil-paid H Rights. The transferee must then complete and sign the “Registration Application Form” (Form C) in the Provisional Allotment Letter and lodge the Provisional Allotment Letter intact, together with a remittance for the full amount payable on acceptance with the H Share Registrar by no later than 4:00 p.m. on the Latest Acceptance Date.

It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your Nil-paid H Rights to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Bank reserves the right to refuse to register any transfer in favor of any person in respect of which the Bank believes such transfer may violate applicable legal or regulatory requirements.

---

## LETTER FROM THE BOARD

---

*Important notice and representations and warranties relating to the Qualified H Shareholders in any of the Specified Territories*

As described above, H Shareholders with registered addresses in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Bank.

Any Qualified H Shareholder accepting and/or transferring a Provisional Allotment Letter or requesting registration of the H Rights Shares comprised therein represents and warrants to the Bank that, except where proof has been provided to the satisfaction of the Bank that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or transferring the Provisional Allotment Letter to, or requesting registration of the relevant Nil-paid H Rights or the H Rights Shares from, any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-paid H Rights or H Rights Shares into any of the Specified Territories. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

The Bank may treat as invalid any acceptance or purported acceptance of the allotment of H Rights Shares comprised in, or transfer or purported transfer of, a Provisional Allotment Letter if it: (a) appears to the Bank to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant Specified Territory or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for H Rights Shares and such delivery would be unlawful or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

---

## LETTER FROM THE BOARD

---

***Action to be taken by Beneficial H Shareholders holding interests in H Shares which are held by a registered H Shareholder (other than H Shares deposited in CCASS)***

***Subscription for H Rights Shares provisionally allotted and transfers and “splitting” of Nil-paid H Rights***

If you are a Beneficial H Shareholder whose H Shares are registered in the name of a registered H Shareholder and you wish to subscribe for the H Rights Shares provisionally allotted to you, or sell all of your Nil-paid H Rights, or “split” your Nil-paid H Rights and accept part of your provisional allotment and sell the remaining part, you should contact the registered H Shareholder and provide the registered H Shareholder with instructions or make arrangements with the registered H Shareholder in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the H Rights Shares which have been provisionally allotted in respect of the H Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of the registered H Shareholder in order to allow the registered H Shareholder sufficient time to ensure that your instructions are given effect.

***Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories whose H Share are held by a registered H Shareholder (other than CCASS)***

As described above, Beneficial H Shareholders who are residents in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Bank.

Any Beneficial H Shareholder accepting and/or transferring a Provisional Allotment Letter or requesting registration of the H Rights Shares comprised therein represents and warrants to the Bank that, except where proof has been provided to the satisfaction of the Bank that such person’s use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant Nil-paid H Rights or the H Rights Shares from within any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and such person is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-Paid H Rights or H Rights Shares into any of the Specified Territories.

---

## LETTER FROM THE BOARD

---

The Bank may treat as invalid any acceptance or purported acceptance of the allotment of H Rights Shares comprised in, or transfer or purported transfer of, a Provisional Allotment Letter if it: (a) appears to the Bank to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant Specified Territory or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for H Rights Shares and such delivery would be unlawful or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

### ***Action to be taken by Beneficial H Shareholders holding interests in H Shares through CCASS***

#### *Subscription for H Rights Shares provisionally allotted and transfers and “splitting” of Nil-paid H Rights*

If you are a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees, and you wish to subscribe for the H Rights Shares provisionally allotted to you, or sell all of your Nil-paid H Rights, or “split” your Nil-paid H Rights and accept part of your provisional allotment and sell the remaining part, you should (unless you are a CCASS Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or “splitting” of your Nil-paid H Rights. Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the H Rights Shares provisionally allotted to CCASS stock accounts in respect of the H Shares registered in the name of HKSCC Nominees shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other requirements of CCASS.

Beneficial H Shareholders who are CCASS Investor Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial H Shareholders’ interests in H Rights Shares should be dealt with. The procedure for acceptance, transfer and/or “splitting” of Rights Shares provisionally allotted to Beneficial H Shareholders who have been admitted to participate in CCASS as CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” in effect from time to time and any other requirements of CCASS.

---

## LETTER FROM THE BOARD

---

*Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories holding interests in H Shares through CCASS*

As described above, Beneficial H Shareholders who are residents in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Bank.

Any Beneficial H Shareholder holding interests in H Shares through CCASS and any CCASS Participant who makes a valid acceptance and/or transfer in accordance with the procedures set out above represents and warrants to the Bank that, except where proof has been provided to the satisfaction of the Bank that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares; (ii) such person is not acting on a non-discretionary basis for a person located within any of the Specified Territories at the time the instruction to accept was given; and (iii) such person is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-paid H Rights or the H Rights Shares into any of the Specified Territories. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

The Bank may treat as invalid any instruction which appears to the Bank to have been despatched from any of the Specified Territories and which may involve a breach of the laws of the relevant Specified Territory or any instruction which otherwise appears to the Bank may involve a breach of the laws of any jurisdiction; or if the Bank or its agents believe(s) the same may violate any applicable legal or regulatory requirement; or which purports to exclude the representation and/or warranty required by the paragraph immediately above.

***Effect of bad weather on the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares***

The latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will not take place if the Hong Kong Observatory announces that a tropical cyclone warning signal number 8 or above, or an "extreme conditions" caused by super typhoons or "black" rainstorm warning signal is:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be extended to 5:00 p.m. on the same business day;

---

## LETTER FROM THE BOARD

---

- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead, the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares does not take place on Latest Acceptance Date, the dates mentioned in the paragraph headed “Expected H Share Rights Issue Timetable” above may be affected. An announcement will be made by the Bank in such event as soon as practicable.

### **Subscription Price for the H Rights Shares**

The Subscription Price of HK\$3.92 per H Rights Share is payable in full when a Qualified H Shareholder accepts the relevant provisional allotment of H Rights Shares or applies for excess H Rights Shares or when a transferee of Nil-paid H Rights accepts the H Rights Shares.

The Subscription Price of HK\$3.92 per H Rights Share represents:

1. a discount of approximately 11.5% to the closing price of HK\$4.43 per H Share as quoted on the Hong Kong Stock Exchange on 29 December 2021 (being the date of the Underwriting Agreement);
2. a discount of approximately 11.5% to the closing price of HK\$4.43 per H Share as quoted on the Hong Kong Stock Exchange on 29 December 2021 (being the Price Determination Date);
3. a discount of approximately 13.1% to the average closing price of HK\$4.51 per H Share as quoted on the Hong Kong Stock Exchange for the 5 consecutive trading days up to and including 29 December 2021 (being the Price Determination Date);
4. a discount of approximately 9.1% to the average closing price of HK\$4.31 per H Share as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days up to and including 29 December 2021 (being the Price Determination Date);
5. a discount of approximately 6.9% to the average closing price of HK\$4.21 per H Share as quoted on the Hong Kong Stock Exchange for the 20 consecutive trading days up to and including 29 December 2021 (being the Price Determination Date);
6. a discount of approximately 9.1% to the theoretical ex-rights price of HK\$4.31 per H Share based on the closing price of HK\$4.43 per H Share as quoted on the Hong Kong Stock Exchange on 29 December 2021 (being the Price Determination Date); and



---

## LETTER FROM THE BOARD

---

7. Assuming A Rights Shares are 100% subscribed, a theoretical dilution effect (as defined under Rule 7.27B of the Hong Kong Listing Rules) represented by:
- (i) a discount of approximately 6.0% to all the existing Shareholders, which is calculated based on the weighted theoretical diluted price of approximately HK\$4.97 per Rights Share to the weighted benchmarked price of approximately HK\$5.28 per Rights Share;
  - (ii) a discount of approximately 3.1% to all the existing H Shareholders, which is calculated based on the theoretical diluted price of approximately HK\$4.39 per H Rights Share to the benchmarked price of approximately HK\$4.53 per H Rights Share; and
  - (iii) a discount of approximately 7.4% to all the existing A Shareholders, which is calculated based on the theoretical diluted price of approximately HK\$5.34 per A Rights Share to the benchmarked price of approximately HK\$5.77 per A Rights Share.

Both of the abovementioned theoretical diluted price and the benchmarked price (as defined under Rule 7.27B of the Hong Kong Listing Rules), have taken into account the closing price of the H Shares and/or A Shares on the date of the Underwriting Agreement and the average of the closing prices of the H Shares and/or A Shares as quoted on the Hong Kong Stock Exchange and/or Shenzhen Stock Exchange for the last five consecutive trading days up to and including the Price Determination Date. Accordingly, the Rights Issue will not result in a theoretical dilution effect of 25% or more under Rule 7.27B of the Hong Kong Listing Rules.

Besides taking into account factors including the development of the Bank and the interests of the Shareholders, as well as the core tier-one capital needs of the Bank for the next three years and following the principles negotiated and determined between the Bank and the sponsor (underwriters), the Subscription Price of HK\$3.92 per H Rights Share was mainly determined by making reference to: (i) the closing price of HK\$4.43 per H Share as quoted on the Hong Kong Stock Exchange on 29 December 2021; (ii) discount range of H share rights issue of around 15.42% to 46.22% for comparable Chinese banks in recent years; and (iii) the prevailing market conditions and valuation indicators such as stock price, P/E ratio and P/B ratio<sup>1</sup> of the Bank in the secondary market.

The net price per H Rights Share (i.e. the Subscription Price less estimated cost and expense (except underwriting fee) incurred in the H Share Rights Issue) upon full acceptance of the relevant provisional allotment of the H Rights Shares will be approximately HK\$3.90.

After taking into account the reasons for the Rights Issue as stated in the paragraph headed “Reasons for the Rights Issue and Use of Proceeds” below, the Directors (including the independent non-executive Directors) consider that the terms of the H Share Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Bank and the H Shareholders as a whole.

*Note:*

1. The P/E ratio calculated by dividing the subscription price of the H Rights Shares by the basic earnings per share for 2020 was approximately 8.62 times; the P/B ratio calculated by dividing the subscription price of the H Rights Shares by the net assets per share attributable to ordinary Shareholders of the Bank for 2020 was approximately 0.73 times.

---

## LETTER FROM THE BOARD

---

### Status of the H Rights Shares

The H Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the H Shares then in issue. Holders of fully-paid H Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares.

### H Share Rights Issue Fractional Entitlements

The Bank will neither provisionally allot fractional entitlements to H Rights Shares nor accept any application for fractional entitlements to H Rights Shares. Qualified H Shareholders' entitlements will be rounded down to the nearest whole number. Nil-paid H Rights representing the aggregate of all the fractional entitlements to H Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Bank and, if a premium (net of expenses) can reasonably be obtained, will be sold by the Bank or its appointed nominee in the market in their nil-paid form after dealing in the Nil-paid H Rights commences and the net proceeds of sale will be retained by the Bank for its own benefit. Any unsold fractions of H Rights Shares will be available for excess application by Qualified H Shareholders. No odd lot matching services will be provided for the H Share Rights Issue by the Bank.

### Application for Excess H Rights Shares

Qualified H Shareholders (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for: (i) any H Rights Shares to which unsold entitlements of the Excluded H Shareholders relate; (ii) any unsold fractional entitlements to the H Rights Shares; and (iii) any H Rights Shares provisionally allotted to but not accepted by the Qualified H Shareholders or otherwise not subscribed for by transferees of Nil-paid H Rights.

### *Action to be taken by Qualified H Shareholders who wish to apply for excess H Rights Shares*

#### *Excess H Rights Shares application procedures*

Application for excess H Rights Shares shall be made only by Qualified H Shareholders (other than PRC Southbound Trading Investors) and only by duly completing and signing an Excess Application Form (in accordance with the instructions printed therein) and lodging the same with a separate remittance in the form of cheque or cashier's order for the sum payable on application in respect of the excess H Rights Shares being applied for with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 28 January 2022.

All remittances must be made in Hong Kong dollars and by cheque or cashier's order. Cheques must be drawn on an account with, and cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "**Bank of China (Hong Kong) Nominees Limited – Bank of Qingdao – EAF**" and crossed "**Account Payee Only**".

---

## LETTER FROM THE BOARD

---

The Board will allocate the excess H Rights Shares (if any) at its sole and absolute discretion on a fair and equitable basis, and no preference will be given to applications for topping up odd-lot holdings to whole-lot holdings. All excess H Rights Shares will be allocated to Qualified H Shareholders (other than the PRC Southbound Trading Investors) who have applied for excess H Rights Shares on a pro-rata basis with reference to their number of excess H Rights Shares applied for.

If the aggregate number of H Rights Shares not taken up by the Qualified H Shareholders under the Provisional Allotment Letter(s) is greater than the aggregate number of excess H Rights Shares applied for through the Excess Application Form(s), the Directors will allocate excess H Rights Shares to each Qualified H Shareholder who applies for excess H Rights Shares in full. No preference will be given to topping up odd lots to whole board lots. There is no guarantee that Qualified H Shareholders with odd lots of H Rights Shares will be topped up to whole board lots pursuant to their applications for excess H Rights Shares.

H Shareholders with their H Shares held by a nominee company (including HKSCC Nominees) should note that the Board will regard the nominee company (including HKSCC Nominees) as a single H Shareholder in accordance with the H-share register. Accordingly, the H Shareholders should note that the aforesaid arrangement in relation to the allocation of excess H Rights Shares will not be extended to beneficial owners individually. H Shareholders with their H Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the H Share Rights Issue Record Date.

The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All enquiries in connection with the Excess Application Form should be addressed to the H Share Registrar.

Excess Application Form with a separate remittance for the amount payable on application in respect of the excess H Rights Shares being applied for shall be lodged to the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 28 January 2022.

If no excess H Rights Shares are allotted and issued to a Qualified H Shareholder, the amount tendered on application is expected to be refunded to that Qualified H Shareholder in full without any interest by means of cheque(s) despatched by ordinary post to the registered address of the applicant and at the risk of such Qualified H Shareholder on or about Thursday, 10 February 2022. If the number of excess H Rights Shares allotted and issued to a Qualified H Shareholder is less than the number applied for, the surplus application monies are expected to be refunded to such Qualified H Shareholder without any interest by means of cheque(s) despatched by ordinary post to the registered address and at the risk of such Qualified H Shareholder on or about Thursday, 10 February 2022.

---

## LETTER FROM THE BOARD

---

If the Underwriters exercise the right to terminate the Underwriting Agreement in accordance with the terms thereof or if the conditions precedent under the Underwriting Agreement are not fulfilled before the Latest Time for Termination and the H Share Rights Issue does not proceed, the monies received in respect of relevant applications for excess H Rights Shares will be returned to the relevant persons without interest, by means of cheque(s) to be despatched by ordinary post to the registered addresses at the risk of such persons on or about Thursday, 10 February 2022.

All cheques or cashier's orders will be presented for payments immediately following receipt and all interest earned on such monies will be retained for the benefit of the Bank. Any Excess Application Form in respect of which the cheque or cashier's order is dishonored on first presentation is liable to be rejected. No receipt will be issued in respect of any application monies received. An applicant must pay the exact amount payable upon application for the H Rights Shares, and any underpaid application will be rejected. In the event of an overpaid application, a refund cheque will be made out to the applicant only if the overpaid amount is HK\$100 or above. The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the H Share Registrar. The Bank may, at its sole discretion, treat an Excess Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions. The Bank may require such incomplete Excess Application Form to be completed by the relevant applicants at a later stage.

*Important notice and representations and warranties relating to the Qualified H Shareholders in any of the Specified Territories*

What is set out under the heading "Important notice and representations and warranties relating to the Qualified H Shareholders in any of the Specified Territories" above in the paragraph headed "Procedure for acceptance or transfer" also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

***Action to be taken by Beneficial H Shareholders holding interests in H Shares which are held by a registered H Shareholder (other than H Shares deposited in CCASS) who wish to apply for excess H Rights Shares***

*Excess H Rights Shares application procedures*

If you are a Beneficial H Shareholder whose H Shares are registered in the name of a registered H Shareholder and you wish to apply for excess H Rights Shares, you should contact the registered H Shareholder and provide the registered H Shareholder with instructions or make arrangements with the registered H Shareholder in relation to such application. Such instructions and/or arrangements should be given or made in advance of the latest time for application and payment for excess H Rights Shares in the section headed "Expected Timetable" in this prospectus and otherwise in accordance with the requirements of the registered H Shareholder, in order to allow the registered H Shareholder sufficient time to ensure that your instructions are given effect.

---

## LETTER FROM THE BOARD

---

*Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories whose H Share are held by a registered H Share (other than CCASS)*

What is set out under the heading “Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories whose H Share are held by a registered H Share (other than CCASS)” above in the paragraph headed “Procedure for acceptance or transfer” also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

***Action to be taken by Beneficial H Shareholders holding interests in H Shares through CCASS who wish to apply for excess H Rights Shares***

*Excess H Rights Shares application procedures*

If you are a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees, and you wish to apply for excess H Rights Shares, you should (unless you are a CCASS Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the application for excess H Rights Shares. Such instructions and/or arrangements should be given or made in advance of the latest time for application and payment for excess H Rights Shares in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of your Intermediary, in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedures for application for excess H Rights Shares by Beneficial H Shareholders who are CCASS Participants shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other requirements of CCASS. Beneficial H Shareholders who are CCASS Investor Participants should contact CCASS to provide CCASS with instructions or make arrangements with CCASS in relation to any applications for excess H Rights Shares. The procedure for acceptance, transfer and/or “splitting” of H Rights Shares provisionally allotted to Beneficial H Shareholders who have been admitted to participate in CCASS as CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” in effect from time to time and any other requirements of CCASS.

*Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories holding interests in H Shares through CCASS*

What is set out under the heading “Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories holding interests in H Shares through CCASS” above in the paragraph headed “Procedure for acceptance or transfer” also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

---

## LETTER FROM THE BOARD

---

### Conditions of the H Share Rights Issue

The H Share Rights Issue will be conditional upon the fulfilment of the following matters:

1. the approval of the Rights Issue by the Shareholders at the extraordinary general meeting;
2. the approval of the Rights Issue by the H Shareholders and the A Shareholders at the H Shareholders class meeting and the A Shareholders class meeting, respectively;
3. the approval of the Rights Issue by the CSRC and other relevant regulatory authorities;
4. the Listing Committee of the Hong Kong Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms on the Hong Kong Stock Exchange, either unconditionally or subject to such conditions which the Bank accepts and the satisfaction of such conditions (if any) by no later than the date of the despatch of this prospectus; and
5. the delivery to the Hong Kong Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by laws to be filed and registered with the Registrar of Companies in Hong Kong.

None of the above conditions for completion of the H Share Rights Issue may be waived by the Bank. As at the Latest Practicable Date, the conditions under 1 to 3 above have been fulfilled. **If any of the above conditions is not fulfilled, the H Share Rights Issue will not proceed.**

Furthermore, it should be noted that the H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19(1)(a) of the Hong Kong Listing Rules. Please refer to the paragraph headed “H Share Rights Issue Underwriting Arrangement” below for details of the underwriting arrangement. Pursuant to the Underwriting Agreement, the underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon, among other things, the A Share Rights Issue having become unconditional, including but not limited to, at least 70% of the A Rights Shares having been validly subscribed for at or prior to the date of this prospectus. **In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue will not proceed.**

### H Shareholders’ Undertakings

Intesa Sanpaolo S.p.A., which directly held 624,753,980 H Shares (representing approximately 13.85% of the total issued share capital of the Bank) as at the Latest Practicable Date, has irrevocably undertaken, among other things, to fully subscribe in cash for the H Rights Shares to be provisionally allotted to it under the H Share Rights Issue based on its



---

## LETTER FROM THE BOARD

---

shareholding in the Bank after the trading hours on the H Share Rights Issue Record Date and on the basis of the H Share Rights Issue (i.e. three (3) H Rights Shares for every ten (10) existing H Shares) and the subscription price of the H Shares Rights Issue determined between the Bank and the sponsor (ie. CITIC Securities Co., Ltd.). Saved for the above undertaking, subject to compliance with the relevant laws and regulations, Intesa Sanpaolo S.p.A. has also undertaken to apply for excess H Rights Shares by way of excess application, provided however that (1) the total amount payable by Intesa Sanpaolo S.p.A. for the subscription of the H Rights Shares under the H Share Rights Issue (including excess application) shall not exceed EUR270 million, and if the amount of EUR270 million allows Intesa Sanpaolo S.p.A. to reach an overall equity interests of equal to or below 17.5% of the enlarged total issued share capital of the Bank upon completion of the Rights Issue, Intesa Sanpaolo S.p.A. will invest all said amount; (2) the aggregate shareholding of Intesa Sanpaolo S.p.A. resulting from the subscription of the H Rights Shares under the H Share Rights Issue and the excess application in aggregate shall not exceed 17.5% of the enlarged total issued share capital of the Bank upon completion of the Rights Issue; and (3) the completion of the H Share Rights Issue shall take place by the end of 2022. The above subscription undertakings shall only be exercisable upon obtaining the applicable approval of the Rights Issue by the relevant regulatory authorities. The maximum number of the H Rights Shares that could be subscribed by Intesa Sanpaolo S.p.A. is 401,200,495.

As at the Latest Practicable Date, Qingdao Conson Industrial Co., Ltd. (“**Conson Industrial**”) and its associates (including Haitian (HK) Holdings Limited) held 603,556,841 Shares in aggregate (representing approximately 13.38% of the total issued share capital of the Bank). Haitian (HK) Holdings Limited, which directly held 100,000,000 H Shares (representing approximately 2.22% of the total issued share capital of the Bank) as at the Latest Practicable Date, has irrevocably undertaken, among other things, to fully subscribe in cash for the H Rights Shares to be provisionally allotted to it under the H Share Rights Issue based on its shareholding in the Bank after the trading hours on the H Share Rights Issue Record Date and on the basis of the H Share Rights Issue (i.e. three (3) H Rights Shares for every ten (10) existing H Shares) and the subscription price of the H Shares Rights Issue determined between the Bank and the sponsor (ie. CITIC Securities Co., Ltd.). Saved for the above undertaking, subject to compliance with the relevant laws and regulations, Haitian (HK) Holdings Limited has also undertaken to apply for excess H Rights Shares by way of excess application with no more than RMB349 million, provided however that (1) the total amount payable by Haitian (HK) Holdings Limited for the subscription of the H Rights Shares by way of excess application shall not exceed RMB349 million, and if the amount of RMB349 million allows Conson Industrial and its associates to reach an overall equity interests of equal to or below 14.99% of the enlarged total issued share capital of the Bank upon completion of the Rights Issue, Haitian (HK) Holdings Limited will invest all said amount; (2) the aggregate shareholding of Conson Industrial and its associates resulting from the subscription of the H Rights Shares under the H Share Rights Issue and the excess application in aggregate shall not exceed 14.99% of the enlarged total issued share capital of the Bank upon completion of the



---

## LETTER FROM THE BOARD

---

Rights Issue. The above subscription undertaking shall only be exercisable upon obtaining the applicable approval of the Rights Issue by the relevant regulatory authorities. The maximum number of the H Rights Shares that could be subscribed by Haitian (HK) Holdings Limited is 124,179,397.

### **Application for Listing/Dealing Arrangements**

Application has been made by the Bank to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Rights Shares, in both nil-paid and fully-paid forms. Dealings in the nil-paid and fully-paid H Rights Shares will be subject to the payment of Hong Kong stamp duty, Hong Kong Stock Exchange trading fee, Securities and Futures Commission transaction levy, Financial Reporting Council transaction levy and any other applicable fees and charges in Hong Kong. The board lot size of Nil-paid H Rights and H Rights Shares is 500 Nil-paid H Rights and 500 H Rights Shares, respectively.

### **H Rights Shares will be Eligible for Admission into CCASS**

Subject to the granting of listing of, and permission to deal in, the H Rights Shares in both their nil-paid and fully-paid forms on the Hong Kong Stock Exchange, and subject to compliance with the stock admission requirements of HKSCC, the H Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the H Rights Shares in both their nil-paid and fully-paid forms on the Hong Kong Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. H Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Registration of subscription, purchase and transfer of H Rights Shares**

Each acquirer of the H Rights Shares agrees with the Bank and each of the Shareholders, and the Bank agrees with each of the Shareholders, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and the Articles of Association.

Each acquirer of the H Rights Shares agrees with the Bank, each of the Shareholders, Directors, Supervisors, managers and officers, and the Bank (acting for itself and for each of its Directors, Supervisors, managers and officers) agrees with each of the Shareholders, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative

---

## LETTER FROM THE BOARD

---

regulations concerning its affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of the H Rights Shares agrees with the Bank and each of the Shareholders that the H Rights Shares are freely transferable by the holders thereof. Each acquirer of the H Rights Shares authorizes the Bank to enter into a contract on his/her/its behalf with each of the Bank's Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

### **H Share Rights Issue to Proceed on a Fully Underwritten basis**

The H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19(1)(a) of the Hong Kong Listing Rules. Details of the underwriting arrangement in relation to the H Share Rights Issue are set out below:

### **H Share Rights Issue Underwriting Arrangement**

#### *The Underwriting Agreement*

Date:	29 December 2021 (after trading hours)
Global Coordinator:	CLSA Limited
Underwriters:	CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited and China Merchants Securities (HK) Co., Limited

The Underwriters are all licensed or registered under the SFO for Type 1 regulated activity and their ordinary course of business includes underwriting of securities, and they are not connected persons of the Bank. To the best of the Directors' knowledge and information and having made all reasonable enquiries, the Underwriters and their ultimate beneficial owner(s) are third parties independent of the Bank and connected persons (as defined in the Hong Kong Listing Rules) of the Bank.

---

## LETTER FROM THE BOARD

---

Joint Bookrunners: CLSA Limited, AMTD Global Markets Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited and Intesa Sanpaolo S.p.A.

For the avoidance of doubt, Intesa Sanpaolo S.p.A. shall not at any time be obligated to procure subscribers for, or subscribe or hold by itself, any H Rights Shares other than those to be subscribed for by it under the abovementioned undertaking. Intesa Sanpaolo S.p.A. is a connected person of the Bank but the service provided by Intesa Sanpaolo S.p.A. to the Bank as a bookrunner constitutes a de minimis transaction under Rule 14A.76 of the Listing Rules and is fully exempt under Chapter 14A of the Listing Rules.

Total number of underwritten H Rights Shares: 83,845,542 shares

Underwriting Fee: The underwriting fee will be further determined after arm's length negotiations between the Bank and the Underwriters with reference to, among other things, the scale of the Rights Issue, the current and expected market conditions and the underwriting fee rates charged by underwriters in the recent market precedents of rights issue. The underwriting fee shall be determined no later than three business days prior to the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares, details of which will be further disclosed in the announcement of results of acceptance of and excess applications for H Rights Shares.

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Bank and the Global Coordinator and the Underwriters with reference to the existing financial position of the Bank, the size of the Rights Issue and the current and expected market conditions. The Directors (including the independent non-executive Directors) consider that the Underwriting Agreement and the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole. Save for the Underwriting Agreement, the Bank has not entered into any agreement, arrangement, understanding or undertaking in relation to the H Share Rights Issue with the Global Coordinator and the Underwriters or any of their connected persons and their respective associates.

---

## LETTER FROM THE BOARD

---

### *Conditions of the Underwriting Agreement*

The underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon the following being fulfilled:

- (i) all the respective representations and warranties and other statements referred to in the Underwriting Agreement on the part of the Bank being true and accurate and not misleading at and as of the date of the Underwriting Agreement, the date of this prospectus and the date of any supplementary prospectus, as of the time of sale, as of the Latest Time for Termination and at the time of delivery, as if they had been repeated by reference to the facts and circumstances then existing, to the performance by the Bank of all its obligations under the Underwriting Agreement;
- (ii) the H Rights Shares being duly issued and provisionally allotted by the authorized representatives of the Board on the terms set out in the Prospectus Documents to the Qualified H Shareholders;
- (iii) the Global Coordinator, the Underwriters and Joint Bookrunners having received from the Bank certain documents and, if applicable, certain documents in relation to supplementary rights issue prospectus as specified in the Underwriting Agreement in accordance with the timing specified therein;
- (iv) the approvals of the Rights Issue granted by the CBIRC, the CSRC and other relevant PRC authorities (if any) being valid and not having been withdrawn, amended or revoked and there are no circumstances or events which would or would reasonably result in such approvals being withdrawn, amended or revoked;
- (v) the approvals of the Rights Issue granted by the Shareholders at the EGM, the A Share Class Meeting and the H Share Class Meeting being valid and not having been withdrawn, amended or revoked;
- (vi) the Hong Kong Stock Exchange issuing a certificate authorizing the registration of the Prospectus Documents with the Registrar of Companies (“**Registrar of Companies**”) under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than 4:00 p.m. on the business day prior to the date of this prospectus;
- (vii) duly certified copy of the Prospectus Documents (and all other required documents) having been lodged with the Registrar of Companies, and the Registrar of Companies having duly registered the Prospectus Documents pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than 4:00 p.m. on the business day before the despatch of this prospectus;

---

## LETTER FROM THE BOARD

---

- (viii) the grant of listing of and permission to deal in the Nil-paid H Rights and the H Rights Shares (either unconditional or subject only to allotment and despatch of the share certificates in respect thereof) by the Hong Kong Stock Exchange and dealings in the Nil-paid H Rights and the H Rights Shares being allowed by the Hong Kong Stock Exchange (and such listing and permission not subsequently being withdrawn or revoked);
- (ix) posting of the Prospectus Documents to the Qualified H Shareholders on or before Friday, 14 January 2022 (or such later time and/or date as the Underwriters and the Bank, may agree in writing) and the posting, to the extent reasonably practicable and legally permitted, of the H Share Rights Issue Prospectus for information purposes only to the Excluded H Shareholders; provided that this prospectus shall not be posted to Excluded H Shareholders who are known by the Bank to be resident in the jurisdictions which restrict the posting of the Prospectus Documents, including but not limited to the United States;
- (x) the compliance with and performance by Intesa Sanpaolo S.p.A. and Haitian (HK) Holdings Limited with all of their respective obligations and undertakings under the Irrevocable Undertakings by the times specified therein;
- (xi) the A Share Rights Issue having become unconditional, including but not limited to, at least 70% of the A Rights Shares having been validly subscribed for at or prior to the date of this prospectus;
- (xii) the compliance with and performance by the Bank with all of its undertakings and obligations under the terms of the Underwriting Agreement in all material respects;
- (xiii) the consummation of the H Share Rights Issue and the performance of obligations of the Underwriters and/or Joint Bookrunners under the Underwriting Agreement not being prohibited by any statute, order, rule, regulation or directive issued by any legislative, executive or regulatory body or authority;
- (xiv) no stop order or similar order having been issued by any court or other judicial, governmental or regulatory authority in relation to the H Share Rights Issue and the sale and subscription and/or purchase of the H Rights Shares (in their nil-paid and fully-paid forms, respectively); and
- (xv) no matter having arisen prior to the Latest Time for Termination which might reasonably be expected to give rise to a claim under “Termination of the Underwriting Agreement” and which, in any such case, the Underwriters consider in their absolute discretion, as applicable, to be material in the context of the H Share Rights Issue or the underwriting of the H Share Rights Issue.

---

## LETTER FROM THE BOARD

---

The Underwriters may at any time in writing waive any of the conditions specified above (except the conditions specified in (ii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xiii) and (xiv)) or extend time or date for fulfilment of any of the above conditions (in which case a reference in the Underwriting Agreement to the satisfaction of such condition shall be to its fulfilment by the time or date as so extended) and such waiver or extension may be made subject to such terms and conditions as are determined by the Underwriters.

### *Termination of the Underwriting Agreement*

If at any time prior to the Latest Time for Termination:

- (i) any matter or circumstance arises as a result of which any of the conditions set out in “Conditions of the Underwriting Agreement” has become incapable of satisfaction as at the required time (unless otherwise waived or modified by the Underwriters);
- (ii) there shall have developed, occurred, happened or come into effect any change, or any development involving a prospective change, or any event or circumstance likely to result in a material adverse change or a development involving a prospective material adverse change, in or affecting the assets, liabilities, business, operations, general affairs, management, prospects, Shareholders’ equity, profits, losses, results of operations, position or condition, financial, trading position or otherwise, or performance of the Bank and the other members of the Company, taken as a whole; or
- (iii) any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters, or there has been a breach on the part of the Bank of any other provision of the Underwriting Agreement or any of the Underwriters has cause to believe that any such breach has occurred; or
- (iv) there shall have developed, occurred, happened or come into effect any of the following: (A) a suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; (B) a suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in any securities of the Bank listed or quoted on a stock exchange; (C) any downgrading or any notice or announcement of any intended or potential downgrading or of any watch, review or possible change that does not indicate an affirmation or improvement in the rating accorded any securities of or guaranteed by the Bank or any other member of the Company by any national or international rating agency; (D) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) (each a “**Relevant**

---

## LETTER FROM THE BOARD

---

**Jurisdiction**”) or a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; (E) any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting any taxation, exchange controls or currency exchange rates in any Relevant Jurisdiction; (F) any new laws or any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting existing laws or the interpretation or application of existing laws by any court or other competent authority in any Relevant Jurisdiction; (G) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case, involving or affecting any Relevant Jurisdiction; or (H) any change or development or any event or series of events involving a prospective change or any event or series of events or circumstance likely to result in a change or a development involving a prospective change (whether or not permanent) in any local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and credit markets) in or affecting any Relevant Jurisdiction; or

- (v) any statement contained in any of the offering documents (as defined in the Underwriting Agreement) was or has become untrue or incorrect in any material respect or misleading; or
- (vi) any matter has arisen or been discovered which would, if the Announcement or the prospectus (or any supplement or amendment thereto) had been issued at that time, constitute a material omission therefore if it had not been disclosed in the Announcement or the prospectus (or any supplement or amendment thereto); or
- (vii) the Bank is required to issue a supplementary prospectus in connection with the H Share Rights Issue; or
- (viii) the permission to deal in and the listing of the H Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Hong Kong Stock Exchange; or
- (ix) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Company; or



---

## LETTER FROM THE BOARD

---

- (x) any change or prospective change in the condition, results of operations, prospects, management, business, Shareholders' equity or in the financial or trading position of any member of the Company which is or may be materially adverse in the context of the H Share Rights Issue; or
- (xi) any Director of the Bank committing any act of fraud or other indictable offense, which individually or jointly:
  - (a) is or will be, or is likely to be, materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of the Company;
  - (b) has or will have or is likely to have a material adverse impact on the success of the Rights Issue or dealings in the H Rights Shares in the secondary market; or
  - (c) makes it impracticable, inadvisable or inexpedient to proceed with the H Shares Rights Issue on the terms and in the manner contemplated in the Prospectus Documents, then and in any such case, the Underwriters may terminate the Underwriting Agreement with immediate effect without liability, provided that such notice is received at or prior to the Latest Time for Termination,

the Underwriters may exercise their right to terminate the Underwriting Agreement, and in such event, the obligations of all parties thereunder shall terminate forthwith (save in respect of certain rights and obligations under the Underwriting Agreement) and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of the parties to the Underwriting Agreement in respect of any breach of the Underwriting Agreement prior to such termination.

### *Lock-up Undertakings*

Pursuant to the Underwriting Agreement, the Bank undertakes to the Underwriters that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days after the first day of trading of the H Rights Shares on the Hong Kong Stock Exchange, it shall not (except in relation to the Nil-paid H Rights, the H Rights Shares, the A Rights Shares and the Rights Issue as a whole):

- (a) allot or issue or sell, or offer to allot or issue or sell, accept subscription for, pledge, lend, mortgage, assign, charge, purchase any option or contract to sell, or grant any option, right or warrant to subscribe for or purchase or lend or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or other equity securities of the Bank or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for any Shares or which carry rights to subscribe for or purchase or receive Shares), or deposit Shares with a depositary in connection with the issue of depositary receipts;

---

## LETTER FROM THE BOARD

---

- (b) enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any Shares or such securities of the Bank or any interest therein or has an effect on the market in the Shares similar to that of a sale of interest in Shares or repurchase of any Shares;
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above;
- (d) offer or agree or contract or announce any intention to enter into or effect any such transaction described in (a), (b) or (c) above whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise,

provided that the above restrictions shall cease to apply if the Underwriting Agreement (i) does not become unconditional and is terminated; or (ii) is terminated by the Underwriters pursuant to the termination events set out in “Termination of the Underwriting Agreement”.

### **Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights**

Existing H Shares have been dealt in on an ex-rights basis from Wednesday, 5 January 2022. Dealings in the Nil-paid H Rights are expected to take place from Tuesday, 18 January 2022 to Tuesday, 25 January 2022 (both days inclusive). **If the conditions of the H Share Rights Issue (please see the paragraph headed “Conditions of the H Share Rights Issue” above) are not fulfilled, the H Share Rights Issue will not proceed.**

**Furthermore, in the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.**

**Any dealing in the H Shares or the Nil-paid H Rights is at the investor’s own risk. If in any doubt, investors are recommended to consult their professional advisers.**

### **Despatch of H Share Certificates and Refund Cheques**

Subject to fulfilment of the conditions of the H Share Rights Issue, it is expected that the certificates for the H Rights Shares will be despatched by ordinary post to the Shareholders entitled to receive share certificates, at their own risk, to their registered addresses by the H Share Registrar on or about Thursday, 10 February 2022. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques are expected to be despatched by ordinary post to the relevant Shareholders, at their own risk, to their registered addresses by the H Share Registrar on or about Thursday, 10 February 2022. Refund cheques in respect of wholly or partially unaccepted applications for excess H Rights Shares (if any) are expected to be despatched by ordinary post to the applicants, at their own risk, to their registered addresses by the H Share Registrar on or about Thursday, 10 February 2022.

---

## LETTER FROM THE BOARD

---

### Taxation

Qualified H Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the H Rights Shares (in their nil-paid and/or fully-paid forms) and, as regards the Excluded H Shareholders, their receipt of the net proceeds of the Nil-paid H Rights otherwise falling to be issued to them under the H Share Rights Issue. It is emphasized that neither the Bank, the Directors nor any other party involved in the H Share Rights Issue accept responsibility for any tax effects or liabilities of holders of the H Rights Shares resulting from the purchase, holding, disposal of, or dealing in the H Rights Shares (in their nil-paid and/or fully-paid forms).

### A SHARE RIGHTS ISSUE

The A Share Rights Issue is conducted on the basis of three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Rights Issue Record Date at the Subscription Price of RMB3.2 per A Rights Share. Details of the A Share Rights Issue are as follows:

#### A Share Rights Issue statistics

Basis of A Share Rights Issue:	Three (3) A Rights Shares for every ten (10) existing A Shares held by the Qualified A Shareholders on the A Share Rights Issue Record Date
Number of A Shares in issue as at the Latest Practicable Date:	2,746,655,020 A Shares
Number of A Rights Shares proposed to be issued (assuming the number of A Shares in issue on the A Share Rights Issue Record Date remains the same as at the Latest Practicable Date):	823,996,506 A Shares
Subscription Price:	RMB3.2 per A Rights Share
Sponsor:	CITIC Securities Co., Ltd.
Joint Lead Underwriters:	CITIC Securities Co., Ltd., China International Capital Corporation Limited, Zhongtai Securities Co., Ltd. and China Merchants Securities Co., Ltd.

---

## LETTER FROM THE BOARD

---

### **Basis of Entitlement**

Subject to fulfilment of the conditions set out below in the paragraph headed “Conditions of the A Share Rights Issue”, Qualified A Shareholders will be provisionally allotted three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Rights Issue Record Date at the Subscription Price, being RMB3.2, for each A Rights Share payable in full on acceptance.

### **Qualified A Shareholders**

To qualify for the A Share Rights Issue, an A Shareholder must be registered on the register of the Bank at the CSDCC Shenzhen branch on the A Share Rights Issue Record Date.

### **Subscription Price for the A Rights Shares**

The Subscription Price of RMB3.2 per A Rights Share is payable in full when a Qualified A Shareholder accepts the relevant provisional allotment of A Rights Shares.

The Subscription Price of RMB3.2 per A Rights Share represents a discount of approximately 31.6% to the closing price of RMB4.68 per A Share as quoted on the Shenzhen Stock Exchange on 29 December 2021 (being the Price Determination Date).

### **A Share Rights Issue Timetable**

Publication of A Share Rights Issue Prospectus	Thursday, 30 December 2021
On-line Roadshow	Friday, 31 December 2021
A Share Rights Issue Record Date	Tuesday, 4 January 2022
Commencement of the A Share Rights Issue and first day for acceptance of and payment for the A Rights Shares	Wednesday, 5 January 2022
Suspension of trading in the A Shares	Wednesday, 5 January 2022 to Tuesday, 11 January 2022 (both days inclusive)
Close of the A Share Rights Issue and last day for payment for the A Rights Shares	Tuesday, 11 January 2022
Verification of payment for subscription for the A Rights Shares	Wednesday, 12 January 2022
Announcement of results of the A Share Rights Issue and resumption of trading in the A Shares	Thursday, 13 January 2022

---

## LETTER FROM THE BOARD

---

### Conditions of the A Share Rights Issue

It is expected that the A Share Rights Issue will be conditional upon the fulfilment of the following matters:

1. the approval of the Rights Issue by the Shareholders at the EGM;
2. the approval of the Rights Issue at the A Share Class Meeting by A Shareholders and the H Share Class Meeting by H Shareholders, respectively;
3. the approval of the Rights Issue by the CSRC and other relevant regulatory authorities; and
4. the subscription of the A Rights Shares by the A Shareholders being at least 70% of the A Share Rights Issue.

None of the above conditions for completion of the A Share Rights Issue may be waived by the Bank. As at the Latest Practicable Date, all the conditions above have been fulfilled.

Pursuant to the Underwriting Agreement, the underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon, among other things, the A Share Rights Issue having become unconditional, including but not limited to, at least 70% of the A Rights Shares having been validly subscribed for at or prior to the date of this prospectus.

### A Share Rights Issue to Proceed on a Non-Fully-Underwritten Basis

The A Share Rights Issue will proceed on a non-fully-underwritten basis as required under the applicable PRC laws and regulations. Under the applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares is at least 70% of the A Share Rights Issue. The rights to subscribe for the A Shares which are not taken up will lapse and no new A Shares will be issued or allotted pursuant to such rights. With reference to the announcement of the Bank dated 12 January 2022, the subscription level of the A Share Rights Issue is 94.87%.

### A Shareholders' Undertaking

As at the Latest Practicable Date, Haier Group Corporation (“**Haier Group**”) held 812,214,572 A Shares in aggregate (representing approximately 18.01% of the total issued share capital of the Bank) through 8 enterprises within the group, namely Qingdao Haier Industrial Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co. Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Haier Robot Co., Ltd., Qingdao Haier Air-Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd. The above 8 enterprises have undertaken respectively, among other things, to fully subscribe in cash for the A Rights Shares to be

---

## LETTER FROM THE BOARD

---

provisionally allotted to them under the A Share Rights Issue based on their shareholdings in the Bank after the trading hours on the A Share Rights Issue Record Date and on the basis of the A Share Rights Issue (i.e. three (3) A Rights Shares for every ten (10) existing A Shares) and the Subscription Price of the A Share Rights Issue determined between the Bank and the Underwriters.

As at the Latest Practicable Date, Conson Industrial and its associates (including Qingdao Guoxin Capital Investment Co., Ltd. (“**Guoxin Capital**”)) held 603,556,841 Shares in aggregate (representing approximately 13.38% of the total issued share capital of the Bank). Conson Industrial and Guoxin Capital, which directly held 503,556,341 A Shares and 500 A Shares respectively (representing approximately 11.17% and 0.00001% of the total issued share capital of the Bank respectively) as at the Latest Practicable Date, have undertaken respectively, among other things, to fully subscribe in cash for the A Rights Shares to be provisionally allotted to them under the A Share Rights Issue based on their shareholdings in the Bank after the trading hours on the A Share Rights Issue Record Date and on the basis of the A Share Rights Issue (i.e. three (3) A Rights Shares for every ten (10) existing A Shares) and the Subscription Price of the A Share Rights Issue determined between the Bank and the Underwriters.

### **Application for Listing**

Application will be made to the Shenzhen Stock Exchange for the listing of the A Rights Shares.

### **Net Proceeds**

Net proceeds (before deducting underwriting fee) of approximately RMB2,632 million are expected to be raised from the A Share Rights Issue, assuming subscription level of 100%.

### **A Share Rights Issue Prospectus**

The Chinese version of the A Share Rights Issue Prospectus is available for public inspection on the website of Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)) and HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) from Thursday, 30 December 2021.

The A Share Rights Issue Prospectus in respect of the A Share Rights Issue has been distributed to the HK Northbound Trading Investors. The A Share Rights Issue Prospectus (together with a wrapper containing the disclosures required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance) was registered with the Registrar of Companies in Hong Kong on Wednesday, 29 December 2021.

## LETTER FROM THE BOARD

### CHANGES OF THE SHAREHOLDING OF THE BANK AS A RESULT OF THE RIGHTS ISSUE

The subscription level for A Rights Shares is 94.87%. The following table sets out (i) the Bank's shareholding structure as at the Latest Practicable Date (without taking into account the effect of the A Share Rights Issue); (ii) its shareholding structure immediately after completion of the Rights Issue (assuming full subscription for H Rights Shares); and (iii) its shareholding structure immediately after completion of the Rights Issue (assuming no public Shareholders among the Qualifying H Shareholders subscribe for the H Rights Shares and Intesa Sanpaolo S.p.A. and the associates of Conson Industrial will take up their provisional allotment of the relevant H Rights Shares in full pursuant to their undertaking and subscribe for the excess H Rights Shares to the maximum extent by way of excess application).

Name of Shareholder	Class of Shares	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (Assuming no public Shareholders among the Qualifying H Shareholders subscribe for the H Rights Shares)			
		Number of Shares	Percentage of the total issued share capital of the Bank (%)	Number of Shares	Percentage of the total issued share capital of the Bank (%)	Number of Shares	Percentage of the total issued share capital of the Bank (%)
<b>A Share non-public Shareholders</b>							
Haier Group and its associates <sup>1</sup>	A Shares	812,214,572	18.01	1,055,878,944	18.14	1,055,878,944	18.14
Conson Industrial and its associates <sup>2</sup>	A Shares	503,556,841	11.17	654,623,893	11.25	654,623,893	11.25
Directors, Supervisors and senior management of the Bank <sup>3</sup>	A Shares	3,100,676	0.07	4,030,879	0.07 <sup>6</sup>	4,030,879	0.07 <sup>6</sup>
<b>A Share public Shareholders</b>	A Shares	1,427,782,931	31.66	1,813,875,534	31.16	1,813,875,534	31.16
<b>H Share non-public Shareholders</b>							
Intesa Sanpaolo S.p.A.	H Shares	624,753,980	13.85	812,180,174	13.95	1,018,557,046	17.50 <sup>7</sup>
Conson Industrial and its associates <sup>2</sup>	H Shares	100,000,000	2.22	130,000,000	2.23	217,842,971	3.74
<b>H Share non-public Shareholders sub-total</b>	H Shares	724,753,980	16.07	942,180,174	16.19	1,236,400,017	21.24
<b>H Share public Shareholders</b>	H Shares	1,038,281,000	23.02	1,349,765,300	23.19	1,038,281,000	17.84
<b>Underwriters</b>	H Shares	–	0.00	–	0.00	17,264,457	0.30
	A Shares						
<b>Public Shareholders sub-total</b>	and H Shares	2,466,063,931	54.68	3,163,640,834	54.35	2,869,420,991	49.30
<b>Total</b>		4,509,690,000	100.00	5,820,354,724	100.00	5,820,354,724	100.00



---

## LETTER FROM THE BOARD

---

*Notes:*

1. As of the Latest Practicable Date, Haier Group Corporation (“**Haier Group**”) was interested in 812,214,572 Shares of the Bank through companies controlled or indirectly controlled by Haier Group.
2. As of the Latest Practicable Date, Conson Industrial was directly interested in 503,556,341 Shares of the Bank; Guoxin Capital was directly interested in 500 Shares of the Bank; and Haitian (HK) Holdings Limited was directly interested in 100,000,000 Shares of the Bank. Conson Industrial is wholly-owned by Qingdao Conson Development (Group) Co., Ltd.; Haitian (HK) Holdings Limited is wholly-owned by Qingdao Conson Financial Holdings Co., Ltd. (“**Conson Financial**”); Guoxin Capital is held as to 98% by Conson Financial, which is held as at 90.27% by Qingdao Conson Development (Group) Co., Ltd.
3. As of the Latest Practicable Date, the Directors were interested in 1,380,375 A Shares in aggregate; the Supervisors were interested in 870,301 A Shares in aggregate; and the senior management were interested in 850,000 A Shares in aggregate.
4. The Shares held by Haier Group and its associates, Intesa Sanpaolo S.p.A., Conson Industrial and its associates and the Directors, Supervisors and senior management of the Bank are not regarded as public float under the Hong Kong Listing Rules and/or the Listing Rules of the Shenzhen Stock Exchange.
5. The Bank will appoint more than one Underwriters for the H Share Rights Issue and none of the Underwriters will hold, by itself, 10% or more of the total issued share capital of the Bank, and none of the Underwriters will become a connected person of the Bank after the H Share Rights Issue.
6. The subscription by the Directors, Supervisors and senior management of the Bank are subject to further confirmation. The subscription disclosed above are based on the assumption of full subscription for A Rights Shares by the Directors, Supervisors and senior management of the Bank.
7. In such case, the H Share non-public Shareholders will subscribe for excess H Rights Shares by way of excess applications, and the number and proportion of shareholding of each Shareholder will be further determined according to the specific circumstances where his/her/its excess application is made on an arm’s length basis provided that the shareholdings of Intesa Sanpaolo S.p.A. and Conson Industrial and its associates shall not exceed 17.5% and 14.99% of the enlarged total issued share capital respectively and the relevant amount payable by each of Intesa Sanpaolo S.p.A. and Haitian (HK) Holdings Limited shall not exceed the amount as stipulated under the undertaking letters respectively.

Based on publicly available information, as of the Latest Practicable Date, the public float percentage of the Bank was in compliance with Rule 8.08 of the Hong Kong Listing Rules. Upon completion of the Rights Issue, the public float percentage of the Bank will continue to comply with the requirements under Rule 8.08 of the Hong Kong Listing Rules.

### **FUND RAISING ACTIVITIES INVOLVING ISSUE OF EQUITY SECURITIES IN THE PAST 12 MONTHS**

The Bank has not engaged in any equity fund raising activity in the 12 months immediately before the Latest Practicable Date.

---

## LETTER FROM THE BOARD

---

### REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Reasons for the Rights Issue of the Bank are as follows:

#### **1. Regulatory authorities have higher capital regulatory requirements for the banks**

In recent years, the CBIRC has been stepping up its capital regulation on commercial banks. In 2012, the CBIRC issued the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which imposed more stringent and prudent requirements on the eligibility criteria and measurement requirements for various types of capital and further strengthened the capital regulatory requirements for commercial banks. Since 2016, the People's Bank of China has implemented the "Macro Prudential Assessment System" to guide banking and financial institutions to strengthen self-discipline and self-management in seven aspects, including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risk and implementation of credit policies. With the continuous development of business in the next few years, it is expected that the capital gap will become certain constraints to the development of the Bank. In addition, in recent years, domestic and foreign regulatory authorities have continuously raised their capital regulatory requirements for the banks, demand for bank capital will further increase.

#### **2. The Bank's future business development requires capital support**

In recent years, the scale of the Bank's assets has grown steadily and rapidly. It is expected that the business scale of the Bank will maintain a steady growth trend in the next few years, and the steady development of business and asset scale requires the Bank to have sufficient capital as support. At the same time, the Bank needs to reserve a certain proportion of risk buffer capital on the basis of continuously meeting the minimum capital adequacy ratio requirements of the regulatory authorities, so as to further enhance the ability to resist risks and cope with the uncertainties of future macroeconomic development. To maintain the good momentum of fast growth, the Bank regards the capital replenishment management plan as an important part of the overall development strategy, insists on matching the capital management objectives with the strategic development objectives, and matches the growth of the asset scale with the growth of the capital scale to ensure the long-term sustainable development of the business.

All of the net proceeds from the Rights Issue (after deducting relevant issuance expenses) will be used to replenish the core tier-one capital, improve the capital adequacy ratio of the Bank, support the sustainable and healthy development of future business and enhance the capital strength and competitiveness of the Bank.

---

## LETTER FROM THE BOARD

---

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus and in the 2018, 2019 and 2020 annual reports of the Bank.

By order of the Board  
**Bank of Qingdao Co., Ltd.\***  
**GUO Shaoquan**  
*Chairman*

Qingdao, Shandong Province, the PRC  
14 January 2022

\* *Bank of Qingdao 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 out banking and/or deposit-taking business in Hong Kong.*

**FINANCIAL INFORMATION OF THE COMPANY**

Financial information of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020 as well as the six months ended 30 June 2021 are disclosed in the following documents which have been published on the HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Bank (<http://www.qdccb.com>):

- annual report of the Bank for the year ended 31 December 2018 published on 26 April 2019 (pages 144 to 272) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261373.pdf>);
- annual report of the Bank for the year ended 31 December 2019 published on 24 April 2020 (pages 158 to 284) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401926.pdf>); and
- annual report of the Bank for the year ended 31 December 2020 published on 29 April 2021 (pages 161 to 288) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901921.pdf>).
- interim report of the Bank for the six months ended 30 June 2021 published on 24 September 2021 (pages 125 to 224) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0924/2021092401051.pdf>).

**INDEBTEDNESS STATEMENT**

As at the close of business on 30 November 2021, being the Latest Practicable Date for the purpose of this indebtedness statement of the Company prior to the printing of this prospectus, the total indebtedness of the Company was as follows:

- certificates of interbank deposit – unsecured and unguaranteed, in an aggregate principal amount of RMB69,050 million;
- tier-two capital bonds – unsecured and unguaranteed, in an aggregate principal amount of RMB11,000 million;
- small and micro enterprises financial bonds – unsecured and unguaranteed, in an aggregate principal amount of RMB8,000 million;
- financial bonds – unsecured and unguaranteed, in an aggregate principal amount of RMB8,000 million; and
- lease liabilities – secured (Note) and unguaranteed, in an amount of RMB493 million.

*Note: Secured by rental deposits*

Except as disclosed above, and apart from normal trade payables in the normal course of business, as at 30 November 2021, the Company did not have any outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of the Company since 30 November 2021 up to the Latest Practicable Date.

## WORKING CAPITAL SUFFICIENCY

Paragraph 30 of Part B of Appendix 1 to the Hong Kong Listing Rules requires this document to include a statement by the Directors that, in their opinion, the working capital available to us is sufficient for at least 12 months from the publication of this prospectus and, if not, how it is proposed to provide the additional working capital the Directors consider to be necessary (the “**Working Capital Statement**”). We believe that the traditional concept of “working capital” does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, the People’s Bank of China and the CBIRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in China. Rule 11.09A and paragraph 30 of Part B of Appendix 1 to the Hong Kong Listing Rules provide that, if the issuer is a company engaging in banking business or an insurer, such working capital statement will not be required to be made by an issuer provided that the inclusion of such statement would not provide significant information for investors and the issuer’s solvency and capital adequacy levels are carefully supervised by another regulatory authority. In view of the above, we are not required by Rule 11.09A of the Hong Kong Listing Rules to include a working capital statement from the Directors in this document.

The following table sets forth information relating to the Company’s capital adequacy ratio and liquidity indicators calculated in accordance with Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), Administrative Measures for Liquidity Risk of Commercial Banks (《商業銀行流動性風險管理辦法》) and relevant regulatory requirements for the dates indicated.

Item	30 June 2021	31 December 2020	31 December 2019	31 December 2018
<b>Capital adequacy ratio indicator (%)</b>				
Core tier-one capital adequacy ratio <sup>1</sup>	8.29	8.35	8.36	8.39
Tier-one capital adequacy ratio <sup>2</sup>	11.05	11.31	11.33	11.82
Capital adequacy ratio <sup>3</sup>	15.90	14.11	14.76	15.68
<b>Liquidity indicators (%)</b>				
Liquidity coverage ratio <sup>4</sup>	179.39	152.42	142.27	125.95
Net stable funding ratio <sup>5</sup>	105.76	105.23	104.33	102.80
Liquidity ratio <sup>6</sup>	73.80	65.44	68.84	60.55

*Note:*

1. Core tier-one capital adequacy ratio= (core tier-one capital–corresponding capital deductions)/risk-weighted assets\*100%. According to the provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), core tier-one capital adequacy ratio shall not be lower than 7.5%.
2. Tier-one capital adequacy ratio=(tier-one capital -corresponding capital deductions)/risk-weighted assets\*100%. According to the provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), tier-one capital adequacy ratio shall not be lower than 8.5%.

3. Capital adequacy ratio= (total capital–corresponding capital deductions)/risk-weighted assets\*100%. According to the provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), capital adequacy ratio shall not be lower than 10.5%.
4. Liquidity coverage ratio= qualified high-quality liquid assets÷ net cash outflow for the next 30 days. According to the provisions of the Administrative Measures for Liquidity Risk of Commercial Banks (《商業銀行流動性風險管理辦法》), commercial banks' liquidity coverage ratio must reach 100% by the end of 2018.
5. Net stable funding ratio= available and stable funds÷ required stable funds. According to the provisions of the Administrative Measures for Liquidity Risk of Commercial Banks (《商業銀行流動性風險管理辦法》), commercial banks' net stable funding ratio shall not be lower than 100%.
6. Liquidity ratio= balance of current assets÷ balance of current liabilities. According to the provisions of the Administrative Measures for Liquidity Risk of Commercial Banks (《商業銀行流動性風險管理辦法》), commercial banks' liquidity ratio shall not be lower than 25%.

## FINANCIAL AND TRADING PROSPECTS OF THE COMPANY

Since 2018, on the international environment front, affected by negative impacts such as cyclical factors and the escalation of global trade frictions, the current global economic growth has continued to slow down, and remained in the period of in-depth adjustment after the international financial crisis. The characteristics of accelerated evolution of the world's changes have become more obvious, and the sources of global turmoil and risk points have increased significantly. On the domestic environment front, China is in a critical period of transforming the development model, optimizing the economic structure and transforming the growth momentum. Structural, institutional and periodic issues are intertwined. The impact of the “three-period superimposition” continues to deepen, and the downward pressure on the economy cannot be ignored. However, the basic trend of stable and positive economic development and long-term improvement has not changed, and commercial banks are facing both opportunities and challenges. In addition, with the implementation of financial opening-up policies, the capital replenishment of small and medium-sized banks has increased, and the competition faced by the banking industry has also intensified.

In 2021, the Company adhered to our basic operating guiding principle for the year of “solidifying foundation, serving the real economy, preventing and mitigating risks and improving comprehensively” and implemented the national policy guidance and industry regulatory requirements. We, based on our specific conditions, overcame the impact of the pandemic, and stabilized the foundation for development. While the total assets and liabilities increased steadily, we promoted structural adjustments, increased support for the real economy, enhanced asset quality control, and continued to improve operating quality and efficiency. The Company's asset quality continued to improve, and the principal regulatory indicators met the regulatory requirements. In addition, the Company's support for private and small and micro enterprises continued to strengthen. Leveraging on the supply chain financial business, we actively expanded the customer base of private enterprises and small and micro enterprises as well as suppliers and purchasers, and provided more financing channels for private enterprises and small and micro enterprises. Following the principle of professional approval of credit business, we optimized the process of approval and permission settings to improve the efficiency of credit approval for private enterprises and small and micro enterprises customers. On the basis of ensuring the orderly implementation of the “Two Tools” policy for small and

micro enterprises, we sped up product innovation and diversified the methods and models of serving small and micro enterprises, launching inclusive financial products such as “science and technology credit” and “guaranteed loans to start-up enterprises”.

In 2022, China’s economy will show strong resilience and continue to maintain a steady recovery. The proactive fiscal policy will continue to emphasize quality and efficiency enhancement, while the monetary policy will continue to emphasize flexibility, accuracy and reasonableness. The continuous recovery of the macro economy together with the support of targeted policies in the national strategic fields will bring more development opportunities to the banking industry. Facing unprecedented business challenges arising from the COVID-19 pandemic, economic fluctuation, etc., in 2022, the Company will firmly implement the requirements of the Party Central Committee on “Stability in Six Areas” and “Six Priorities” and actively implement the national and local regulations and regulatory policies with the basic operating guiding principle of “adopting to changing times, strengthening characteristics, overcoming challenges and developing steadily”. While stepping up financial support for the prevention and control of the pandemic and the real economy, we will continue to serve the local economy, deepen our presence in the Shandong market, seek progress while maintaining stability, and continue to enhance our market influence. At the same time, the Company will seek development opportunities amidst the epidemic, strive to expand business, strictly manage and control risk exposure. Building on the continuous dual improvement of business and management, we will continuously promote structural adjustment and stably improve operational efficiency. Therefore, the overall operation will function steadily.



**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY**

For illustrative purpose, the financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Company might be affected by completion of the H Share Rights Issue as if the H Share Rights Issue had been completed on 30 June 2021. The statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Company's financial position on the completion of the H Share Rights Issue.

**A.    UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Company attributable to the equity Shareholders of the Bank as if the H Share Rights Issue had been completed on 30 June 2021.

As it is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Company upon completion of the H Share Rights Issue or any future date after completion of the H Share Rights Issue. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Company is prepared based on the consolidated net tangible assets of the Company attributable to the equity Shareholders as of 30 June 2021 as derived from the Company's published consolidated financial statements for the period ended 30 June 2021 and is adjusted for the effect of the H Share Rights Issue as if the H Share Rights Issue had been completed on 30 June 2021.

Unaudited consolidated net tangible assets attributable to the equity Shareholders of the Bank as of 30 June 2021 <i>RMB Million</i> <i>Note (1)</i>	Estimated net proceeds from the H Share Rights Issue <i>RMB Million</i> <i>Note (2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank as of 30 June 2021 <i>RMB Million</i>	Unaudited consolidated net tangible assets attributable to the equity Shareholders of the Bank per Share as of 30 June 2021 <i>RMB Million</i> <i>Note (3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank per Share as of 30 June 2021 <i>RMB</i> <i>Note (4)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank per Share as of 30 June 2021 <i>HK\$</i> <i>Note (5)</i>
31,377	1,688	33,065	6.96	6.56	8.03

*Notes:*

- (1) The unaudited consolidated net tangible assets attributable to the equity Shareholders of the Bank as of 30 June 2021 is based on the unaudited consolidated net assets attributable to the equity Shareholders of the Bank as of 30 June 2021 of RMB31,633 million, after deducting intangible assets attributable to equity Shareholders of the Bank of RMB256 million.

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMPANY**

- (2) The estimated net proceeds from the H Share Rights Issue are based on 528,910,494 H Share Rights Shares to be issued at Subscription Price of HK\$3.92 per H Rights Share, after deduction of the estimated expenses (excluding underwriting fees) related to the H Share Rights Issue.
- (3) The unaudited consolidated net tangible assets attributable to equity Shareholders of the Bank per Share as of 30 June 2021 is based on the unaudited consolidated net tangible assets attributable to equity Shareholders of the Bank as of 30 June 2021 of approximately RMB31,377 million divided by 4,509,690,000 Shares in issue as of 30 June 2021.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank per Share as of 30 June 2021 after completion of the H Share Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Bank of approximately RMB33,065 million divided by 5,038,600,494 Shares in issue after completion of the H Share Rights Issue, which comprises of 2,291,945,474 H Shares. It does not take into account of any Shares which may be issued upon A Share Rights Issue.
- (5) For the purpose of the unaudited pro forma financial information, conversion of RMB and HK\$ is calculated at the exchange rate of RMB0.81734 to HK\$1. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.
- (6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Bank as of 30 June 2021 to reflect any trading results or other transactions of the Company entered into subsequent to 30 June 2021. In particular, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Bank as shown on II-1 have not been adjusted to illustrate the effect of the A Share Rights Issue completed on 13 January 2022. Had the A Share Rights Issue been completed on 30 June 2021, 781,754,230 A Rights Shares would be issued at Subscription Price of RMB3.20 per A Rights Share, raising estimated net proceed of RMB2,480 million. The A Share Rights Issue would have increased the total Share in issue assumption stated in note 4 by 781,754,230 A Rights Shares to a total of 5,820,354,724 Shares in issue. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Bank after the A Share Rights Issue would be as follows:

Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank as of 30 June 2021 after H Share Rights Issue <i>RMB Million</i>	Estimated net proceeds from the A Share Rights Issue <i>RMB Million</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank after A Share Rights Issue and H Share Rights Issue as of 30 June 2021 <i>RMB Million</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Bank per share as of 30 June 2021 after H Share Rights Issue <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share after A Share Rights Issue as of 30 June 2021 <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share after A Share Rights Issue and H Share Rights Issue as of 30 June 2021 <i>HK\$</i>
---	---	--	--	---	---

Based on 528,910,494 H Rights Shares to be issued at Subscription Price of HK\$3.92 per H Rights Share and 781,754,230 A Rights Shares to be issued at Subscription Price of RMB3.20 per A Rights Share

33,065	2,480	35,545	6.56	6.11	7.48
--------	-------	--------	------	------	------

**B.    REPORT ON THE UNAUDITED PRO FORMA INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Company's pro forma financial information for the purpose in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF BANK OF QINGDAO CO., LTD.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Bank of Qingdao Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Company") by the directors of the Bank (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as of 30 June 2021 and related notes as set out in Part A of Appendix II to the prospectus dated 14 January 2022 (the "Prospectus") issued by the Bank. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed H Share Rights Issue on the basis of three (3) shares for every ten (10) existing H Shares held by the Qualified H Shareholders (the "H Share Rights Issue") on the Company's financial position as of 30 June 2021 as if the H Share Rights Issue had taken place at 30 June 2021. As part of this process, information about the Company's financial position as of 30 June 2021 has been extracted by the Directors from the Company's historical financial information, on which an auditor's report has been published.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as of 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Bank's Shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Reasons for the Rights Issue and Use of Proceeds" in the Prospectus.

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

### **KPMG**

*Certified Public Accountants*

Hong Kong

14 January 2022

**RESPONSIBILITY STATEMENT**

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

**DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT****Particulars of the Directors, Supervisors and senior management of the Bank**

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Mr. GUO Shaoquan (郭少泉)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. WANG Lin (王麟)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. LIU Peng (劉鵬)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Ms. LU Lan (呂嵐)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
<i>Non-executive Directors</i>	
Mr. ZHOU Yunjie (周雲傑)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Rosario STRANO	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Ms. TAN Lixia (譚麗霞)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Marco MUSSITA	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. DENG Youcheng (鄧友成)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. CHOI Chi Kin, Calvin (蔡志堅)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC

<b>Name</b>	<b>Address</b>
<b><i>Independent non-executive Directors</i></b>	
Mr. Simon CHEUNG (張思明)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Ms. FANG Qiaoling (房巧玲)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Tingjie ZHANG	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. XING Lecheng (邢樂成)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. ZHANG Xu (張旭)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
<b><i>Supervisors</i></b>	
Mr. YANG Fengjiang (楊峰江)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. He Liangjun (何良軍)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Wang Dawei (王大為)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Meng Xianzheng (孟憲政)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Hao Xianjing (郝先經)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Jiang Xinglu (姜省路)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Lu Kun (盧昆)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
<b><i>Senior management</i></b>	
Mr. Wang Lin (王麟)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Ms. Wang Yu (王瑜)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Ms. Chen Shuang (陳霜)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Mr. Liu Peng (劉鵬)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
Ms. Lu Lan (呂嵐)	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC



**Biographies of the Directors, Supervisors and senior management of the Bank***Executive Directors*

**Mr. Guo Shaoquan**, born in August 1962, holds an EMBA degree from Nankai University and an EMBA degree from Peking University, and is a senior economist.

Mr. Guo joined the Bank in November 2009 as secretary of the party committee. He was appointed as executive Director and Chairman of the Bank in January 2010. Mr. Guo served as, among others, the head of the Qingdao branch and the head of the Tianjin branch in China Merchants Bank.

**Mr. Wang Lin**, born in September 1963, holds an EMBA degree from Peking University, and is a senior economist.

Mr. Wang joined the Bank in July 2011 as the deputy secretary of the party committee. He was appointed as executive Director of the Bank in September 2011 and was appointed as President of the Bank in March 2012. Mr. Wang served as, among others, the general manager of the corporate banking department and pension finance department of the head office as well as head of Ningbo branch in China Merchants Bank.

**Mr. Liu Peng**, born in January 1981, holds a master degree of business administration from Oxford University.

Mr. Liu joined the Bank in January 2011 and was appointed as Vice President of the Bank in August 2019 and executive Director of the Bank in May 2021. Mr. Liu serves as the chairman of Qingyin Wealth Management Company Limited, a wholly-owned subsidiary of the Bank. Mr. Liu served as, among others, the financial market business director and president of the financial market business unit of the Bank.

**Ms. Lu Lan**, born in July 1964, holds a master degree of law majoring in sociology of Nankai University.

Ms. Lu joined the Bank in August 2010, was appointed as Secretary to the Board of the Bank in August 2010 and was appointed as executive Director of the Bank in October 2016. Ms. Lu served as, among others, a senior manager of the office of board of directors in the headquarter of China Merchants Bank.

*Non-executive Directors*

**Mr. Zhou Yunjie**, born in November 1966, holds a doctoral degree of business administration of Xi'an Jiaotong University and is a chief senior engineer.

Mr. Zhou was appointed as non-executive Director of the Bank in April 2015, has been the president and deputy chairman of the board of directors of Haier Group since December 2016 and now serves as the representative to the 13th National People's Congress. Mr. Zhou is currently the director of Qingdao Haier Biomedical Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 688139), the chairman of the board of Qingdao Goodaymart Supply Chain Technology Co., Ltd. (青島日日順供應鏈科技股份有限公司), and the director and general manager of Haier Kaos Co., Ltd. (海爾卡奧斯股份有限公司). Mr. Zhou served as, among others, the vice president, senior vice president, executive vice president, chief marketing officer and alternative president in Haier Group, and the chairman of the board of Haier Electronics Group Co., Ltd.

**Mr. Rosario Strano**, born in April 1963, holds a bachelor degree of law of University of Bari in Italy.

Mr. Strano was appointed as non-executive Director of the Bank in April 2012 and has been the head of China development project of Intesa Sanpaolo S.p.A. since 1 January 2020. Mr. Strano served as, among others, the chief operating officer of Intesa Sanpaolo S.p.A. Group, the chief human resources officer of Intesa Sanpaolo S.p.A., the head of human resources and organization management department at the international subsidiary banks division of Intesa Sanpaolo S.p.A.

**Ms. Tan Lixia**, born in September 1970, holds a doctoral degree of finance of PBC School of Finance, Tsinghua University (in-service study), a master degree of business administration of China Europe International Business School, and is a senior engineer, a Chartered Global Management Accountant (CGMA), a Certified Practising Accountant Australia (CPA Australia) and a certified senior international internal control officer.

Ms. Tan was appointed as non-executive Director of the Bank in April 2012. She has been the executive vice president of Haier Group since December 2016. Ms. Tan is currently the chairlady of Haier Group (Qingdao) Finance Holding Co., Ltd., a director of Haier Kaos Co., Ltd. (海爾卡奧斯股份有限公司), chairlady of Qingdao Haier Biomedical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 688139), and chairlady of INKON Life Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300143). Ms. Tan served as the director of department of overseas market development of Haier Group, chief financial officer of Haier Group, head of Wanchain Platform and the deputy chairlady of Haier Smart Home Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600690), a company listed on the China Europe International Exchange AG D-Share Market and quoted on the Frankfurt Stock Exchange (stock code: 690D), and a company listed on the main board of the Hong Kong Stock Exchange (stock code: 6690).

**Mr. Marco Mussita**, born in June 1959, holds a bachelor degree of oriental literature and language of Universita Ca' Foscari Venezia (Ca' Foscari University of Venice) in Italy.

Mr. Mussita was appointed as non-executive Director of the Bank in September 2011. He has been the supervisor of Qingdao Yicai Fund Distribution Co., Ltd. since September 2016. Mr. Mussita is currently a director of OMR (China) Automotive Components Co., Ltd., a supervisor of Meccanotecnica Umbra S.p.A. (Qingdao) Mechanical Seal Co., Ltd., and a director of Chongqing Italian Gasket Rubber & Plastic, Co., Ltd. (重慶凱恩斯橡膠有限公司). Mr. Mussita served as, among others, vice general manager of the Shanghai branch and vice general manager of the Tokyo branch in Banca Commerciale Italiana (now known as ISP).

**Mr. Deng Youcheng**, born in August 1971, holds a master degree of business administration of Tongji University, and is a certified public accountant, a certified public valuer, a senior auditor, a senior consultant and an accountant.

Mr. Deng was appointed as non-executive Director of the Bank in May 2018. He has been the general manager, deputy secretary to the party committee and the director of Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司) since July 2019. Mr. Deng is currently the director of Lujiazui International Trust Co., Ltd., director of Zhonglu Property and Casualty Insurance Co., Ltd., and director of Qingdao Conson Industrial Co., Ltd. Mr. Deng served as, among others, director and deputy general manager of Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司).

**Mr. Choi Chi Kin, Calvin**, born in August 1978, holds an honorary bachelor degree of arts majoring in chartered accountants of University of Waterloo in Canada.

Mr. Choi was appointed as non-executive Director of the Bank in October 2016, and has been the chairman and chief executive officer of AMTD Group Company Limited since January 2016. Meanwhile, with approval by the government of the Hong Kong Special Administrative Region, Mr. Choi has been the member of advisory committee of Hong Kong Cyberport Management Company Limited, a technology innovation platform wholly-owned by the government of the Hong Kong Special Administrative Region since November 2019, and member of investment advisory committee of Prisoners' Education Trust Fund of the government of the Hong Kong Special Administrative Region since December 2019. Mr. Choi also serves as the 12th Special Invited Vice President of the China Young Entrepreneurs Association, vice chairman of the Greater Bay Area Common Home Youth Charity Fund, and director of the ASEAN Financial Innovation Network, etc. Mr. Choi served as, among others, managing director of investment banking division of Union Bank of Switzerland and member of the Asian-Pacific Committee of Global family office, the chief strategy officer of Citigroup's Investment Banking Division in China and a director of AMTD International Inc., a company listed on the New York Stock Exchange (stock code: HKIB) and a company listed on the Singapore Exchange (stock code: HKB).

*Independent non-executive Directors*

**Mr. Simon Cheung**, born in July 1970, holds a bachelor degree of arts majoring in computer science of the University of Wisconsin-Madison in the United States.

Mr. Cheung was appointed as independent non-executive Director of the Bank in May 2017. He has been the chief technology officer of Ping An Puhui Enterprise Management Co., Ltd. since December 2019. Mr. Cheung served as, among others, the deputy general manager of China Ping An Technology Co., Ltd., the director of IT architecture planning of SF Express (Group) Co., Ltd., and the deputy general manager of Shenzhen Qianhai WeBank Co., Ltd.

**Ms. Fang Qiaoling**, born in October 1975, holds a doctoral degree of management in accounting of Renmin University of China and is a professor.

Ms. Fang was appointed as independent non-executive Director of the Bank in May 2018. She has been working in Management College of Ocean University of China since July 1999, and is currently a professor and supervisor for Ph.D. candidates in Management College of Ocean University of China. Ms. Fang is currently an independent non-executive director of Triangle Tyre Co., Ltd.

**Mr. Tingjie Zhang**, born in April 1971, holds a master degree of business administration from the Richard Ivey School of Business at the University of Western Ontario, Canada.

Mr. Zhang was appointed as an independent non-executive Director of the Bank in February 2020, and has been the managing director of Auster Capital Partners Limited since July 2020. Mr. Zhang served as the chief representative of the Shanghai Representative Office of Rothschild China Holdings Co., Ltd. (洛希爾中國控股有限公司) and the China co-director and managing director of the Shanghai branch of Rothschild Financial Consulting (Beijing) Co., Ltd.

**Mr. Xing Lecheng**, born in November 1962, holds a doctoral degree in administration from Nankai University, and is a professor.

Mr. Xing has been the dean of Shandong Institute of Inclusive Financial Research (山東省普惠金融研究院), the director of Investment and Financing Research Center of University of Jinan (濟南大學投融資研究中心) and a Ph.D. tutor since December 2018. He is currently the member of Shandong National People's Congress Standing Committee, an expert entitled to special government allowance by the State Council, and holds different positions such as the committee member of the Investment Association of China and the vice president of Shandong Capital Venture Association (山東省創業投資協會). Mr. Xing served as, among others, the associate dean of Jinan Institute of Social Science (濟南社會科學院), the dean of Jinan School of Management (濟南管理科學院), the president of Jiangjun Holdings Company (將軍控股公司), the chairman of Shandong Jinan Department Store (Group) Company Limited (山東濟南百貨大樓(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600807), the chairman of Huasu Holdings Co., Ltd. (華塑控股股份公司), a company listed on the Shenzhen Stock Exchange (stock code: 000509), as well as the dean of each of the School of Economics and Institute of Finance of University of Jinan.

**Mr. Zhang Xu**, born in November 1969, holds a doctoral degree in western economics from Wuhan University, and is a professor.

Mr. Zhang has been a lecturer of Qingdao University since July 1993, and is currently a professor in the School of Economics of Qingdao University. Mr. Zhang is currently a member of Qingdao CPPCC Standing Committee, the deputy director of Qingdao Committee of Jiusan Society (九三學社青島市委員會), a member of Central Economy Special Committee of Jiusan Society (九三學社中央經濟專門委員會), the deputy director of Shandong Economy Special Committee of Jiusan Society (九三學社山東省委經濟專門委員會), the committee member of Economy Development Society of China Association for Study of Foreign Economics (中華外國經濟學說研究會發展經濟學分會), the vice president of Qingdao Financial Society (青島市金融學會), the vice president of Qingdao Urban Economics Society (青島市城市經濟學會), an expert of 20-Party Forum of Qingdao Development (青島發展20人論壇). From 2006 to 2015, Mr. Zhang was an external supervisor of the Board of Supervisors of the Bank.

### *Supervisors*

**Mr. Yang Fengjiang**, born in July 1964, holds a bachelor degree majoring in finance in the finance department of Shaanxi Financial College and is a senior economist.

Mr. Yang was appointed as an employee supervisor and the chairman of the Board of Supervisors of the Bank in March 2020. He joined the Bank in July 2003, and served as an executive director, a vice president, an assistant to the president, and the general manager of the Treasury Operation Department of the Bank. Prior to joining the Bank, he served as a senior staff member of the Qingdao branch of the People's Bank of China, manager of the business development department of the Qingdao Securities Trading Center, and general manager of each of the investment banking department and the bond department of Qingdao Wantong Securities Co., Ltd.

**Mr. He Liangjun**, born in February 1973, holds a master degree of business administration from China Europe International Business School and is a senior engineer.

Mr. He was appointed as a shareholder Supervisor of the Bank in October 2019, and has served as a director and secretary to the board of Qingdao East Steel Tower Stock Co., Ltd. (青島東方鐵塔股份有限公司) since April 2007. Mr. He serves as, among others, a supervisor of Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司), an executive director of Nanjing Shineng New Energy Technology Co., Ltd. (南京世能新能源科技有限公司) and the chairman and general manager of Sichuan Huiyuanda Potash Fertilizer Co., Ltd. (四川省匯元達鉀肥有限責任公司). Mr. He served as the manager of the East China business department and the head of the marketing department of Qingdao East Steel Tower Stock Co., Ltd. (青島東方鐵塔股份有限公司).

**Mr. Wang Dawei**, born in February 1974, holds a bachelor's degree in international economics from Nankai University.

Mr. Wang was appointed as an employee supervisor of the Bank in March 2018. He joined the Bank in July 2016, and serves as the chief officer of the credit risk and the general manager of the credit management department of the Bank. Mr. Wang currently serves as a director of BQD Financial Leasing Company Limited, a holding subsidiary of the Bank, and a director of Qingyin Wealth Management Company Limited, a wholly-owned subsidiary of the Bank. Prior to joining the Bank, he served as the general manager of each of the risk control department, the credit approval department, the credit management department and the small business financing department of the Qingdao branch of China Merchants Bank; the general manager of the Qingdao regional headquarters under the small enterprise credit center of the head office of China Merchants Bank; and the general manager of each of the risk management department, the offshore finance department and the No. 2 free trade corporate client department of the Shanghai Free Trade Zone branch of China Merchants Bank.

**Mr. Meng Xianzheng**, born in October 1967, holds a master degree of business administration of Northwestern University and is a senior political worker.

Mr. Meng was appointed as an employee supervisor of the Bank in March 2018. He joined the Bank in August 2001, and has been serving as the general manager of the legal and compliance department of the Bank since August 2009, and concurrently as the general manager of the asset security department of the Bank since April 2018. He served in various positions including the general manager of the special asset management department and sub-branch president of the Bank. Prior to joining the Bank, he served in various positions including the deputy chief of the credit division, deputy director, director and chairman of Laixi Urban Credit Cooperative.

**Mr. Hao Xianjing**, born in October 1965, holds a master degree in national economic planning from Liaoning University, and is a certified public accountant, a certified tax agent, and a senior accountant.

Mr. Hao serves as the vice president and partner of ShineWing Certified Public Accountants since September 2009, a director of Shandong ShineWing Engineering Management Consulting Co., Ltd. (山東信永中和工程管理諮詢有限公司) since February 2015, and a director of Jinan ShineWing Certified Tax Agents Co., Ltd. (濟南信永中和稅務師事務所有限公司) since April 2017. Mr. Hao also serves as an independent director of Warburg Pincus Information Technology Co., Ltd., (華平信息技術股份有限公司), an independent director of RemeGen Co., Ltd. (榮昌生物製藥(煙台)股份有限公司), and a standing director of the Shandong Institute of Certified Public Accountants. Mr. Hao served as, among others, a director of Shandong Zhonghe Zhengxin Risk Management Consulting Co., Ltd. (山東中和正信風險管理諮詢有限公司).



**Mr. Jiang Xinglu**, born in November 1971, holds a bachelor degree in law from Shandong University.

Mr. Jiang serves as the general manager of Shandong Blue Economy Industrial Fund Management Co., Ltd. (山東藍色經濟產業基金管理有限公司) since January 2015 and an executive partner of Qingdao Yulin Fund Management Center (Limited Partnership) (青島昱林基金管理中心(有限合夥)). Mr. Jiang also serves as an independent director of Liquan Commercial Group Co., Ltd. (利群商業集團股份有限公司), Tsingtao Brewery Co., Ltd. (青島啤酒股份有限公司), Hailier Pharmaceutical Group Co., Ltd. (海利爾藥業集團股份有限公司) and Qingdao Eastsoft Communication Technology Co., Ltd. (青島東軟載波科技股份有限公司). Mr. Jiang served as, among others, a senior partner of Shandong Qindao Law Office (山東琴島律師事務所), a partner of Grandall Law Firm and a partner of King & Wood Mallesons (Beijing).

**Mr. Lu Kun**, born in September 1979, holds a doctoral degree in technology economics and management from Renmin University of China, a postdoctoral degree in fishery science and is a professor.

Mr. Lu joined Ocean University of China in 2007 and currently serves as a professor and master tutor at Ocean University of China, a senior researcher at the Centre for Blue Governance at the University of Portsmouth in the United Kingdom, and an exchange ambassador to China for the Centre for Blue Governance at the University of Portsmouth in the United Kingdom. Mr. Lu also serves as the standing director and deputy secretary-general of the Fishery Economy Professional Committee of the Chinese Society of Forestry, Animal Husbandry and Fishery Economy (中國林牧漁業經濟學會漁業經濟專業委員會), the director and deputy secretary-general of the Shandong Society for Applied Statistics (山東省應用統計學會), a standing member of the Shandong Marine Economy Professional Committee (山東省海洋經濟專業委員會), and an expert of Marine Economy High-quality Development Think Tank (海洋經濟高質量發展智庫) of Shandong Provincial Development and Reform Commission, a performance appraisal expert of Qingdao Municipal Government Office, etc. Mr. Lu served as, among others, the Deputy Mayor (temporary post) of Tongcheng People's Government of Anqing City, Anhui Province.

#### *Senior management*

**Mr. Wang Lin**, please refer to the paragraph headed “Executive Directors” above for his biography.

**Ms. Wang Yu**, born in January 1968, holds a bachelor degree of economics majoring in enterprise management of Finance and Economics Institute of Tianjin, a master degree of business administration majoring in business administration of Tongji University in Shanghai and is a senior economist. Ms. Wang was appointed as Vice President of the Bank in June 2007. Ms. Wang joined the Bank in April 2002. She served as an assistant to the President and the head of sub-branch.



**Ms. Chen Shuang**, born in January 1968, holds a master degree of arts majoring in English language and literature of Shanghai International Studies University as well as a master degree of science majoring in financial investment of the University of Edinburgh in the UK. Ms. Chen was appointed as Vice President of the Bank in January 2017. Ms. Chen joined the Bank in June 2007, and served as an assistant to the President, and was responsible for investment promotion of the Qingdao City Commercial Bank.

**Mr. Liu Peng**, please refer to the paragraph headed “Executive Directors” above for his biography.

**Ms. Lu Lan**, please refer to the paragraph headed “Executive Directors” above for her biography.

### **DIRECTORS’ AND SUPERVISORS’ EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, the following Directors and Supervisors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Bank which are required to be notified to the Bank pursuant to Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director and Supervisor</b>	<b>Name of Shareholder</b>	<b>Position held</b>
ZHOU Yunjie	Haier Group	President and deputy chairman of the board of directors
Rosario STRANO	Intesa Sanpaolo S.p.A.	Head of China development project
TAN Lixia	Haier Group	Executive vice president
DENG Youcheng	Qingdao Conson Development (Group) Co., Ltd.	Deputy secretary to the party committee, general manager and director
DENG Youcheng	Conson Industrial	Director
CHOI Chi Kin, Calvin	AMTD Group Company Limited	Chairman and chief executive officer

As at the Latest Practicable Date, the interests in the Shares owned by Haier Group, Intesa Sanpaolo S.p.A., Haier Smart Home Co., Ltd., Qingdao Conson Development (Group) Co., Ltd., Conson Industrial and AMTD Group Company Limited, which are required to be disclosed to the Bank pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

**PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION****Global Coordinator (H Share Rights Issue) CLSA Limited**

18/F One Pacific Place  
88 Queensway  
Hong Kong

**Underwriters (H Share Rights Issue)****CLSA Limited**

18/F One Pacific Place  
88 Queensway  
Hong Kong

**AMTD Global Markets Limited**

23/F-25/F Nexxus Building  
41 Connaught Road Central  
Hong Kong

**China International Capital Corporation****Hong Kong Securities Limited**

29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**China Merchants Securities (HK) Co., Limited**

48/F One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Joint Bookrunners (H Share Rights Issue) CLSA Limited**

18/F One Pacific Place  
88 Queensway  
Hong Kong

**AMTD Global Markets Limited**

23/F-25/F Nexxus Building  
41 Connaught Road Central  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**China Merchants Securities (HK) Co., Limited**  
48/F One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Intesa Sanpaolo S.p.A.**  
Units 8102-05 & 8106A Level 81  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Sponsor (A Share Rights Issue)**

**CITIC Securities Co., Ltd.**  
North Tower  
Excellence Times Square II  
No.8 Zhongxin San Road  
Futian, Shenzhen  
Guangdong Province, PRC

**Joint Lead Underwriters  
(A Share Rights Issue)**

**CITIC Securities Co., Ltd.**  
North Tower  
Excellence Times Square II  
No.8 Zhongxin San Road  
Futian, Shenzhen  
Guangdong Province, the PRC

**China International Capital Corporation  
Limited**  
27th Floor and 28th Floor  
China World Tower 2  
No.1 Jianguomenwai Avenue  
Chaoyang District  
Beijing, the PRC

**Zhongtai Securities Co., Ltd.**

Securities Tower  
No. 86 Jinqi Road  
Jinan  
Shandong Province, the PRC

**China Merchants Securities Co., Ltd.**

No. 111 Fuhua Yi Road  
Futian Street  
Futian District  
Shenzhen  
Guangdong, the PRC

**Legal Advisers to the Bank**

*as to Hong Kong and U.S. laws:*

**Clifford Chance**

27/F Jardine House  
1 Connaught Place  
Hong Kong

*as to PRC law:*

**King & Wood Mallesons**

18/F East Tower  
World Financial Center  
1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing  
the PRC

**Legal Advisers to the Underwriters**

*as to Hong Kong and U.S. laws:*

**Baker & McKenzie**

14th Floor, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

*as to PRC law:*

**JunHe LLP**

26/F HKRI Centre One, HKRI Taikoo Hui  
288 Shimen Road (No. 1)  
Shanghai  
the PRC

<b>Auditors and Reporting Accountants</b>	<b>KPMG</b> <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
<b>H Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Address of the registered office of the Bank</b>	Building 3, No. 6 Qinling Road Laoshan District Qingdao Shandong Province the PRC
<b>Address of the registered office of the Bank in Hong Kong</b>	31st Floor, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Joint Company Secretaries of the Bank</b>	<b>Ms. LU Lan (呂嵐)</b>  <b>Ms. YU Wing Sze (余詠詩)</b> <i>(Associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the UK)</i>
<b>Authorized Representatives of the Bank</b>	<b>Mr. GUO Shaoquan (郭少泉)</b> No. 6 Qinling Road Laoshan District Qingdao Shandong Province the PRC

Ms. LU Lan (呂嵐)  
No. 6 Qinling Road  
Laoshan District  
Qingdao  
Shandong Province  
the PRC

**Principal Bank of the Bank****Bank of China (Hong Kong) Limited**

1 Garden Road  
Hong Kong

**SHARE CAPITAL**

The registered share capital of the Bank as at the Latest Practicable Date is RMB4,509,690,000.

The following table sets out the Bank's current shareholding structure and its proposed shareholding structure upon completion of the Rights Issue:

Share class	Total number of issued Shares as at the Latest Practicable Date	Percentage of the total number of issued Shares	Number of Shares to be issued under the Rights Issue	Total number of Shares to be issued immediately after the Rights Issue	Percentage of the total number of Shares to be issued immediately after the Rights Issue
H Shares	1,763,034,980	39.09%	528,910,494 <i>(Note 1)</i>	2,291,945,474 <i>(Note 1)</i>	39.38%
A Shares	2,746,655,020	60.91%	781,754,230 <i>(Note 2)</i>	3,528,409,250 <i>(Note 2)</i>	60.62%
Total	<u>4,509,690,000</u>	<u>100.00%</u>	<u>1,310,664,724</u>	<u>5,820,354,724</u>	<u>100.0%</u>

*Notes:*

1. Assuming the H Share Rights Issue becomes unconditional and the H Rights Shares are fully subscribed for and no further H Rights Shares are issued by the Bank.
2. On the basis that the A Share Rights Issue becomes unconditional and 94.87% of the A Rights Shares have been subscribed for and no further A Rights Shares are issued by the Bank.

All H Shares and A Shares presently in issue rank *pari passu* in all respects as regards voting, dividends, distribution and return of capital.

The H Rights Shares to be allotted and issued pursuant to the H Share Rights Issue will, when issued and fully paid, rank *pari passu* in all respects with the H Shares then in issue as regards voting, dividends, distributions and return of capital.

The H Shares in issue are listed on the Hong Kong Stock Exchange. The A Shares in issue are listed on the Shenzhen Stock Exchange. The Offshore Preference Shares in issue are listed on the Hong Kong Stock Exchange. Save as disclosed, no part of the share capital or any other securities of the Bank is listed or dealt in on any other stock exchanges and no application is being made or is currently proposed or sought for the Shares or any other securities of the Bank to be listed or dealt in on any other stock exchanges.

As at the Latest Practicable Date, the Bank is not a party to any agreements to issue new Shares and none of the members of the Company had any other outstanding options or convertible securities. As at the Latest Practicable Date, there is no arrangement entered into under which future dividends are waived or agreed to be waived.

### DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE OF THE BANK

As at the Latest Practicable Date (without taking into account the effect of the A Share Rights Issue), the Directors, Supervisors or the chief executive of the Bank who had interests or short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO): (i) which were required to be notified to the Bank and the Hong Kong Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 of Directors/ Supervisors/ the chief executive	Share class	Capacity	Number of Shares held	Percentage	Percentage	Long/short position
				of the total number of ordinary Shares	of the total number of A Shares	
GUO Shaoquan (郭少泉)	A Shares	Beneficial owner	500,000	0.01%	0.02%	Long
TAN Lixia (譚麗霞)	A Shares	Beneficial owner	375	0.00001%	0.00001%	Long
WANG Lin (王麟)	A Shares	Beneficial owner	500,000	0.01%	0.02%	Long
YANG Fengjiang (楊峰江)	A Shares	Beneficial owner	500,000	0.01%	0.02%	Long
LU Lan (呂嵐)	A Shares	Beneficial owner	380,000	0.01%	0.01%	Long
MENG Xianzheng (孟憲政)	A Shares	Beneficial owner	370,301	0.01%	0.01%	Long

*Note:* The above-mentioned percentages are calculated based on the total number of Shares of 4,509,690,000 and the total number of A Shares of 2,746,655,020 of the Bank as at the Latest Practicable Date.



## DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date (without taking into account the effect of the A Share Rights Issue), the persons other than a Director or chief executive of the Bank who had interests or short positions in the Shares and underlying Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Notes	Share class	Capacity	Number of Shares held	Percentage of the total number of Shares	Percentage of the total number of A Shares	Percentage of the total number of H Shares	Long/short position
Haier Group Corporation (海爾集團公司)	1	A Shares	Interest of controlled corporation	812,214,572	18.01	29.57	-	Long
Haier Kaaosi Co., Ltd. (海爾卡奧斯股份有限公司)	2	A Shares	Interest of controlled corporation	409,693,339	9.08	14.92	-	Long
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	2	A Shares	Beneficial owner	409,693,339	9.08	14.92	-	Long
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	-	A Shares	Beneficial owner	145,297,405	3.22	5.29	-	Long
		A Shares	Interest of controlled corporation	244,680,795	5.43	8.91	-	Long
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	-	A Shares	Beneficial owner	218,692,010	4.85	7.96	-	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限公司)	3	A Shares	Interest of controlled corporation	503,556,341	11.17	18.33	-	Long

Name of Shareholder	Notes	Share class	Capacity	Number of Shares held	Percentage of the total number of Shares	Percentage of the total number of A Shares	Percentage of the total number of H Shares	Long/short position
<b>Qingdao Conson Industrial Co., Ltd.</b> (青島國信實業有限公司)	3	A Shares	Beneficial owner	503,556,341	11.17	18.33	-	Long
<b>GE Shoujiao</b> (葛守蛟)	4	A Shares	Interest of controlled corporation	152,170,000	3.37	5.54	-	Long
<b>LENG Qiyuan</b> (冷啟媛)	4	A Shares	Interest of controlled corporation	152,170,000	3.37	5.54	-	Long
<b>Shandong Sanliyuan Economics and Trade Co., Ltd.</b> (山東三利源經貿有限公司)	4	A Shares	Beneficial owner	152,170,000	3.37	5.54	-	Long
<b>Intesa Sanpaolo S.p.A.</b>	-	H Shares	Beneficial owner	624,753,980	13.85	-	35.44	Long
<b>L.R. Capital Management Company (Cayman) Limited</b>	5	H Shares	Interest of controlled corporation	225,033,531	4.99	-	12.76	Long
	5	H Shares	Interest of controlled corporation	196,882,000	4.37	-	11.17	Short
<b>L.R. Capital MNP Limited</b>	5	H Shares	Interest of controlled corporation	225,033,531	4.99	-	12.76	Long
	5	H Shares	Interest of controlled corporation	196,882,000	4.37	-	11.17	Short
<b>L.R. Capital Financial Holdings Limited</b>	5	H Shares	Interest of controlled corporation	225,033,531	4.99	-	12.76	Long
<b>AMTD Group Company Limited</b> (尚乘集團有限公司)	5	H Shares	Interest of controlled corporation	225,033,531	4.99	-	12.76	Long

**APPENDIX III**
**STATUTORY AND GENERAL INFORMATION**

Name of Shareholder	Notes	Share class	Capacity	Number of Shares held	Percentage of the total number of Shares	Percentage of the total number of A Shares	Percentage of the total number of H Shares	Long/short position
AMTD Strategic Investment Limited	5	H Shares	Beneficial owner	196,882,000	4.37	–	11.17	Long
AMTD Investment Solutions Group Limited	5	H Shares	Beneficial owner	28,151,531	0.62	–	1.60	Long
Jinan Binhe New District Constructive Investment Group Co., Ltd. (濟南濱河新區建設投資集團有限公司)	–	H Shares	Beneficial owner	200,000,000	4.43	–	11.34	Long
Ariana Capital Investment Limited	–	H Shares	Beneficial owner	176,766,469	3.92	–	10.03	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)	6	H Shares	Interest of controlled corporation	100,000,000	2.22	–	5.67	Long
Qingdao Conson Financial Holdings Co., Ltd. (青島國信金融控股有限公司)	6	H Shares	Interest of controlled corporation	100,000,000	2.22	–	5.67	Long
Haitian (HK) Holdings Limited (海天(香港)控股有限公司)	6	H Shares	Beneficial owner	100,000,000	2.22	–	5.67	Long
CITIC Securities Co., Ltd. (中信証券股份有限公司)	–	H Shares	Interest of controlled corporation	86,292,926	1.91	–	4.89	Long
			Interest of controlled corporation	68,366,162	1.51	–	3.88	Short

Name of Shareholder	Notes	Share class	Capacity	Number of Shares held	Percentage of the total number of Shares	Percentage of the total number of A Shares	Percentage of the total number of H Shares	Long/short position
<b>Guangzhou Rural Commercial Bank Co., Ltd.</b> (廣州農村商業銀行股份有限公司)	-	H Shares	Person having a security interest in shares	196,882,000	4.37	-	11.17	Long
<b>Goncius I Limited</b>	-	H Shares	Beneficial owner	488,911,765	10.84	-	27.73	Long
			Beneficial owner	488,911,765	10.84	-	27.73	Short
<b>DBS Group Holdings Ltd</b>	-	H Shares	Interest of controlled corporation	154,284,256	3.42	-	8.75	Long
			Interest of controlled corporation	154,284,256	3.42	-	8.75	Short

*Notes:*

- (1) 812,214,572 Shares of the Bank are held by Haier Group Corporation via its directly or indirectly controlled companies.
- (2) These 812,214,572 Shares are held as to 409,693,339 Shares directly by Qingdao Haier Industrial Development Co., Ltd., which is 100% owned by Haier Kaaosi Co., Ltd. Therefore, Haier Kaaosi Co., Ltd. is deemed to be interested in all the Shares held by Qingdao Haier Industrial Development Co., Ltd.
- (3) Qingdao Conson Industrial Co., Ltd. is 100% owned by Qingdao Conson Development (Group) Co., Ltd. Therefore, Qingdao Conson Development (Group) Co., Ltd. is deemed to be interested in all the Shares held by Qingdao Conson Industrial Co., Ltd.
- (4) GE Shoujiao and LENG Qiyuan hold 55% and 45% equity interest in Shandong Sanliyuan Economics and Trade Co., Ltd. respectively. Therefore, GE Shoujiao and LENG Qiyuan are deemed to be interested in all the Shares held by Shandong Sanliyuan Economics and Trade Co., Ltd.

- (5) AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited hold 196,882,000 Shares and 28,151,531 Shares of the Bank respectively. AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited are controlled by AMTD Group Company Limited. Therefore, AMTD Group Company Limited is deemed to be interested in all the Shares held by AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited.

According to the disclosure of interests forms submitted by L.R. Capital Financial Holdings Limited, L.R. Capital MNP Limited and L.R. Capital Management Company (Cayman) Limited on 2 July 2020, L.R. Capital Financial Holdings Limited holds 61.57% equity interest in AMTD Group Company Limited, L.R. Capital MNP Limited and L.R. Capital Management Company (Cayman) Limited indirectly hold equity interest in AMTD Group Company Limited through controlled corporation. Therefore, L.R. Capital Financial Holdings Limited, L.R. Capital MNP Limited and L.R. Capital Management Company (Cayman) Limited are deemed to be interested in all the Shares of the Bank held by AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited.

According to the disclosure of interests forms submitted by CM International Capital Limited, CM International Capital Limited (中民國際資本有限公司) and China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) on 21 September 2017, CM International Capital Limited holds 34.10% equity interest in L.R. Capital Financial Holdings Limited, CM International Capital Limited is 100% owned by CM International Capital Limited (中民國際資本有限公司), and CM International Capital Limited (中民國際資本有限公司) is 100% owned by China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司). Therefore, CM International Capital Limited, CM International Capital Limited (中民國際資本有限公司) and China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) are deemed to be interested in all the Shares held by AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited (i.e. 401,800,000 H Shares (long position) in the capacity of controlled corporation) at that time.

- (6) Haitian (HK) Holdings Limited holds 100,000,000 Shares of the Bank and is wholly-owned by Qingdao Conson Financial Holdings Co., Ltd. which is 90.27% owned by Qingdao Conson Development (Group) Co., Ltd.
- (7) Under Section 336 of the SFO, forms disclosing of interests shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. Changes of Shareholders' shareholdings in the Bank are not required to inform the Bank and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between Shareholders' latest shareholdings in the Bank and the shareholdings submitted to the Hong Kong Stock Exchange.
- (8) As of the Latest Practicable Date, the number of the Bank's total issued ordinary Shares, A Shares and H Shares are 4,509,690,000 Shares, 2,746,655,020 Shares and 1,763,034,980 Shares, respectively.

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (other than Directors, Supervisors and the chief executives) were directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of the Company:

**INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN OUR MEMBER COMPANIES  
(EXCLUDING THE BANK)**

<b>Member of the Company</b>	<b>Name of Shareholder with 10% or more equity interest (other than us)</b>	<b>Approximate percentage of shareholding of the substantial Shareholder</b>
BQD Financial Leasing Company Limited (青島青銀金融租賃有限公司)	Qingdao Hanhe Cable Co., Ltd. (青島漢纜股份有限公司)	34%

**EXPERT**

The following is the qualification of the expert who has given its opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
KPMG	Certified Public Accountants

KPMG has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Company, or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company.

As at the Latest Practicable Date, the above expert did not have interest in any assets which have been acquired or disposed of by, or leased to any member of the Company, or are proposed to be acquired or disposed of by, or leased to any member of the Company since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Bank were made up.

**DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had interest in any assets which have been acquired or disposed of by or leased to any member of the Company, or have been proposed to be acquired or disposed of by or leased to any member of the Company since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Bank were made up.

As at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Company.

**MATERIAL ADVERSE CHANGE**

There was no material adverse change in the financial or trading positions of the Company since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Bank were made up.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The Prospectus Documents and the written consent of KPMG as referred to under the paragraph headed "Expert" in this appendix have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**MATERIAL LITIGATION**

As of the Latest Practicable Date, no member of the Company was involved in any material litigation or arbitration and there was no material litigation or claim known to the Directors to be pending or threatened by or against any member of the Company.

**MATERIAL CONTRACT**

Set out below is the information on the material contract, not being contract entered into during the ordinary course of business, which was entered into by the Company during the two years immediately preceding the date of this prospectus and up to the Latest Practicable Date:

- (a) the Underwriting Agreement.



**RESTRICTION AFFECTING REMITTANCE OF PROFIT AND CAPITAL**

A significant part of the Bank's turnover and operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Under the PRC existing foreign exchange regulations, the foreign exchange disbursements under current accounts (including payment of dividends, trade and service-related foreign exchange) can be paid with self-owned foreign exchange or foreign exchange bought from designated financial institutions for foreign exchange operations without prior approval from PRC foreign exchange administrative department by complying with certain procedural requirements. However, for the foreign exchange disbursements under capital account (such as the repayment of foreign debts and foreign investments), which are required to be registered with or approved by the competent bank or governmental authority according to applicable PRC laws and regulations, such registration or approval shall be obtained before paying the foreign exchange disbursements with self-owned foreign exchange or foreign exchange bought from designated financial institutions for foreign exchange operations.

Save as disclosed above, the Directors are not aware of any other restriction affecting the remittance of profits or repatriation of capital of the Bank into Hong Kong from outside Hong Kong.

**GENERAL**

- (a) The expenses<sup>1</sup> in connection with the H Share Rights Issue and the A Share Rights Issue, including the financial advisory fee, printing, registration, translation, legal and accounting charges, are estimated to amount to approximately RMB9.50 million and will be payable by the Bank.
- (b) The expenses<sup>1</sup> in connection with the A Share Rights Issue, including the legal fees, accounting fees, information disclosure fees, rights issue registration and other fees, are estimated to amount to approximately RMB4.48 million and will be payable by the Bank.
- (c) In any event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

*Note:*

1. As the underwriting fee is still subject to further determination, it is not included in the expenses disclosed above. The total expenses in connection with the H Share Rights Issue and the A Share Rights Issue (including the underwriting fee) will be further disclosed in the announcement of results of acceptance of and excess applications for H Rights Shares.

**DOCUMENTS ON DISPLAY**

Copies of the following documents will be published at the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.qdccb.com](http://www.qdccb.com)) for a period of 14 days from the date of this prospectus:

- (1) the report from KPMG on the unaudited pro forma financial information of the Company, the full text of which is set out in Appendix II to this prospectus;
- (2) the written consent referred to in the paragraph headed “Expert” in this appendix;  
and
- (3) the material contract referred to in the paragraph headed “Material Contract” in this appendix.