

# Articles of Association of Zhongyuan Bank Co., Ltd.

## CHAPTER 1 GENERAL PROVISIONS

**Article 1** For the purpose of safeguarding the legitimate rights and interests of Zhongyuan Bank Co., Ltd. (the “**Bank**”), its shareholders and creditors, and regulating the organization and activities of the Bank, the Articles of Association (the “**Articles**”) are hereby formulated in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Commercial Banking Law of the People’s Republic of China (the “**Commercial Banking Law**”), the Special Regulations of the State Council concerning the Offering and Listing of Shares Overseas by Joint Stock Limited Companies, the Reply of State Council on the Adjustment to the Provisions of the Notice Period for Convening the General Meetings and Other Matters Applicable to the Overseas Listed Companies, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Corporate Governance Guidelines for Banking and Insurance Institutions and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Constitution of the Communist Party of China (the “**Party Constitution**”) as well as other relevant laws and regulations, departmental rules, relevant regulations of the securities regulatory authorities in the locality in which the shares of the Bank are listed in light of the actual condition of the Bank.

**Article 2** The Bank is a commercial bank established in the form of a joint stock limited company in accordance with the Company Law, the Commercial Banking Law and other relevant provisions.

The Bank was established through the merger of thirteen city commercial banks, including Kaifeng Commercial Bank Co., Ltd., Anyang Bank Co., Ltd., Hebi Bank Co., Ltd., Xinxiang Bank Co., Ltd., Puyang Bank Co., Ltd., Xuchang Bank Co., Ltd., Luohe Bank Co., Ltd., Sanmenxia Bank Co., Ltd., Nanyang Bank Co., Ltd., Shangqiu Bank Co., Ltd., Xinyang Bank Co., Ltd., Zhoukou Bank Co., Ltd. and Zhumadian Bank Co., Ltd. with the Approval of China Banking Regulatory Commission on Establishing Zhongyuan Bank Co., Ltd. (Yinjianfu [2014] No.933). The Bank was registered with the Henan Administration for Industry and Commerce on December 23, 2014 and obtained its business license. The unified social credit code of the Bank is 9141000031741675X6.

**Article 3** The registered name of the Bank is: 中原銀行股份有限公司; the shortened name is: 中原銀行. The full English name is: ZHONGYUAN BANK CO.,LTD.; the English name in short is: ZYBANK.

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**Article 4** The Bank is a perpetually existing joint stock limited company.

**Article 5** The legal representative of the Bank shall be the chairman of its Board of Directors.

**Article 6** The Shareholders shall bear the liabilities of the Bank to the extent of their respective subscribed shares and the Bank shall bear liability for its debts to the extent of all its assets.

**Article 7** From the date on which it becomes effective, the Articles shall become a legally binding document that regulates the organization and acts of the Bank, as well as the rights and obligations between the Bank and its shareholders, and amongst the shareholders themselves.

**Article 8** The Articles shall be binding on the Bank and the shareholders, directors, supervisors, president and other senior management personnel of the Bank. The shareholders, directors, supervisors, president and other senior management personnel of the Bank shall be entitled to claim their rights regarding matters related to the Bank in accordance with the Articles.

According to the Articles, shareholders may initiate legal proceedings against the Bank; the Bank may initiate legal proceedings against its shareholders, directors, supervisors, president and other senior management personnel; shareholders may initiate legal proceedings against other shareholders, and against directors, supervisors, president and other senior management personnel of the Bank.

The term of “initiating legal proceedings” referred to in the preceding paragraph shall include the initiation of legal proceedings at courts or the application of arbitration to arbitration institutions.

**Article 9** The term of “senior management personnel” referred to in the Articles shall mean the Bank’s president, vice president, assistant to the president, finance chief, Secretary to the Board of Directors and other personnel as determined by the Board of Directors.

**Article 10** The Bank may invest in other limited liability companies and joint stock limited companies and shall assume responsibilities to the investees to the extent of its capital contribution. Based on the needs of its business development and subject to review and approval by the banking regulatory and administrative authorities under the State Council, the Bank may establish branches inside and outside the PRC. Oversea branches of the Bank may carry out all banking or other businesses permitted by decrees of the jurisdiction in which such branches are located.

The Bank implements the management system of first-grade legal person and hierarchical grades of operations. Such branches shall not have the status of legal person, and shall legally carry out their business operations within the scope of powers delegated to them by the head office, and their civil liability shall be borne by the head office. The head office exercises central leadership and administration over the major personnel appointment and removal, business policies, comprehensive planning, basic rules and regulations and external affairs of its branches, and shall carry out the financial system of unified accounting, unified capital allocation and classified management for such branches.

**Articles 11** The Bank shall establish the organizations of the Communist Party of China in accordance with the Party Constitution and the Company Law. The Party Committee shall play the core leadership and core political role of providing direction, managing the overall situation and ensuring implementation. The Bank shall also establish the working organs of the Party, which shall be equipped with sufficient fulltime staff to deal with Party affairs and provided with sufficient funds to operate the Party organizations.

## CHAPTER 2 BUSINESS OBJECTIVES AND SCOPE

**Article 12** The business objectives of the Bank are: to actively participate in the financial market competition, to provide quality financial services to customers, to create the best investment returns for shareholders, to create a people-oriented development environment for staff and to promote social and economic prosperity and the development of various undertakings in a prudent, innovative, enterprising and efficient manner.

The Bank shall adhere to the operating principles of safety, liquidity and profitability, while conducting independent operations, bearing its own risks, assuming sole responsibility for its own profit or loss and being self-constrained.

The de-administration of the Bank's management and operation is in place, and no hierarchy of administrative titles shall be set.

**Article 13** The business scope of the Bank is as follows:

- (I) Taking deposits from the public;
- (II) Extending short-term, medium-term and long-term loans;
- (III) Effecting domestic and overseas payment settlements;
- (IV) Accepting and discounting instruments;
- (V) Issuing financial bonds;
- (VI) Acting as the issuing agent, payment agent and underwriter of government bonds;
- (VII) Trading government bonds and financial bonds;
- (VIII) Engaging in interbank lending;
- (IX) Trading foreign exchange as principal or agent;
- (X) Engaging in bank card business;
- (XI) Providing letters of credit and guarantee services;
- (XII) Collecting and making payment as agents and acting as insurance agents;
- (XIII) Providing safe deposit box service;
- (XIV) Engaging in settlement and sales of foreign exchange;
- (XV) Engaging in fund sales;
- (XVI) Other businesses approved by the banking regulatory authorities under the State Council.

## CHAPTER 3 SHARES AND REGISTERED CAPITAL

### Section 1 Shares Issue

**Article 14** The shares of the Bank shall be in the form of share certificates.

Based on its needs and upon approval by the approval authorities authorized by the State Council, the Bank may create other classes of shares as required by relevant laws and administrative regulations. In appropriate circumstances, the Bank shall ensure enough voting rights for preferred shareholders.

In these Articles, preference shares refer to the other classes of shares governed separately under the Company Law as compared to the ordinary shares governed by the general provisions. The preference shareholders shall participate in the distribution of profits and residual assets of the Bank in priority to ordinary shareholders, but their rights in respect of participating in decision making and management of the Bank (such as voting rights) are restricted.

Unless otherwise specified, references in Chapters 3 to 19 of these Articles to share(s) (including H Shares) and share certificate(s) shall refer to ordinary share(s) and ordinary share certificate(s) and references to shareholders shall refer to ordinary shareholders. Special matters relating to preference shares are set out separately in Chapter 20 of these Articles.

The Bank shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry same rights. For shares of the same class that are issued in the same tranche, the issue terms and price shall be identical. Any entity or individual subscribing for shares shall pay the same price for each share.

**Article 15** All of the ordinary shares issued by the Bank shall have a par value of RMB1 each. The term “RMB” referred to in the preceding paragraph shall mean the lawful currency of the PRC.

**Article 16** Upon approval of the banking regulatory and administrative authorities under the State Council, the securities regulatory and administrative authorities under the State Council and other relevant regulatory authorities, the Bank may issue shares to domestic investors and overseas investors.

The term of “overseas investors” referred to in the preceding paragraph shall mean investors from foreign countries and from the Hong Kong Special Administrative Region (“**Hong Kong**”) of the People’s Republic of China (the “**PRC**”), Macao Special Administrative Region of the PRC and Taiwan Region of the PRC who have subscribed for the shares issued by the Bank. The term of “domestic investors” referred to in the preceding paragraph shall mean investors other than those mentioned above who have subscribed the shares issued by the Bank and are located within the PRC.

**Article 17** Shares issued by the Bank to the domestic investors which are subscribed in RMB shall be referred to as “domestic shares”. Shares issued by the Bank to the overseas investors which are subscribed in foreign currency shall be referred to as “foreign shares”. Foreign shares that are listed overseas shall be referred to as “overseas listed foreign shares”.

Shares issued with approval from authorities authorized by the State Council and listed and traded on overseas stock exchanges with approval from overseas securities regulatory authorities shall be referred to as “overseas listed shares”.

Overseas listed foreign shares issued by the Bank and listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) are referred to as H shares.

Domestic shares issued by the Bank are retained under centralized depository of the relevant securities depository institutions for safe custody; whereas H shares of the Bank are mainly retained under the safe custody of entrusted Hong Kong securities clearing companies and such shares may also be held under the personal names of shareholders.

The foreign currencies mentioned in the preceding paragraph refer to the legal tenders, other than RMB, of other jurisdictions and are recognized by the PRC foreign exchange administration authorities for payment to the Bank for share capital.

To the extent permitted by the relevant laws, administrative regulations and departmental rules, shareholders of the Bank may trade in unlisted shares on overseas stock exchanges upon approval from the relevant regulatory authorities such as the banking regulatory and administrative authorities under the State Council and the securities regulatory and administrative authorities under the State Council. The trading of the aforementioned shares on overseas stock exchanges shall comply with the regulatory procedures, regulations and requirements of the overseas stock exchange. No class shareholders’ meeting is required to be convened in respect of the trading of aforesaid shares on a foreign stock exchange.

**Article 18** The total number of ordinary shares that the Bank may issue upon approval by the examination and approval departments authorized by the State Council is 36,549,823,322.

The Bank’s ordinary share capital structure is: 36,549,823,322 ordinary shares, including 29,604,823,322 domestic shares, representing approximately 81.00% of the total ordinary shares issued by the Bank; and 6,945,000,000 H shares, representing approximately 19.00% of the total ordinary shares issued by the Bank.

The Bank has 69,750,000 preference shares of issue outside the PRC.

**Article 19** Subject to approval of the Bank’s plan to issue overseas listed shares and domestic shares by the securities regulatory and administrative authorities under the State Council, the Board of Directors of the Bank may implement arrangements regarding the issuance of the shares respectively.

The Bank may respectively implement its plan to issue overseas listed shares and domestic shares pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the securities regulatory and administrative authorities under the State Council.

**Article 20** In the event that there are overseas listed shares and domestic shares included in the total number of shares as stated in the issue plan, such shares shall be fully subscribed for at their respective offerings. If these shares cannot be fully subscribed due to special circumstances, such shares may be issued in separate tranches subject to the approval by the securities regulatory and administrative authorities under the State Council.

**Article 21** The registered capital of the Bank is RMB36,549,823,322.

## **Section 2 Increase or Reduction and Repurchase of Shares**

**Article 22** The Bank may, based on its operation and development needs, increase its capital according to the relevant provisions of the Articles. The increase in capital may be conducted in the following ways:

- (I) Public offering of shares;
- (II) Non-public offering of shares;
- (III) Placing new shares to existing shareholders;
- (IV) Distributing new shares to existing shareholders;
- (V) Transferring reserve funds to increase share capital;
- (VI) Other methods required by applicable laws or permitted by relevant competent authorities of the State.

After being approved according to the Articles, the Bank's increase of capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws and administrative regulations.

**Article 23** The Bank may reduce its registered capital. The reduction of the registered capital of the Bank shall be conducted in accordance with the procedures stipulated by the Company Law, the Commercial Banking Law and other applicable laws and provisions of the Articles.

**Article 24** The Bank may, in accordance with the provisions under the laws, administrative regulations, departmental rules and the Articles, repurchase its issued shares in the following circumstances:

- (I) Reduction of the Bank's registered capital;
- (II) Merging with another company holding shares in the Bank;
- (III) Shares shall be used for employee stock ownership plans or as stock incentive;
- (IV) Requests for the Bank to repurchase its own shares from shareholders who have voted against the resolutions passed at a shareholders' general meeting on the merger or division of the Bank;
- (V) Shares shall be used to convert corporate bonds issued by the Bank that can be converted into stocks;
- (VI) When it is necessary for the Bank to safeguard the corporate value and the interests of its shareholders;
- (VII) Other circumstances permitted by applicable laws and permitted by the relevant competent authorities of the State.

The Bank shall not repurchase its own shares other than in the above circumstances.

Approval shall be obtained at a shareholders' general meeting when the Bank is to repurchase its own shares because of the circumstances set out in (I) and (II) above. Repurchase of shares of the Bank because of the circumstances set out in (III), (V) and (VI) above shall be subject to the resolution of the board meeting in which more than two-thirds of the directors attend upon authorization from the general meeting of shareholders.

After the Bank has repurchased its own shares in accordance with the abovementioned provisions, the shares so repurchased shall be cancelled within ten (10) days from the date of purchase (under the circumstances set out in (I)), or shall be transferred or cancelled within six (6) months (under the circumstances set out in (II) and (IV)); and the shares held in total by the Bank shall not exceed 10% of the total issued shares of the Bank, and shall be transferred or cancelled within three years (under the circumstances set out in (III), (V) or (VI)).

**Article 25** The Bank may, with approval from relevant competent authorities of the State, repurchase its shares in one of the following ways:

- (I) Making a repurchase offer to all shareholders on a pro rata basis;
- (II) Repurchasing shares through open transactions on a stock exchange;
- (III) Repurchasing shares via an off-market agreement;
- (IV) Other manners as required by the laws, administrative regulations and permitted by relevant competent authorities of the State.

**Article 26** Where the Bank is to repurchase its shares via an off-market agreement, prior approval shall be obtained at a shareholders' general meeting in accordance with the Articles. The Bank may, having first obtained the prior approval at a shareholders' general meeting, rescind or alter contracts concluded in the aforementioned manner or waive any of its rights under such contracts.

For the purposes of the preceding paragraph, contracts for the share repurchase shall include (but shall not be limited to) agreements in connection with the assumption of the obligations and the entitlement of the rights to repurchase shares.

The Bank shall not assign any contract for the repurchase of its shares or any of its rights provided therein.

**Article 27** An application to change the Bank's registered capital for the portion of shares cancelled due to the repurchase of its own shares shall be filed with the company registration authority.

The aggregate par value of the shares cancelled shall be deducted from the registered capital of the Bank.

**Article 28** Unless the Bank is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued shares:

- (I) For repurchases of shares by the Bank at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issuance of shares for that purpose;
- (II) Where the Bank repurchases its shares at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of a new issuance of shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:
  - 1. if the shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits;
  - 2. if the shares being repurchased are issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of a new issuance of shares for that purpose. However, the amount deducted from the proceeds of the new issuance of shares shall not exceed the aggregate amount of the premium received by the Bank from the issuance of the shares so repurchased, nor shall it exceed the amount in the Bank's premium account or capital reserve fund account (including premium on the new issue) at the time of such repurchase;
- (III) The Bank shall make the following payments from the Bank's distributable profits:
  - 1. acquisition of the rights to repurchase its own shares;
  - 2. variation of any contracts for the repurchase of its shares;
  - 3. release from its obligations under any repurchase contracts;
- (IV) After the aggregate par value of the cancelled shares is deducted from the Bank's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the shares at par value shall be credited to the Bank's premium account or its capital reserve fund account.

If there are applicable provision(s) to the contrary regarding the financial treatment of the aforementioned share repurchases in the laws, administrative regulations and relevant regulations of the relevant regulatory authorities, those provision(s) shall prevail.

### Section 3 Transfer of Shares

**Article 29** Unless otherwise specified by the relevant laws, administrative regulations and the regulations of the securities regulatory authorities in the locality in which the shares of the Bank are listed, the fully paid shares of the Bank may be transferred legally and freely without any lien attached.

Registration shall be made in the share registrar authorized by the Bank for the transfer of the shares of the Bank.

The Bank shall comply with the relevant regulations of the banking regulatory and administrative authorities under the State Council in transferring its shares.

**Article 30** All fully paid H shares may be freely transferred in accordance with the Articles. However, the Board of Directors may refuse to recognize the documents for transfer without stating any reason unless the conditions stipulated below are met:

- (I) Fee prescribed by the Hong Kong Stock Exchange in the Hong Kong Listing Rules has been paid to the Bank, and all transfer documents and other documents which relate to or may affect the title of any shares have been registered;
- (II) Transfer documents are only in relation to H shares;
- (III) Stamp duty (as stipulated by Hong Kong law) which is payable for the transfer documents has been duly paid;
- (IV) Relevant share certificate(s) and any other evidence which the Board of Directors may reasonably require to show that the transferor has the right to transfer the shares have been provided;
- (V) Where the shares are intended to be transferred to joint holders, the number of such joint shareholders is not more than four;
- (VI) The shares are free and clear of any lien of the Bank.

If the Board of Directors refuses to register any transfer of shares, the Bank shall issue a notice to the transferor and the transferee within two (2) months from the date on which the transfer application has been duly submitted, to notify them of the refusal to register such transfer.

**Article 31** All transfers of H shares shall adopt written instruments of transfer in an ordinary or usual form or in any other form acceptable to the Board of Directors (including standard transfer form or other form of transfer as prescribed by the Hong Kong Stock Exchange from time to time). The written instruments of transfer may be signed by hand or (where the transferor or transferee is a corporation) by the company's seal. Where the transferor or transferee is a recognized clearing house as defined by relevant regulations in accordance with the Laws of Hong Kong from time to time (the "**recognized clearing house**"), or its proxy, the instruments of transfer may be signed by hand or in a machine-imprinted format.

All instruments of transfer shall be kept at the legal address of the Bank or the addresses designated by the Board of Directors from time to time.

**Article 32** Any company and individual shall purchase more than 5% of the total number of issued shares of the Bank with prior approval from the banking regulatory and administrative authorities under the State Council.

**Article 33** The Bank shall not accept its shares being held as security under a pledge.

**Article 34** Directors, supervisors and senior management personnel of the Bank shall inform the Bank about their holdings of the shares in the Bank and any changes in their shareholding. During their terms of office, the shares transferred each year shall not exceed 25% of the total number of shares of the Bank held by any such aforementioned persons. Any such aforementioned persons shall not transfer shares of the Bank held by them within six (6) months after they cease to be employed except for compulsory execution by the court.

Shares issued prior to the Bank's public offering shall not be transferable within one year from the date on which the Bank's shares are listed on the stock exchange. If the securities regulatory authorities at the location where the shares of the Bank are listed have restrictions on transfers of overseas listed shares, those provision(s) shall prevail.

#### **CHAPTER 4 FINANCIAL ASSISTANCE FOR PURCHASE OF SHARES OF THE BANK**

**Article 35** The Bank (including any of its branches) or its subsidiaries (including any affiliates of the Bank) shall not offer any financial assistance at any time by any means (including by gifts, payments advanced, guarantees, compensations or loans) to purchasers or prospective purchasers of the shares of the Bank.

The purchasers of the shares of the Bank referred to in the preceding paragraph shall include the persons who have directly or indirectly assumed obligations as a result of the purchase of the shares of the Bank.

The Bank (including any of its branches) or its subsidiaries (including any affiliates of the Bank) shall not offer any financial assistance at any time and by any means in order to reduce or relieve the obligations of the aforesaid obligors.

This Article shall not be applicable to the circumstances described in Article 37 in this Chapter.

**Article 36** The financial assistance referred to in this Chapter shall include but not limited to the following means:

- (I) Gifts;
- (II) Guarantees (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Bank's neglect or default) or the release or waiver of any rights;
- (III) Financial assistance given by way of a loan or any other agreement under which the obligations of the Bank are to be fulfilled at a time when in accordance with the agreement the obligations of another party remain unfulfilled; or by way of the novation of, or the assignment of rights arising under such a loan or other agreement referred to in this paragraph;

- (IV) Any other form of financial assistance given by the Bank when the Bank is insolvent, has no net assets, or when its net assets would be reduced to a material extent as a result of such financial assistance.

The obligations referred to in this Chapter shall include the obligations of an obligor which have arisen by making an agreement or arrangement (regardless of whether the aforesaid agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial position.

**Article 37** The acts listed below shall not be prohibited by Article 35 in this Chapter, subject to any prohibitions by the relevant laws, administrative regulations, departmental rules and normative documents:

- (I) The financial assistance provided by the Bank is in good faith for the benefit of the Bank and the main purpose of the financial assistance is not for the acquisition of shares in the Bank, or the financial assistance is an incidental part of an overall plan of the Bank;
- (II) The lawful distribution of the Bank's assets in the form of dividends;
- (III) The distribution of dividends in the form of shares;
- (IV) The reduction of registered capital, repurchase of shares, and adjustment of shareholding structure, etc. in accordance with the Articles;
- (V) The provision of a loan by the Bank within its scope of business and in the ordinary course of business (provided that this does not lead to a reduction in the net assets of the Bank or that if this causes a reduction, the financial assistance is taken from the Bank's distributable profits);
- (VI) Provision of funds by the Bank for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Bank or that if there causes a reduction, the financial assistance is taken from the Bank's distributable profits).

## **CHAPTER 5 SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS**

**Article 38** The share certificates of the Bank shall be in registered form.

Apart from the particulars as required by the Company Law, the particulars to be set out in the share certificates of the Bank shall include other items that should be stated pursuant to the regulations of stock exchange where the Bank's shares are listed.

The overseas listed shares of the Bank may be in the form of foreign depository receipts or in other derivative forms of shares in accordance with the laws and the securities registration and depository practices of the locality in which the shares of the Bank are listed prevail.

If shares that do not have voting rights are counted towards the share capital of the Bank, such shares shall bear the phrase "no voting rights" in their title. If shares carrying different voting rights are counted towards the share capital of the Bank, these classes of shares (except for the class of shares with the most privileged voting rights) shall bear the phrase "restricted voting rights" or "limited voting rights" in their titles.

**Article 39** The share certificates of the Bank shall be signed by the chairman of the Board of Directors. If the securities regulatory authorities at the location where the shares of the Bank are listed require the president or other senior management personnel of the Bank to sign the share certificates, the share certificates shall be signed by the president or other relevant senior management personnel. The share certificates shall become effective after a seal of the Bank is affixed or imprinted thereon. The affixation of the Bank's seal on the share certificates shall be subject to the authorization of the Board of Directors. The signatures of the chairman of the Board of Directors, the president or other relevant senior management personnel of the Bank on the share certificates can be provided in printed form.

When dematerialized shares of the Bank are issued and traded, the applicable provisions of the securities regulatory authorities at the location where the shares of the Bank are listed shall be followed.

**Article 40** The Bank shall establish a register of shareholders according to the law, stating the following matters, or conduct the registration of shareholders pursuant to the provisions of the laws, administrative regulations, departmental rules and the Hong Kong Listing Rules:

- (I) The name (description), address (domicile), occupation or nature of each shareholder;
- (II) The class and number of shares held by each shareholder;
- (III) The amount paid or payable for the shares held by each shareholder;
- (IV) The serial number of the share certificates held by each shareholder;
- (V) The date on which each shareholder is registered as a shareholder;
- (VI) The date on which each shareholder ceases to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders shall be sufficient evidence of the shareholders' respective shareholdings in the Bank.

**Article 41** Pursuant to an understanding and agreement reached between the securities regulatory authorities under the State Council and overseas securities regulatory authority, the Bank may keep its registers of shareholders of overseas listed shares outside the PRC and appoint an overseas agent to manage these registers. The original of the register of shareholders of the Bank's H shares (only including ordinary shares) shall be kept in Hong Kong.

The Bank shall keep at its domicile duplicates of the registers of shareholders of overseas listed shares. The appointed overseas agent shall ensure that the originals and the duplicates of these registers are consistent at all times.

In the event that there is any inconsistency between the originals and the duplicate of the registers of shareholders of overseas listed shares, the originals shall prevail.

**Article 42** The Bank shall keep a complete register of shareholders.

The register of shareholders shall comprise the following parts:

- (I) The register kept at the Bank's domicile, apart from those mentioned under items (II) and (III) of this Article;
- (II) The register of shareholders of the overseas listed shares of the Bank kept at the location of the stock exchange on which the shares are listed;
- (III) Any other register of shareholders kept at such other places as the Board of Directors deems necessary for the purpose of listing the shares (including preference shares) of the Bank.

**Article 43** The various parts of the register of shareholders shall not overlap with each another. The transfer of shares registered in a certain part of the register of shareholders shall not be registered in any other part of the register during the continuance of the registration of such shares.

Any changes or corrections of any part of the register of shareholders shall be effected in accordance with the laws of the locality in which that part of the register of shareholders is kept.

**Article 44** If provisions on the period of closure of the register of shareholders prior to a shareholders' general meeting or prior to the reference date set by the Bank for the purpose of distribution of dividends are stipulated by the securities regulatory authority in the place where the shares of the Bank are listed, those provisions shall prevail.

**Article 45** Where the Bank convenes a shareholders' general meeting, distributes dividends, undergo liquidation or engage in any other act requiring the confirmation of shareholding, the Board of Directors or the convener of the shareholders' general meeting shall stipulate a date for shareholding registration. After trading hours have ended on the shareholding registration date, the shareholders who are recorded in the register of shareholders shall be the shareholders who are entitled to relevant rights and interests.

**Article 46** Anyone objecting to the register of shareholders, either requests to register his/her/its name (description) in the register of shareholders or to remove his/her/its name (description) from the register of shareholders shall have the right to apply to the court having the appropriate jurisdiction in order to rectify the register.

**Article 47** If the share certificates (i.e. the "**Original Share Certificates**") of any shareholders registered in the register of shareholders or any persons who requests to register their names (description) in the register of shareholders are lost, these shareholders or persons may apply to the Bank for replacement share certificates in respect of such shares (i.e. the "**Relevant Shares**").

If a holder of domestic shares loses his share certificates and applies for their replacement, it shall be dealt with in accordance with the Company Law.

If a holder of overseas listed foreign shares loses his share certificates and applies for their replacements, it may be dealt with in accordance with the relevant laws of the place where the original register of shareholders of overseas listed foreign shares is maintained, the rules of relevant securities regulatory authorities at the location where the shares of the Bank are listed or other relevant regulations.

If a holder of H shares loses his share certificates and applies for their replacement, the issue of replacement share certificates shall comply with the following requirements:

- (I) Applicants shall submit an application via a standard form designated by the Bank alongside a notarial certificate or statutory declaration. The notarial certificate or statutory declaration shall include the reason the applicant is making the application, the circumstances in which the share certificate(s) was/were lost with supporting evidence, and a declaration that no other persons can request to be registered as a shareholder in respect of the Relevant Shares.
- (II) The Bank has received no declarations from anyone other than the applicant requesting registration as a shareholder over such shares before the Bank decides to issue replacement share certificates.
- (III) The Bank shall, if it decides to issue a replacement share certificate to the applicant, make an announcement of its intention to issue the replacement share certificate in such newspapers as designated by the Board. The announcement shall be made at least once every thirty (30) days for a period of ninety (90) days.
- (IV) The Bank shall have, prior to the publication of its announcement of intention to issue a replacement certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Bank may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited at the premises of the stock exchange. The announcement shall be exhibited at the premises of the stock exchange for a period of ninety (90) days.

In case an application to issue a replacement share certificate has been made without the consent of the registered holder of the relevant shares, the Bank shall send by post to such registered shareholder a copy of the announcement to be published.

- (V) If, upon expiration of the ninety-day period of announcement and exhibition as stipulated in (III) and (IV) of this Article, the Bank has not received from any person any objection regarding the issue of replacement share certificate, the Bank may issue a replacement share certificate to the applicant according to his application.
- (VI) Where the Bank issues a replacement share certificate under this Article, it shall forthwith cancel the original share certificate and enter the cancellation and issue in the register of shareholders accordingly.
- (VII) All expenses relating to the cancellation of an original share certificate and the issue of a replacement share certificate by the Bank shall be borne by the applicant. The Bank is entitled to refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.

**Article 48** Where the Bank issues a replacement share certificate pursuant to the Articles, the name (description) of a bona fide purchaser who obtains the aforementioned new share certificate or a shareholder who thereafter registers as the owner of such shares (in the case that he/she/it is a bona fide purchaser) shall not be removed from the register of shareholders.

**Article 49** The Bank shall not be liable for any loss suffered by any person by reason of the cancellation of the original share certificates or the issuance of the replacement share certificates, unless the claimant proves that the Bank has acted fraudulently.

## CHAPTER 6 RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

**Article 50** A shareholder of the Bank is a legal person or a natural person who lawfully holds shares in the Bank and whose name (description) is entered in the register of shareholders of the Bank.

Shareholders of the Bank shall comply with the requirements of being investor and shareholders of commercial banks stipulated by the banking regulatory and administrative authorities under the State Council.

Where above two persons are registered as the joint holders of any shares, they shall be deemed as the joint owners of such shares, provided that they are subject to the following constraints:

- (I) The Bank shall not register more than four persons as the joint holders of any shares;
- (II) All the joint holders of any shares shall be jointly and severally liable for payment of all amounts due from such shares;
- (III) If one of the joint shareholders is deceased, only the surviving persons among the joint shareholders shall be regarded as the owners of relevant shares of the Bank, provided that the Board of Directors shall have the right to require the surviving persons to provide a certificate of death in a manner deemed appropriate by the Board of Directors for the purpose of altering the register of shareholders;
- (IV) For joint shareholders of any shares, only the joint shareholder whose name stands first on the register of shareholders shall be entitled to receive the certificate of relevant shares and notice from the Bank, to attend the shareholders' general meeting of the Bank or to exercise all the voting rights attached to the relevant shares. Any notice which has been served to the aforesaid person shall be deemed to have been served to all of the joint shareholders of relevant shares.

Any receipts issued to the Bank by one of the joint shareholders for any dividend, bonus or return on capital payable to such joint shareholders shall be deemed as a valid receipt that has been issued by all the joint shareholders to the Bank.

**Article 51** The shareholders shall enjoy rights and assume obligations according to the class and amount of shares held. Shareholders holding the same class of shares shall be entitled to the same rights and assume the same obligations.

**Article 52** Holders of the ordinary shares of the Bank shall enjoy the following rights (if these Articles have other regulations on the rights of holders of preference shares, those other regulations shall apply):

- (I) To receive dividends and other kinds of distributions according to the number of shares held by them;
- (II) To legally request, convene, preside, attend in person or appoint a proxy to attend the shareholders' general meeting, and to exercise their voting rights according to the number of shares held by them;

- (III) To supervise the operation of the Bank, and to make suggestions or enquiries accordingly;
- (IV) To transfer, bestow, pledge or otherwise dispose of shares held by them in accordance with the laws, administrative regulations, relevant regulations of the securities regulatory authorities in the listing place and the Articles;
- (V) To obtain relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, the relevant provisions stipulated by the securities regulatory authorities in the locality in which the shares of the Bank are listed and the Articles, including:
  - 1. to obtain a copy of the Articles after paying the costs and expenses incurred;
  - 2. have the right to inspect, free of charge, and to photocopy, after paying a reasonable fee, the following documents:
    - (1) all parts of the register of shareholders;
    - (2) the personal information of the directors, supervisors, president and other senior management personnel of the Bank;
    - (3) status of the Bank's share capital;
    - (4) reports on the aggregate par value, number of shares, and highest and lowest prices of each class of shares in relation to any repurchase by the Bank of its own shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;
    - (5) minutes of the shareholders' general meeting;
    - (6) the special resolutions of the Bank;
    - (7) the latest audited financial statements, directors' reports, auditors' report and report of the Bank's Board of Supervisors;
    - (8) a copy of the latest annual report or annual return already submitted to the State Administration for Market Regulation or other competent bodies.

The documents referred to in items (1), (3), (4), (5), (6), (7) and (8) shall be maintained at the Hong Kong address of the Bank in accordance with the Hong Kong Listing Rules and available for inspection free of charge by both the public and shareholders of H shares, whereas item (1) and item (5) will only be available for inspection by the shareholders free of charge, and for copying by the shareholders at reasonable charges.

Copies of the minutes of the meetings shall be available for inspection during business hours of the Bank by any shareholder free of charge. If any shareholder makes a request to obtain a copy of the relevant minutes from the Bank, the Bank shall send a copy of the requested minutes within seven (7) days upon the receipt of a reasonable fee.

The Bank may refuse to provide any of the aforementioned documents if the documents to be inspected or photocopied involve the Bank's trade secrets and/or inside information.

- (VI) To participate in the distribution of the remaining assets of the Bank based on the number of shares held in the event of the Bank's dissolution or liquidation;
- (VII) To demand the Bank to repurchase their shares (for shareholders who disagree with the resolutions adopted at a shareholders' general meeting of the Bank in relation to the merger or division of the Bank);
- (VIII) To have other rights required in accordance with the laws, administrative regulations, departmental rules and the Articles.

If any persons holding an interest in the shares of the Bank either directly or indirectly exercise their rights without disclosing their interest to the Bank, the Bank shall not compromise the rights of such persons by freezing them or in any other manner only on this ground.

**Article 53** Where a shareholder requests to inspect and read the relevant information as set forth in the preceding Article, this shareholder shall provide the Bank with written documents evidencing the class and number of shares held by this shareholder in the Bank and the Bank shall provide the above information at the request of such shareholder upon verification of the shareholder's identity.

**Article 54** If a resolution of a shareholders' general meeting or the Board of Directors violates the laws and administrative regulations, a shareholder shall have the right to request a people's court to determine the resolution as invalid.

If the procedure for convening a shareholders' general meeting or the Board of Directors' meeting, or the method of voting at either type of meeting, violates the laws, administrative regulations or the Articles, or the contents of a resolution violates the Articles, a shareholder shall have the right to request a people's court to rescind the resolution within sixty (60) days from the date on which the resolution is adopted.

**Article 55** If any director and senior management personnel has violated the laws, administrative regulations or provisions of the Articles in performing their duties in the Bank and therefore has caused loss to the Bank, shareholders who have individually or jointly held above 1% shares in the Bank for above one hundred and eighty (180) consecutive days may make a written request to the Board of Supervisors to initiate legal proceedings at the people's court. If the supervisors have violated laws, administrative regulations or provisions of the Articles in performing its duties and therefore has caused loss to the Bank, the shareholders may make a written request to the Board of Directors to initiate legal proceedings at a people's court.

If the Board of Supervisors or the Board of Directors rejects or fails to initiate legal proceedings within thirty (30) days after receiving the request, or the situation is so urgent that the Bank's interests will suffer irremediable harm if legal proceedings are not initiated immediately, the shareholders specified in the preceding paragraph shall have the right to directly initiate legal proceedings at a people's court in their own names for the benefit of the Bank.

If any other person infringes on the Bank's interest and therefore has caused loss to the Bank, the shareholders specified in the first paragraph of this Article may initiate legal proceedings at a people's court pursuant to procedures stated in the two preceding paragraphs.

**Article 56** If any director and senior management personnel has violated the laws, administrative regulations or provisions of the Articles and has therefore impaired the interests of the shareholders, the shareholders may initiate legal proceedings at a people's court.

**Article 57** Shareholders of ordinary shares of the Bank shall have the following obligations (if these Articles have other regulations on the obligations of holders of preference shares, those other regulations shall apply):

- (I) To abide by the laws, regulations, regulatory requirements and the Articles;
- (II) To contribute to the share capital as determined by the number of shares subscribed by them and the prescribed method of capital contribution. To use their own funds obtained from legitimate sources to acquire equity of the Bank, rather than using entrusted funds, debt funds and other funds not owned by themselves, unless otherwise prescribed by laws and regulations or regulatory system;
- (III) To comply with the regulatory requirements on the proportion of shareholding and the number of shareholding institutions, and not to entrust others to hold shares of the Bank or hold on behalf of others the shares of the Bank. Not to withdraw their contributed share capital except in circumstances allowed by the laws and regulations;
- (IV) According to laws and regulations as well as regulatory requirements, to report to the Bank in a timely, complete and truthful manner, among others, the financial information, shareholding structure, source of capital contribution, controlling shareholders, de facto controllers, related parties, parties acting in concert, ultimate beneficial owners, and investments in other financial institutions;
- (V) According to laws and regulations as well as regulatory requirements, to timely report to the Bank in writing any changes in the controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners of the relevant shareholders;
- (VI) According to laws and regulations as well as regulatory requirements, to timely report to the Bank in writing the merger, division, imposition of regulatory measures on the relevant shareholder such as suspension of business, designation of trustee, takeover or revocation on it, or its process of dissolution, liquidation or bankruptcy, or any changes in its legal representative, company name, operating place, operating scope and other major matters;
- (VII) According to laws and regulations as well as regulatory requirements, to timely report to the Bank in writing any occurrence where the shares of the Bank held by the shareholder are involved in litigation, arbitration, imposition of legal enforcement by judicial bodies, pledges or release of pledges;
- (VIII) The shareholder's transfer of or pledge over the shares in the Bank, or entering into of any related party transactions with the Bank, shall abide by laws and regulations as well as regulatory requirements without prejudicing the interests of other shareholders and the Bank;

- (IX) Shareholders and their controlling shareholders and actual controllers shall not abuse the shareholder's rights or use related party relations to harm the legal interest of the Bank or any other shareholders and stakeholders, and shall not interfere in the decision-making power and management power entitled to the Board and senior management pursuant to the Articles, and shall not bypass the Board and senior management to directly intervene in the operations and management of the Bank; not to abuse the Bank's status as an independent, separate legal entity and the limited liability of shareholders to harm the interests of the Bank's creditors. If a shareholder of the Bank abuses his/her/its rights and causes damage to the Bank or other shareholders, he/she/it will be held liable for compensation in accordance with the law. If a shareholder abuses the Bank's status as an independent, separate legal entity and the limited liability of shareholders and evades the repayment of debts, resulting in material damage to the interests of the Bank's creditors, that shareholder will be jointly and severally liable for the debts of the Bank;
- (X) Shareholders shall protect the interests of the Bank such that the terms of credit provided to its shareholders shall not be more favorable than those provided to other borrowers if the loans concerned are in the same category; a shareholder's voting right at general meetings as well as the voting rights of the directors nominated by him/her at the Board meetings shall be restricted when he/she has overdue loans payable to the Bank;
- (XI) Shareholders shall exercise their rights as capital contributors strictly in compliance with the laws, regulations and the Articles. They shall not seek inappropriate interest, and damage the interests of the Bank and the legitimate rights and interests of other stakeholders;
- (XII) Shareholders shall support the reasonable capital plans formulated by the Board of Directors of the Bank to enable the Bank to meet regulatory capital requirements constantly;
- (XIII) When the Bank is not able to meet regulatory capital requirements, the Bank will formulate capital replenishment plan to enable the capital adequacy ratio meet regulatory requirements within prescribed period and replenish capital by way of increasing core capital or taking other measures. Substantial shareholders shall not hinder the replenishment of capital by other shareholders or the entry of new qualified shareholders;
- (XIV) Shareholders who are subject to approval of the regulatory authorities but have not reported to the regulatory authorities shall not exercise right to call a general meeting, right to vote, right to nominate, right to make proposals and right of disposal etc.;
- (XV) For shareholders who make misrepresentation, misuse shareholders' rights or have other conducts that damage the Bank's interests, the banking regulators under the State Council may restrict or prohibit the Bank from conducting related party transactions with such shareholder, restrict the limit of his/her/its shareholding in the Bank and ratio of equity pledge etc., and may restrict his/her/its right to call a general meeting, right to vote, right to nominate, right to make proposals and right of disposal etc.;

- (XVI) In the event of any risk events or major violations, the Bank will adopt appropriate loss absorption and risk mitigation mechanisms in accordance with relevant laws and regulations, administrative regulations and departmental rules and the recovery and disposal plan formulated by the Bank, and the shareholders shall cooperate with the regulatory authorities in carrying out investigations and risk disposal;
- (XVII) Other obligations imposed by laws and administrative regulations as well as the Articles.

The major shareholders of the Bank shall make commitments truthfully and fulfill their commitments effectively in accordance with relevant laws and regulations and regulatory requirements, and actively cooperate with the banking supervision and administration authorities of the State Council and the Bank in the assessment of shareholders' commitments. The content of the undertakings shall be accurate, standardized and enforceable, and the responsibilities and obligations of the major shareholders shall be implemented. If the major shareholder breaches the undertakings, the Bank may take corresponding restrictive measures against the shareholder in accordance with the relevant laws and regulations, regulatory requirements and these Articles of Association.

**Article 58** In case of providing guarantee for themselves or others with their equity interest in the Bank, the shareholders shall strictly comply with the requirements of laws, regulations and regulatory bodies and give a prior notice to the Board of directors of the Bank. The office of the Board of Directors or other departments delegated by the Board of Directors shall be responsible for the collection, sortation and submission of information relating to equity pledge.

Shareholders being directors or supervisors of the Bank, or directly or indirectly, jointly holding or controlling more than 2% of the Shares or voting rights of the Bank, when pledging the Shares of the Bank, shall in advance apply for approval of and file the same with the Board of Directors of the Bank to provide the information including the reasons for pledge, equity amount, term of pledge and pledger. The shareholder's application shall not be kept in archives if the Board of Directors identifies that his pledge will have a material adverse impact on the stability of the Bank's shareholding structure, corporate governance, control on risk and related (connected) transactions. Directors nominated by the shareholders who intend to pledge their equity in the Bank shall abstain from voting when the Board of Directors considers any matter relating to filing.

**Article 59** After the completion of the registration of equity pledge, the Shareholders shall provide the Bank with the information on equity pledge in a timely manner as required by the Bank for risk management and information disclosure.

**Article 60** Shareholders are forbidden from making equity pledge if their outstanding borrowing due to the Bank exceeding the value of the audited net equity held by them in the Bank in the previous year.

**Article 61** The shareholders' voting rights and those of the directors appointed by them, shall be restricted when they vote at the meeting of the Board of Directors in the event that the amount of shares they pledged arrives at or exceeds 50% of their respective equity in the Bank.

**Article 62** Controlling shareholders and de facto controllers of the Bank shall not exploit their related relationship to impair the interests of the Bank. If the relevant provisions are violated thus causing damages to the Bank, the relevant persons shall assume the liability of compensation.

The controlling shareholders and de facto controllers of the Bank owe a fiduciary duty to the Bank and its other shareholders. The controlling shareholders shall strictly exercise their rights as capital contributors according to the laws. Controlling shareholders shall not impair the lawful interests of the Bank and its other shareholders by way of profit distribution, asset reorganization, external investment, fund appropriation or loan guarantees nor damage the interests of the Bank and its other shareholders by using its controlling status.

**Article 63** Except for the obligations as required by laws, administrative regulations or the listing rules of the stock exchange in the place where the shares of the Bank are listed, the controlling shareholders of the Bank in exercising their voting rights shall not make any decisions affecting the benefits of all or part of the shareholders in respect of the following matters:

- (I) exempting the responsibility of any director or supervisor to act in good faith for the best interest of the Bank;
- (II) approving any director or supervisor (for the benefit of himself or other persons) to deprive of the property of the Bank in any form, including (but not limited to) the opportunities that are favorable to the Bank;
- (III) approving any director or supervisor (for the benefit of himself or other persons) to deprive of the individual interests of other shareholders, including (but not limited to) any distribution rights or voting rights, but excluding the reorganization of the Bank which is submitted to the shareholders' general meeting for approval in accordance with the Articles.

**Article 64** In addition to other obligations required by the laws, administrative regulations and the Articles, substantial shareholders shall disclose the information of related parties truthfully, accurately and completely in exercising their shareholders' rights, and undertake to report any change of association relationship to the Board of Directors in a timely manner whenever it occurs. Substantial Shareholders shall make written long-term undertaking to the Bank in respect of capital replenishment, which will form a part of the capital plan of the Bank.

**Article 65** The "controlling shareholder(s)" stated in the Articles shall refer to the person(s) satisfying any of the following conditions:

- (I) the shareholder may elect more than half of the directors when acting alone or in concert with other shareholders;
- (II) the shareholder may exercise or control the exercise of more than 30% (including 30%) of the total voting shares of the Bank when acting alone or in concert with other shareholders;
- (III) the shareholder holds more than 30% (including 30%) in total of the voting shares of the Bank when acting alone or in concert with other shareholders;
- (IV) the shareholder may de facto control the Bank in any other manner when acting alone or in concert with other shareholders.

The term “acting in concert” referred to in this article means the act or fact that over two shareholders who, by way of agreement (whether verbal or written), cooperation or related party relationships or other lawful means, enlarge the proportion of the shares in the Bank which are under their control or consolidate their control over the Bank, so that when exercising the voting rights, the same expression of opinions will be adopted (including joint proposal of motions, joint nomination of directors, entrustment of the exercise of voting rights which do not state voting intention and other such situations, but excluding open proxy solicitation).

“De facto controller” referred to in the Articles means a person who, though not a shareholder of the Bank, is able to get the de facto control of the Bank through investment relationships, agreement or other arrangements.

“Substantial shareholders” referred to in the Articles means the shareholder who can directly, indirectly, or jointly hold or control more than 5% of the shares or voting rights of the Bank, or holds less than 5% of the total capital or total shares but has a significant impact upon the operation and management of the Bank.

The “significant impact” referred to in the preceding paragraph includes, but is not limited to, nominating or dispatching directors, supervisors or senior management personnel to the Bank, affecting the Bank’s financial and operational management decisions through agreements or other means, and other circumstances identified by the regulatory authorities.

## **CHAPTER 7 PARTY ORGANIZATION (PARTY COMMITTEE)**

**Article 66** The Committee of the Communist Party of Zhongyuan Bank Co., Ltd. (the “**Party Committee**”) shall be established within the Bank. The Party Committee shall consist of one secretary and the number of deputy secretaries as well as other members of the Party Committee shall be established according to the approval by higher-level Party organizations. The secretary to the Party Committee and the chairman of the Board of Directors shall be the same person in principle. The Bank adheres to and improves the leadership system of “two-way membership and cross office holding”. Eligible members of the Party Committee can become members of the Board of Directors, the Board of Supervisors and the senior management through legal procedures, while eligible members of the Board of Directors, the Board of Supervisors and the senior management can also join the Party Committee in accordance with relevant rules and procedures.

The CPC Henan Provincial Commission for Discipline Inspection and the Henan Provincial Supervisory Committee (the “**Henan Provincial Commission for Discipline Inspection**”) shall dispatch a discipline inspection team to the Bank, with the number of internal departments and positions to be established in accordance with the requirements of the Henan Provincial Commission for Discipline Inspection.

The Bank shall set up Party’s working offices such as the Party committee office and the Party committee organization department, staffed with a certain percentage of full-time and part-time staff for Party’s affairs. Its branches, subsidiaries, and internal functional departments shall set up Party committees, general Party branches and Party branches according to work needs and the number of Party members, directly subject to the leadership by the higher-level Party organization. In accordance with the relevant rules of the higher-level authorities, the Bank shall ensure that the Party organization shall be provided with working funds through various means such as the inclusion of management expenses and the retention of Party fees into these funds.

**Article 67** The Party Committee shall focus on political direction, leadership, basic system, major decisions and Party building, and earnestly assume the responsibility of strictly managing and governing the Party. Major business management matters of the Bank must be studied and discussed by the Party Committee, and then the Board of Directors or senior management shall make a decision thereon. The Party Committee shall mainly perform the following responsibilities:

- (I) Strengthen the political work of the Party of the Bank, enhance political awareness, intensify political leadership, enhance political capabilities, and prevent political risks; and take the responsibility to educate and guide all members of the Party to resolutely uphold and maintain the core position of General Secretary Xi Jinping’s Central Committee of the Party, and the core position of the whole Party, and champion the authority and the centralized and unified leadership of the Central Committee of the Party;
- (II) Study and implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, carry out and implement the Party’s policies, ensure the implementation of major decisions and deployments of the Central Committee of the Party and resolutions of higher party organizations in the Bank, so as to promote the Bank to shoulder its responsibilities and missions, focus on its main responsibilities and main business, serve major strategies of the country and our province, fully perform economic, political and social responsibilities;
- (III) Research and discuss the reform, development and stability of the Bank, major operational and management issues and major issues concerning employee interests, and put forth comments and suggestions. Support the shareholders’ general meeting, the Board of Directors, the Board of Supervisors and the senior management in performing their duties in accordance with law and support the employee representative meeting in carrying out its work;
- (IV) Strengthen its leadership and gate keeping role in the management of the process of selection and appointment of personnel, focus on standards, procedure, evaluation, recommendation and supervision, uphold the integration of the principle that the Party manages the officials with the function of the Board of Directors in the lawful selection of the management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management;
- (V) Assume the primary responsibility to run the Party comprehensively with strict discipline, lead the Bank’s ideological work, ideological and political work, the united front work, the cultural and ethical progress and corporate culture cultivation, lead the work of the Labor Union and the Communist Youth League, lead the construction of the Party’s working style and its clean and honest administration, and support the discipline inspection team of Henan provincial commission for discipline inspection stationed in Zhongyuan Bank Co., Ltd. in earnestly performing its supervisory responsibilities;
- (VI) Strengthen the construction of the Party conduct of the Bank, strictly implement the spirit of the eight-point frugality code issued by the CPC Central Committee, and firmly combat “formalism, bureaucracy, hedonism and extravagance”, especially formalism and bureaucracy;

- (VII) Strengthen the building of the Bank's grassroots Party organizations and of its contingent of Party members, give full play to the role of Party branches as strongholds and to the role of Party members as pioneers and fine examples, and unite and lead officials and employees bank-wide to actively devote themselves into the reform and development of the Bank;
- (VIII) Support the Bank to be in compliance with national laws and regulations and various supervision and management systems of regulatory agencies, and support and promote the Bank's operation in accordance with laws and regulations;
- (IX) Other material matters that fall within the duty of the Party Committee.

## **CHAPTER 8 SHAREHOLDERS' GENERAL MEETINGS**

### **Section I General Provisions of Shareholders' General Meetings**

**Article 68** The shareholders' general meetings is the organ of power of the Bank and shall exercise its powers according to the laws.

**Article 69** The shareholders' general meetings shall exercise the following powers:

- (I) deciding on the business policies and investment plans of the Bank;
- (II) electing and replacing directors not appointed by staff representatives and deciding on matters concerning their remunerations;
- (III) electing and replacing supervisors not appointed from staff representatives, and deciding on matters concerning supervisors' remuneration;
- (IV) examining and approving reports of the Board of Directors;
- (V) examining and approving reports of the Board of Supervisors;
- (VI) examining and approving the Bank's annual financial budget and final account proposals;
- (VII) examining and approving the rules of procedures of the shareholders' general meetings, the Board of Directors and the Board of Supervisors;
- (VIII) examining and approving the Bank's plans for profit distribution and loss make-up;
- (IX) to adopt resolutions concerning the increase and reduction of the registered capital, issuance of bonds or other securities and listing of the Bank;
- (X) to adopt resolutions on matters such as repurchase of shares of the Bank, merger, division, changing of corporate form, dissolution and liquidation of the Bank;
- (XI) to amend the Articles;
- (XII) to adopt resolutions on the engagement, dismissal or discontinuation of the appointment of the Bank's accounting firm that conducts regular statutory audits of the Bank's financial reports;

- (XIII) to examine proposals raised by the shareholders who individually or jointly hold above 3% of the total issued and outstanding voting shares of the Bank (hereinafter referred to as “**Proposing Shareholders**”) according to law;
- (XIV) to examine related matters concerning a single significant equity investment and disposal involving an amount exceeding 10% (exclusive) of the net asset value based on the latest published audited accounts of the Bank;
- (XV) to examine related matters concerning a single significant asset acquisition and disposal involving an amount exceeding 10% (exclusive) of the net asset value based on the latest published audited accounts of the Bank;
- (XVI) to examine and approve external donations with a single amount exceeding RMB30 million (exclusive);
- (XVII) to examine and approve other external guarantees for non-commercial bank business guarantees such as assets mortgage with a single amount exceeding RMB200 million (exclusive);
- (XVIII) to examine and approve the related (connected) transactions which require approval by the shareholders’ general meeting as stipulated by the laws, administrative regulations, departmental rules, regulatory documents, regulations of securities regulatory authorities of the locality in which the Bank’s shares are listed;
- (XIX) to examine the stock incentive plans, employee stock ownership plans and other medium and long term incentive plans;
- (XX) to determine the issuance of preference shares; to determine or authorize the Board of Directors to determine matters relating to preference shares issued by the Bank, including but not limited to redemption, conversion and distribution of dividends;
- (XXI) to examine other issues which should be decided by the shareholders’ general meeting as stipulated by the laws, administrative regulations, departmental rules, regulatory documents, relevant regulatory authorities as well as the Articles.

The matters mentioned above are within the shareholders’ general meeting’s scope of authority and shall be examined and decided by the shareholders’ general meeting. If it is necessary, reasonable and legal, the decision making of these issues can be delegated to the Board of Directors, and the authorization given shall be clear and specific. The shareholders’ general meeting shall not delegate the functions and powers legally exercised by the shareholders’ general meeting to the Board of Directors.

If the Articles require that matters to be delegated to the Board of Directors are to be adopted by the shareholders’ general meeting by way of ordinary resolutions, such resolutions on matters to be delegated shall be approved by more than half of the voting rights of the shareholders (including proxies thereof) attending the shareholders’ general meeting. If the Articles require that matters to be delegated to the Board of Directors are to be adopted by the shareholders’ general meeting by way of special resolutions, such resolutions shall be approved by above two-thirds of the voting rights of the shareholders (including proxies thereof) attending the shareholders’ general meeting.

**Article 70** Unless the Bank is in any special circumstances such as a crisis, the Bank shall not enter into any contract with any party other than the directors, supervisors, President and other senior officers to which such party shall be responsible for managing the whole or any substantial part of the Bank's business.

**Article 71** General meetings consist of annual general meetings and extraordinary general meetings. Annual general meeting shall be held once a year and shall be held within six (6) months of the date of the previous financial year. Where such meetings are required to be adjourned for any special reasons, a report shall be submitted to the Banking Regulator under the State Council with an explanation for such adjournment in time.

The Bank shall hold an extraordinary meeting within two (2) months of the date of the occurrence of any of the following events:

- (I) the number of directors is less than the statutory minimum number required by the Company Law or 2/3 of the number required by the Articles;
- (II) the outstanding losses of the Bank has reached 1/3 of the total amount of the share capital of the Bank;
- (III) the shareholders who individually or jointly hold more than 10% of the total voting rights shares (hereinafter referred to as "**Proposing Shareholders**") have requested in writing to convene such a meeting;
- (IV) when the Board deems it necessary to convene such a meeting;
- (V) when the Board of Supervisors proposes to convene such a meeting;
- (VI) above half and no less than two independent directors propose with the Board of Directors to convene the meeting;
- (VII) in any other circumstances as provided for in the laws, administrative regulations, department regulations and the Articles.

The number of shares referred to in the aforesaid item (III) shall be calculated as of the date when shareholders put forward the written request.

**Article 72** The venue for the Bank to convene a shareholders' general meeting shall be at the Bank's domicile or other places specified in the notice of the shareholders' general meeting. An assembly room will be set up for the shareholders' general meeting and the meeting will be held in the form of live meeting. The Bank may also provide the network or other means for the convenience of shareholders to attend the shareholders' general meeting when it is ready. Shareholders attending the shareholders' general meeting through the aforesaid means shall be considered as present.

## Section 2 Convening of Shareholders' General Meetings

**Article 73** The shareholders' general meeting shall be convened by the Board of Directors in accordance with the provisions of the Articles. If the Board of Directors is unable or fails to perform its duty in convening a shareholders' general meeting, the Board of Supervisors shall promptly convene the meeting. If the Board of Supervisors does not convene the meeting, the shareholders who individually or jointly hold above 10% in total of the Bank's voting shares for above ninety (90) consecutive days (the "**Convening Shareholders**") may convene such a meeting on their own initiative.

**Article 74** Above half of the independent Directors (at least two independent Directors) shall have the right to propose to the Board of Directors to convene an extraordinary general meeting. In respect of such proposal, the Board of Directors shall, in accordance with the laws, administrative regulations and the Articles, make a written response as to whether or not it agrees to convene the extraordinary general meeting within ten (10) days of receiving the proposal.

If the Board of Directors agrees to convene the extraordinary general meeting, a notice convening such a meeting shall be issued within five (5) days after the resolution of the Board of Directors is passed. If the Board of Directors does not agree to convene the extraordinary general meeting, it shall give an explanation.

**Article 75** The Board of Supervisors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting and shall make its motions to the Board of Directors in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles, make a written response as to whether or not it agrees to convene the extraordinary general meeting within ten (10) days of receiving the proposal.

If the Board of Directors agrees to convene the extraordinary general meeting, a notice convening such a meeting shall be issued within five (5) days after the resolution of the Board of Directors is passed. If the original proposal contained in the notice is changed, approval of the Board of Supervisors shall be sought.

If the Board of Directors does not agree to convene the extraordinary general meeting or fails to give its response within ten (10) days of receiving the proposal, it shall be deemed to be unable or to have failed to perform its duty in convening a shareholders' general meeting, and instead the Board of Supervisors may convene and preside over the shareholders' general meeting on its own initiative.

**Article 76** When the Requesting Shareholders request to convene an extraordinary general meeting or any class shareholders' meeting (hereinafter referred to as "**Relevant Meetings**"), they shall act in compliance with the following procedures:

The Requesting Shareholders shall have the right to request the Board of Directors to convene Relevant Meetings and shall propose their motions to the Board of Directors in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles, make a written response as to whether or not it agrees to convene the Relevant Meetings within ten (10) days of receiving the proposal.

If the Board of Directors agrees to convene Relevant Meetings, a notice convening such meetings shall be issued within five (5) days after the resolution of the Board of Directors is passed. If the original request contained in the notice is changed, approval of the relevant shareholders shall be sought.

If the Board of Directors does not agree to convene the Relevant Meetings, or fails to give its response within ten (10) days of receiving the proposal, Requesting Shareholders shall have the right to propose to the Board of Supervisors to convene the Relevant Meetings and this proposal shall be made to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene the Relevant Meetings, a notice for convening such meetings shall be issued within five (5) days of receiving the proposal. If the original request contained in the notice is changed, approval of the relevant Shareholders shall be sought.

If the Board of Supervisors fails to give the notice of Relevant Meetings within the specified time limit, it shall be deemed to have failed to convene or preside over the Relevant Meetings, and Convening Shareholders shall have the right to convene and preside over such meetings by themselves.

Reasonable expenses incurred from the aforesaid case where shareholders convene and hold the meeting by themselves due to the failure of the Board of Directors or the Board of Supervisors to convene the meetings shall be borne by the Bank, and the same shall be deducted from the payment to those Directors or Supervisors who failed to perform their duties.

**Article 77** If either the Board of Supervisors or Convening Shareholders propose to convene a shareholders' general meeting on their own initiatives, the Board of Directors shall be informed in writing. The shareholding proportion of the Convening Shareholders before the resolution of the shareholders' general meeting shall not be under 10%.

**Article 78** With respect to a shareholders' general meeting convened by the Board of Supervisors or Shareholders, the Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall offer the register of Shareholders as at the shareholding registration date. The register of Shareholders offered to the conveners shall only be used for the shareholders' general meeting and shall not be used for other purposes.

### **Section 3 Proposals and Notice of Shareholders' General Meeting**

**Article 79** The contents of the proposal shall be within the scope of authority of the shareholders' general meeting, have definite topics for consideration and specific items to be decided by resolution and shall be in compliance with the laws, administrative regulations and the Articles.

**Article 80** When the Bank is to convene an annual general meeting, the convener shall issue a written notice, at least twenty (20) days (excluding both the date of notice and the date of meeting) prior to the date of the meeting and at least fifteen (15) days prior to the extraordinary general meeting, if alternate provisions are stipulated by the laws, regulations and the securities regulatory authority in the place where the shares of the Bank are listed, those provisions shall prevail.

**Article 81** When the Bank convenes a shareholders' general meeting, the Board of Directors, the Board of Supervisors and the Proposing Shareholders shall be entitled to submit their proposals in writing to the Bank. The Bank shall include matters in the proposals which are within the scope of responsibilities of the shareholders' general meeting into the agenda.

The Proposing Shareholders may submit provisional proposals to the conveners in writing ten (10) days prior to the date of the shareholders' general meeting. The conveners shall issue a supplemental notice setting out the content of the provisional proposals within two (2) days of receiving the proposals. If otherwise provided in listing rules of the stock exchange in the place where the shares of the Bank are listed, its requirements shall also be met.

Except for the provisions stated in the above paragraph, the conveners shall not amend nor add any new proposals to those which are set out in the notice of the shareholders' general meeting once given.

Proposals which have not been set out in the notice of shareholders' general meeting or which are not in compliance with Article 79 of the Articles shall not be put forward and voted upon as resolutions at a shareholders' general meeting.

**Article 82** The Board of Directors shall give explanations and reasons at a shareholders' general meeting if it decides not to include a shareholder's proposals in the agenda.

**Article 83** Notice of shareholders' general meeting shall be made in writing and contain the following contents:

- (I) the venue, date and time of the meeting;
- (II) the matters to be tabled for discussion at the meeting;
- (III) all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when the following matters, which shall include, but shall not be limited to: any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Bank are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;
- (IV) if any of the Directors, Supervisors, President or other senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on the Director, Supervisor, President or other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;
- (V) the full text of any proposed special resolution to be voted on at the meeting;
- (VI) a prominent statement stating that a Shareholder entitled to attend and vote at the meeting, is entitled to appoint over one proxy to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Bank;
- (VII) the shareholding registration date of the Shareholders who are entitled to attend the meeting;
- (VIII) the time and address for lodging the proxy forms of the relevant meeting;
- (IX) the name and phone number of the contact person of the meeting.

**Article 84** Unless otherwise stipulated by the laws, regulations, the regulations of the relevant regulatory authorities as well as the Articles, the notice of a shareholders' general meeting shall be delivered by hand or prepaid mail to all Shareholders entitled to attend the shareholders' general meeting (regardless of whether they have voting rights at the shareholders' general meeting). The address of the recipients shall be the address registered in the register of Shareholders. For holders of domestic shares, the notice of a shareholders' general meeting may be in the form of an announcement.

The aforesaid announcement shall be published in one or more newspapers specified by the securities regulatory and administrative authorities under the State Council. All holders of domestic shares shall be deemed as having been notified of the forthcoming shareholders' general meeting once the announcement is published.

Subject to the laws, administrative regulations, departmental rules, regulatory documents, and listing rules of the stock exchange in the place where the shares of the Bank are listed and the regulations of the relevant regulatory authorities, the Bank may also send or dispatch the aforesaid notice of the shareholders' general meeting to the holders of H shares through the websites of the Bank and the Hong Kong Stock Exchange, instead of sending or dispatching the same by personal delivery or prepaid mail.

**Article 85** If the elections of Directors and Supervisors are intended to be discussed at the shareholders' general meeting, the shareholders' general meeting shall fully disclose the details of the candidates for the role of Directors and Supervisors, and shall at least include the following particulars:

- (I) personal particulars such as education level, work experience and any part-time work undertaken;
- (II) whether there is any related party relationship with the Bank or with the controlling shareholders and de facto controllers of the Bank;
- (III) disclosure of their shareholding in the Bank;
- (IV) whether it is in compliance with the requirements of relevant laws, regulations, departmental rules and regulatory documents including the Companies Law on the qualification of directors or supervisors of a commercial bank;
- (V) information in relation to the new appointment or re-designation of Directors or Supervisors to be disclosed as required by the Hong Kong Listing Rules.

**Article 86** Once the notice of shareholders' general meeting is issued, the meeting shall not be postponed or cancelled without proper reasons, and proposals contained in the notice or supplementary notice shall not be withdrawn. In the event of any postponement or cancellation, the convener shall make an announcement and state the reasons before the original meeting date.

#### **Section 4 Holding of a Shareholders' General Meeting**

**Article 87** The Board of Directors and other conveners shall take necessary measures to maintain order at the shareholders' general meeting. Behavior such as disruption of the meeting, provocation of trouble and infringement on the legitimate rights and interests of Shareholders shall be prevented and promptly reported to relevant authorities for investigation.

**Article 88** All shareholders whose names appear on the register of Shareholders on the shareholding registration date shall be entitled to attend the shareholders' general meeting. Except those Shareholders who are imposed restriction on voting rights according to the requirements of regulatory authorities or relevant provisions of the Articles, other attending Shareholders may exercise their voting rights in accordance with relevant laws, regulations and the Articles. Shareholders may attend a shareholders' general meeting in person or appoint proxies to attend and vote on their behalf.

**Article 89** Any Shareholder entitled to attend and having voting rights at a shareholders' general meeting shall be entitled to appoint one or more persons (these persons need not be Shareholders) as proxies to attend and vote on their behalf. If the shareholder is a corporate, it shall be entitled to appoint a representative to attend and vote at any shareholders' general meeting of the Bank and, where a corporate shareholder is so represented, it shall be treated as being present at any meeting in person. A corporate shareholder may execute a form of proxy under the hand of a duly authorized officer. A proxy may exercise the following powers at a shareholders' general meeting:

- (I) the same right of speech as the Shareholder at the meeting;
- (II) have authority to demand or join other Shareholders in demanding a poll;
- (III) have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have the right to vote on a poll.

**Article 90** Shareholders shall appoint their proxies in writing. The proxy form should be executed by appointing Shareholders or an attorney duly authorised by them in writing. Where the appointing shareholder is a legal person, the proxy form should be executed under its common seal or under the hand of its legal representative, director or an attorney duly authorised in writing to sign the same.

**Article 91** If an individual Shareholder attends the meeting in person, he/she shall produce his/her own identification document or other valid documents or certificates providing proof of his/her identity. If a proxy is appointed to attend the meeting, the proxy shall produce his/her own identification document and instrument of proxy.

A corporate shareholder shall attend the shareholders' general meeting through its legal representative or proxies authorized by the resolutions of the Board and other decision-making bodies. The legal representative of the corporate shareholder may appoint a proxy to attend the meeting. If a legal representative attends the meeting, he/she shall produce his/her own identification document or valid documents showing that he/she qualifies to serve as a legal representative. If a proxy attends the meeting, he/she shall produce his/her own identification document or written power of attorney granted by the corporate shareholder according to laws.

**Article 92** The power of attorney used by Shareholders to appoint proxies to attend the shareholders' general meeting shall contain the following information:

- (I) name of the proxy and the number of shares to be represented by the proxy;
- (II) whether or not the proxy has the right to vote;
- (III) instructions on how to vote (voting in the affirmative, negative, or in abstention) in relation to each of the resolutions on the agenda of the shareholders' general meeting;

- (IV) date of issuance and term of validity; and
- (V) signature (or seal) of the appointing shareholder; if the appointing shareholder is a body corporate, the document shall be affixed with the legal person's seal.

**Article 93** The proxy form issued by the Board of Directors of the Bank to the shareholder for the appointment of proxies shall freely allow a Shareholder to instruct his/her proxy to vote as he/she sees fit (voting in the affirmative, negative or in abstention), and to give separate instructions for each resolution that will be voted on at the meeting. The power of attorney should indicate that the proxy may vote at his/her discretion if no instructions have been given by the shareholder.

**Article 94** The power of attorney shall be placed at the Bank's domicile or at any other place designated in the notice of a shareholders' general meeting, and at least twenty-four (24) hours prior to either the convening of the relevant meeting in which the resolutions are to be voted on or the designated voting time. If the power of attorney is signed by a person authorized by the appointing Shareholder instead of the appointing Shareholder himself/herself, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the proxy form authorizing the proxy to vote, be placed at the Bank's domicile or any other place designated in the notice of the meeting.

If the Shareholder is a recognized clearing house or its agent as defined in the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), such a Shareholder is entitled to appoint more than one person it deems suitable to act as its proxy in the shareholders' general meeting or class shareholders' general meeting. If above two persons are appointed as proxies, the power of attorney shall clearly state the number and the class of shares represented by each of the proxies. The proxy forms shall be signed by the respective proxies appointed by the recognized clearing house, and the proxies so appointed may represent the recognized clearing house or its agent in exercising its rights at any meeting (without being required to present share certificate, certified statement of proxy and/or further evidence of due authorization) as if that person is a natural person shareholder of the Bank.

**Article 95** The attendance records of the meeting shall be prepared by the Bank. The records shall, amongst other matters, contain the names (or corporate names) of the attendees, their identity card numbers, their residential addresses, the number of voting shares held or represented by them, and the names (or corporate names) of the proxies.

**Article 96** If the appointing Shareholder has passed away, lost his/her ability to act, withdrawn the authorization or has transferred all of his/her shares prior to voting, as long as the Bank has not received any written notice regarding these matters before the commencement of the relevant meeting, the vote cast by the proxy in accordance with the proxy form shall remain valid.

**Article 97** The convener and the lawyers appointed by the Bank shall verify the legitimacy of shareholders' qualifications based on the records available from the register of Shareholders, and further shall record the names (or corporate names) of Shareholders and the number of voting shares held by them. The registration process for the meeting shall be terminated before the chairman of the meeting announces the number of Shareholders and proxies attending the meeting and the total number of voting shares represented by them.

**Article 98** When a shareholders' general meeting is being convened, all the Bank's Directors, Supervisors and the secretary to the Board of Directors shall attend the meeting. The president and other senior management personnel of the Bank shall observe the meeting.

**Article 99** The shareholders' general meeting shall be convened by the Board of Directors according to laws and shall be presided over by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, the deputy chairman of the Board of Directors shall preside over the meeting. If the chairman or the deputy chairman is unable or fails to perform his/her duties, a Director elected by above half of the Directors shall preside over the meeting. In the event that no such designation is made, a Shareholder as elected from the attending Shareholders may preside over the meeting. If, for any reason, the attending Shareholders fail to elect one to be the chairman, the attending Shareholder (or his/her/its proxy) who holds the most voting shares shall preside over the meeting.

A shareholders' general meeting convened by the Board of Supervisors shall be presided over and chaired by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his/her duties, the deputy chairman of the Board of Supervisors shall preside. If the deputy chairman of the Board of Supervisors is unable or fails to perform his/her duties, a supervisor elected by above half of the supervisors shall preside over the meeting.

A shareholders' general meeting convened by the Shareholders shall be presided over by a representative elected by the convener.

During the course of a shareholders' general meeting, if the chairman of the meeting violates the procedural rules such that the meeting cannot be continued, the shareholders in the shareholders' general meeting may elect one person to act as the chairman of the meeting to continue the meeting so long as the proposed chairman has the consent of more than half of the shareholders with voting rights who are present at the meeting.

**Article 100** The Bank shall formulate the rules of procedure regarding the shareholders' general meeting, and specify the convening and voting procedures, including notification, registration, and consideration of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of meetings and signature, announcements and abstention of related (connected) shareholders and the principle of authorization by the shareholders' general meeting to the Board of Directors. The authorization principle should be clear and specific in terms of contents. The rules of procedures of the shareholders' general meeting shall form an annexure to these Articles and shall be drafted by the Board of Directors and approved by the shareholders' general meeting.

**Article 101** At the annual shareholders' general meeting, the Board of Directors and the Board of Supervisors should both report to the shareholders on the work they have undertaken over the past year. Each independent director shall also present a work report.

**Article 102** Unless confidential trade secrets of the Bank are involved which shall not be divulged, the directors, supervisors and senior management personnel shall respond and give explanation to recommendations or queries from shareholders as appropriate.

**Article 103** The chairman of the meeting shall, prior to voting, announce the number of shareholders and proxies attending the meeting and the total number of voting shares represented by them, but the figures recorded in the attendance records will prevail.

**Article 104** Minutes shall be recorded for the shareholders' general meeting, and the Secretary to the Board of Directors shall be in charge of recording the minutes. The minutes shall contain the following information:

- (I) The time, venue, and agenda of the meeting, as well as the name (or corporate name) of the convener;
- (II) The names of the chairman of the meeting, and the directors, supervisors, president and other senior management personnel who attend or observe the meeting;
- (III) The total number of shares with voting rights held by shareholders(including his/her proxy)present at the meeting, and the percentage in relation to the total number of the Bank's voting shares;
- (IV) The consideration process for each resolution, key points of speeches made and voting outcome;
- (V) The name of the lawyer, vote counter and scrutineer;
- (VI) Any other matters required by the provisions of the Articles to be recorded in the minutes.

**Article 105** The convener shall ensure that the minutes are truthful, accurate and complete. The attending directors, supervisors, Secretary to the Board of Directors, convener or their representatives and the chairman of the meeting shall sign on the minutes.

The minutes, list of signatures by shareholders in attendance, powers of attorney, and valid information regarding alternative voting methods shall be filed permanently.

## **Section 5 Voting Procedures and Resolutions of Shareholders' General Meeting**

**Article 106** When a shareholder (including his/her proxy) shall exercise his/her voting rights based on the number of shares with voting rights held. Each share shall have one (1) vote. However, the shares held by the Bank have no voting rights and that part of the shareholding is not counted towards the total number of shares with voting rights that is held by shareholders attending the meeting.

If any laws, administrative regulations and the Hong Kong Listing Rules require that any shareholder shall abstain from voting on a certain matter or limit any shareholder to cast affirmative or negative votes on a certain matter, any votes cast by the shareholder or proxy in violation of the aforesaid requirements or restrictions shall not be included in the voting results.

**Article 107** The resolutions of a shareholders' general meeting shall either be classified as ordinary resolutions or special resolutions.

Ordinary resolutions shall be approved by a simple majority of voting rights held by the shareholders (including their proxies) attending the meeting.

Special resolutions shall be approved by above two-thirds of voting rights held by the shareholders (including their proxies) attending the meeting.

**Article 108** The following matters shall be resolved by way of an ordinary resolution:

- (I) work reports of the Board of Directors and Board of Supervisors;
- (II) profit distribution plans and loss recovery plans formulated by the Board of Directors;
- (III) removal of any member of the Board of Directors and Board of Supervisors, their remuneration and manner of payment;
- (IV) annual budgets, final accounts, balance sheets, profit statements and other financial statements of the Bank;
- (V) annual profit distribution proposals of the Bank; and
- (VI) the appointment or dismissal of accounting firms;
- (VII) matters other than those which are required by laws and administrative regulations or these Articles to be resolved by a special resolution.

**Article 109** The following matters shall be resolved at the shareholders' general meeting by way of a special resolution:

- (I) An increase or reduction of the registered capital of the Bank;
- (II) The issuance and listing of all kinds of stocks, bonds or other securities by the Bank;
- (III) The division, merger, any other change in the corporate form, dissolution and liquidation of the Bank;
- (IV) Amendments to the Articles;
- (V) The removal of independent directors;
- (VI) The consideration and approval of medium and long term incentive plans such as stock incentive plans and employee stock ownership plans;
- (VII) Any other matters as required by the laws, regulations, regulatory requirements or the Articles, or other matters that, resolved by the shareholders' general meeting by way of an ordinary resolution, may have a material effect on the Bank and should therefore be adopted by a special resolution.

**Article 110** When a shareholders' general meeting examines related (connected) transactions, the related (connected) shareholders and its associates (defined in the Hong Kong Listing Rules) shall not participate in voting and the number of shares with voting rights represented by them shall not be counted in the total number of valid votes; the announcement of the shareholders' general meeting shall fully disclose the voting by unrelated (unconnected) shareholders.

**Article 111** The list of candidates for directors and supervisors shall be submitted to the shareholders' general meeting as a proposal for voting.

**Article 112** All proposals shall be voted one by one at the shareholders' general meeting. Unless the shareholders' general meeting is suspended or that a resolution cannot be made due to special reasons including force majeure, the shareholders' general meeting shall not put off the proposals or refuse to vote on the proposals.

**Article 113** Any voting at the shareholders' general meeting shall be taken by way of poll of registered voters.

**Article 114** A voting by poll that is demanded for matters concerning the election of chairman or termination of the meeting shall be conducted immediately; for other matters, the chairman of the meeting shall decide when to conduct voting by poll and the meeting can continue to discuss other matters. The voting results shall still be deemed as a resolution adopted at such meeting.

**Article 115** During the voting process of the shareholders' general meeting, the vote count and examination of the poll shall be conducted together by lawyers, representatives of shareholders, representatives of supervisors and other relevant qualified persons appointed in accordance with the Hong Kong Listing Rules under the relevant requirements of the Hong Kong Listing Rules. The chairman of the meeting shall announce the voting outcome at the meeting and shall determine, according to the voting outcome, whether the resolution has been passed. The voting outcome for each resolution shall be recorded in the meeting minutes. Shareholders or their proxies voting through the internet shall have the right to check their own votes cast through the relevant voting system.

**Article 116** Shareholders who are present at the shareholders' general meeting shall adopt one of the following stances when a proposal is put forward for voting: for, against or abstention.

Any votes which are unfilled, erroneously completed, illegible or unsubmitted votes shall be counted as abstentions of the voting rights and such votes shall be counted as "abstained".

On a poll taken at a meeting, a shareholder (including his/her proxies) entitled to above two (2) votes need not cast all the votes towards the same stance.

In the event that the same voting rights have been exercised twice, the result of the first vote shall prevail.

**Article 117** If the chairman of the meeting has any doubts as to the voting outcome of any resolution, he/she may have the votes recounted. If the chairman does not recount the votes, and the shareholders or their proxies who have attended the meeting have doubts as to the outcome announced by the chairman, they may request a vote recount immediately after the announcement of the voting outcome, and the chairman shall have the votes recounted immediately.

**Article 118** If the votes are recounted at a shareholders' general meeting, the result shall be recorded into the minutes.

**Article 119** The Bank shall engage lawyers to attend the shareholders' general meeting and advise on the following issues with announcements made thereon:

- (I) Whether the convening of the shareholders' general meeting and its procedures are in compliance with laws, administrative regulations, the Articles;

- (II) Whether the attendees are eligible and whether the eligibility of the convener is lawful and valid;
- (III) Whether the procedures of voting and the voting results of the meeting are lawful and valid;
- (IV) Legal opinions on other related matters at the request of the Bank.

**Article 120** Any resolution concerning the election of director and supervisor being passed at a shareholders' general meeting shall specify the term of office of such newly elected director and supervisor.

### **Section 6 Special Procedures for Voting by a Certain Class of Shareholders**

**Article 121** Shareholders who hold different classes of shares are classified as "class shareholders".

Class shareholders are entitled to rights and are subject to the obligations pursuant to the laws, administrative regulations and the Articles.

Class shareholders within the Bank shall enjoy equal rights to receive dividends or other forms of distributions.

**Article 122** If the Bank proposes to change or nullify certain rights of a certain class of shareholders, this proposal should be passed by a special resolution at the shareholders' general meeting and passed at the separate meeting convened according to Articles 124 to 128 for the related class of shareholders.

**Article 123** The rights of a certain class of shareholders shall be deemed to be changed or nullified in the following circumstances:

- (I) To increase or reduce the quantity of the shares of that class, or increase or reduce the quantity of the shares of other class which enjoy the same or more voting rights, distribution rights or other privileges as the shares of that class;
- (II) To convert part or whole of the shares of that class into other class(es), convert part or whole of the shares of other class(es) into that class, or grant such conversion rights;
- (III) To nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;
- (IV) To reduce or nullify the privileged rights of that class of shares to acquire dividends or obtain distribution of assets during liquidation of the Bank;
- (V) To increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Bank;
- (VI) To nullify or reduce the rights of that class of shares to receive amounts payable by the Bank in a particular currency;

- (VII) To establish new class(es) of shares which enjoy the same or more voting rights, distribution rights or other privileges as compared with that class of shares;
- (VIII) To restrict the transfer and ownership of that class of shares, or increase the restrictions;
- (IX) To grant the share subscription options or share conversion options of that or another class of shares;
- (X) To increase the rights or privileges of other class(es) of shares;
- (XI) Any restructuring scheme of the Bank that may result in the assumption of disproportionate responsibilities by different classes of shareholders during the restructuring; and
- (XII) To revise or nullify the provisions in the Articles.

**Article 124** The shareholders of a class of share that are affected, whether they originally have voting rights at former shareholders' general meeting, shall be entitled to vote on the matters concerning sub-paragraphs (II) to (VIII), (XI) and (XII) of Article 123 at the meeting for such class of shareholders, but shareholders with conflicts of interests therein shall have no voting rights at the meeting for such class of shareholders.

The shareholders with conflict of interests mentioned in the preceding paragraph shall have the meaning as follows:

- (I) If the Bank has made a repurchase tender offer to all shareholders in the same proportion in accordance with Article 25 or has repurchased its own shares through public transaction on a stock exchange, "shareholders with conflicts of interests" shall mean the controlling shareholders defined in Article 65;
- (II) If the Bank has repurchased shares under an off-market agreement in accordance with Article 25, "shareholders with conflicts of interests" shall mean shareholders who are connected with the aforementioned agreement; and
- (III) Under a restructuring scheme of the Bank, "shareholders with conflicts of interests" shall mean shareholders who assume liability in a lower proportion than other shareholders of the same class, or those who own different interests as compared with other shareholders of the same class.

**Article 125** A resolution of the meeting for a certain class of shareholders shall be adopted by above two-thirds of the voting shares represented by shareholders of that class present at the meeting in accordance with Article 124.

**Article 126** When convening a meeting for a certain class of shareholders, the Bank shall issue a written notice in accordance with Article 80 of the Bank, to all shareholders in the relevant class who are entitled to attend the shareholders' general meeting and whose names appear on the register of shareholders (including the preference shareholders with restored voting rights), stating the matters to be considered at the meeting and the date and venue of the meeting.

**Article 127** The notice of a meeting for a certain class of shareholders only needs to be delivered to the shareholders entitled to vote at that meeting.

Unless required otherwise by the Articles, the procedures for convening a meeting for a certain class of shareholder shall be the same as the procedures for the shareholders' general meeting to the extent practical, and the provisions in the Articles relating to the procedure to convene a shareholders' general meeting shall apply to the meeting for class shareholders.

**Article 128** Apart from other classes of shareholders, the shareholders of domestic shares and overseas listed shares are deemed to be shareholders of different classes.

The special voting procedure for class shareholders shall not apply for the following cases:

- (I) upon the approval by way of a special resolution passed by a shareholders' general meeting, the Bank independently or simultaneously issues domestic shares and/or overseas listed shares every twelve (12) months, provided that the amount of each class of shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;
- (II) The Bank's plan on issuing domestic shares and overseas listed shares at the time of incorporation, which is completed within fifteen (15) months upon the date of approval from the securities regulatory and administrative authorities under the State Council; and
- (III) The relevant regulatory authorities such as banking regulatory and administrative authorities and the securities regulatory and administrative authorities under the State Council have given approval for unlisted shares held by the shareholders of the Bank to be traded on overseas stock exchanges.

## **CHAPTER 9 BOARD OF DIRECTORS**

### **Section 1 Directors**

**Article 129** Directors of the Bank shall be a natural person and is not required to hold any shares of the Bank. Directors of the Bank are composed of executive directors and non – executive directors (including independent directors). Executive director refers to a director holding other senior operation and management positions in addition to holding directorship of the Bank. Non-executive Director refers to a director who does not hold any senior operation and management positions in the Bank.

Members of the Board of Directors may include employee representatives. Employee representative directors shall be nominated by the labor union of the Bank, and elected or replaced by the employee representative meeting, general employee meeting or other democratic procedures of the Bank.

Directors of the Bank shall be equipped with professional knowledge and working experiences required by the positions and shall be in line with the regulations of the banking regulators under the State Council. The qualification of directors shall be approved by the banking regulators under the State Council.

**Article 130** Each office term of directors shall be three years. The office term of directors shall be renewable by re-election and reappointment upon expiration of their terms. The renewal term of independent directors shall not exceed six years.

A written notice of intent to nominate a candidate to become a director and the candidate's consent to such nomination as well as the relevant written materials on the candidate shall be given to the Bank no earlier than the day after issuing the notice of the shareholders' general meeting for the election of such director, but at least seven (7) days before such general meeting.

Before the expiry of any director's term of office, the shareholders' general meeting shall not dismiss the director without any reason. Subject to relevant laws and administrative regulations, a non-independent director whose term of office has not expired may be removed by an ordinary resolution by the shareholders' general meeting (but such removal shall not cause prejudice to any claim which may be initiated by the director under any contract).

The term of office of a director shall be calculated from the date on which he/she takes up the office, until the expiration of the term of office of the Board of Directors. Where re-election is not carried out promptly after a director's term of office expires, the director shall continue to perform the duties owed by a director before a new director is elected to take up the office, subject to the applicable laws, administrative regulations, departmental rules and the Articles.

After a director is elected, the Bank shall timely enter into an appointment contract with such director specifying the rights and obligations between the Bank and the director, term of office of the director, liability of the director for violating the laws, regulations and these Articles and compensation for early termination by the Bank of the above contract due to certain reasons."

**Article 131** The same shareholder and his/her connected person shall not nominate a candidate for a director and another candidate for a supervisor at the same time; if the candidate for a director (supervisor) nominated by the same shareholder and his/her connected person has already served as a director (supervisor), the shareholder shall not nominate the candidate for another supervisor (director) prior to the expiry of the term of office or the replacement of such person. In principle, the number of directors nominated by the same shareholder and his/her connected person shall not exceed one-third of the total members of the Board of Directors, unless otherwise stipulated by the national laws.

**Article 132** The general procedures for nominating and electing a non-independent director of the Bank are as follows:

- (I) The Nomination and Remuneration Committee of the Board of Directors can nominate candidates for non-independent directors according to the number of directors to be elected to the extent of the number specified by the Articles; Shareholders individually or jointly holding above 3% of the Bank's total shares in issue with voting rights can also nominate candidates for non-independent directors to the Board of Directors;
- (II) The Nomination and Remuneration Committee of the Board of Directors shall conduct preliminary verification on the qualification and conditions of appointment of the candidates for non-independent directors, and propose the qualified candidates to the Board of Directors for consideration. The Board of Directors shall propose the candidates for non-independent directors to the shareholders' general meeting by way of written proposal after they are considered and approved by the Board of Directors;
- (III) The candidates for non-independent directors shall, before the convening of the shareholders' general meeting, make written undertakings, express their consent to their nomination, ensure the truthfulness and completeness of the publicly disclosed information and undertake that they will duly perform their duties upon being elected;

- (IV) The Board of Directors shall, before the convening of the shareholders' general meeting, disclose the detailed information on the candidates for directors to the shareholders of the Bank in accordance with law and regulations and the Articles, so as to ensure that the shareholders will have sufficient knowledge on the candidates when casting their votes;
- (V) Each candidate for non-independent director shall be voted for on a separate basis at the shareholders' general meeting;
- (VI) When an additional non-independent director is temporarily nominated, the Nomination and Remuneration Committee of the Board of Directors or the shareholders satisfying the conditions for making such nomination shall propose a candidate to the Board of Directors for consideration. The shareholders' general meeting elects or replaces the director.

The election of independent directors shall be made in accordance with the provisions of the Articles.

**Article 133** No director shall act on behalf of the Bank or the Board of Directors in his/her own name, unless otherwise provided in the Articles or legally authorized by the Board of Directors. A director shall announce his/her views and role in advance in writing when he/she acts in his/her own name, if there is a possibility that a third party may reasonably believe that the director is acting on behalf of the Bank or the Board of Directors.

**Article 134** Where any director personally has a direct or indirect related party relationship with any executed or proposed contracts, transactions or arrangements of the Bank, such director shall promptly inform the Related Party Transactions Control Committee of the Board of Directors of the nature and extent of the related party relationship and make a necessary abstention from consideration of relevant matters.

**Article 135** A director shall submit written statements to the Related Party Transactions Control Committee of the Board of Directors when performing the above obligations. The Related Party Transactions Control Committee of the Board of Directors shall decide whether the director constitutes a related director in the relevant transactions in accordance with the relevant provisions.

**Article 136** A director of the Bank shall spend sufficient time to perform his/her duties, and shall attend at least two-thirds of the on-site meetings of the Board of Directors in person each year. If he/she is unable to attend for any reason, he/she may entrust another director of the same class in writing to attend the meeting on his/her behalf. However, an independent director shall not entrust a non-independent director to attend the meeting on his/her behalf.

A director shall, in principle, be entrusted by no more than two directors who are not present at the meeting in person. When considering related party transactions, a non-related director shall not entrust a related director to attend the meeting on his/her behalf. If the director fails to attend the meetings of the Board of Directors either in person or entrust other directors to attend on his/her behalf two times consecutively, the director shall be deemed incapable of performing the duty, and the Board of Directors shall make a proposal to the shareholders' general meeting to dismiss such director.

**Article 137** A director may resign before the term of office expires. He/she shall submit a written resignation to the Board of Directors.

Where the resignation of a director causes the number of directors of the Bank's Board of Directors to fall below two-thirds of the number of directors of the then session of the Board of Directors or the statutory minimum quorum, the director shall continue to perform the duties in accordance with the laws, administrative regulations, departmental rules and the provisions of the Articles of Bank before the newly appointed director assumes his/her office. A director shall not resign without the approval of the regulatory authorities if the Bank is dealing with material risks.

Saved as the aforesaid, the resignation of a director shall take effect upon the delivery of the written resignation to the Board of Directors.

If the number of directors falls below the minimum number stipulated in the Company Law or the minimum number required for voting by the Board of Directors due to the dismissal of directors by the shareholders' general meeting, the death of directors, the resignation of independent directors due to the loss of independence, or other circumstances in which they cannot perform their duties as directors, the powers and duties of the Board of Directors shall be exercised by the shareholders' general meeting until the number of directors satisfies the requirements.

**Article 138** A director shall complete all the handover formalities with the Board of Directors when he/she resigns or his/her term of office expires. The fiduciary obligations owed to the Bank and shareholders shall not be discharged before his/her resignation report becomes effective or within a reasonable period after such report becoming effective and within a reasonable period after the expiry of his/her term of office.

**Article 139** A director shall be liable for compensation regarding any losses sustained by the Bank arising from the violation of the laws, administrative regulations, departmental rules or the Articles by the director in discharging his/her duties.

## **Section 2 Independent Directors**

**Article 140** The directors of the Bank include independent directors. At least one-third of members of the Board of Directors of the Bank shall be independent directors, and the total number of independent directors shall be at least three. At least one of the independent directors must have appropriate professional qualifications or accounting or related financial management expertise.

An independent director shall meet the following basic requirements:

- (I) Being qualified to serve as a director of the Bank pursuant to the applicable laws and other relevant requirements;
- (II) Not holding any other positions in the Bank except for director, and having no relationship with the Bank and its substantial shareholders that may affect his/her independent and objective judgment;
- (III) Owning the basic knowledge for the operation of a commercial bank and familiar with the relevant applicable laws;
- (IV) Having a bachelor degree or above, or intermediate vocational titles of relevant professions or above;
- (V) Having above 5 years' experience in law, economics, finance, accounting or other work experience necessary to performing the duties and responsibilities of an independent director;

- (VI) Being able to read, understand and analyze credit reports and financial statements of commercial banks;
- (VII) Other requirements as stipulated by laws, administrative regulations, departmental rules, regulatory documents and the Articles.

**Article 141** Independent Directors shall faithfully carry out their duties in accordance with the relevant applicable laws and the Articles, to safeguard the interests of the Bank as a whole, and particularly ensure that the legitimate rights and interests of depositors and minority shareholders of the Bank are not prejudiced.

An independent director shall perform the duties and responsibilities independently, without any interference by controlling shareholders or de facto controllers of the Bank, or other entities or individuals who have a material interest in the Bank.

**Article 142** The following persons shall not act as an independent director of the Bank:

- (I) A shareholder who holds above 1% of the shares of the Bank or a person who holds positions in such shareholder entities of the Bank or a natural person who is among the top 10 shareholders of the Bank;
- (II) Any person who, at any time in the previous year, is a person described in the paragraph above;
- (III) A person who holds position in the Bank or in enterprises under the control or de facto control of the Bank;
- (IV) A person who held position in the Bank or in enterprises under the control or de facto control of the Bank in the three years before taking up the office;
- (V) A person who holds positions in entities which have legal, accounting, auditing, management consulting and other business connections with or have an interest in the Bank;
- (VI) Any other person who may be controlled or materially influenced by the Bank by any means;
- (VII) A person who takes office in enterprises which fail to return the money borrowed from the Bank;
- (VIII) The close relatives of the above persons;
- (IX) A person who was removed from office by his/her former company for failure to diligently perform his/her duties;
- (X) A person who served as principal officer of a high-risk financial institution and that is unable to prove he/she is not liable for the cancellation or loss of assets of such financial institution;

- (XI) Any other person who is not permitted to serve as an independent director by laws, administrative regulations, departmental rules, regulatory documents and the Articles of the Bank or by the regulatory authorities of the place where the Bank's shares are listed and any other relevant regulatory authorities.

**Article 143** A person who is a civil servant shall not concurrently serve as an independent director of the Bank, and an independent director shall not hold positions in more than two commercial banks at the same time. In case of serving as an independent director in the banking and insurance institutions at the same time, the relevant institutions shall have no associated relationship and no conflict of interest.

An independent director shall ensure that he/she has enough time and energy to perform his/her duties effectively and shall simultaneously serve as an independent director in no more than five domestic and foreign enterprises. An independent director shall, before holding a position in other institutions, inform the Bank of such fact in advance.

**Article 144** The nomination, election and replacement of independent directors shall be made in accordance with the following requirements:

- (I) The Nomination and Remuneration Committee of the Board of Directors, shareholders individually or jointly holding above 1% of the Bank's total outstanding shares with voting rights and the Board of Supervisors can nominate candidates for independent directors to the Board of Directors. A shareholder and related parties thereof who have already nominated a candidate for director shall not nominate any candidate for independent director;
- (II) The qualifications of nominated candidates for independent directors shall be reviewed by the Nomination and Remuneration Committee of the Board of Directors, and the review focuses on independence, professional knowledge, experience and ability, etc.;
- (III) The election and appointment of independent directors shall mainly follow market principles;
- (IV) Other procedures for the election and appointment of independent directors shall be the same as those for non-independent directors.

**Article 145** In addition to the duties and powers granted to the directors of the Bank, independent directors shall be granted the following special duties and powers:

- (I) To propose to the Board of Directors to appoint, re-appoint or remove an accounting firm;
- (II) To propose to the Board of Directors to convene an extraordinary shareholders' general meeting;
- (III) To propose to convene a meeting of the Board of Directors;
- (IV) To independently appoint an external auditing organ and advisory organ;
- (V) To publicly solicit voting rights from shareholders before the shareholders' general meeting convenes.

The exercise of the above duties and powers by the independent directors shall obtain the consent of more than one-half of all the independent directors.

**Article 146** Independent directors shall give independent opinions to the Board of Directors or shareholders' general meeting in relation to the following important matters of the Bank:

- (I) Nomination, appointment and removal of directors and appointment or removal of senior management personnel;
- (II) Remunerations of directors and senior management personnel;
- (III) Significant related party transactions;
- (IV) Profit distribution plans;
- (V) Appointment or removal of accounting firms that conduct regular statutory audits of the Bank's financial reports;
- (VI) Matters on which the Hong Kong Listing Rules require the independent directors to give opinions;
- (VII) The effect of the issuance of preference shares on the rights and interests of every class of shareholders of the Bank;
- (VIII) Other matters which may materially affect the legitimate rights and interests of the Bank, minority shareholders and financial consumers;
- (IX) Other matters stipulated by laws, regulations, regulatory requirements or the Articles.

**Article 147** Independent directors shall work for the Bank for no less than fifteen (15) working days each year. Where an independent director fails to attend three consecutive Board meetings in person, he/she shall be deemed to have failed to perform his/her duties, and the Bank shall convene a shareholders' general meeting to remove him/her from office and elect a new independent director within three (3) months.

**Article 148** To ensure the effective performance of the duties and powers by independent directors, the Bank shall provide the following necessary working conditions for independent directors:

- (I) The Bank shall ensure that independent directors have the same information right as other directors;
- (II) The Bank shall establish a working system of independent directors. The secretary to the Board of Directors shall actively assist the independent directors to perform their duties and provide the necessary materials and information to the independent directors in a timely manner, inform them of the operation conditions of the Bank on a regular basis and organize on-the – spot investigation for independent directors when necessary;
- (III) When the independent directors are exercising their duties and powers, the relevant personnel of the Bank shall cooperate positively and shall not refuse to act, hinder or conceal anything and shall not interfere with the independent exercise of their powers and duties;

- (IV) The expenses incurred from engaging intermediary institutions or other professionals and other expenses required for exercising the duties and powers by independent directors shall be borne by the Bank;
- (V) The Bank shall give appropriate allowances to independent directors. Proposals on the allowance standards shall be formulated by the Board of Directors and considered and approved at the shareholders' general meeting.

Except the above allowance, independent directors shall not obtain undisclosed other additional benefits from the Bank and its substantial shareholders or any organ or personnel who has interests in the Bank.

**Article 149** An independent director may resign before the term of office expires. He/she shall submit a written resignation to the Board of Directors to specify any circumstances related to the resignation or any fact that he/she believes necessary to draw the attention of the Bank's shareholders and creditors. An independent director shall continue to perform his/her duties before the Board of Directors approves his/her resignation.

If the resignation of an independent director causes the number of independent directors in the Board of Directors to fall under the quorum or the minimum number required by the Articles, the independent director shall continue to perform his/her duties until a new independent director assumes office, except in the case of resignation or removal due to loss of independence.

**Article 150** Independent directors shall have committed a serious dereliction of duty in any of the following circumstances:

- (I) Divulgence of the trade secrets of the Bank and impairment of the legitimate interests of the Bank;
- (II) Acceptance of illicit benefits in the performance of their duties, or the seeking of private benefits by taking advantage of the capacity of an independent director;
- (III) Failure to raise an opposing opinion despite being fully aware that a Board resolution violates the laws, regulations or the Articles;
- (IV) Failure to exercise the veto power in respect of related (connected) transactions which have caused material loss to the Bank;
- (V) Other serious dereliction as prescribed by the laws, regulations, rules, regulatory documents or by the banking regulatory and administrative authorities under the State Council, the securities regulatory and administrative authorities under the State Council and the securities regulatory authority of the place where the Bank's shares are listed.

If an independent director has been disqualified by the banking regulatory and administrative authorities under the State Council due to serious dereliction of duty, he/she shall be automatically dismissed from the position from the date he/she is disqualified.

### **Section 3 Board of Directors**

**Article 151** The Bank shall have a Board of Directors, which shall be accountable to the shareholders' general meeting. The Board of Directors shall be composed of nine to fifteen directors, including one chairman and one vice chairman.

**Article 152** The chairman shall be served by the Bank's directors. The chairman and vice chairman shall be elected by more than half of all directors.

**Article 153** The Board of Directors shall exercise the following functions and powers:

- (I) Convening shareholders' general meetings and reporting its performance at the general meetings;
- (II) Implementing resolutions of the shareholders' general meetings;
- (III) Working out development strategies, operational plans and investment programs of the Bank, and supervising the implementation of such strategies;
- (IV) Working out annual financial budget plans and final account plans of the Bank;
- (V) Formulating profit distribution plans and plans for recovery of losses of the Bank;
- (VI) Formulating proposals for increases in or reductions of registered share capital, issuance of bonds or other securities and listing plans of the Bank;
- (VII) Working out proposals for major acquisitions of the Bank, acquisition of the Bank's shares, merger, separation, change of the form of the Bank and dissolution or liquidation;
- (VIII) Considering and approving the authorization plan for the Bank's annual business, personnel, finance, etc.;
- (IX) Considering and approving any external donation involving a single amount of more than RMB200,000 but not exceeding RMB30 million (inclusive), and a cumulative amount of more than RMB500,000 within the same year or a cumulative amount of more than RMB1 million to the same object;
- (X) Considering and approving matters in relation to major equity investment and disposal with a single amount representing less than ten percent (inclusive) of the most recent audited net asset of the Bank;
- (XI) Considering and approving matters in relation to major asset acquisition, disposal and write-off with a single amount which amounts to more than RMB200 million (exclusive) representing less than ten percent (inclusive) of the most recent audited net asset of the Bank;
- (XII) Considering and approving any single external guarantees of other non-commercial banks' business guarantees such as asset mortgage amounting to less than RMB200 million (inclusive);
- (XIII) Considering and approving related party transactions, data governance and other matters in accordance with laws and regulations, regulatory provisions and the Articles;
- (XIV) Deciding on the establishment of the internal management structure of the Bank;
- (XV) To determine the rules of establishment of branches structure of the Bank;

- (XVI) Appointing or removing senior management, including the president and the secretary to the Board of Directors of the Bank; appointing or removing senior management, including vice presidents, assistants to the president and finance officers of the Bank, based on the recommendations of the president; and deciding on matters relating to their emoluments and awards or punishment, and supervising the senior management in performance of duties in accordance with regulatory provisions;
- (XVII) Establishing the basic management system of the Bank, and deciding on risk management, internal control and the compliance policies of the Bank;
- (XVIII) Formulating proposals for any amendment to the Articles;
- (XIX) Formulating the Rules of Procedures of the Shareholders' General Meeting and the Rules of Procedures of the Board's Meeting, and considering and approving the working rules of the special committee of the Board of Directors;
- (XX) Managing the disclosure of information of the Bank, taking charge of the information disclosure of the Bank and bearing the ultimate liability for the authenticity, accuracy, completeness, and timeliness of the accounting and financial reports;
- (XXI) Proposing the appointment, removal or replacement of accounting firms to the shareholders' general meetings for conducting regular statutory audits of the Bank's financial reports;
- (XXII) Reviewing working reports of the president of the Bank and examining the performance of the president;
- (XXIII) Formulating capital replenishment plans, developing capital planning of the Bank, and bearing the ultimate responsibility for capital or solvency management;
- (XXIV) Formulating the risk tolerance, risk management and internal control policies of the Bank, and bearing the ultimate responsibility for comprehensive risk management;
- (XXV) Formulating medium and long term incentive plans, such as equity incentive plans and employee stock ownership plans;
- (XXVI) The Board of Directors shall establish a supervisory system to ensure that the management will formulate a code of conduct and working principles for the management staff and the business personnel at all levels and that the regulatory documents will specifically require employees at all levels to promptly report any possible conflict of interests, provide detailed rules and establish corresponding mechanism;
- (XXVII) The Board of Directors shall establish a reporting system to require the senior management to report operational issues of the Bank to the Board of Directors regularly. The following items shall be regulated under this system:
  - 1. The contents and the basic standard of the information reported to the Board of Directors;
  - 2. The frequency of the report;

3. The form of the report;
4. The responsible bodies of the report and the responsibilities for delay or incompleteness of the report;
5. The confidentiality of the report.

(XXVIII) Regularly evaluating and improving the Bank's corporate governance;

(XXIX) Assuming responsibility for the management of shareholders' affairs;

(XXX) Safeguarding the legitimate rights and interests of financial consumers and other stakeholders;

(XXXI) Establishing a mechanism for identification, review and management of conflicts of interest between the Bank and shareholders especially substantial shareholders;

(XXXII) Exercising any other functions and powers prescribed by the laws, administrative regulations, departmental rules or the Articles and authorized by the shareholders' general meetings.

The resolutions of the above matters of the Board of Directors shall be approved by more than half of all directors, but for the cases of items (V), (VI), (VII), (IX), (X), (XI), (XII), (XVI), (XVIII), (XXIII) and (XXV), the resolutions shall be approved by two-thirds of all directors. Matters beyond the scope of authorization of shareholders' general meetings of the Bank shall be proposed in shareholders' general meetings for consideration and approval.

**Article 154** The powers and functions of the Board of Directors shall be collectively exercised by the Board of Directors. The powers and functions of the Board of Directors stipulated in the Company Law shall not be authorized to be exercised by the chairman of Board of Directors, directors, other institutions or individuals in principle. When authorization is necessary for some specific decision-making matters, it shall be made with resolutions of the Board of Directors in accordance with the law. One authorization shall be respectively given to one matter. It is prohibited to authorize the functions and powers of the Board generally or permanently to other institutions or individuals.

**Article 155** The Board of Directors of the Bank shall explain at a shareholders' general meeting the audit reports with the qualified opinions issued by registered accountants in respect of the Bank's financial report.

**Article 156** The Board of Directors shall formulate the rules of procedures of meetings of Board of Directors to ensure the implementation of the resolutions of a shareholders' general meeting, the efficiency and scientific decision-making of the Board of Directors. The rules of procedures shall be formulated by the Board of Directors and approved by the general meeting.

**Article 157** For the disposal of any fixed assets by the Board of Directors, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four (4) months immediately preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed at a shareholders' general meeting, the Board of Directors shall not dispose of or approve the disposal of such fixed assets without the approval of the shareholders' general meeting.

The disposal of fixed assets referred to in this article includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.

Any breach of the requirements set out in the first paragraph of this article shall not affect the validity of any transaction entered into by the Bank in disposing of fixed assets.

**Article 158** The chairman of the Board of Directors shall perform the following duties and powers:

- (1) to preside over shareholders' general meetings, and convene and preside over the Board meetings;
- (2) to supervise and examine the execution and implementation of resolutions of the Board of Directors;
- (3) to sign certificates of shares, bonds and others securities of the Bank;
- (4) to sign material documents of the Board of Directors and other documents which shall be signed by the legal representative of the Bank;
- (5) to exercise the duties and powers of a legal representative;
- (6) in the event of an occurrence of any severe natural disaster or any other force majeure event, to exercise his special power of disposition in relation to the Bank's affairs in the Bank's interests and in compliance with the relevant legal provisions, and, subsequently report such disposition to the Board of Directors and the shareholders' general meeting of the Bank;
- (7) other powers and rights conferred by the Articles and the Board of Directors.

The vice chairman shall assist the chairman in his/her work. If the chairman is unable or fails to perform his duties and powers, the vice chairman shall exercise such duties on his behalf; if the vice chairman is unable or fails to do so, a director shall be recommended by half or more directors jointly to exercise such duties and powers on his behalf.

**Article 159** The meetings of the Board of Directors are divided into regular meetings and interim meetings. The regular meetings of the Board of Directors shall be held at least four times a year and convened by the chairman. Notices of the Board meetings shall be sent to all directors and supervisors in writing fourteen (14) days before the meeting, and the meeting documents shall be sent to all directors and supervisors ten (10) days before the meeting.

**Article 160** The chairman shall convene an interim Board meeting within ten (10) days under the following circumstances:

- (I) It is deemed necessary by the chairman;
- (II) It is proposed by more than one-third of the directors;
- (III) It is proposed by the Board of Supervisors;
- (IV) It is proposed by more than two (2) independent directors;

- (V) It is proposed by the shareholders representing more than one-tenth of voting rights;
- (VI) Other circumstances as stipulated by the laws, administrative regulations, departmental rules or the Articles.

The notice of an interim Board meeting shall be served on all directors and supervisors in writing three (3) days before the meeting. In case of emergency, the service of notices for an interim Board meeting shall not be subject to the time-limit stated in the preceding paragraph.

**Article 161** Upon the occurrence of the circumstances provided in Article 160 of the Articles, if the chairman is unable or fails to his duties to convene and preside over an interim Board meeting, the vice chairman shall exercise such duties on his behalf; if the vice chairman is unable or fails to do so, a director shall be recommended by half or more directors jointly to exercise such duties and powers on his behalf.

**Article 162** The notice of Board meetings shall contain the following contents:

- (I) The date, time and place of the meeting;
- (II) The duration of the meeting;
- (III) The reason for holding the meeting and topics for discussion;
- (IV) The date of issuance of the meeting notice.

**Article 163** The Board meetings shall only be held when more than half of the directors attend the meeting. Resolutions adopted at the Board meeting must be approved by more than half of the directors. Each director shall have one vote. Where the number of votes cast for and against a resolution is equal, the chairman shall have the deciding vote.

Directors or any of their close associates (as defined under the Hong Kong Listing Rules) who have related party relationship with the enterprise which is involved in the resolution to be discussed at the Board meetings, or has material interests in the contract, arrangement or any other matters proposed to be discussed, shall not exercise their voting rights on such proposal, nor can they exercise any voting rights on behalf of other directors. The Board meeting shall only be held if more than half of the directors who do not have any related party relationship and any material interests are present. Resolutions of the Board meeting shall be passed by more than half of the directors without related party relationship with and material interests in the matter to be resolved. Where less than three (3) directors without related party relationship with and material interests in the matter are present at the Board meeting, such proposals shall be submitted to the shareholders' general meeting for approval.

Where otherwise provided by the laws, administrative regulations, departmental rules, relevant regulatory authorities and the Articles, such other provisions shall prevail.

**Article 164** Board meetings may be held by a meeting on-site or by circulation of a written resolution.

For the convenience of directors attending a Board meeting, Board meetings may be held on-site, or by means of telephone, video or other real-time means of communication. Directors who participated in a Board meeting by the aforementioned means shall be deemed to have attended such on-site meeting.

If a Board meeting is convened by means of telephone, video or other real-time means of communication, the Bank shall ensure that speeches by other directors can be heard clearly by directors present at the meeting participating in the meeting and can communicate with each other. Board meetings convened by such means shall be audio recorded or videotaped. If directors are unable to sign resolutions at such meetings, a voice vote shall be used and the signing of resolutions shall be performed as soon as possible. The effectiveness of the voice vote by the directors shall have equal effect with signed resolutions provided that the subsequent resolution signed is consistent with the voice vote made at the meeting. If there is any inconsistency between the voice vote and the signed resolution, the voice vote shall prevail.

If a Board meeting is convened by means of circulation of a written resolution, namely by serving the resolutions for review individually or by circulating the resolutions among the directors for review, the directors or other directors appointed by them shall express their opinions for, against or abstain on the resolution or on the ballot paper clearly in writing. Once the number of directors who sign in favor reaches the quorum for a resolution as required by the Articles, the proposal shall take effect. The Bank shall provide explanations if a Board meeting is convened by means of circulation of a written resolution and matters to be voted and the related background materials shall be served on all directors at least three (3) days before voting.

Circulation of a written resolution shall not be adopted for profit distribution plan, compensation plan, major equity investment and asset disposal plan, plans on employing or dismissing senior management members and capital replenishment, major equity change and financial restructuring and other significant matters which shall be approved by more than two-thirds of directors of the Board of Directors.

The appointment and dismissal of the Company Secretary shall be determined by on-site meeting rather than circulation of a written resolution.

**Article 165** Directors shall attend a Board meeting in person. If a director cannot attend the meeting due to certain reasons, he/she may appoint another director in writing to attend on behalf.

The proxy form shall state the name of the proxy, the relevant matters, the scope of authorization and the validity period, and shall be signed by the appointer or a chop shall be affixed.

A director attending a meeting on another director's behalf shall exercise the director's rights within the scope of authorization. If a director does not attend the Board meeting and fails to appoint a proxy to attend the meeting, it shall be deemed as a waiver of his/her voting right at such meeting.

**Article 166** When the Board of Directors convenes a Board meeting, it shall notice the Board of Supervisors to send members to attend.

**Article 167** Minutes shall be kept for all Board meetings. Directors present at the meeting and the minute-taker shall sign on the minutes. Directors present at meeting have the right to request their speech at the meeting to be recorded as a statement. Minutes of the Board meetings shall be kept as bank documents permanently.

The Bank shall take minutes of the on-site Board meetings by means of audio and video recording.

**Article 168** Minutes of Board meetings shall include the following:

- (I) The date, time and place of the meeting, the name of the convener and the name of the presider;
- (II) The names of directors attending the meeting and the names of directors (proxies) appointed by others to attend the Board meeting;
- (III) The agenda of the meeting;
- (IV) The main points of directors' speeches;
- (V) The method and results of the voting for each proposal (the voting results shall state the numbers of votes voting in the affirmative, negative, or in abstention).

**Article 169** Directors shall sign on the resolutions approved at the meeting of the Board of Directors and shall bear the responsibility for the resolutions. Should any resolution approved at the meetings of the Board of Directors be in breach of the laws, regulations, the Articles or resolutions approved at the shareholders' general meeting, and thus causes the Bank to suffer losses, the directors who attended the meeting and approved the abovementioned resolution shall be liable to compensate for the loss of the Bank. The directors may provide proof that they have expressed their disputes to the abovementioned resolution and if such views are recorded in the minutes, they may be exempted from the liability for the above compensation.

**Article 170** The Board of Directors of the Bank has established special committees, i. e. the Strategy and Development Committee, the Audit Committee, the Related Party Transactions Control Committee, the Risk Management Committee and the Nomination and Remuneration Committee and the Consumer Rights Protection Committee. Each of the special committees is responsible to the Board of Directors. They provide professional opinions to the Board of Directors, or make decisions in respect of professional issues in accordance with the authorization of the Board of Directors.

All special committees comprise of directors, and each committee shall have at least three (3) members. In particular, the majority of the members of the Audit Committee, the Related Party Transactions Control Committee and the Nomination and Remuneration Committee shall be independent directors, and they shall act as the chairman of committees. Among the members of the Related Party Transactions Control Committee who are independent directors, at least one of them shall have professional expertise in accounting. All members of the Audit Committee shall be non-executive directors and shall have professional knowledge and work experience in certain area including finance, auditing, accounting, or law, with at least one member having the appropriate qualifications as provided for in the Hong Kong Listing Rules or an independent director having the appropriate accounting or relevant financial expertise. The chairman of the Risk Management Committee shall have experience in identification and management of various risks.

The chairman of a special committee in principle shall not serve as the chairman of another committee. Directors serving as chairman of the Audit Committee, the Related Party Transactions Control Committee and the Risk Management Committee shall work in the Bank for at least twenty (20) workdays every year.

**Article 171** The primary duties of the Strategy and Development Committee of the Board of Directors are:

- (I) formulating the medium-to-long term development strategies of the Bank, supervising and evaluating the implementation of the strategies and advising to the Board of Directors;
- (II) examining the annual operation plan and the budget for fixed asset investment of the Bank, supervising and inspecting the implementation of the annual operation plan and the budget for fixed asset investment of the Bank;
- (III) studying and advising the Board of Directors on the development of information technology, inclusive finance, green credit and other specialized strategic development plans of the Bank according to the needs of strategic development plan;
- (IV) studying and formulating strategies and policies of the social responsibilities of the Bank, supervising, inspecting and evaluating the performance of social responsibilities by the Bank;
- (V) reviewing annual authorization plans relating to business, personnel, and financial affairs, and advising to the Board of Directors;
- (VI) considering and approving any single external donations amounting to more than RMB200,000 and less than RMB30 million (inclusive), and cumulatively exceeding RMB500,000 within the same year or RMB1 million in respect of the same target; considering matters in relation to major equity investment and disposal with a single amount representing less than ten percent (inclusive) of the most recent audited net asset of the Bank; considering matters in relation to major asset acquisition, disposal and write-off with a single amount which amounts to more than RMB200 million (exclusive) representing less than ten percent (inclusive) of the most recent audited net asset of the Bank; considering any single external guarantees of other non-commercial banks' business security such as asset mortgage amounting to less than RMB200 million (inclusive); and advising to the Board of Directors in respect of the above-mentioned matters;
- (VII) studying and coordinating other significant matters relating to the strategic development of the Bank.

**Article 172** The primary duties of the Audit Committee of the Board of Directors are:

- (I) inspecting the risks and compliance, finance, accounting policies and practices, financial reporting procedures as well as financial wellbeing of the Bank;
- (II) taking charge of the annual audit work of the Bank;
- (III) advising to the Board of Directors on the engagement or change of external auditors which conduct auditing for the Bank including making recommendations to the Board of Directors on the appointment, re-appointment and change of the external auditors, approving the remuneration and the terms of appointment of the external auditors and dealing with any relevant issues regarding the resignation or removal of external auditors;
- (IV) monitoring and evaluating the external auditors' independence and objectivity and the effectiveness of the audit process. The Audit Committee shall discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;

- (V) developing and implementing policy on engaging an external auditors to provide non-audit services. For the purpose of this clause, the external auditors include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board of Directors and make recommendations on any matters where action or improvement is needed;
- (VI) considering the financial statements, annual report and accounts, half-year report and (if prepared for publication) quarterly reports as issued by the external auditor on the Bank's operating results in the previous year, and reviewing significant financial reporting views contained in such statements and reports; making judgements on the truthfulness, accuracy, completeness and timeliness of the information of the audited financial reports, and submitting the deliberations to the Board of Directors. In reviewing these reports before submission to the Board of Directors, the Audit Committee shall focus particularly on the following items:
1. any changes in accounting policies and practices;
  2. major judgmental areas;
  3. significant adjustments resulting from audit;
  4. the going concern assumptions and any qualifications;
  5. compliance with accounting standards;
  6. compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.

Members of the Audit Committee shall liaise with the Board of Directors and senior management. The Audit Committee must meet, at least twice a year, with the Bank's external auditors. The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and shall give due consideration to any matters that have been raised by the Bank's staff responsible for accounting and financial reporting, compliance officer or auditors;

- (VII) reviewing and inspecting the internal control (including financial control) system of the Bank;
- (VIII) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Bank's accounting and financial reporting function;
- (IX) studying major investigation findings on risk management and internal control matters and response from management to these findings as delegated by the Board or on its own initiative;

- (X) being responsible for the communication between internal auditors and external auditors to ensure co-ordination between the internal audit department and external auditors, ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and reviewing and monitoring the effectiveness of the internal audit function;
- (XI) reviewing the letter of audit explanatory statement given to the management by the external auditor, any material queries raised by the auditor to management about accounting records, financial accounts or control system and management's response;
- (XII) ensuring that the Board will provide a timely response to the issues raised in the external auditor's letter of audit explanatory statement given to the management;
- (XIII) acting as the key representative between the Bank and the external auditor for overseeing their relationship;
- (XIV) reviewing the following arrangements of the Bank: employees of the Bank can raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; the Audit Committee should establish a whistle blowing policy and system for employees and those who deal with the Bank (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Bank;
- (XV) reporting to the Board on the above matters;
- (XVI) other duties which are required by the Hong Kong Listing Rules to be performed by the Audit Committee of the Board;
- (XVII) other functions and powers which are conferred by the Board on the committees.

**Article 173** Main duties of the Connected Transaction Control Committee of the Board include:

- (I) To manage the connected/related party transactions of the Bank pursuant to the provisions of laws, regulations and the Hong Kong Listing Rules and formulate corresponding related party/connected transactions management rules;
- (II) To identify the Bank's related parties (connected persons) pursuant to the provisions of laws, regulations and the Hong Kong Listing Rules, and report to the Board and the Supervisory Committee;
- (III) To define the connected/related-party transactions of the Bank pursuant to the provisions of laws, regulations, the Hong Kong Listing Rules and the Articles;
- (IV) To review the Bank's connected/related party transactions pursuant to the provisions of laws, regulations and the Hong Kong Listing Rules and under the commercial principle of fairness and justice;

- (V) Material related-party (connected) transactions of the Bank and other connected transactions which are subject to approval by the Board shall be submitted to the Board for approval after they are examined by the Connected Transaction Control Committee. If such transactions fall within the related party (connected) transactions which need to be approved by the general meeting pursuant to the Hong Kong Listing Rules or the amount of related-party (connected) transactions exceeds the cap authorized by general meeting to the Board, approval from general meeting is required;
- (VI) To review the information disclosure of the Bank's material related-party transactions and discloseable connected transactions;
- (VII) Other duties and power conferred by the Board on the committees.

A material related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank at the end of the previous quarter or with a cumulative amount reaching more than 5% of the net capital of the Bank at the end of the previous quarter.

After the cumulative amount of transactions between the Bank and a single related party reaches the standards prescribed in the preceding paragraph, the subsequent related party transactions shall be redetermined as a material related party transaction once the cumulative amount thereof reaches more than 1% of the net capital at the end of the previous quarter.

Material transactions shall be reviewed by Related Party Transaction Control Committee of the Bank before they are approved by the Board. Resolutions made at the Board meetings shall be approved by more than two-thirds of the non-associated directors. It shall be submitted to the shareholders' general meeting for consideration if the number of non-associated directors attending the Board meeting is less than three. The connected transactions defined in the Hong Kong Listing Rules shall be subject to the provisions and requirements in relation to Hong Kong laws and rules.

A general related party transaction shall refer to a related party transaction other than a material related party transaction. General related party transactions shall be approved by the Bank in accordance with internal authorization procedures and reported to Related Party Transaction Control Committee for filing.

**Article 174** The main duties of the Risk Management Committee of the Board include:

- (I) To consider and formulate risk management framework and set up procedures to identify, assess and manage material risks faced by the Bank and provide guidelines to the management on risk management, and to ensure the management discharges its responsibility in establishing an effective risk management system;
- (II) To supervise the Bank's control of credit risk, liquidity risk, market risk, operational risk, compliance risk and reputation risk and conduct necessary identification, assessment and management;
- (III) To study macro-economic and financial policies, analyze market changes and put forward management proposals on industry risks;

- (IV) To continuously oversee the Bank's risk management and internal control systems on an ongoing basis as delegated by the Board, and ensure that the effectiveness of the Bank's and its subsidiaries' risk management and internal control systems has been reviewed at least once in each year. Such review should cover all material controls, including financial, operational and compliance controls. The annual review conducted by the Risk Management Committee should ensure the adequacy of the Bank's resources, staff qualifications and experience in accounting, internal audit and financial reporting functions and the training programmes attended by the staff and relevant budget.

The annual review conducted by the Risk Management Committee should, in particular, include:

1. the changes in the nature and extent of significant risks since the last annual review, and the ability of the Bank to respond to changes in its business and the external environment;
  2. the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function and other assurance providers;
  3. the extent and frequency of communication of monitoring results to the Board (or the Risk Management Committee);
  4. significant control failures or weaknesses that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the financial performance or condition of the Bank;
  5. The effectiveness of the Bank's processes of for financial reporting and compliance with the Hong Kong Listing Rules.
- (V) To report any material risk management matter to the Board, propose solutions to such matter and advise on improving the Bank's compliance, risk management and internal control;
- (VI) To study risk prevention measures of material risk events during the Bank's operation and management;
- (VII) To examine information disclosure issues in the Banks' risk management;
- (VIII) Other functions and powers conferred by the Board on the committees.

**Article 175** The main duties and responsibilities of the Nomination and Remuneration Committee of the Board are:

- (I) To formulate the remuneration management system and policies of the Bank and submit the same to the Board of Directors for consideration;
- (II) To study the appraisal criteria for directors and senior management and submit the same to the Board of Directors for consideration; to carry out appraisal and make recommendations in accordance with appraisal criteria;

- (III) To study and review the remuneration policy and plan for directors and senior management, study and establish standardized and transparent procedures for formulating remuneration policies and submit proposals to the Board; and to review and approve the remuneration proposals of the management in view of the corporate direction and objective determined by the Board;
- (IV) To make recommendations to the Board on the remuneration packages (include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of individual executive directors and senior management members;
- (V) To make recommendations to the Board on the remuneration of non-executive directors;
- (VI) To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive if not consistent;
- (VII) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate if not consistent;
- (VIII) To ensure that no director or any of his associates (within the meaning of the Hong Kong Listing Rules) is involved in deciding his own remuneration;
- (IX) To formulate the mid-term and long-term incentive plans and implementation schemes of the Bank;
- (X) To assess market competitiveness of the Bank's remuneration regularly, consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of other posts of the Bank and its subsidiaries, dynamically adjust the Bank's remuneration policy;
- (XI) To review the structure, size, composition and diversity (including skills, knowledge and experience) of the Board of Directors at least annually and make recommendations on any proposed changes to the Board of Directors to complement the Bank's corporate strategy;
- (XII) To research the criteria and procedures for selecting directors, president and other senior management personnel, and make recommendations;
- (XIII) To extensively identify qualified candidates for directors and president and other senior management personnel, and select and nominate relevant individuals as directors or president, and make recommendations to the Board of Directors;
- (XIV) To review candidates for directors and president and other senior management personnel and make recommendations;
- (XV) To consider the appointment or dismissal proposal of the senior management such as the Bank's vice president, president assistant and finance chief submitted by the president, and to advise to the Board of Directors;

- (XVI) To assess the independence of independent directors;
- (XVII) To make recommendations to the Board of Directors on the appointment or re-appointment of directors and succession planning for directors (in particular the chairman) and president;
- (XVIII) To formulate and review the Board Diversity Policy as appropriate;
- (XIX) Other duties shall be performed by the Nomination and Remuneration Committee under the Board of Directors as required by the Hong Kong Listing Rules;
- (XX) Other duties and powers conferred by the Board of Directors to the committee.

**Article 176** Main duties of the Consumer Rights Protection Committee of the Board:

- (I) to formulate the Bank's strategies, policies and objectives of consumer protection, to incorporate consumer protection into corporate governance and business development strategies; and to guide the senior management to reinforce in overall planning the construction of a corporate culture enabling consumer protection;
- (II) to supervise the senior management to effectively carry out and implement the relevant work of protecting consumer rights, regularly listen to special reports from the senior management on the implementation of consumer rights protection in the Bank, and review and approve relevant special reports;
- (III) to supervise and evaluate the Bank's consumer protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties;
- (IV) in accordance with the Bank's overall strategy, to deliberate proposals on consumer protection for the consideration of the Board of Directors, and make recommendations to the Board of Directors;
- (V) to provide periodic reports to the Board;
- (VI) other matters as required by laws and regulations, Articles, and the Board of Directors.

**Article 177** Each committee shall formulate the rules of meetings and working responsibilities, and define each special committees' duties, rules of meetings, working procedures and matters authorized by the Board of Directors, with the approval of the Board of Directors by a simple majority vote. The establishment, composition, scope of working authority and disclosure of information, etc. of each committee shall be in accordance with the laws, administrative regulations, departmental rules, and the regulations of the relevant regulatory authorities, the Hong Kong Listing Rules and the relevant provisions of the Articles.

The Bank shall provide each committee with necessary working conditions.

Each special committee may engage intermediaries to provide professional opinions at the cost of the Bank.

**Article 178** The Bank may set up professional consultants and honorary positions in response to real needs.

## CHAPTER 10 SECRETARY TO THE BOARD AND OFFICE OF THE BOARD

**Article 179** There shall be a secretary to the Board. The secretary to the Board, a member of the senior management personnel, shall be accountable to the Board.

**Article 180** The Secretary to the Board shall possess the necessary professional knowledge and working experience in banks, and meet the qualifications of the domestic and overseas regulators, who shall be appointed or dismissed by the Board. The provisions herein in relation to the conditions prohibiting a person from acting as a director of the Bank shall be applicable to the Secretary to the Board.

**Article 181** The main duties and responsibilities of the secretary to the Board shall include:

- (I) To ensure that the Bank prepares and submits reports and documents required by competent agencies in accordance with relevant laws;
- (II) To prepare for Board meetings and general meetings and be responsible for the minutes of the meetings and the safekeeping of meeting minutes and documents; to ensure that the Bank has complete constitutional documents and records;
- (III) To prepare documents for Board meetings and general meetings as well as relevant rules;
- (IV) To be responsible for the information disclosure of the Bank and ensure the timely, accurate, lawful, truly and complete disclosure of the Bank's information;
- (V) To ensure that the register of shareholders of the Bank is properly set up, and that people entitled to obtain the Bank's relevant records and documents, can receive such records and documents in a timely manner;
- (VI) To be responsible for the safekeeping of the register of shareholders, the seal of the Board and relevant materials and to be responsible to handle matters related to management of the equity shares of the Bank and registration of trusteeship;
- (VII) Other matters as authorized by the Board.

**Article 182** The Secretary to the Board shall be nominated by the chairman and shall be appointed or dismissed by the Board. Directors or other senior management of the Bank may serve concurrently as Secretary to the Board of the Bank. Any certified public accountant of the accounting firm engaged by the Bank and lawyer of the law firm shall not act in the capacity of the Secretary to the Board of the Bank. Term of office of the Secretary to the Board shall be the same as that of a director.

If a director or a senior management personnel of the Bank concurrently serves as the Secretary to the Board, in the event that an action has to be taken by the director (or the senior management personnel) and the Secretary to the Board respectively, the person acting concurrently as a director (or a senior management personnel) and the Secretary of the Board shall not take such action in both of the capacities.

**Article 183** The Board shall set up a special office, take charge of the daily affairs of the Board and the relevant special committees, provide support to such committees in connection with the exercise of their rights and duties, and assist the Secretary to the Board in carrying out their duties.

The persons employed to work in the office of the Board shall have the relevant specific knowledge and professional accomplishment so as to sufficiently ensure their assistance to the Board in carrying out its duties.

## CHAPTER 11 PRESIDENT

**Article 184** The Bank shall have one (1) president who shall be nominated by the chairman and appointed or dismissed by the Board of Directors.

**Article 185** The president is appointed for tenure of three (3) years and they may be re-appointed.

**Article 186** The president shall be accountable to the Board of Directors and shall perform the following duties and powers:

- (I) to thoroughly implement the business development strategies of the Bank decided by the Board of Directors;
- (II) to take charge of the daily administrative, business and financial management affairs of the Bank, to organize the implementation of the resolutions of the Board of Directors and to report the work to the Board of Directors;
- (III) to submit annual business plans and investment proposals to the Board of Directors and to organize the implementation upon approval by the Board of Directors;
- (IV) to draft proposals on the establishment of the Bank's internal management entities and branches;
- (V) to draft the Bank's basic management system;
- (VI) to formulate the Bank's specific regulations of businesses;
- (VII) to approve external donations with a single amount of less than RMB200,000 (inclusive), a cumulative amount of RMB500,000 (inclusive) in the same year, or a cumulative amount of RMB1 million (inclusive) to the same object;
- (VIII) to approve related matters of major asset purchase, disposal and write-off with a single amount of less than RMB200 million (inclusive);
- (IX) to propose to appoint or dismiss the vice presidents, assistant to the president, financial chief and other senior management personnel of the Bank;
- (X) to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board of Directors; and determine their salaries, benefits and reward or punishment according to the remuneration reward and punishment scheme fixed by the Board of Directors;

- (XI) to decide the wages, benefits, reward and punishment of the Bank's staff;
- (XII) to authorize senior management personnel and persons in charge of internal departments and branches to conduct operational activities;
- (XIII) to adopt emergency measures when any material emergency (such as a run on the Bank) arises and promptly report them to the banking regulatory and administrative authorities under State Council, the Board of Directors and the Board of Supervisors;
- (XIV) other powers and rights conferred by applicable laws, the Articles or by the Board of Directors.

**Article 187** The president may observe the meetings of the Board of Directors. A non-Director president shall have no voting rights thereat.

**Article 188** The president shall formulate the "Terms of Reference of the President" and implement such rules after having been approved by the Board of Directors. The president shall exercise the authority of the Board of Directors through meetings such as the president's office meeting.

The Terms of Reference of the President shall include the following:

- (I) Conditions and procedures for convening a presidential meeting and the participating personnel;
- (II) Specific duties and division of work of the president, vice presidents and other senior management personnel;
- (III) Use of the Bank's funds and assets, authority for entering into material contracts and the system of reporting to the Board of Directors and the Board of Supervisors;
- (IV) Other matters which are deemed necessary by the Board of Directors.

**Article 189** The president and the senior management personnel shall observe the laws, administrative regulations and the provisions of the Articles, and undertake the obligation to observe the principle of good faith and acting prudently and diligently.

When exercising their powers, the president and the senior management personnel shall not make any changes on the resolutions of the shareholders' general meeting and the Board of Directors and shall not exercise beyond their authorities.

**Article 190** The president and the senior management personnel of the Bank shall indemnify the Bank for any losses incurred by the Bank resulting from their violation of the laws, administrative regulations, departmental rules or the Articles when performing their duties.

**Article 191** The president and the senior management personnel may resign before the term of office expires, specific procedures and methods of such resignation shall be prescribed by the provisions of the employment contract. The president and the senior management personnel shall resign only upon the completion of the resignation auditing.

## CHAPTER 12 BOARD OF SUPERVISORS

### Section 1 Supervisors

**Article 192** The supervisors of the Bank include shareholder representative supervisors, external supervisors and employee representative supervisors.

**Article 193** The directors, the president, financial chief and other senior management personnel of the Bank shall not be the supervisors simultaneously.

**Article 194** The requirements set out in the Articles regarding the qualifications, nomination, election and change of independent directors apply to external supervisors. External supervisors shall not have any relationship with the Bank and its substantial shareholders which will otherwise affect their independent judgments.

**Article 195** The term of office of each supervisor shall be three (3) years. Before the expiry of the supervisor's term of office, the shareholders' general meeting and employee representative meeting shall not dismiss any supervisor without any reason. Shareholder representative supervisors and external supervisors shall be elected or replaced by the shareholders' general meeting; and employee representative supervisors shall be elected or replaced by employee representative meeting of the Bank. Upon expiry of the supervisor's term of office, the supervisors can be re-elected and re-appointed. However, the cumulative term of office for external supervisors shall not exceed six (6) years, and external supervisors shall not hold positions in more than two commercial banks at the same time. The supervisor's term of office shall be calculated from the date on which he/she takes up the office until the term of office of the current Board of Supervisors expires.

**Article 196** A supervisor may resign before the expiry of his/her term of office. The provisions on the resignation of directors specified in the Articles shall apply to the supervisors.

**Article 197** A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

**Article 198** Supervisors shall comply with laws, administrative regulations and the Articles and shall exercise care, honesty and diligence obligations. Supervisors shall not use their powers to accept bribes or other illegal income and shall not infringe the Bank's property.

**Article 199** Supervisors' remuneration shall be approved and determined by the shareholders' general meeting, and the Board of Directors shall not meddle supervisors' remuneration standards.

**Article 200** Supervisors shall not jeopardize interests of the Bank by taking advantage of their related party status, and the supervisors shall indemnify the Bank for any losses incurred by the Bank therefrom. Supervisors shall indemnify the Bank for any losses incurred by the Bank resulting from their violation of the laws, administrative regulations, departmental rules and the Articles when performing their duties.

## Section 2 Board of Supervisors

**Article 201** The Bank shall have a Board of Supervisors which shall be composed of five (5) to thirteen (13) supervisors. The Board of Supervisors shall have one (1) chairman and may have one (1) vice chairman, and their appointment and removal shall be made with a resolution passed by above two-thirds of the all members of the Board of Supervisors. The chairman and vice chairman of the Board of Supervisors shall be served as by a dedicated designated person, and shall possess professional knowledge and working experience in at least one professional area, e.g. accounting, audit, finance or law, etc.. The chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. If the chairman of the Board of Supervisors is unable to or fails to carry out his/her duties, the vice chairman of the Board of Supervisors shall convene and preside over the meeting. If the vice chairman of the Board of Supervisors is unable to or fails to carry out his/her duties, a supervisor elected by above half of the supervisors shall convene and preside over the meeting.

Employee representative supervisors and external supervisors shall not be less than one-third of the total number of members of the Board of Supervisors.

Shareholder representative supervisors shall be nominated by the Board of Supervisors and shareholder(s) individually or collectively holding more than 3% of the shares with voting rights of the Bank, and shall be elected, removed and replaced by the shareholders' general meeting; External supervisors shall be nominated by the Board of Supervisors and shareholder(s) individually or collectively holding more than 1% of the shares with voting rights of the Bank, and shall be elected, removed and replaced by the shareholders' general meeting; Employee representative supervisors shall be nominated by the Board of Supervisors and the labor union of the Bank, and shall be elected, removed and replaced by employee representative meeting, general employee meeting or other democratic procedures of the Bank.

In principle, the number of supervisors nominated by the same shareholder and his/her related parties shall not exceed one-third of the number of members on the Board of Supervisors; the same shareholder shall nominate only one candidate for external supervisor and the shareholder and his/her related parties that have nominated directors shall not nominate supervisors, except as otherwise prescribed by the state.

**Article 202** The Board of Supervisors shall be the supervisory authority of the Bank, and accountable to the shareholders' general meeting and exercise the following powers:

- (I) to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Bank; to regularly evaluate the scientificity, rationality, stability and efficiency of the development strategy formulated by the Board of Directors and prepare evaluation reports;
- (II) to supervise the performance of duties of the Board of Directors and senior management and other members of the Bank, to conduct a comprehensive evaluation on the performance of duties of the directors, supervisors and senior management personnel and when the acts of directors and senior management personnel of the Bank jeopardize its interests, to require them to correct these acts and to propose the removal or litigation against directors and senior management personnel who have violated laws, administrative regulations, the Articles or resolutions of the shareholders' general meetings;

- (III) to examine and supervise the financial activities of the Bank, to examine financial information such as financial reports, business reports and profit distribution plans proposed to be submitted to the shareholders' general meeting by the Board of Directors, to conduct investigations if there are any doubts or irregularities in relation to the operation of the Bank, and to engage professionals such as lawyers, certified public accountants or practicing auditors etc. if necessary to assist its duties at the expenses of the Bank;
- (IV) to examine the reports of the Bank regularly compiled by the Board of Directors and submit its opinions in writing;
- (V) to supervise the election and appointment procedures for directors;
- (VI) to attend the Board meetings, meetings of special committees of the Board of Directors and meetings of senior management officers as non-voting attendees and have the rights to query or make proposals in relation to the matters deliberated by the meetings;
- (VII) to make written or oral proposals, give indications, conduct discussions and raise questions to the Board of Directors, senior management and its members or other personnel and require them to reply based on needs;
- (VIII) to guide the internal audit department to perform their duties of internal auditing and supervision independently, and check and supervise the operation decisions, risk management and internal control of the Bank and supervise the rectification;
- (IX) to supervise the implementation of the Bank's compensation management system and the scientificity and rationality of the compensation plan for senior management;
- (X) other duties stipulated by laws, administrative regulations, regulations of the department or the Articles of the Bank and duties authorized at the shareholders' general meeting.

**Article 203** The Board of Supervisors may perform its duties by taking the following methods such as off-site monitoring, examination, attending meetings, visits and symposia, reviewing reports, investigations, questionnaires, conducting audit on resignations, and appointing a third party professional entity to assist its work.

**Article 204** The Board of Supervisors shall formulate the rules of procedures of the Board of Supervisors with specific mode of discussion and voting procedures of the Board of Supervisors for purposes of ensuring the work efficiency and scientific decision making of the Board of Supervisors. The rules of procedures of the Board of Supervisors shall be drafted by the Board of Supervisors and approved at the shareholders' general meeting.

**Article 205** The Board of Supervisors shall establish an office of the Board of Supervisors as the executive body of the Board of Supervisors, and the office being equipped with full-time staff who will be responsible for the daily work of the Board of Supervisors.

**Article 206** The Board of Supervisors shall establish a nomination committee and a supervision committee. The head of the nomination committee and a supervision committee shall be the external supervisors.

**Article 207** The main responsibilities of the nomination committee of the Board of Supervisors are as follows:

- (I) to put forward proposals to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors;
- (II) to study the standards and procedures for selection of supervisors and put forward proposals to the Board of Supervisors;
- (III) to search extensively for qualified candidates for supervisors;
- (IV) to conduct preliminary examination and put forward proposals in relation to the qualifications and conditions of candidates for supervisors proposed by the shareholders;
- (V) to supervise the election and appointment procedures for directors;
- (VI) to be responsible for the comprehensive evaluation on the performance of duties of directors, supervisors and senior management personnel and report to the Board of Supervisors;
- (VII) to contemplate and formulate the remuneration policy and plan for supervisors, which shall be approved at the shareholders' general meeting upon review by the Board of Supervisors;
- (VIII) any other matters authorized by the Board of Supervisors.

**Article 208** The major duties of the supervision committee under the Board of Supervisors include:

- (I) to formulate supervisory plans for financial activities of the Bank and provide relevant suggestions to the Board of Supervisors;
- (II) to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Bank; organize evaluation on scientificity, rationality, stability and efficiency of the development strategy formulated by the Board of Directors, prepare evaluation reports and report them to the Board of Supervisors;
- (III) to supervise and examine the Bank's operation decisions, risk management and internal control and supervise the rectification;
- (IV) to communicate with the external audit authorities of the Bank, understand the preparation and major adjustment regularly reported by the Board of Directors, and report to the Board of Supervisors;
- (V) to guide the internal audit department to perform their duties of internal auditing and supervision independently;
- (VI) to supervise the scientificity and rationality of the implementation of the Bank's remuneration management system and the remuneration plan of senior management;
- (VII) any other matters authorized by the Board of Supervisors.

**Article 209** Regular meetings of the Board of Supervisors shall be convened at least four times a year and be convened by its chairman. Supervisors may propose to convene an extraordinary meeting of the Board of Supervisors. When all the external supervisors make such proposal in writing, the Board of Supervisors shall convene a meeting. Resolutions of the Board of Supervisors can be voted in two ways: on-site meeting and circulating of written resolutions. When all the external supervisors consider that the information on the resolutions presented at the meeting of the Board of Supervisors is not adequate or accurate, they may jointly make a written proposal to postpone the convening of such meeting or the consideration and approval of relevant resolutions, and the Board of Supervisors shall adopt such proposal.

When all the external supervisors reach a consensus, they shall have the right to propose the Board of Supervisors to recommend the Board of Directors to convene an extraordinary general meeting, and the Board of Supervisors shall reply its agreed or disagreed opinions in writing upon receipt of such proposals.

**Article 210** Notice of the regular meetings of the Board of Supervisors shall be served on all of the supervisors ten (10) days before the date of such meeting and documents thereof shall be served on all of the supervisors five (5) days before the date of such meeting.

**Article 211** An interim meeting of the Board of Supervisors shall be convened and presided over by the chairman of the Board of Supervisors within ten (10) days if any of the following events occurs:

- (I) the chairman of the Board of Supervisors considers it necessary;
- (II) when above one-third of the supervisors propose to do so.

Notice of the interim meeting of the Board of Supervisors shall be served on all of the supervisors three (3) days before the date of such meeting.

**Article 212** The notice of a meeting of the Board of Supervisors shall contain the following contents:

- (I) the date and place of the meeting and the duration of the meeting;
- (II) reasons and topics for discussion submitted to the meeting;
- (III) the date of issuance of the meeting notice.

**Article 213** Supervisors shall attend the meeting of the Board of Supervisors in person after receiving the notice on such meeting. If a supervisor cannot attend the meeting due to certain reasons, he/she may appoint another supervisor in writing to attend on his/her behalf. However, a supervisor shall not accept such appointments by more than two supervisors to attend a meeting of the Board of Supervisors on their behalf. External supervisors may appoint other external supervisors to attend on their behalf.

The proxy form shall state the name of the proxy, the relevant matters, scope of authorization and validity period and shall be signed by the appointor or a chop shall be affixed.

The supervisor attending the meeting on other's behalf shall exercise supervisors' rights within the scope of authorization. If a supervisor fails to attend the meeting of the Board of Supervisors or appoint other supervisor to attend the meeting, the same shall be deemed as waiver of the voting right at such meeting.

**Article 214** Any supervisor shall, in person, attend at least two-thirds of the on-site meetings of the Board of Supervisors each year. If a supervisor cannot attend the meeting due to certain reasons, he/she may appoint another supervisor in writing to attend on his/her behalf. If a supervisor fails to attend meetings convened by the Board of Supervisors consecutively for two times and fails to appoint other supervisor(s) to attend such meetings on his/her behalf, or fails to attend at least two thirds of such meetings in person each year, he/she shall be deemed as failure on his/her part to perform his/her duties. The Board of Supervisors shall propose to the shareholders' general meetings or staff representative meeting to remove such supervisor.

Each shareholder representative supervisor and external supervisor shall work for the Bank for not less than fifteen (15) working days each year. The Board of Supervisors shall make self-assessment on its work performance each year, assess the performance of duties by its supervisors, and report relevant assessment results to the shareholders' general meeting.

**Article 215** Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. However, they are not entitled to any voting rights.

**Article 216** The Bank shall ensure that the work of the Board of Supervisors is carried out normally and provide the supervisors with necessary working conditions and specialized office space. The expenses needed for the Board of Supervisors to carry out its duties shall be borne by the Bank.

**Article 217** All reasonable expenses incurred in respect of the employment of professionals such as lawyers, certified public accountants or practicing auditors are required by the Board of Supervisors in discharging its duties shall be borne by the Bank.

### **Section 3 Resolutions of the Board of Supervisors**

**Article 218** Meetings of the Board of Supervisors shall be held only if more than two thirds of the Supervisors are present. Each supervisor shall have one (1) vote.

**Article 219** Board of Supervisors shall vote on each resolution at a meeting. Except as otherwise provided for in applicable laws, administrative regulations, departmental rules or by the relevant regulators or the Articles, any resolutions made by the Board of Supervisors shall be effective only after such resolutions have been adopted by more than two thirds of all supervisors.

**Article 220** Supervisors attending the meetings shall sign on the resolutions and shall be accountable to the resolutions passed by the Board of Supervisors. If it is verified that a supervisor has stated his objection when voting and the same has been recorded in the minutes, such supervisor may be exempted from liability.

**Article 221** The rules for convening the meetings of the Board of Supervisors shall follow the provisions of the Articles in relation to the rules for convening board meetings on convening the meetings of the Board of Directors.

**Article 222** Minutes shall be taken for the meeting and the supervisors attending the meeting and the person taking the minutes shall sign on the minutes. Supervisors shall have the right to request to record in the minutes details of the speech made by them at the meeting. The minutes of the meetings of the Board of Supervisors shall be kept as the Bank's files permanently.

**Article 223** The minutes of the Board of Supervisors shall include:

- (I) the date, time and place of the meeting and the name of the convener;
- (II) the names of the supervisors attending the meeting and the names of the supervisors (proxies) appointed by other supervisors to attend the meeting;
- (III) the agenda of the meeting;
- (IV) the main points of the speeches of the supervisors;
- (V) the methods and results of the voting for each proposal (the voting results shall state the number of votes voting in affirmative, negative, or in abstention).

### **CHAPTER 13 QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS, PRESIDENT AND OTHER SENIOR MANAGEMENT PERSONNEL**

**Article 224** No person shall hold the position of director, supervisor, president and other senior management personnel of the Bank in one of the following circumstances:

- (I) A person without or with limited capacity for civil conduct;
- (II) A person who has been penalized or sentenced due to corruption, bribery, embezzlement, appropriation of property or the disruption of the socialist market economy, and five (5) years have not elapsed from which the punishment or deprivation of political rights for the crimes committed was carried out;
- (III) A director, factory director or manager of bankrupt and liquidated companies or enterprises whereby such person was personally liable for the bankruptcy of such companies or enterprises, and three (3) years have not elapsed from which the liquidation of the company or enterprise was completed;
- (IV) A legal representative of companies or enterprises which have had their business licenses revoked and the business of such companies or enterprises were compulsorily closed down due to a violation of laws in which such person was personally liable, and three (3) years have not elapsed from which the business license of the company or enterprise was revoked;
- (V) A person with relatively large amounts of due and outstanding debt;
- (VI) A person under investigation by judicial authorities for suspected violations of criminal law and the investigation is still ongoing;
- (VII) A person banned from holding leadership positions as stipulated by the laws and administrative regulations;

- (VIII) A non-natural person;
- (IX) A person judged by competent authorities as having violated the provisions of securities laws and regulations, the violation involves fraudulent or dishonest acts, and less than five (5) years have elapsed since the ruling; and
- (X) Other persons who are prohibited from holding the position of director, supervisor and senior management personnel as stipulated by the laws, administrative regulations, departmental rules, regulatory documents and requirements of Hong Kong Listing Rules.

Any persons who are disqualified by the banking regulatory organ of the State Council in accordance with law shall not act as senior management personnel of the Bank.

**Article 225** The validity of any act by a director, president or other senior management personnel made on behalf of the Bank towards a third party acting in good faith shall not be affected by any non-compliance in regulations of that person's position, election procedure or qualifications.

**Article 226** In addition to the obligations stipulated by the laws, administrative regulations and the listing rules of the stock exchange where the Bank's shares are listed, in exercising their duties, the directors, supervisors, president and other senior management personnel of the Bank shall also owe the following obligations to each and every shareholder:

- (I) To ensure that the Bank does not operate beyond the scope of business stipulated in its business license;
- (II) To act in good faith and in the best interests of the Bank;
- (III) Not to deprive the Bank of its assets in any way, including but not limited to depriving the Bank of any advantageous business opportunities;
- (IV) Not to deprive the shareholders of any personal rights and interests, including but not limited to the right to distributions and the right to vote, but excluding the submission of company restructuring proposals to the shareholders' general meeting in accordance with the Articles.

**Article 227** The directors, supervisors, president and other senior management personnel of the Bank shall have a responsibility to apply the same level of care, diligence and skill in exercising their rights or carrying out obligations as would be shown by a reasonably prudent person in similar circumstances.

**Article 228** The directors, supervisors, president and other senior management personnel of the Bank must act with good faith in exercising their duties and responsibilities, and shall not put themselves in any situation where their personal interests may conflict with their obligations. This extends to but not limited to the following obligations:

- (I) To act in good faith and in the best interests of the Bank;
- (II) To exercise powers within the scope of their authority and they shall not exceed their scope of authority;

- (III) To exercise the discretion conferred on them in person and free from the influence of others; and not to transfer their discretion for others to exercise in the absence of the laws and administrative regulations providing to the contrary or without the informed consent of shareholders through a shareholders' general meeting;
- (IV) To treat shareholders of the same class in the same way, and to fairly deal with shareholders belonging to different classes;
- (V) Not to enter into any contract, transaction or arrangement with the Bank except if otherwise prescribed by the Articles or if there is informed consent of shareholders through a shareholders' general meeting;
- (VI) Not to use any assets of the Bank to seek personal advantages in any way without the informed consent of shareholders through a shareholders' general meeting;
- (VII) Not to accept bribes or other forms of illegal income by taking advantage of his authority, nor to embezzle the assets of the Bank in any way, such assets including but not limited to any business opportunities that are advantageous to the Bank;
- (VIII) Not to accept any commission related to transactions of the Bank without the informed consent of the shareholders through a shareholders' general meeting;
- (IX) To comply with the Articles, perform their duties faithfully and to safeguard the interests of the Bank, and not to take advantage of their position and authority at the Bank to seek personal gain;
- (X) Not to engage in any form of competition with the Bank without the informed consent of the shareholders through a shareholders' general meeting;
- (XI) Not to misappropriate the funds of the Bank or irregularly lend the funds of the Bank to others, not to put any assets of the Bank under an account opened in his own name or in the name of others, not to irregularly use the Bank's assets as security for the debts of the shareholders of the Bank or others' personal debts; and
- (XII) Not to divulge any confidential information involving the Bank and obtained by them during their term of office without the informed consent of the shareholders through a shareholders' general meeting; and not to use such information except it is in the interests of the Bank; however the information may be disclosed to the court or other relevant government departments if the disclosure is:
  - (i) in accordance with the law;
  - (ii) in the public interest;
  - (iii) required for the own interests of directors, supervisors, president and other senior management personnel;
- (XIII) Not to jeopardize interests of the Bank by taking advantage of its related party status;
- (XIV) Other faithful obligations stipulated by the laws, regulations, rules, regulatory documents and the Articles.

Income obtained by directors in violation of this Article shall belong to the Bank; and the directors shall indemnify the Bank for any losses incurred by the Bank therefrom.

**Article 229** The directors, supervisors, president and other senior management personnel of the Bank shall not direct the following persons or institutions (“**connected persons**”) to take any acts which the directors, supervisors, president and other senior management personnel are themselves prohibited from taking:

- (I) The spouse or underage children of the directors, supervisors, president and other senior management personnel of the Bank;
- (II) A trustee of any of the directors, supervisors, president and other senior management personnel of the Bank or a trustee of the persons referred to in item (I) of this Article;
- (III) A partner of the directors, supervisors, president and other senior management personnel of the Bank or a partner of the persons referred to in items (I) and (II) of this Article;
- (IV) A company which is under the de facto control of the directors, supervisors, president and other senior management personnel of the Bank, or a company which is under the de facto joint control of the persons referred to in items (I), (II) and (III) of this Article or with other directors, supervisors, president and other senior management personnel of the Bank;
- (V) The directors, supervisors, managers and senior management personnel of the companies referred to in item (IV) of this Article.

**Article 230** The fiduciary duties owed by the directors, supervisors, president and other senior management personnel of the Bank shall not necessarily be terminated at the end of their term of office, and their obligation to keep the trade secrets of the Bank confidential shall remain valid after their term of office expires. The duration of other obligations shall be determined by what is fair, and will depend on the length of time between the date on which the directors leave their positions and the relevant event involving the obligations as well as the circumstances and conditions in which their relationship with the Bank terminated.

**Article 231** The shareholders may make an informed decision at the shareholders’ general meeting to dismiss any director, supervisor, president and other senior management personnel of the Bank who has violated any obligations, unless the circumstances specified in Article 63 apply.

**Article 232** The directors, any of its associates (as defined under the Hong Kong Listing Rules), supervisors, president and other senior management personnel of the Bank having any direct or indirect material conflict of interests in any executed or proposed contracts, transactions or arrangements (except the employment contracts between the Bank and its directors, supervisors, president and other senior management personnel), regardless of whether such interests are usually subject to the approval or consent of the Board of Directors, such persons shall disclose the nature and extent of the interests to the Board of Directors as soon as possible.

Unless the directors, supervisors, president and other senior management personnel of the Bank with conflicts of interest have disclosed their interests to the Board of Directors in accordance with the requirements of the preceding paragraph, and the Board of Directors has approved the matter without counting the interested persons into the quorum and without their participation in the vote, the Bank shall have the right to rescind such contracts, transactions or arrangements, except in circumstances where the counterparty is acting in good faith and unaware that the directors, supervisors, president and other senior management personnel are in breach of their obligations.

If the connected persons of a director, supervisor, president or other senior management personnel of the Bank have any conflict of interests with any contracts, transactions or arrangements, the director, supervisor president and other senior management personnel shall be deemed to have a conflict of interests as well.

**Article 233** Before the Bank considers entering into contracts, transactions or arrangements for the first time, if the interested directors, supervisors, president and other senior management personnel of the Bank have provided a written notice to the Board of Directors and the Board of Supervisors stating that they have a conflict of interests in the contracts, transactions or arrangements which would be entered into by the Bank in the future for the reasons set out in the notice, then the director, supervisor, president and other senior management personnel concerned shall be deemed to have made the disclosure as required in the preceding Article of this chapter to the extent as set out in the notice.

The Bank shall make an appropriate insurance arrangement against legal actions that directors may be exposed to.

**Article 234** The Bank shall not in any way pay taxes for the directors, supervisors, president and other senior management personnel of the Bank.

**Article 235** The Bank shall not, directly or indirectly, provide any loan or loan guarantee to the directors, supervisors, managers and other senior management personnel of the Bank and of its parent company, nor shall the Bank provide the same to their connected persons.

The preceding paragraph shall not apply in the following circumstances:

- (I) Loans or loan guarantees provided by the Bank to its subsidiary banks (subsidiary companies);
- (II) Loans, loan guarantees or other funds provided by the Bank to the directors, supervisors, president or other senior management personnel of the Bank pursuant to their employment contracts which were adopted by the shareholders' general meeting, so that the foregoing persons can make payments in the interests of the Bank or for the expenses incurred in performing their duties and responsibilities;
- (III) Loans and loan guarantees provided by the Bank to the relevant directors, supervisors, president and other senior management personnel of the Bank and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

**Article 236** If the Bank provides a loan in breach of the provisions of the preceding Article, regardless of the terms of the loan the person who has received the loan shall repay it immediately.

Any loan guarantee provided by the Bank in violation of the first paragraph of the foregoing Article shall not be enforceable against the Bank, with the exception of the following circumstances:

- (I) Where a loan has been provided to the Bank or its parent company's directors, supervisors, and senior management personnel and the provider of the loan is unaware of the violation; and
- (II) The security provided by the Bank has been sold legally by the loan provider to a purchaser acting in good faith.

**Article 237** The "guarantee" referred to in the preceding Articles of this chapter includes acts whereby the guarantor undertakes liabilities or provide assets to ensure that the obligor performs its obligations.

**Article 238** When the directors, supervisors, president and other senior management personnel of the Bank are in breach of the obligations owed towards the Bank, aside from the various rights and remedies provided by the laws and administrative regulations, the Bank shall have the right to take the following measures:

- (I) To require the directors, supervisors, president and other senior management personnel concerned to compensate the Bank for the losses caused by their dereliction of duties;
- (II) To rescind any concluded contracts or transactions between the Bank and the directors, supervisors, president and other senior management personnel concerned, and the contracts or transactions concluded between the Bank and third parties (when the third parties know or should have known that the directors, supervisors, president and other senior management personnel of the Bank are in breach of their obligations);
- (III) To require the directors, supervisors, president and other senior management personnel concerned to hand over any benefits which have been obtained from their breach of obligations;
- (IV) To recover funds which should have been received by the Bank, including but not limited to commission from the directors, supervisors, president and other senior management personnel concerned; and
- (V) To request the directors, supervisors, president and other senior management personnel concerned to repay the interest which is or may be accrued from the funds which should have been received to the Bank.

**Article 239** The Bank shall enter into written contracts with the directors and the supervisors regarding remuneration which are subject to the prior approval from the shareholders' general meeting. The matters relating to remuneration include:

- (I) Remuneration for the directors, supervisors or senior management personnel of the Bank;
- (II) Remuneration for the directors, supervisors or senior management personnel of the subsidiary banks of the Bank;

- (III) Remuneration for those providing other services for managing the Bank and its subsidiary banks; and
- (IV) Compensation to directors or supervisors for loss of their office or upon retirement.

Except for the contracts mentioned above, the directors and supervisors shall not initiate litigation against the Bank and claim benefits due to them for the foregoing matters.

**Article 240** The remuneration contracts between the Bank and its directors or supervisors shall stipulate that if the Bank is acquired, the directors and supervisors of the Bank shall, subject to prior approval from the shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Bank" previously mentioned refers to one of the following circumstances:

- (I) A takeover offer made by any person to all shareholders; or
- (II) A takeover offer made by any person with the intent of becoming the controlling shareholder.

If the directors and supervisors concerned do not comply with the provisions of this Article, any funds received by them shall go to the persons who have accepted the offer mentioned above and sell their shares. The directors and supervisors shall bear the expenses arising from the distribution of such amounts proportionally, and such expenses shall not be deducted from the amounts.

## **CHAPTER 14 RESTRAINT AND INCENTIVE MECHANISMS**

**Article 241** The Bank shall establish a remuneration, bonus and welfare system suitable for the long-term development of the Bank.

**Article 242** Remuneration shall be connected to the Bank's profits, individual performance and remuneration benchmarks in the industry, so as to ensure the market competitiveness of the Bank's remuneration.

**Article 243** The Bank shall establish a system for deferred payment, recourse and deduction of performance remuneration.

The performance remuneration of the Bank's executive directors, senior management and personnel in key positions shall be deferred.

The "personnel in key positions" mentioned in the preceding paragraph refer to the personnel who has a direct or significant impact on the operational risks of the Bank.

The Bank shall specify the scope of personnel in key positions in the remuneration management system.

If the Bank is exposed to excessive risk losses, it shall, in accordance with the relevant provisions of the performance remuneration recourse and deduction system, stop paying the unpaid part of the performance remuneration to the relevant responsible personnel and recover the performance remuneration paid within the corresponding period. The provisions on recourse and deduction apply equally to departed employees and retirees.

**Article 244** The Board of Directors and the Board of Supervisors shall adopt appropriate methods to evaluate respectively whether the directors (including independent directors) and the supervisors (including external supervisors) have fulfilled their responsibilities, and report to the shareholders' general meeting.

**Article 245** The proposal of the evaluation and remuneration of and the incentive for senior management personnel is formulated by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval. The Board of Directors shall take the evaluation of senior management personnel as the basis for determining the remuneration and other incentives for senior management personnel.

**Article 246** Directors and supervisors shall not participate in the process for determining their own performance evaluation and remuneration, except for the self-assessment aspect of their performance evaluation. The senior management personnel of the Bank shall not participate in the process for determining their own performance evaluation and remuneration,

**Article 247** Upon the approval of the shareholders' general meeting, the Bank shall set up system of professional liability insurance for the directors, supervisors and the senior management personnel.

**Article 248** The Bank shall set up medium and long-term incentive schemes, including but not limited to equity incentive system and employee stock ownership plan.

## **CHAPTER 15 FINANCIAL ACCOUNTING SYSTEM, PROFITS DISTRIBUTION AND AUDIT**

### **Section 1 Financial Accounting System and Distribution of Profits**

**Article 249** The Bank shall formulate its financial accounting system in accordance with laws, administrative regulations and the provisions of relevant government departments.

**Article 250** The Bank shall announce its financial report twice in each financial year, namely to publish an interim financial report within sixty (60) days after the end of the first six (6) months of each financial year, and to publish an annual financial report within one hundred and twenty (120) days after the end of each financial year, and promptly submit them to the banking regulatory and administrative authorities under the State Council, the People's Bank of China and other regulatory authorities.

The said financial reports shall be prepared according to the relevant laws, administrative regulations and departmental rules.

The Bank shall deposit its financial reports at the principle place of operation of the Bank for inspection by the shareholders twenty (20) days before the convening of the annual general meeting of shareholders. Each shareholder of the Bank is entitled to obtain financial reports mentioned in this Chapter.

Except as otherwise provided in the Articles, the Bank shall send the aforesaid reports or report of the Board of Directors along with the balance sheet and loss and profit statement or income and expenditure statement to each shareholder of overseas listed shares prior to the convening of the annual shareholders' general meeting, and the address on the register of shareholders shall be the address of the recipient. For shareholder of overseas listed shares who meet the requirements of laws, administrative regulations and the securities regulatory authorities

of the locality in which the Bank's shares are listed, the aforesaid report or report of the Board of Directors along with the balance sheet and income statement can be sent by the ways published on the Bank's website, the website of Hong Kong Stock Exchange and other websites stipulated by the Hong Kong Listing Rules from time to time.

Where the securities regulatory authorities of the locality in which the Bank's shares are listed provide otherwise, such provisions shall prevail.

**Article 251** The Bank shall prepare its financial statements in accordance with PRC accounting standards and regulations; as well as in accordance with international accounting standards or the accounting standards required by securities regulatory authorities of the locality in which the Bank's shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits for the relevant accounting year, the Bank shall adopt the one with the lower after-tax profits out of the aforesaid two financial statements.

**Article 252** The Board of Directors of the Bank shall submit financial reports prepared by the Bank as are required by any laws, administrative regulations or normative documents promulgated by local government and competent department, to the shareholders at every annual shareholders' general meeting.

**Article 253** The interim results or financial information to be published or disclosed by the Bank shall be prepared in accordance with PRC accounting standards and regulations, as well as in accordance with international accounting standards or the accounting standards required by securities regulatory authorities of the locality in which the Bank's shares are listed.

**Article 254** The Bank shall not establish account books other than the statutory account books. No assets of the Bank may be kept in any account opened in the name of any individuals.

**Article 255** According to the laws and regulations such as the Company Law and the Financial Rules for Financial Enterprises, the after-tax profits of the Bank shall be distributed in the following order of priority:

- (1) To make up for the losses of the previous year;
- (2) To set aside 10% of the profits to statutory reserve funds;
- (3) To set aside general reserves;
- (4) To pay dividends on preference shareholders;
- (5) To set aside discretionary reserve funds;
- (6) To pay dividends to ordinary shareholders.

Where the accumulated amount of the statutory reserve fund of the Bank comes to more than 50% of the registered capital of the Bank, it is no longer necessary to set aside the statutory reserve fund. After setting aside the statutory reserve fund and general reserve, and paying dividends on preference shares, whether to set aside the discretionary reserve funds shall be determined by the Shareholders' general meeting. The Bank shall not distribute profits to Shareholders before making up for the losses of the Bank and setting aside the statutory reserve funds and general reserves.

Where the capital adequacy ratio of the Bank is lower than the minimum standard required by the national regulatory authorities, the Bank shall not distribute profits to shareholders in the year. Under the premise of ensuring the capital adequacy ratio meets regulatory requirements, the Bank may distribute profits of each year if it has distributable profits after making up the losses, setting aside the statutory reserve, general reserve and paying the dividends on preference shareholders in accordance with laws.

The payment of dividends on preference shares should be subject to laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authorities where the Bank's shares are listed and the preference shares are issued or listed, and these Articles.

In case the shareholders' general meeting approves to distribute any profit to any shareholder before making up the losses, making contributions to the statutory reserve and general reserves as required by the aforesaid provision, shareholders must return profits so distributed to the Bank.

Shares held by the Bank are not entitled to any profit distribution.

Where the profit distribution is restricted by laws, regulations and regulatory requirements, the Bank shall not distribute its profits to shareholders.

**Article 256** The capital reserve shall include the following funds:

- (I) Premium obtained from the issue of shares in excess of the par value;
- (II) Other revenue to be included in the capital reserve as required by the financial authority of the State Council.

**Article 257** The reserves of the Bank may be used:

- (I) To make up the losses of the Bank. However, the capital reserve shall not be used to make up losses of the Bank;
- (II) To expand the business of the Bank;
- (III) When the statutory surplus reserve is converted into the capital, the amount remaining in such reserve shall not be less than 25% of the registered capital before the conversion.

**Article 258** The Bank may distribute dividend in the form of cash or share.

The profit distribution of the Bank attaches the emphasis on the reasonable return on the investment of investors. The Bank's profit distribution policy should maintain a certain continuity and stability, and the Bank shall distribute dividends in the profitable year.

The total profit distributed in the form of cash dividends for the last three years shall not be less than 30% of the average annual distributable profit of the Bank of the last three years, when making profits distribution.

Distribution of scrip dividends in form of stock shall be approved by general meeting of shareholders and subject to approval by the banking regulatory authority of the State Council.

**Article 259** The welfare and bonus funds for the Bank's managers and employees are allocated in a certain proportion to the total profit.

**Article 260** For dividends not claimed by anyone, the Bank may exercise the right to retrieve such unclaimed dividend under the pre-condition of abiding by relevant PRC laws, administrative regulations and departmental rules, but the right shall only be exercised after the expiration of the applicable limitation period.

**Article 261** The Bank shall appoint a recipient agent for shareholders of overseas listed shares. The recipient agent shall collect on behalf of the shareholders concerned the dividends distributed and other funds payable by the Bank in respect of the overseas listed shares and arrange for the distribution of the same to the relevant shareholders.

The recipient agent appointed by the Bank shall comply with the laws of the locality in which the Bank's shares are listed or the relevant requirements of the stock exchange where the Bank's shares are listed.

The recipient agent appointed by the Bank for shareholders of H shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

## **Section 2 Internal Audit**

**Article 262** The Bank shall establish an internal audit system with professional audit personnel to undertake internal auditing and supervision of the Bank's financial income and expenditures and economic activities.

**Article 263** The internal audit system and the duties of the audit personnel shall be implemented upon approval by the Board of Directors. The head of audit shall be responsible to and shall report to the Board of Directors.

The Bank shall establish internal audit articles, medium and long-term audit plan, internal audit regulations and annual internal audit plan, etc., which will be implemented upon the approval of the Board of Directors. The internal audit should be independent from the Bank's operation and management and be risk-oriented to ensure its objectiveness and impartiality. The internal audit department shall report audit work regularly to the Board of Directors and senior management.

## **Section 3 Engagement of Accounting Firms**

**Article 264** The Bank shall engage independent accounting firms that comply with the relevant State regulations, to audit annual financial reports and to review other financial reports of the Bank, but the Bank shall not engage accounting firm(s) under the control of related parties.

**Article 265** The engagement of an accounting firm by the Bank shall be decided by the shareholders' general meeting, and the Board of Directors shall not engage an accounting firm before any resolution made by the shareholders' general meeting. The term of the accounting firm engaged by the Bank shall commence when the current annual general meeting finishes and end when next annual general meeting concludes.

**Article 266** The Bank warrants that the Bank will provide the engaged accounting firm with true and complete accounting documents, accounting books, financial reports and other accounting information; the Bank shall not refuse to provide, and shall not conceal or falsify such documents.

An accounting firm engaged by the Bank shall have the following rights:

- (I) To inspect the books of accounts, records or documents of the Bank at any time, and to require the directors, the president or other senior management personnel of the Bank to provide relevant information and explanations;
- (II) To require the Bank to adopt all reasonable measures to obtain from its subsidiary banks (subsidiaries) such information and explanations as required by the accounting firm for performance of its duties;
- (III) To attend the annual general meeting to obtain the notice of shareholders' general meeting that any shareholder is entitled to or other information in relation to the meeting, and to speak at the shareholders' general meeting on matters involving its duties as the accounting firm of the Bank.

**Article 267** If a vacancy of the position of accounting firm arises, the Board of Directors may appoint an accounting firm to fill such vacancy before the holding of a shareholders' general meeting. However, if there are other engaged accounting firms of the Bank while such vacancy still exists, such accounting firms shall continue to serve.

**Article 268** The shareholders' general meeting may, by way of an ordinary resolution, dismiss an accounting firm, prior to the expiration of the term of office of the accounting firm, regardless of the terms and conditions of the contract between the accounting firm and the Bank. If the accounting firm concerned has the right to make a claim against the Bank due to its dismissal, such right shall not be affected.

**Article 269** The remuneration of the accounting firm or the ways to determine the remuneration of the accounting firm shall be determined by the shareholders' general meeting. The remuneration of the accounting firm engaged by the Board of Directors shall be decided by the Board of Directors.

**Article 270** The engagement, dismissal or non-engagement of an accounting firm shall be decided upon by the shareholders' general meeting, and reported to the securities regulatory and administrative authorities under the State Council for filing.

If the shareholders' general meeting passes a resolution to engage an accounting firm other than the incumbent one to fill up any vacancy of the post, or to renew the engagement of an accounting firm engaged by the Board of Directors to fill up the vacancy, or to dismiss an accounting firm before the expiration of its term of office, the following provisions shall be satisfied:

- (I) before sending out notice of a shareholders' general meeting, the proposal on engagement, dismissal or non-engagement of an accounting firm shall be sent to the accounting firm to be engaged, to leave its post, or that has left its post in the relevant fiscal year. Leaving the post includes dismissal, resignation from the post and leaving the post after the expiration of the term of office.

- (II) if the accounting firm that is about to leave its post makes a written statement, and requests the Bank to inform the shareholders of its statement, the Bank shall, unless the time of receiving the written statement is too late, adopt the following measures:
  - 1. state in the notice sent out for the purpose of a resolution that the accounting firm to leave its post has made a statement;
  - 2. send a copy of the statement in the form of an attachment to the notice to shareholders entitled to receive such notice in the manner stipulated by the Articles.
- (III) if the statement of the relevant accounting firm is not sent by the Bank in accordance with the above provisions in subsection (2) above, the accounting firm concerned may request that the statement be read out at the shareholders' general meeting and make further appeal.
- (IV) an accounting firm which is leaving its post shall be entitled to attend the following meetings:
  - 1. shareholders' general meeting at which its term of office shall expire;
  - 2. shareholders' general meeting at which the vacancy due to its dismissal is to be filled up;
  - 3. shareholders' general meeting convened due to its resignation from its post.

The accounting firm which is leaving its post shall be entitled to receive all notices of the aforesaid meetings or other information in relation to the meetings and speak on any issues at the aforesaid meetings, which concern its duties as the former accounting firm of the Bank.

**Article 271** When the Bank dismisses or does not renew the engagement of an accounting firm, it shall give fifteen (15) days advance notice to the accounting firm. When voting on dismissal of an accounting firm at the shareholders' general meeting, such accounting firm shall be permitted to present its views at the meeting.

Where an accounting firm tenders its resignation, it shall explain to the shareholders' general meeting whether there is any irregularity in the Bank.

An accounting firm may resign its office by depositing at the Bank's registered office a written resignation notice. Any such notice shall become effective on the date when it is deposited at the Bank's registered address or on such later date as may be specified in the notice. Such notice shall contain the followings:

- (I) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Bank; or
- (II) a statement about any such circumstances that shall be disclosed.

The Bank shall, within fourteen (14) days after receiving the aforesaid written notice, send a copy of the notice to the relevant regulatory authorities. If the notice contained a statement referred to in the above item (II), the Bank shall also deposit a copy of the said statement in the Bank for Shareholders' review. Unless otherwise stipulated by the Articles, the Bank shall also send by prepaid mail a copy of the statement mentioned above to each shareholder of overseas listed shares, and the address of the recipient shall be that recorded in the register of shareholders; or, during the above-mentioned period and in complying with applicable laws, regulations and the Hong Kong Listing Rules, publish such copy of the statement through the website of the stock exchange of the place where the Bank's shares are listed, or publish such copy of the statement in one or more newspapers specified by such stock exchange and required by the Articles.

If the accounting firm's notice of resignation contains any statement referred to in the above item (II), the accounting firm may request that the Board of Directors convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances in connection with its resignation.

## **CHAPTER 16 MERGERS, DIVISION, INCREASE AND REDUCTION OF CAPITAL, DISSOLUTION, LIQUIDATION AND TAKEOVER**

### **Section 1 Mergers, Division, Increase and Reduction of Capital**

**Article 272** For a merger or division of the Bank, the Board of Directors shall put forward a proposal, and the formalities for approval shall be handled in accordance with the law after the proposal has complied with the procedures specified in the Articles. The Shareholders who oppose the Bank's merger or division plans have the right to ask the Bank or the Shareholders who approve the merger or division plans to purchase their shares at a fair price. The contents of the resolution on the merger or division of the Bank shall be made into special document, which shall be available for inspection by Shareholders.

Except as otherwise provided for by the securities regulatory authorities located at the locality in which the Bank's shares are listed, the aforementioned documents shall be served by mail to the shareholders of overseas listed shares.

**Article 273** With the approval of the banking regulatory and administrative authorities under the State Council, the Bank may carry out merger or division in accordance with the laws.

The merger action taken by the Bank may be in two forms, merger by absorption or merger by new establishment. For a merger by absorption, a company absorbs any other company and the absorbed company is dissolved; for a merger by formation of a new corporation, above two companies combine together for the establishment of a new one, and the existing ones are dissolved.

**Article 274** For a merger of the Bank, the parties to the merger shall sign a merger agreement, and shall prepare a balance sheet and assets list. The Bank shall inform creditors within ten (10) days from the date on which the resolution in favor of the merger is adopted, and shall publish an announcement within thirty (30) days in the media designated by the Bank for publishing announcements. The creditors shall within thirty (30) days of the day on which a notice is received, and, in the case where no notice is received, within forty-five (45) days, request that the Bank repays its debts or provides a corresponding guarantee for repayment.

**Article 275** After the merger of the Bank, the entity surviving the merger or the new entity established after the merger shall assume the claims and debts of the parties to the merger.

**Article 276** Where the Bank proceeds into a division, its assets shall be divided accordingly.

Where there is a division of the Bank, the parties to the division shall prepare a balance sheet and assets list. The Bank shall inform the creditors within ten (10) days from the date on which a resolution is adopted in favor of the division, and shall publish an announcement within thirty (30) days in the media designated by the Bank for publishing announcements.

**Article 277** The entity established after division shall assume joint and several liability for the debts incurred by the Bank before division, unless otherwise stipulated in any settlement agreement of debts which may be reached between the Bank and its creditors prior to the division.

**Article 278** The Bank shall prepare a balance sheet and assets list when it needs to reduce its registered capital.

The Bank shall notify its creditors within ten (10) days from the date of the Bank's resolution on reduction of registered capital and shall publish an announcement in the media designated by the Bank within thirty (30) days. The creditors shall within thirty (30) days of the day on which a notice is received, and, in the case where no notice is received, within forty-five (45) days, request that the Bank repays its debts or provides a corresponding guarantee for repayment.

The Bank's registered capital after the capital reduction shall not be under the minimum statutory amount.

**Article 279** Where a merger or division of the Bank involves any changes to registered matters, an application for modification of registration shall be made to the registration authority of the company in accordance with the law; if the Bank is dissolved, the registration of cancellation shall be carried out in accordance with the law; if a new company is established, the registration of establishment shall be carried out in accordance with the law.

The Bank shall go through the formality of changes in respect of any increase or decrease in its registered capital with the company's registration authorities.

## **Section 2 Dissolution, Liquidation and Takeover**

**Article 280** The Bank shall be dissolved and liquidated according to laws in any of the following circumstances:

- (I) The shareholders' general meeting has resolved to dissolve the Bank;
- (II) The dissolution is necessary as a result of a merger or division;
- (III) The Bank is declared bankrupt due to its failure to repay debts due;
- (IV) If the business license of the Bank is revoked or if it is ordered to close down its business or if its business license is canceled in accordance with the laws;

- (V) Where the operation and management of the Bank falls into serious difficulties and its continued existence would cause material losses to shareholders, the shareholders holding above 10% of the total voting rights of the Bank may apply to the people's court to dissolve the Bank if there are no other solutions.

**Article 281** Where the Bank is dissolved pursuant to items (I) and (V) above, a liquidation committee shall be set up within fifteen (15) days. Members of the liquidation committee shall be selected at the shareholder's general meeting by way of ordinary resolution. If the liquidation committee is not established within the time limit, the creditors may apply to the people's court to designate relevant professionals to establish a liquidation committee to carry out the liquidation.

Where the Bank is dissolved pursuant to item (III) above, a People's Court shall organize the banking regulatory and administrative authorities under the State Council, the shareholders, relevant authorities and relevant professionals to form a liquidation committee according to the laws to proceed with the liquidation. Where a liquidation committee is not established as scheduled, the creditors may apply to the people's court to appoint relevant persons to form a liquidation committee to carry out liquidation.

Where the Bank is dissolved pursuant to item (IV) above, the banking regulatory and administrative authorities under the State Council shall organize the shareholders, relevant authorities and relevant professionals to form a liquidation committee to proceed with the liquidation.

**Article 282** If the Board of Directors decides that the Bank shall be liquidated (except for liquidation resulting from the Bank's declaration of bankruptcy), it shall state in the notice of shareholders' general meeting convened for such purpose that the Board of Directors have conducted a comprehensive investigation into the situation of the Bank and believes that the Bank is able to pay off all its debts within twelve (12) months following the commencement of the liquidation.

After the shareholders' general meeting adopts a resolution in favor of the liquidation, and after the liquidation committee is established, the functions and powers of the Board of Directors of the Bank shall be terminated immediately.

The liquidation committee shall follow the instructions of the shareholders' general meeting and shall report to the shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Bank and the progress of the liquidation, and shall make a final report to the shareholders' general meeting at the end of the liquidation.

**Article 283** The liquidation committee shall, within ten (10) days of its establishment, notify the creditors and shall, within sixty (60) days of its establishment, publish an announcement at least three times in the newspapers that meet the relevant requirements.

**Article 284** A creditor shall, within thirty (30) days from receipt of the notice, or for creditors who have not received such notice, within forty-five (45) days from the date of the announcement, claim its creditor's rights to the liquidation committee. In claiming its rights, the creditor shall provide details about its creditor's rights and the supporting documents. The liquidation committee shall register the creditor's rights. During the claim of creditor's rights, the liquidation committee shall not settle the creditor.

**Article 285** The liquidation committee shall exercise the following duties and powers during the period of liquidation:

- (I) To liquidate the assets of the Bank and prepare a balance sheet and assets list;
- (II) To inform creditors by notices or public announcements;
- (III) To deal with any unsettled business of the Bank that relates to the liquidation;
- (IV) To pay off any outstanding taxes and any taxes arising in the course of liquidation;
- (V) To clear up claims and debts;
- (VI) To handle the Bank's remaining assets after paying off all debts;
- (VII) To participate in civil litigation on behalf of the Bank.

**Article 286** After liquidation of the Bank's assets and the preparation of a balance sheet and assets list, the liquidation committee shall formulate a liquidation plan and submit it to the shareholders' general meeting or to the relevant competent authorities for confirmation.

After the payment of liquidation costs, employees' salary, social insurance and statutory compensation, principal and interest of personal savings deposits, outstanding taxes and the Bank's other debts out of the property of the Bank, the Bank's remaining property shall be distributed to shareholders according to the class of the share and their shareholding ratio.

During the liquidation, the Bank shall continue to exist but shall not carry on any business activities which do not relate to the liquidation. The assets of the Bank shall not be distributed to shareholders before it is used for settlement in accordance with the provisions of the preceding paragraph.

**Article 287** After liquidation of the Bank's assets and the preparation of a balance sheet and assets list, if the liquidation committee considers the assets of the Bank to be insufficient for the settlement of its debts, the liquidation committee shall, upon approval by the banking regulatory and administrative authorities under the State Council, apply to the people's court for a declaration of bankruptcy. After the Bank is declared bankrupt by the people's court, the liquidation committee shall hand over its liquidation work to the people's court.

**Article 288** Following the completion of liquidation, the liquidation committee shall prepare a liquidation report, income and expenditure statement and financial books of accounts in respect of the liquidation period, and, upon verification by a PRC certified public accountant, submit the same to the shareholders' general meeting or relevant competent authorities for confirmation.

The liquidation committee shall submit the documents mentioned above to the company registration authority, apply for cancellation of the company's registration and make an announcement of the closure of the Bank within thirty (30) days after the date of the general meeting or the confirmation of liquidation report by the relevant competent authorities. Such announcement shall be published in the newspapers that meet the relevant requirements.

**Article 289** Members of the liquidation committee shall faithfully perform their duties, perform the liquidation obligations in accordance with the law, shall not accept any bribes or other illegal income by abusing their authority and shall not misappropriate the assets of the Bank.

Members of the liquidation committee shall be liable for damages and losses if the Bank or creditors incur losses as a result of the deliberate or gross negligence of the members of the liquidation committee.

**Article 290** In case a credit crisis has occurred or may possibly occur, which could seriously affect the interests of the depositors of the Bank, the banking regulatory and administrative authorities under the State Council shall, in order to protect the interests of depositors, take over the Bank in accordance with the law and take necessary measures to restore the normal operations of the Bank. Creditor-debtor relationships will not change after such a takeover.

The takeover shall cease in any of the following circumstances:

- (I) The time-limit specified in the decision in relation to the takeover expires or the extension of the term of the takeover specified by the banking regulatory and administrative authorities expires;
- (II) The Bank has restored normal operations prior to expiry of the term of the takeover;
- (III) The Bank has been merged or declared bankrupt in accordance with the law prior to expiry of the term of the takeover.

## **CHAPTER 17 PROCEDURES FOR AMENDMENTS TO THE ARTICLES**

**Article 291** The Bank may amend the Articles in accordance with the laws, administrative regulations and the provisions of the Articles.

**Article 292** The Bank shall amend the Articles if any of the following circumstances occur:

- (I) If, after the Company Law, Commercial Banking Law or other relevant laws and administrative regulations are amended, any term contained in the Articles becomes inconsistent with the provisions of the amended laws and administrative regulations;
- (II) If a change in the Bank's circumstances results in inconsistency with the Articles;
- (III) If the shareholders' general meeting adopts a resolution to amend the Articles.

The shareholders' general meeting may authorize the Board of Directors of the Bank to do the following by way of an ordinary resolution: (I) if the Bank increases its registered capital, the Board of Directors of the Bank shall have the right to amend the contents in relation to the registered capital of the Bank contained in the Articles according to the actual circumstances; (II) as regards the Articles approved at the shareholders' general meeting, if changes in relation to wording or order of the articles have to be made when the Articles are submitted to the relevant competent authorities for registration, verification or approval, the Board of Directors of the Bank shall have the right to make corresponding amendments according to the requirements of the competent authorities.

**Article 293** Any amendments to be made to the Articles pursuant to a resolution of the shareholders' general meeting shall be subject to the approval of the competent authorities, and shall obtain the approval of the competent authorities; if registration matters are involved, the Bank shall apply for registration of the changes in accordance with the law.

## **CHAPTER 18 NOTICE AND ANNOUNCEMENT**

**Article 294** Notice of the Bank (including but not limited to the notice of convening the shareholders' general meeting, the meeting of the Board of Directors and the meeting of the Board of Supervisors) shall be issued in the following manner:

- (I) By personal delivery;
- (II) By facsimile;
- (III) By post;
- (IV) By telegram;
- (V) By announcement on the newspaper and other designated media;
- (VI) By announcement on the website designated by the Bank and the stock exchange at the location where the Bank's shares are listed in accordance with the laws, administrative regulations, departmental rules, normative documents, relevant regulations of the supervisory authority and the Articles;
- (VII) By other means approved by the securities regulatory authority at the location where the Bank's shares are listed or specified in the Articles.

Any notice of the Bank given by announcement shall be deemed to be received by all relevant persons once such announcement is published. Where the securities regulatory authority of the place where the Bank's shares are listed provides otherwise, such provisions shall prevail.

Even if there are provisions as otherwise stated in the Articles in respect to the form of any other documents, announcements, or other newsletters or notices, as permitted by relevant provisions of the securities regulatory authority at the location where the Bank's shares are listed, the Bank may publish newsletters by the form specified in item (VI) of the first paragraph of this Article, instead of serving written documents to holders of overseas listed shares by personal delivery or pre-paid mail. The above-mentioned newsletters refer to any documents published or to be published by the Bank for reference or action guidance for shareholders, including but not limited to annual reports (including annual financial reports), interim reports (including interim financial reports), directors' reports (together with balance sheet and income statement), notices of general meeting, circulars and other communication files.

Any requirement of the securities regulatory authority of the place where the Bank's shares are listed for the Bank to send, mail, dispatch, issue, publish or otherwise make available any corporate communication may, to the extent permitted under laws and regulations and the Articles of the Bank, be satisfied by the Bank sending or otherwise making available the corporate communication to the relevant holders of its securities using electronic means and any requirement of the securities regulatory authority of the place where the Bank's shares are listed that a corporate communication of the Bank must be in printed form may be satisfied by the corporate communication being in electronic format.

**Article 295** The date of service of the Bank's notice:

- (I) If sent by personal delivery, the recipient or its agent shall affix signature (or seal) to the return on service and the signing date shall be the date of service;
- (II) If sent by facsimile, the sending date of the fax shall be the date of service;
- (III) If sent by post, the second workday after the post shall be the date of service;
- (IV) If sent by telegram, the second workday after the sending date of the telegram shall be the date of service;
- (V) If sent by announcement, the date of first announcement shall be the date of service.

**Article 296** The accidental omission to give notice of meeting to, or the non-receipt of notice of meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions adopted at such meeting.

**Article 297** If the securities regulatory authority at the location where the Bank's shares are listed stipulates that the Bank shall send, post, distribute, issue, announce or otherwise provide relevant documents of the Bank in English and Chinese, if the Bank has made appropriate arrangement to confirm whether the shareholders hope to receive only the English version, the Chinese version or both, the Bank may (as per the intent stated by the shareholders) send only the English version, the Chinese version or both to the related shareholders within the range allowed by the applicable laws and regulations and pursuant to the applicable laws and regulations.

**Article 298** The Bank shall issue announcements and disclose information to the holders of domestic shares through the newspapers and websites for information disclosure designated by laws, administrative regulations or relevant domestic supervisory authorities. If the Bank is required to issue announcements to the holders of H shares according to the Articles, the relevant announcements shall also be published by means specified in the Hong Kong Listing Rules.

## **CHAPTER 19 DISPUTE RESOLUTION**

**Article 299** The Bank shall abide by the following rules for dispute resolution:

- (I) If any disputes or claims in relation to the Bank's business, with respect to any rights or obligations under the Articles, the Company Law or any other relevant laws and administrative regulations, arise between shareholders of overseas listed shares and the Bank, between shareholders of overseas listed shares and the Bank's directors, supervisors or senior management personnel of the Bank, or between shareholders of overseas listed shares and other shareholders, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Bank, the Bank's shareholders, directors, supervisors or senior management personnel of the Bank) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of shareholders and disputes concerning the register of shareholders need not be resolved by arbitration.

- (II) A claimant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If a claimant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (III) Unless otherwise provided by the laws, administrative regulations, departmental rules or regulatory documents, the laws of the PRC shall apply to the settlement of any disputes or claims of rights that are resolved by arbitration pursuant to item (I) above.
- (IV) The award of the arbitration institution shall be final and binding on all parties.

## CHAPTER 20 SPECIAL REGULATIONS OF PREFERENCE SHARES

**Article 300** Unless otherwise specified in this chapter and the laws, administrative regulations, departmental rules, regulations of the securities regulatory authorities in the place where the shares of the Bank are listed, the rights and obligations of the preference shareholders and the management of preference shares shall be governed by the provisions relating to ordinary shares (including H shares) in these Articles.

**Article 301** The number of preference shares issued by the Bank shall not exceed 50% of the total number of ordinary shares of the Bank, and the capital raised from the issue of preference shares shall not be more than 50% of the net assets of the Bank prior to the relevant issuance, excluding the preference shares that have been redeemed or converted.

**Article 302** In accordance with the relevant rules on regulating the capital of commercial banks, the Bank may formulate terms governing the mandatory conversion of the preference shares into ordinary shares, namely, upon the occurrence of certain trigger events, the Bank shall convert the preference shares into ordinary shares in accordance with the conversion price and conversion amount as determined at the time of issuance of the preference shares. In circumstances when the preference shares are mandatorily converted into ordinary shares, the Bank shall report such conversion to banking regulatory authorities under the State Council for review and approval.

**Article 303** The preference shares issued by the Bank shall not have any put option, and the preference shareholders shall have no right to require the Bank to redeem preference shares. Subject to the approval of the banking regulatory authorities under the State Council and upon compliance with the relevant requirements, the Bank has the right to redeem all or part of the preference shares five years after the date of the relevant issuance of the preference shares. The redemption period of the preference shares commences on such date as agreed upon at the time of issuance of the preference shares and ends on the date of redemption or conversion of all the preference shares. The Bank shall write down the total amount of outstanding preference shares after the Bank redeems the preference shares.

The exercise by the Bank of its right to redeem the preference shares shall be subject to the fulfilment of the following conditions:

- (I) the Bank shall use capital instruments of the same or superior quality to replace the preference shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability;
- (II) or the capital position of the Bank immediately after redemption of the preference shares will remain significantly higher than the regulatory capital requirements prescribed by the banking regulatory authorities under the State Council.

The redemption price of offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

**Article 304** The preference shareholders of the Bank shall enjoy the following rights:

- (I) to receive distribution of dividends in priority to the ordinary shareholders;
- (II) to receive distribution of residual assets of the Bank on liquidation in priority to those of the ordinary shareholders;
- (III) upon the occurrence of the circumstances provided in Article 305, to attend and vote at the shareholders' general meetings;
- (IV) upon the occurrence of the circumstances provided in Article 306, to have its voting rights restored in accordance with the requirements of that Article;
- (V) to make proposals or inquiries in relation to the business operations and activities of the Bank;
- (VI) to inspect the Articles, register of shareholders, record of bondholders, minutes of the shareholders' general meetings, resolutions of the meetings of the Board of Directors, resolutions of the meetings of the Board of Supervisors and financial reports;
- (VII) other rights conferred to the holders of preference shares by laws, administrative regulations, department rules and these Articles.

**Article 305** Only votes of ordinary shares and votes of preference shares with restored voting rights shall be counted when calculating the proportion of shares and the amount of shares held by the shareholders in the following circumstances:

- (I) a request to convene an extraordinary general meeting of shareholders;
- (II) a request to convene and preside over a general meeting of shareholders;
- (III) a request to submit an proposal or an interim proposal to a general meeting of shareholders;
- (IV) a request to nominate the directors and supervisors who are not staff representatives of the Bank;
- (V) identifying controlling shareholder(s) according to the relevant provisions of these Articles;

- (VI) identifying person(s) restricted from serving as independent directors of the Bank according to the related provisions of these Articles;
- (VII) identifying the ten largest shareholders of the Bank and the number of shares held by them and the shareholder(s) holding 5% or more of the shares of the Bank in accordance with the Securities Law of the People's Republic of China and relevant regulations;
- (VIII) other circumstances provided under laws, administrative regulations, departmental rules and these Articles.

**Article 306** The preference shareholders are not entitled to attend any shareholders' general meeting of the Bank and the preference shares do not carry voting rights in any shareholders' general meeting other than in the following circumstances:

- (I) amendments to these Articles that relate to preference shares;
- (II) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis;
- (III) merger, division, dissolution or change of corporate form of the Bank;
- (IV) issuance of preference shares by the Bank;
- (V) other events specified in laws, administrative regulations, departmental rules and these Articles.

On the occurrence of any of the above matters, the Bank shall notify the preference shareholders of the shareholders' general meeting and follow the notice procedures to ordinary shareholders as provided under these Articles. The preference shareholders are entitled to vote at a separate class meeting with respect to the above matters and each preference share shall have one vote, but preference shares held by the Bank do not entitle the Bank to vote.

Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by ordinary shareholders present at the meeting (including the holders of the preference shares with restored voting rights) and by more than two thirds of the votes held by the preference shareholders present in the meeting (excluding preference shareholders with restored voting rights).

**Article 307** In the event that the Bank fails to pay the prescribed dividend to the preference shareholders for three financial years in aggregate or two consecutive financial years, the preference shareholders will have the right to attend and vote at the shareholders' general meetings as if they are ordinary shareholders from the day immediately after the shareholders' general meeting resolves that the Bank will not pay the prescribed dividend for the current dividend period. The voting rights of the preference shareholders will remain restored until the Bank pays the current period dividend in full.

The formula for calculating the voting rights of the offshore preference shares with restored voting rights is as follows:  $Q = V/P \times \text{conversion exchange rate}$ , with any fractional restored voting right rounded down to the nearest whole number.

Where: “Q” denotes the H share voting rights restored from the offshore preference shares held by each offshore preference shareholder; “V” denotes the aggregate value of the offshore preference shares with restored voting rights held by each offshore preference shareholder; “P” denotes the conversion price; the initial conversion price is decided by the issuance plan for offshore preference shares passed by shareholders’ general meeting and denominated in Hong Kong dollars (which shall be converted with reference to the central parity rate of RMB to Hong Kong dollars used by the interbank foreign exchange market as published by the China Foreign Exchange Trade System on the trading day prior to the announcement date of the Board of Directors resolution on the issuance plan for offshore preference shares (rounded up to the nearest 2 decimal places)); the adjustment methods of conversion price (P) will be determined as agreed at the time of issuance of preference shares; the “conversion exchange rate” refers to the cross rate between Hong Kong dollars and the currency in which the offshore preference shares are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading date preceding the date of the announcement of the passing of the Board of Directors’ resolution in respect of the issuance plan for offshore preference shares.

**Article 308** The dividend rate for the issued and outstanding preference shares of the Bank consists of the benchmark rate and the fixed spread. The dividend rate may be adjusted at different intervals. During a specified period after issuance of the preference shares, the dividend rate will remain the same and during any adjusted dividend rate period, the dividend rate will remain the same.

The preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution and the preference shares shall be entitled to the dividend rate and distribution of profits in accordance with the agreed terms. Dividends to the preference shareholders shall be payable in cash.

After receiving the dividends at the prescribed dividend rate, the preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders. In accordance with the relevant rules on regulatory capital of commercial banks, the Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends not paid to the preference shareholders in full by the Bank will not be accumulated to the following dividend periods.

**Article 309** In the event of liquidation of the Bank as a result of dissolution, bankruptcy or other reasons, the remaining assets of the Bank after liquidation in accordance with laws, administrative regulations, departmental rules and paragraph 2 under Article 286 shall be distributed first to the preference shareholders. Preference shareholders will be entitled to an amount equal to the aggregate value of the preference shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient remaining assets, the distribution will be made ratably according to the aggregate value of the preference shares held by each preference shareholder as a proportion of the aggregate value of all preference shares of the Bank.

## CHAPTER 21 SUPPLEMENTAL PROVISIONS

**Article 310** Except as otherwise provided for in the Articles, all “over”, “within”, “under”, “no less than”, “no more than” in the Articles include the relevant figure itself; “less than”, “lower than”, “no more than”, “except” and “exceed” do not include the relevant figure itself; the “total voting shares” shall only include the total number of ordinary shares and preference shares with restored voting rights.

**Article 311** The Board of Directors of the Bank shall be responsible for the interpretation of the Articles.

**Article 312** The appendix of the Articles shall include the Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of Meetings of the Board of Directors and the Rules of Procedure of Meetings of the Board of Supervisors.

**Article 313** After adoption by resolution of the shareholders' general meeting and approval by the banking regulatory and administrative authorities under the State Council, the Articles shall become effective.