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SINCE 1908 YOUR WEALTH MANAGEMENT BANK

交通銀行股份有限公司 Bank of Communications Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328, 4605 (Preference Share))

ANNOUNCEMENT PROPOSED ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS UNDER SPECIFIC MANDATE

On 27 April 2018, the Board resolved to seek the Shareholders' approval for obtaining the CB Specific Mandate to issue the Convertible Bonds and for the proposed issuance of the Convertible Bonds.

The CB Specific Mandate and the proposed issuance of the Convertible Bonds are subject to the Shareholders' approval at the general meeting and the shareholders class meetings of the Bank.

A circular containing, among other things, details of the CB Specific Mandate and the proposed issuance of the Convertible Bonds, together with notice of the AGM and H Shareholders class meeting, will be despatched to the Shareholders as soon as practicable.

On 27 April 2018, the Board resolved to seek the Shareholders' approval for obtaining the CB Specific Mandate to issue the Convertible Bonds and for the proposed issuance of the Convertible Bonds.

PROPOSED ISSUANCE OF CONVERTIBLE BONDS

Pursuant to the relevant requirements of the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities by Listed Companies and other laws, regulations and regulatory documents, the Bank has satisfied the qualifications and the requirements in relation to the issuance of the Convertible Bonds. In order to further enrich the Bank's capital, raise the Bank's capital adequacy ratio, further enhance the Bank's ability to withstand risks and strengthen the capital base for the sustainable development of the Bank's various businesses, the

Bank proposes the public issuance and listing (on the Shanghai Stock Exchange) of the Convertible Bonds of no more than RMB60 billion (including RMB60 billion). Details of the proposal in relation to the issuance of the Convertible Bonds are as follows:

I. TYPE OF SECURITIES TO BE ISSUED

The type of the securities to be issued by the Bank is convertible bonds which can be converted into A shares of the Bank. Such convertible bonds and A Shares of the Bank to be converted into will be listed on the Shanghai Stock Exchange.

II. ISSUE SIZE

The total amount of the Convertible Bonds proposed to be issued will be not more than RMB60 billion (including RMB60 billion). The actual size of the issuance shall be determined by the Board (or its authorised person(s)) within the above scope, according to the authorisation by the shareholders at the shareholders' general meeting and the shareholders class meetings.

III. PAR VALUE AND ISSUE PRICE

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

IV. TERM

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

V. INTEREST RATE

The manner of determining the interest rate of the Convertible Bonds and the final interest rate of each interest accrual year shall be determined by the Board (or its authorised person(s)) based on government policies, market conditions and the actual conditions of the Bank before the issue, according to the authorization by the shareholders at the shareholders' general meeting and the shareholders class meetings.

VI. METHOD AND TIMING OF INTEREST PAYMENT

(I) Calculation of the interest of interest accrual year

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

$$I = B \times i$$

- I: denotes the Annual Interest;
- B: denotes the aggregate nominal value of the Convertible Bonds held by a CB Holder as at the record date for interest payment in an interest accrual year (“**that year**” or “**each year**”); and
- i: denotes the interest rate of the Convertible Bonds of that year.

(II) Means of payment

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

VII. CONVERSION PERIOD

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

VIII. DETERMINATION AND ADJUSTMENT OF THE CB CONVERSION PRICE

(I) Basis for determining the initial CB Conversion Price

The initial CB Conversion Price of the Convertible Bonds shall not be lower than the highest of the following: (1) the average trading price of A Shares of the Bank for the 30 trading days preceding the date of publication of the offering document of the Convertible

Bonds; (2) the average trading price of A Shares of the Bank for the 20 trading days preceding the date of publication of the offering document of the Convertible Bonds (in the event that during such 30 or 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with based on ex-rights or ex-dividend share price); (3) the average trading price of A Shares of the Bank on the trading day immediately preceding the date of publication of the offering document of the Convertible Bonds; (4) the latest audited net asset per share; and (5) the par value. The actual initial CB Conversion Price shall be determined by the Board (or its authorised person(s)) with reference to the market conditions, according to the authorization at the shareholders' general meeting and the shareholders class meetings.

(II) Adjustments to the CB Conversion Price

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

Where the abovementioned changes in share capital and/or shareholders' equity occur, the Bank will adjust the CB Conversion Price in accordance with the methods determined. The adjustment of the CB Conversion Price will be published in the form of an announcement on the media designated by China Securities Regulatory Commission ("CSRC") for the information disclosure of listed companies. The announcement will indicate the date of adjustment to the CB Conversion Price, adjustment method and suspension period of share conversion (if necessary). An announcement will also be published (if necessary) in the Hong Kong market if it is required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "**Listing Rules**") and the articles of association of the Bank (the "**Articles of Association**"). If the CB Conversion Price adjustment date is on or after the CB Holder's application for conversion, and before the share registration date, then such conversion will be based on the CB Conversion Price adjusted by the Bank.

In cases of repurchase, consolidation and subdivision of shares or any other situation that may change the type, amount, and/or shareholders' equity and therefore may affect the bond rights or conversion derivative rights of the CB Holders, the Bank will adjust the conversion price in accordance with the principle of fairness, impartiality and justice as

well as the principle of fully protecting the interests of holders of Convertible Bonds of this issuance. The content of the adjustment of the conversion price and the method of operation will be formulated in accordance with the relevant laws and regulations of the state and the relevant provisions of the securities regulatory authority.

IX. DOWNWARD ADJUSTMENT TO THE CB CONVERSION PRICE

(I) Adjustment authorization and permitted adjustment magnitude

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

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

The abovementioned proposal is subject to approval of two-thirds of the voting rights held by the shareholders of the Bank participating the vote. Shareholders who hold the Convertible Bonds issued hereunder should abstain from voting. The adjusted CB Conversion Price should be no less than the average trading price of the A Shares of the Bank for the 30 or 20 trading days immediately before the Shareholders' general meeting for consideration and approval of the aforementioned proposal (in the event that an adjustment to the CB Conversion Price is made by the Bank due to ex-rights or ex-dividend during the aforementioned 30 or 20 trading days, the trading price on the pre-adjustment trading days shall be calculated based on the price after the corresponding ex-rights and ex-dividend adjustment) and the average trading price of the A Shares of the Bank on the trading day immediately prior to Shareholders' general meeting for the consideration and approval of the aforementioned proposal, and should be also no less than the latest audited net asset value per share and the nominal value per Share.

(II) Procedure of adjustment

If the Bank decides to make a downward adjustment to the CB Conversion Price, the Bank will publish an announcement on the media designated by the CSRC for information disclosure of listed companies. Such announcement will include the resolutions of general meeting of shareholders and will cover the magnitude of the adjustment, the share registration date and the suspension period of share conversion (if necessary). An

announcement will also be published (if necessary) in the Hong Kong market if it is required by the Listing Rules and the Articles of Association. Share conversion will be restored for application based on the adjusted CB Conversion Price on the first trading day after the registration date (i.e. the effective date of the downward adjustment to the CB Conversion Price).

If the adjustment date is prior to the registration date and on or after the share conversion application date, the share conversion application should be executed based on the price after the adjustment.

X. METHOD FOR DETERMINING THE NUMBER OF SHARES FOR CONVERSION

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

In the aforesaid formula, “V” denotes the aggregate nominal value of the Convertible Bonds in respect of which the CB Holders apply for conversion, and “P” denotes the prevailing CB Conversion Price as at the date of application for conversion.

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

XI. DIVIDEND RIGHTS OF THE YEAR OF CONVERSION

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

XII. TERMS OF REDEMPTION

(I) Terms of redemption at maturity

Within five trading days after the maturity of the Convertible Bonds, the Bank will redeem all the Convertible Bonds which have not been converted into shares at a premium (including the annual interest of the final term) over the par value of the Convertible Bonds. The actual premium shall be determined by the Board of the Bank (or its

authorized person(s)) with reference to market conditions, according to the authorization by the shareholders at the shareholders' general meeting and the shareholders class meetings.

(II) Terms of conditional redemption

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

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

Formula for calculating the then accrued interest is:

$$IA = B \times i \times t / 365$$

IA: denotes the accrued interest for the current period;

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

i: denotes the interest rate of the Convertible Bonds for the current year;

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

XIII. TERMS OF SALE BACK

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

XIV. METHOD OF ISSUANCE AND TARGET INVESTORS

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

XV. SUBSCRIPTION ARRANGEMENT FOR THE EXISTING SHAREHOLDERS

The existing holders of A Shares of the Bank shall have preferential rights to subscribe for the Convertible Bonds to be issued. The actual amount to be preferentially allocated to the existing holders of A Shares shall be determined by the Board (or its authorized person(s)) with reference to the market conditions before issuance, according to the authorization by the shareholders at the shareholders' general meeting and shareholders class meetings, and shall be disclosed in the offering document of the Convertible Bonds. The exercise of such preferential allocation is subject to the Company Law of the PRC and the Listing Rules (as revised from time to time) or all other applicable laws, rules and regulations of government or regulatory bodies.

XVI. CB HOLDERS AND MEETINGS

(I) The rights and obligations of CB Holders

1. Rights of CB Holders

- (1) Entitlement to interests in accordance with the amount of the Convertible Bonds held by the CB Holders;
- (2) Rights to convert Convertible Bonds into A Shares of the Bank according to the agreed conditions;
- (3) Entitlement to exercise sale back rights according to the agreed conditions;
- (4) Assignment, bestowal or pledge of the Convertible Bonds in accordance with the laws, administrative regulations and the Articles of Association;
- (5) Access to relevant information in accordance with the laws, and the Articles of Association;
- (6) Claim to the Bank for the principal and interests of the Convertible Bonds in accordance with the agreed period and manner;
- (7) Participation in or entrusting agents to participate in CB Holders' meetings and exercising voting rights in accordance with relevant laws, administrative regulations, etc.; and
- (8) Other rights entitled granted the laws, administrative regulations and the Articles of Association as creditors of the Bank.

2. Obligations of the CB Holders

- (1) Complying with the relevant terms of the Convertible Bonds of the Bank;
- (2) Making due payment of the subscription amount;
- (3) Complying with the valid resolution formed by CB Holders' meeting;
- (4) Except as specified in laws, regulations, or the offering document of the Convertible Bonds, the CB Holders shall not request the Bank to make prepayment of the principal and interests of the Convertible Bonds; and
- (5) Other obligations of the CB Holders prescribed by the laws, administrative regulations and the Articles of Association.

(II) Meetings of the CB Holders

1. Convening the meetings of CB Holders

The Board of the Bank shall convene a CB Holders' meeting during the term of the Convertible Bonds when any of the following circumstances arises:

- (1) proposal for changes of the agreements of the offering document;
- (2) the Bank's default in paying principal and interests on time;
- (3) reduction of the Bank's capital, merger, separation, dissolution or bankruptcy of the Bank; and
- (4) other matters which may significantly affect the material interests of the CB Holders.

The following institutions or individuals could propose the convening of the CB Holders' meeting:

- (1) the Board of the Bank;
- (2) written proposal submitted by the CB Holders who hold 10% or more of the total par value of the outstanding Convertible Bonds; and
- (3) other institutions or persons designated by CSRC.

2. Convening of the meeting of CB Holders

- (1) CB Holders' meeting will be convened and chaired by the Board; and
- (2) the meeting of CB Holders should be convened by the Board within 30 days after the proposal of the meeting has been raised or received by the Board. The Board shall publish a notice in at least one designated media for information disclosure of listed companies 15 days prior to the meeting of the CB Holders, which shall specify the meeting time, venue, contents, and methods etc. as determined by the Board.

3. Participants of the CB Holders' meetings

Unless the laws and regulations indicate otherwise, the CB Holders have the right to attend or appoint proxies to attend the CB Holders' meeting and to exercise their voting rights.

The following institutions or persons may participate in the CB Holders' meeting and submit proposal at the meeting for discussions and determination of the meeting, but do not have voting rights:

- (1) the issuer of the Convertible Bonds;
- (2) other key connected parties.

The Board should engage lawyers to attend the CB Holders' meeting, issue legal opinion in relation to the calling of the meeting, the convening of the meeting, voting procedures, and the eligibility of the participants.

4. Procedures of the CB Holders' meetings

- (1) The Chairman of the meeting will announce the meeting agenda and important notice, confirm and announce the scrutineer in accordance with the procedures, and present the proposals. Voting will be commenced after discussion of the proposals, the resolution of the CB Holders' meetings will be effective upon witness by a lawyer;
- (2) CB Holders' meetings will be chaired by the Chairman of the Board. If the Chairman is unable to attend the meeting, the Chairman shall authorize a director to chair the meeting. If both are not able to chair the meeting, the CB Holder elected by the CB Holders representing more than 50% (excluding 50%) of the total par value of the Convertible Bonds in attendance should chair the CB Holders' meeting;
- (3) The convener should record the attendees of the meeting. The record should list the participants' names (or entity names), identity card number, residential address, the total par value of the Convertible Bonds with voting rights held or represented by the participant, the appointing CB Holder's names (or entity names), etc.

5. Voting and resolution of the CB Holders' meeting

- (1) The voting method of the CB Holders' meetings is one vote per certificate of the Convertible Bond;
- (2) Voting will be processed by open ballot at the CB Holders' meetings;
- (3) Effective resolution of the CB Holders' meetings should be passed by attendees holding more than two-thirds of the total par value of the Convertible Bonds;

- (4) All the items and sub-items contained in the proposals at the CB Holders' meetings should be considered and voted separately;
 - (5) A resolution will be valid after it has been resolved by the CB Holders at the CB Holders' meeting, and for resolutions subject to approval by the CSRC or other regulatory authorities, the resolution will be effective from the date of approval or such other date as determined by relevant approval;
 - (6) Unless otherwise expressly agreed to make special compensation for the holders who disagree with the resolutions and the absentees of the meeting, the resolutions are equally applicable to all the CB Holders;
 - (7) After the resolutions are passed by the CB Holders at the meeting, the Board will publish an announcement to inform the CB Holders of the resolutions and will be responsible for the implementation of such resolutions.
6. The subscription or otherwise holding of the Convertible Bonds by the CB Holders shall be deemed as their consent to the aforementioned procedures of the CB Holders' meetings.

XVII. USE OF PROCEEDS

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

XVIII. GUARANTEE AND SECURITIES

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

XIX. THE VALIDITY PERIOD OF THE RESOLUTION

The resolution of the issuance of the Convertible Bonds will be valid for 12 months from the date of the passing of the relevant resolutions at the shareholders' general meeting and shareholders class meetings of the Bank.

XX. MATTERS RELATING TO AUTHORIZATION

(I) Authorization in connection with the issuance

To ensure smooth implementation of the issuance, it will be proposed at the shareholders' general meeting and shareholders class meetings to authorize the Board, the full power to handle matters regarding the issuance of the Convertible Bonds under the framework and principles approved at the abovementioned shareholders' meetings. The period of authorization shall be 12 months commencing from the effective date of the resolutions of the abovementioned shareholders' meetings. The actual content and scope of the authorization shall include but not limited to:

1. subject to laws and regulations and the authorization scope of the resolutions of the shareholders' general meeting and the shareholders class meetings, in accordance with the requirements of regulatory authorities and stock exchanges and in view of the actual conditions of the Bank, to formulate and implement the specific proposal of the issuance, to make appropriate amendments, adjustments and supplements to the terms of the Convertible Bonds, to specify the specific terms and proposal of issuance before the issuance and to formulate and implement the final proposal of the issuance, including but not limited to, determining the issue size, method of issuance, target investors, interest rate, terms of conversion, terms of redemption, amounts of preferential allotment to existing A Shares shareholders, rating arrangements etc., and to determine the timing of the issuance and any other matters in relation to the issuance proposal;
2. to make application, submit for approval, registration, issue, filing, and other matters in accordance with the requirements of the regulatory authorities and stock exchanges, and to make, prepare, modify, improve, sign, and submit all the documents and materials related to this issuance and listing, as well as to approve, sign, modify, supplement, submit for approval, implement and suspend all contracts, agreements and documents (including but not limited to sponsorship agreement, underwriting agreement, fundraising supervision agreement, employment agency agreement, etc.) related to the issuance, and to deal with information disclosure related to this issuance;
3. to establish accounts dedicated to the proceeds to be raised of this issuance, to handle the matters related to the use of proceeds raised in this issuance, and to adjust the use and specific arrangements of the proceeds raised in the issuance within the scope authorized by the shareholders at the shareholders' general meeting and the shareholders class meetings;

4. upon completion of the issuance, to deal with relevant matters of the issuance such as the registration and listing of the Convertible Bonds, to appropriately amend the relevant provisions of the Articles of Association based on the conditions of issuance of the Convertible Bonds, and to deal with the matters in relation to the approval and filing of the amendments to the Articles of Association with administration for industry and commerce, the approval of changes of registered capital, and the filing with administration for industry and commerce, etc.;
5. in accordance with the relevant laws and regulations, and the requirements of the regulatory authorities and stock exchanges, to analyze, study and prove the dilutive impact of the issuance of the Convertible Bonds on immediate returns, to formulate and implement the relevant remedial measures on the immediate returns, to amend, supplement and perfect relevant analysis and measures within the scope of original framework in accordance with the newly issued policies, regulations, implementation rules of self-regulatory regulations, as well as to handle relevant matters in this regard;
6. subject to the compliance with the prevailing PRC laws, in the event of any changes to the national laws, regulations and other normative documents, or any changes to the policies of the relevant regulatory authorities on the issuance of convertible bonds or any changes to the market conditions, to make appropriate amendments, adjustments and supplements to the issuance proposal and to continue to handle matters in relation to this issuance within the scope permitted by the relevant laws and regulations and in accordance with the relevant regulations or requirements of the regulatory authorities (including feedback on the review of this issuance application) or market conditions, except where the relevant laws, regulations, the Articles of Association and the relevant regulatory authorities require a re-vote by the shareholders at the shareholders' general meeting and do not allow authorisation;
7. to take all necessary action to decide or deal with all other matters related to the issuance to the extent permitted by the relevant laws and regulations.

It is proposed at the shareholders general meeting and the shareholders class meetings that under the condition that the Board obtains the above authorizations, unless otherwise provided in the laws and regulations, the Board could then delegate to the Chairman of the Board, the President of the Bank, the Vice President in charge and the Secretary of Board to jointly or individually exercise the authorizations.

(II) Other authorisation in connection with the Convertible Bonds

During the term of the Convertible Bonds, it is proposed at the shareholders' general meeting and the shareholders class meetings to authorize the Board, the full power to handle the following matters under the framework and principles approved at the abovementioned shareholders' meetings:

1. Matters in connection with redemption: subject to the requirements of laws and regulations, approval of relevant regulatory authorities (if necessary), the provisions of the Articles of Association and the market conditions, to deal with all matters in relation to the redemption with full power, including but not limited to, determine the redemption time, redemption proportion, and implementation procedures etc.;
2. Matters in connection with conversion: subject to the requirements of laws and regulations, the provisions of the Articles of Association and the market conditions, to deal with all matters in relation to the conversion with full power, including but not limited to adjust the conversion price (excluding downward adjustment to the CB Conversion Price), appropriately amend the relevant provisions of the Articles of Association based on the conditions of issuance of the Convertible Bonds, and to deal with the matters in relation to the approval and filing of the amendments to the Articles of Association with administration for industry and commerce, the approval of changes of registered capital, and the filing with administration for industry and commerce, etc.

The issuance shall be approved by the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and other regulatory agencies before implementation, and the proposal approved by the aforementioned regulatory authorities shall prevail.

CB SPECIFIC MANDATE

The Bank will seek the CB Specific Mandate from Shareholders at the AGM and the shareholders class meetings for the issue of the Convertible Bonds, which shall be valid for 12 months after the resolutions and proposal related to the issuance of Convertible Bonds are considered and approved at the AGM and the shareholders class meetings.

RECENT EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Bank has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

REASONS FOR AND BENEFITS OF THE ISSUANCE OF CONVERTIBLE BONDS

The issuance of Convertible Bonds will further enrich the Bank's capital, raise the Bank's capital adequacy ratio, further enhance the Bank's ability to withstand risks and strengthen the capital base for the sustainable development of the Bank's various businesses, which will help enhance the Bank's core competitiveness and achieving the established strategic goals.

1. Conform to Regulatory Trends and Further Consolidate the Capital Base

After the global financial crisis, domestic and foreign regulatory authorities strengthened their supervision over the capital adequacy ratio of banks. The Administrative Measures on the Capital of Commercial Banks (Trial) raises higher requirements on the capital adequacy ratio and capital quality of commercial banks. With the continuous strengthening of supervision, how to meet the regulatory requirements for capital adequacy ratio has become a strategic issue that domestic commercial banks must consider and solve.

As of 31 March 2018, the Bank's core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio were 10.74%, 11.81% and 14.00%, respectively. In order to better meet regulatory requirements and enhance risk resilience, the Bank needs to further increase the level of capital adequacy ratio. While meeting future development needs, it also can save space for possible regulatory requirements. Therefore, the Bank plans to provide support for the development of the business through the issuance of convertible bonds, i.e. by further replenishing core tier-1 capital after the conversion, so as to improve the Bank's ability to resist risks.

2. Support the Sustainable and Steady Development of the Bank and Enhance the Capability of Serving the Real Economy

In recent years, the Bank has focused on the development strategy of "taking the path of internationalization and integration and building a first-class publicly-owned banking group featuring wealth management", and has attached importance on promoting business transformation, and continuously improving the ability of serving the real economy on the basis of adhering to the concept of sound management. However, at the same time, the process of marketization of domestic interest rates has been continuously accelerating, and competition in the banking industry has continued to intensify. The importance of commercial banks' capital strength to their sustainable development has become increasingly significant. The Bank is currently in a critical period of strategic planning implementation and business transformation, and it is necessary to continue to improve the capital replenishment mechanism and further strengthen its capital strength. The Bank has completed the issuance of offshore preference shares and domestic preference shares, and by public issuance of convertible bonds, the Bank can further improve its capital quality and capital adequacy ratio, which is not only a requirement for the Bank to adhere to steady development and implement strategic transformation, but also helpful for the Bank to enhance its ability to serve the real economy.

Considering all these factors, the Directors are of the view that the terms and conditions of the issuance of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The initial CB Conversion Price of the Convertible Bonds shall not be lower than the highest of the following: (1) the average trading price of A Shares of the Bank for the 30 trading days preceding the date of publication of the offering document of the Convertible Bonds; (2) the average trading price of A Shares of the Bank for the 20 trading days preceding the date of publication of the offering document of the Convertible Bonds (in the event that during such 30 or 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend share price); (3) the average trading price of A Shares of the Bank on the trading day immediately preceding the date of publication of the offering document of the Convertible Bonds; (4) the latest audited net asset per share; and (5) the par value. The actual initial CB Conversion Price shall be determined by the Board (or its authorized persons(s)) with reference to the market conditions, according to the authorization at the shareholders' general meeting and the shareholders class meetings, and will be announced in the offering document.

Pursuant to the proposed issuance of the Convertible Bonds, as at the date of this announcement, the minimum initial CB Conversion Price is equivalent to the audited net asset per share for the financial year ended 31 December 2017 (i.e. RMB8.23). Such minimum initial CB Conversion Price represents (i) a premium of approximately 33.17% to the closing price of RMB6.18 per A Share as quoted on the Shanghai Stock Exchange on 27 April 2018; (ii) a premium of approximately 33.77% to the average closing price of RMB6.15 per A Share as quoted on the Shanghai Stock Exchange for the last twenty consecutive trading days up to and including 27 April 2018; and (iii) a premium of approximately 32.51% to the average closing price of RMB6.21 per A Share as quoted on the Shanghai Stock Exchange for the last thirty consecutive trading days up to and including 27 April 2018. Based on this minimum initial CB Conversion Price, all the Convertible Bonds would be converted to a total of 7,290,400,972 A Shares.

The shareholding structure of the Bank as at the date of this announcement and upon the completion of issuance of the Convertible Bonds, assuming (i) an offering of RMB60 billion Convertible Bonds; (ii) with full exercise of preferential rights to subscribe for the Convertible Bonds by Ministry of Finance and the SSF (the substantial shareholders of the Bank holding A Shares) and without participating in subscribing for the excess portion; and (iii) the Convertible Bonds are converted to A Shares based on the minimum initial CB Conversion Price above is as follows:

**Immediately after the completion of the issuance
of Convertible Bonds (assuming all Convertible
Bonds are converted based on the minimum
initial CB Conversion Price)**

	As at the date of this announcement			Immediately after the completion of the issuance of Convertible Bonds (assuming all Convertible Bonds are converted based on the minimum initial CB Conversion Price)		
	<i>Number of Shares</i>	<i>Approximate percentage of the respective class Shares of the Bank</i>	<i>Approximate percentage of the total issued Shares of the Bank</i>	<i>Number of Shares</i>	<i>Approximate percentage of the respective enlarged class Shares of the Bank</i>	<i>Approximate percentage of the total enlarged issued Shares of the Bank</i>
A SHARES						
Non-public Shareholders						
Ministry of Finance	15,148,693,829	38.5945%	20.3988%	17,962,391,183	38.5945%	22.0254%
SSF ¹	1,877,513,451	4.7834%	2.5282%	2,226,240,192	4.7834%	2.7298%
Total issued A shares held by Directors and Supervisors ²	700,000	0.0018%	0.0009%	700,000	0.0015%	0.0009%
Public Shareholders						
Public shareholders	<u>22,223,956,735</u>	<u>56.6203%</u>	<u>29.9261%</u>	<u>26,351,933,612</u>	<u>56.6206%</u>	<u>32.3126%</u>
Total issued A shares	<u>39,250,864,015</u>	<u>100%</u>	<u>52.8541%</u>	<u>46,541,264,987</u>	<u>100%</u>	<u>57.0678%</u>
H SHARES						
Non-public Shareholders						
Ministry of Finance	4,553,999,999	13.0070%	6.1323%	4,553,999,999	13.0070%	5.5841%
SSF	9,042,615,332	25.8273%	12.1765%	9,042,615,332	25.8273%	11.0880%
HSBC Holdings plc ³	14,147,386,095	40.4074%	19.0505%	14,147,386,095	40.4074%	17.3474%
Total issued H Shares held by Directors and Supervisors ²	230,000	0.0007%	0.0003%	230,000	0.0007%	0.0003%
Public Shareholders						
Public shareholders	<u>7,267,631,204</u>	<u>20.7576%</u>	<u>9.7864%</u>	<u>7,267,631,204</u>	<u>20.7576%</u>	<u>8.9115%</u>
Total issued H shares	<u>35,011,862,630</u>	<u>100%</u>	<u>47.1459%</u>	<u>35,011,862,630</u>	<u>100%</u>	<u>42.9314%</u>
Total issued shares	<u>74,262,726,645</u>	<u>100%</u>	<u>N/A</u>	<u>81,553,127,617</u>	<u>100%</u>	<u>N/A</u>

Notes:

1. According to Rule 14A.10 of the Listing Rules, the Ministry of Finance and the SSF are not connected person of the Bank under Chapter 14A of the Listing Rules.

2. All the directors and supervisors of the Bank have confirmed that, in order to avoid connected transactions, they and their associates will not subscribe for the Convertible Bonds whether under the Existing A Shareholders' Tranche or the Excess Applications Tranche. Save as disclosed above, to the best knowledge of the Bank, no other connected persons could subscribe for the Convertible Bonds under either tranche.
3. HSBC Holdings plc is deemed to own the interests associated with the 14,147,386,095 Shares through various controlled corporations. Please refer to the 2017 annual report of the Bank for details.
4. As at the date of this announcement, the Bank has not received any indication expressed by any Shareholder to participate into the proposed issuance of the Convertible Bonds.

LISTING RULES IMPLICATIONS

Pursuant to Rule 19A.38 of the Listing Rules, the grant of CB Specific Mandate is subject to the requirements for Shareholders' approval at the shareholders' general meeting and shareholders class meetings.

The proposal in relation to the grant of CB Specific Mandate and the proposed issue of Convertible Bonds were considered and approved by the Board on 27 April 2018. None of the Directors has material interest in the above matters and hence no Director has abstained from voting on such Board resolution. Such proposal will be put forward to the AGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting as special resolutions for consideration and approval. After Shareholders' approval has been obtained for the proposed issue of Convertible Bonds, the Bank will submit a formal application to the CBIRC, and as soon as practicable after obtaining approval from the CBIRC, submit a formal application to the CSRC. The proposed issue of Convertible Bonds is subject to the approval of the AGM, A Shareholders Class Meeting, H Shareholders Class Meeting, CBIRC and CSRC.

THE GENERAL MEETING AND THE SHAREHOLDERS CLASS MEETING

The Bank will convene and hold the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting for the Shareholders to consider and, if thought fit, to approve, among other things, the issuance proposal related to the Convertible Bonds, including the grant of the CB Specific Mandate.

A circular containing, among other things, details of the CB Specific Mandate and the proposed issuance of the Convertible Bonds, together with notice of the AGM and the H Shareholders class meeting, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“AGM”	means the general meeting of the Bank to be held at 1:30 p.m. on Thursday, 21 June 2018
“Articles of Association”	means the articles of association of Bank of Communications Co., Ltd. (as amended from time to time)
“A Share(s)”	means the domestic share(s) of par value of RMB1.00 each in the share capital of ordinary shares of the Bank which is/are listed on the Shanghai Stock Exchange and traded in Renminbi
“Bank”	means Bank of Communications Co., Ltd. (交通銀行股份有限公司), a joint stock limited company incorporated in the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Board”	means the board of directors of the Bank
“CB Conversion Price”	means the price at which the new A Shares will be issued upon conversion of the Convertible Bonds, as may be adjusted from time to time
“CB Holder(s)”	means holder(s) of the Convertible Bonds
“CBIRC”	means China Banking and Insurance Regulatory Commission
“CB Specific Mandate”	means the specific mandate in relation to the issuance of the Convertible Bonds to be considered and approved at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting
“Convertible Bonds”	means the convertible corporate bonds in the total amount of not more than RMB60 billion (including RMB60 billion) which are convertible into new A Shares, proposed to be issued publicly by the Bank in the PRC
“CSRC”	the China Securities Regulatory Commission of the PRC
“Director(s)”	means the director(s) of the Bank
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“H Share(s)”	means the overseas-listed foreign share(s) of par value of RMB1.00 each in the share capital of ordinary shares of the Bank which is/are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Ministry of Finance”	means the Ministry of Finance of the People’s Republic of China
“PRC”	means the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means the holder(s) of the share(s) of the Bank
“Share(s)”	means A Share(s) and/or H Share(s)
“SSF”	means the National Council for Social Security Fund
“Supervisor(s)”	means the supervisor(s) of the Bank

By order of the Board of
Bank of Communications Co., Ltd.
Gu Sheng
Company Secretary

Shanghai, the PRC
27 April 2018

As at the date of this announcement, the directors of the Bank are Mr. Peng Chun, Mr. Wong Tung Shun, Peter, Ms. Yu Yali, Mr. Hou Weidong, Mr. Wang Taiyin*, Mr. Song Guobin*, Mr. He Zhaobin*, Ms. Wong Pik Kuen, Helen*, Mr. Liu Hanxing*, Mr. Luo Mingde*, Mr. Liu Haoyang*, Mr. Chen Zhiwu[#], Mr. Yu Yongshun[#], Ms. Li Jian[#], Mr. Liu Li[#], Mr. Yeung Chi Wai, Jason[#] and Mr. Woo Chin Wan, Raymond[#].*

* *Non-executive directors*

Independent non-executive directors