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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Zhesang Bank Co., Ltd., you should at once hand this circular and the accompanying proxy form and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or a solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

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**CZBANK**  **浙商银行**

**CHINA ZHESHANG BANK CO., LTD.**  
**浙商银行股份有限公司**

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

**(Stock Code: 2016)**

**(Stock Code of Preference Shares: 4610)**

**PROPOSAL FOR RIGHTS ISSUE  
PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE  
AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS  
RELATED TO RIGHTS ISSUE  
CHANGE IN REGISTERED CAPITAL AND THE CORRESPONDING  
AMENDMENTS TO RELEVANT CLAUSES IN THE ARTICLES OF ASSOCIATION  
UPON THE COMPLETION OF RIGHTS ISSUE  
FULFILLMENT OF ISSUE CONDITIONS OF RIGHTS ISSUE  
REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS  
REPORT ON THE FEASIBILITY OF USE OF PROCEEDS FROM RIGHTS ISSUE  
REMEDIAL MEASURES FOR THE DILUTION OF  
CURRENT RETURNS BY RIGHTS ISSUE TO ORIGINAL SHAREHOLDERS  
SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2022-2024)  
AND  
NOTICE OF 2021 THIRD EXTRAORDINARY GENERAL MEETING  
NOTICE OF 2021 FIRST CLASS MEETING FOR H SHAREHOLDERS**

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The Bank will hold the EGM and Class Meetings at Main Conference Room, 1/F, Head Office of China Zhesang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC at 2:30 p.m. on Tuesday, November 23, 2021. The notice of the 2021 Third EGM and the notice of the 2021 First Class Meeting for H Shareholders are set out on pages 108 to 113 of this circular. The notice of the 2021 First Class Meeting for A Shareholders will be published by the Bank separately.

Whether or not you are able to attend the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders, you are advised to read the notice of the 2021 Third EGM and the notice of the 2021 First Class Meeting for H Shareholders and to complete and return the enclosed proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited in person or by post as soon as possible but in any event not less than 24 hours (i.e. no later than 2:30 p.m. on Monday, November 22, 2021) before the time stipulated for convening the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders or any adjourned meeting thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders or at any adjourned meeting if you so wish.

If you intend to attend the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders in person or by proxy, you are required to complete and return the reply slip to the H Share Registrar, Computershare Hong Kong Investor Services Limited on or before Friday, November 12, 2021.

November 3, 2021

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## DEFINITIONS

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

“2021 Third EGM” or “EGM”	the 2021 third extraordinary general meeting of the Bank to be held at Main Conference Room, 1/F, Head Office of China Zheshang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC at 2:30 p.m. on Tuesday, November 23, 2021
“2021 First Class Meeting for A Shareholders” or “Class Meeting for A Shareholders”	the 2021 first class meeting for A Shareholders of the Bank to be held at Main Conference Room, 1/F, Head Office of China Zheshang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC on Tuesday, November 23, 2021, immediately after the conclusion of the 2021 Third EGM
“2021 First Class Meeting for H Shareholders” or “Class Meeting for H Shareholders”	the 2021 first class meeting for H Shareholders of the Bank to be held at Main Conference Room, 1/F, Head Office of China Zheshang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC on Tuesday, November 23, 2021, immediately after the conclusion of the 2021 Third EGM and the 2021 First Class Meeting for A Shareholders
“A Rights Share(s)”	the new A Share(s) proposed to be placed and issued to the Qualified A Shareholders pursuant to the A Share Rights Issue (less any A Shares not taken up by the A Shareholders)
“A Share Rights Issue Record Date”	a date to be determined by the Board or its authorized person(s) by reference to which entitlements to the A Share Rights Issue are to be determined
“A Share Rights Issue”	the proposed issue of up to 5,014,409,033 A Rights Shares at the Rights Issue Price on the basis of up to three (3) A Rights Shares for every ten (10) existing A Shares held on the A Share Rights Issue Record Date
“A Shareholder(s)”	holder(s) of A Shares
“A Share(s)”	the Bank’s ordinary share(s) of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 601916) and traded in RMB

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## DEFINITIONS

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“Articles of Association”	the Articles of Association of the Bank, as amended, supplemented or otherwise modified from time to time
“Bank”	China Zheshang Bank Co., Ltd. (浙商银行股份有限公司), a sino-foreign joint venture incorporated in the PRC on April 16, 1993 in accordance with the PRC laws, and reorganized to a joint-stock company with approval of the China Banking Regulatory Commission on June 30, 2004 and the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 2016), and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601916)
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	former China Banking Regulatory Commission
“China Clear”	China Securities Depository and Clearing Corporation Limited
“Class Meeting(s)”	2021 First Class Meeting for A Shareholders and 2021 First Class Meeting for H Shareholders
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Board, based on relevant opinions provided by legal advisers, considers it necessary or expedient to exclude any such Overseas Shareholder(s) from participating in the Rights Issue on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place
“H Share Registrar”	Computershare Hong Kong Investor Services Limited

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## DEFINITIONS

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“H Rights Share(s)”	the new H Share(s) proposed to be placed and issued to the Qualified H Shareholders pursuant to the H Share Rights Issue (less any H Shares not taken up by the H Shareholders)
“H Share Rights Issue Record Date”	a date to be determined by the Board or its authorized person(s) by reference to which entitlements to the H Share Rights Issue are to be determined
“H Share Rights Issue”	the proposed issue of up to 1,366,200,000 H Rights Shares at the Rights Issue Price on the basis of up to three (3) H Rights Share for every ten (10) existing H Shares held on the H Share Rights Issue Record Date
“H Share Rights Issue Prospectus”	the prospectus in relation to the H Share Rights Issue to be issued by the Bank and despatched to the H Shareholders, which contains further details of the H Share Rights Issue
“H Shareholder(s)”	holder(s) of the H Shares
“H Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange (stock code: 2016) and traded in Hong Kong dollars
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Nil-paid H Rights Share(s)”	the rights to subscribe for H Rights Shares (in the form of H Rights Shares in nil-paid form) before the Rights Issue Price is paid

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## DEFINITIONS

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“Overseas Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the register of members of the Bank on the H Share Rights Issue Record Date and whose registered address(es) is/are in a place outside Hong Kong
“Latest Practicable Date”	November 1, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this circular, Hong Kong, the Special Administrative Region of Macau and Taiwan
“PRC Southbound Trading Investors”	PRC investors holding the shares of Hong Kong listed companies through China Clear as the nominees of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Connect (including enterprises and individuals)
“Qualified A Shareholder(s)”	A Shareholder(s) whose name(s) appear(s) on the register of members of the Bank on the A Share Rights Issue Record Date (excluding Excluded Shareholders)
“Qualified H Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the register of members of the Bank on the H Share Rights Issue Record Date (excluding Excluded Shareholders)
“Record Date”	A Share Rights Issue Record Date and/or H Share Rights Issue Record Date
“Rights Issue”	A Share Rights Issue and/or H Share Rights Issue
“Rights Issue Price”	the final subscription price for the A Rights Shares and the H Rights Shares to be offered pursuant to the Rights Issue
“Rights Share(s)”	A Rights Share(s) and/or H Rights Share(s)
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shanghai Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shanghai

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## DEFINITIONS

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“Share(s)”	A Share(s) and/or H Share(s) of the Bank
“Shareholder(s)”	holder(s) of Shares
“Shenzhen-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shenzhen
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on The Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent

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LETTER FROM THE BOARD

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**CZBANK**  **浙商银行**

**CHINA ZHESHANG BANK CO., LTD.**  
**浙商银行股份有限公司**

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

**(Stock Code: 2016)**

**(Stock Code of Preference Shares: 4610)**

***Executive Directors:***

Mr. SHEN Renkang  
Mr. ZHANG Rongsen

***Non-executive Directors:***

Mr. REN Zhixiang  
Ms. GAO Qinrong  
Mr. HU Tiangao  
Mr. ZHU Weiming

***Independent Non-executive Directors:***

Mr. TONG Benli  
Mr. DAI Deming  
Mr. LIU Pak Wai  
Mr. ZHENG Jindu  
Mr. ZHOU Zhifang  
Mr. WANG Guocai  
Mr. WANG Wei

***Registered Office:***

No. 1788, Hongning Road  
Xiaoshan District  
Hangzhou  
Zhejiang  
the PRC

***Principal place of business  
in Hong Kong:***

15/F, Three Exchange Square  
No. 8 Connaught Place  
Central  
Hong Kong

November 3, 2021

*To the Shareholders*

Dear Sir or Madam,

**PROPOSAL FOR RIGHTS ISSUE  
PLAN ON PUBLIC ISSUANCE OF SHARES BY WAY OF RIGHTS ISSUE  
AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS  
RELATED TO RIGHTS ISSUE  
CHANGE IN REGISTERED CAPITAL AND THE CORRESPONDING  
AMENDMENTS TO RELEVANT CLAUSES IN THE ARTICLES OF ASSOCIATION  
UPON THE COMPLETION OF RIGHTS ISSUE  
FULFILLMENT OF ISSUE CONDITIONS OF RIGHTS ISSUE  
REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS  
REPORT ON THE FEASIBILITY OF USE OF PROCEEDS FROM RIGHTS ISSUE  
REMEDIAL MEASURES AND THE DILUTION OF  
CURRENT RETURNS BY RIGHTS ISSUE TO ORIGINAL SHAREHOLDERS  
SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2022-2024)  
AND  
NOTICE OF 2021 THIRD EXTRAORDINARY GENERAL MEETING  
NOTICE OF 2021 FIRST CLASS MEETING FOR H SHAREHOLDERS**

**I. INTRODUCTION**

Reference is made to the announcement of the Bank dated October 28, 2021. The Board of Directors invites you to attend the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders to be held at Main Conference Room, 1/F, Head Office of China Zheshang

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## LETTER FROM THE BOARD

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Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC, at 2:30 p.m. on Tuesday, November 23, 2021. This circular aims to provide further details on matters set out in the above announcement and the notices of the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders.

Prior to the commencement of the H Share Rights Issue, the Bank will make a further announcement and issue the H Share Rights Issue Prospectus, which will contain all relevant information on the Rights Issue, including the definitive basis on which the Rights Shares to be issued, the maximum number of Rights Shares to be issued, the Rights Issue Price, the period of closure of the register of members for the H Shares and the H Share Rights Issue Record Date, the trading arrangements for H Rights Shares, the arrangements for the excess H Rights Shares, the underwriting arrangements and the expected timetable of the Rights Issue.

**As the proposal for Rights Issue is subject to, among others, the approval of the Shareholders, the proposal for Rights Issue may or may not materialize. The proposal for Rights Issue is conditional upon the fulfillment of the conditions set out in this circular. If the conditions are not fulfilled, the Rights Issue will not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.**

## II. MATTERS TO BE CONSIDERED AT THE EGM AND/OR THE CLASS MEETING FOR H SHAREHOLDERS

### 1. Proposal for Rights Issue

In order to enhance the Bank's capital adequacy ratios, the overall competitiveness and capability of sustainable development, the Bank proposes to issue A Rights Shares to the Qualified A Shareholders and H Rights Shares to the Qualified H Shareholders. The proposal for Rights Issue will include the following preliminary terms, but are subject to, among others, the implementation of the proposal for Rights Issue and the actual market conditions:

#### *(1) Class and Par Value of the Shares to be Issued*

The classes of the Shares to be issued under the Rights Issue are A Shares and H Shares with a par value of RMB1.00 per Share.

#### *(2) Issuance Method*

The issuance is conducted through rights issue of Shares to original Shareholders.

#### *(3) Base, Proportion and Number of the Rights Issue*

The A Share Rights Issue is proposed to be based on the total number of A Shares after the trading hours on the A Share Rights Issue Record Date, and the allotment will be made to all A Shareholders for Rights Issue on the basis of up to three (3) Shares for every ten (10) Shares. The H Share Rights Issue is proposed to be based on the total

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## LETTER FROM THE BOARD

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number of H Shares on the H Share Rights Issue Record Date, and the allotment will be made to all H Shareholders for Rights Issue on the basis of up to three (3) H Rights Shares for every ten (10) H Shares. The fractions of less than one Rights Share will be dealt with according to the relevant requirements of the stock exchanges and securities registration and settlement institutions of the places where the securities are traded at. The subscription portion of both A Shares and H Shares are the same.

If, based on the Bank's total share capital of 21,268,696,778 Shares as at June 30, 2021, the number of Rights Shares is estimated to be not more than 6,380,609,033 Shares, among which, the number of A Rights Shares would not exceed 5,014,409,033 Shares and the number of H Rights Shares would not exceed 1,366,200,000 Shares. In the event that the total share capital of the Bank changes due to any bonus issue, capital conversion from capital reserve and other reasons before the Rights Issue, the number of Rights Shares will be adjusted accordingly based on the total share capital after the change.

#### ***(4) Pricing Principle and Price for the Rights Shares***

##### *(I) Pricing Principle*

1. The pricing shall take into account valuation indicators such as stock prices, P/E ratios and P/B ratios of the Bank in the secondary market as well as the development and Shareholders' interests of the Bank;
2. The pricing shall take into account the core tier-one capital requirement of the Bank for the next three years;
3. The pricing shall be in compliance with principles determined through negotiation between the Bank and the sponsor institution(s) (underwriter(s)).

##### *(II) Rights Issue Price*

The Rights Issue Price is determined by using market discount method based on the trading conditions of A Shares and H Shares in the market prior to the publication of the issuance announcement. The final Rights Issue Price will be determined through the negotiation between those parties authorized by the Board and the sponsor institution(s) (underwriter(s)) with reference to the market conditions before the issuance. The Rights Issue Prices of A Shares and H Shares are the same after exchange rate adjustments.

#### ***(5) Target Subscribers for the Rights Issue***

In the Rights Issue, the target A Share subscribers for the Rights Issue will be all A Shareholders of the Bank, who registered with the Shanghai branch of China Clear after the trading hours on the A Share Rights Issue Record Date, and the target H Share

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## LETTER FROM THE BOARD

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subscribers for the Rights Issue will be all H Shareholders determined on the H Share Rights Issue Record Date. The Record Date of the Rights Issue will be otherwise determined after the approval of the proposal for Rights Issue by the CSRC.

**(6) *Distribution Plan for Accumulated Undistributed Profits Prior to the Rights Issue***

The accumulated undistributed profits of the Bank prior to the Rights Issue shall be shared by all Shareholders on a pro-rata basis of their shareholding after the completion of the A Share Rights Issue and H Share Rights Issue.

**(7) *Time of Issuance***

The Shares will be placed to all Shareholders at a suitable timing within the stipulated period, after the approval from the regulatory authorities and the stock exchanges for the Rights Issue is obtained.

**(8) *Method of Underwriting***

A Share Rights Issue will proceed on a best effort basis, and H Share Rights Issue will be fully underwritten.

**(9) *Use of Proceeds Raised in relation to the Rights Issue***

The proceeds raised from the Rights Issue will not exceed RMB18.0 billion (inclusive). After deducting relevant issuance fees, the net proceeds raised from the Rights Issue will entirely be applied for the replenishment of the Bank's core tier-one capital, to enhance the Bank's capital adequacy ratio, support the sustainable and healthy development of the Bank's business in the future as well as strengthen the Bank's capital strength and overall competitiveness.

**(10) *Validity Period of the Resolution in relation to the Rights Issue***

The effective period of the resolution on the Rights Issue shall be 12 months starting from the date on which the resolution is approved by the Bank's EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders.

**(11) *Listing of the Shares to be placed***

The A Shares placed will be listed on the Shanghai Stock Exchange according to the relevant requirements after the completion of A Share Rights Issue.

The H Shares placed will be listed on the The Stock Exchange of Hong Kong Limited according to relevant requirements after completion of H Share Rights Issue.

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## LETTER FROM THE BOARD

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The implementation of the above resolutions is subject to the consideration by EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders, and the approval by the competent authorities such as the CBIRC and the CSRC, and is subject to the plan finally approved by the CSRC.

### **Qualified H Shareholders**

Subject to, among others, approval by the Shareholders at the relevant general meetings, the Bank will send the H Share Rights Issue Prospectus to the Qualified H Shareholders, including the PRC Southbound Trading Investors (and to the extent permitted by the relevant laws, to the Excluded Shareholders for information purposes only). To qualify for the H Share Rights Issue, a Shareholder must:

- (i) be registered as a H Shareholder of the Bank on the H Share Rights Issue Record Date; and
- (ii) not be an Excluded Shareholder.

Before the commencement of the H Share Rights Issue, the Bank will announce the date by which the H Shareholders must lodge any transfer documents in relation to the existing H Shares (together with the relevant H Share certificates) with the H Share Registrar, in order for the transferee to become a H Shareholder of the Bank on or before the H Share Rights Issue Record Date.

The PRC Southbound Trading Investors will not be excluded from participation in the H Share Rights Issue.

### **PRC Southbound Trading Investors**

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

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## LETTER FROM THE BOARD

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

### **H Share Rights Issue Record Date**

The H Share Rights Issue Record Date and the trading arrangements for the Nil-paid H Rights Shares will be determined by the Board later and once so determined, a further announcement will be made by the Bank. The H Share Rights Issue is conditional upon the fulfillment of the conditions set out under the section headed “Conditions of the H Share Rights Issue” in this circular. The H Share Rights Issue Record Date will not precede the date of the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders, or the date on which the relevant PRC governmental and regulatory approvals in relation to the Rights Issue are granted to the Bank.

### **Trading of the H Rights Shares**

Dealings in the H Rights Shares in both their nil-paid and fully-paid forms registered with the H Share Registrar will be subject to the payment of stamp duty in Hong Kong. A further announcement will be made by the Bank regarding the trading arrangements for the H Rights Shares (in nil-paid and fully-paid forms) after such arrangements have been finalized by the Board.

### **Status of the H Rights Shares**

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

### **Rights of Overseas Shareholders**

The H Share Rights Issue Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Bank will make enquiries regarding the feasibility of extending the H Share Rights Issue to the Overseas Shareholders. If, based on the advice received from the relevant legal advisers, the Board considers that it is necessary or expedient not to offer the H Rights Shares to certain Overseas Shareholders (who are Excluded Shareholders) on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place, the H Share Rights Issue will not be made available to the Excluded Shareholders.

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## LETTER FROM THE BOARD

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The Bank will send the H Share Rights Issue Prospectus to the Excluded Shareholders for their information only, but the Bank will not send any provisional allotment letters or excess application forms to the Excluded Shareholders.

### **Application for Excess H Rights Shares**

Qualified H Shareholders of the Bank (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for any H Rights Shares to which unsold entitlements of the Excluded Shareholders relate and for any H Rights Shares provisionally allotted to the Qualified H Shareholders but not accepted.

Application for excess H Rights Shares may be made by completing the excess application form to be despatched to the Qualified H Shareholders together with the H Share Rights Issue Prospectus and lodging the same with a separate remittance for such excess H Rights Shares. The Board will allocate the excess H Rights Shares at its discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. The remaining excess H Rights Shares (if preference will be given) or all excess H Rights Shares (if no preference will be given) will be allocated to the Qualified H Shareholders (other than the PRC Southbound Trading Investors) who have applied for excess H Rights Shares on a pro-rata basis with reference to their number of excess H Rights Shares applied for.

### **Conditions of the H Share Rights Issue**

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

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the Class Meeting for H Shareholders and the Class Meeting for A Shareholders, respectively;
- (iii) the approval of the Rights Issue by the CSRC and other relevant regulatory authorities;
- (iv) the Listing Committee of the Hong Kong Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms on the Hong Kong Stock Exchange, either unconditionally or subject to such conditions which the Bank accepts and the satisfaction of such conditions (if any) by no later than the date of the delivery of the H Share Rights Issue Prospectus; and
- (v) the delivery to the Hong Kong Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by laws to be filed to and registered with the Companies Registry in Hong Kong.

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## LETTER FROM THE BOARD

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None of the above conditions for completion of the H Share Rights Issue may be waived by the Bank or has been satisfied as of the Latest Practicable Date. If the conditions are not fulfilled, the H Share Rights Issue will not proceed.

### **Conditions of the A Share Rights Issue**

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

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the Class Meeting for A Shareholders and the Class Meeting for H Shareholders, respectively;
- (iii) the approval of the Rights Issue by the CSRC and other relevant regulatory authorities; and
- (iv) the subscription of the A Rights Shares by the A Shareholders being at least 70% of the A Share Rights Issue.

None of the above conditions for completion of the A Share Rights Issue may be waived by the Bank or has been satisfied as of the Latest Practicable Date. If the conditions are not fulfilled, the A Share Rights Issue will not proceed.

The H Share Rights Issue and the A Share Rights Issue are inter-conditional upon each other.

### **Underwriting**

The Bank intends to proceed with the H Share Rights Issue on a fully underwritten basis by persons licensed or registered under the Hong Kong Securities and Futures Ordinance for Type 1 regulated activity who are not connected persons of the Bank in accordance with Rule 7.19(1) of the Hong Kong Listing Rules and such underwriting will be conducted in accordance with the requirements of the Hong Kong Listing Rules. Details of the underwriting arrangement in relation to the Rights Issue will be provided to the Shareholders in a further announcement on the Rights Issue to be issued by the Bank in due course. The A Share Rights Issue will however proceed on a best effort basis as required under the applicable PRC laws and regulations. Under the applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares is at least 70% of the A Share Rights Issue. The rights to subscribe for the A Shares which are not taken up will lapse and no new A Shares will be issued or allotted pursuant to such rights.

As of the Latest Practicable Date, the Bank did not receive any undertaking from its substantial Shareholders undertaking to take up his/her/its entitlement in full or in part.

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## LETTER FROM THE BOARD

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### **Theoretical Dilutive Effects**

Taking into account the Rights Issue, the Bank confirms that, as at the Latest Practicable Date, the Rights Issue will not result in a theoretical dilution effect of 25% or more under Rule 7.27B of the Hong Kong Listing Rules.

### **Publication of Further Announcement in Relation to the H Share Rights Issue and Issuance of H Share Rights Issue Prospectus**

Prior to the commencement of the H Share Rights Issue, the Bank will make an announcement and issue the H Share Rights Issue Prospectus, which will contain all relevant information on the Rights Issue, including the definitive basis on which the Rights Shares are to be issued, the maximum number of the Rights Shares to be issued, the Rights Issue Price, the period of closure of the register of members for the H Shares and the H Shares Right Issue Record Date, the trading arrangements for H Rights Shares, the arrangements for the excess H Rights Shares, the underwriting arrangements and the expected timetable of the Rights Issue.

### **Reasons for the Rights Issue and Use of Proceeds**

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

#### **(1) Better Meeting the Capital Supervision Requirements and Enhancing the Capability of Risk Resilience**

In recent years, the CBIRC has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the CBRC in 2012 imposed strict and prudent regulations on the qualification standards and measurement requirements of various types of capital. Since 2016, the People's Bank of China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and self-discipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. And it is expected that starting from 2023, China will implement a capital measurement method based on the Basel III: Final Plan for Post-crisis Reform. By then, the measurement of various risk-weighted assets of the Bank will be affected to varying degrees. As at June 30, 2021, the Bank's consolidated capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 12.42%, 9.46% and 8.37%, respectively.

In order to better meet regulatory requirements and enhance the capacity of risk resilience, it is necessary for the Bank to further increase the core tier-one capital adequacy ratio through Rights Issue, leave space for the possible increase of regulatory requirements and ensure the implementation of the long-term strategic development target of the Bank, while satisfying the needs of future business development.

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## LETTER FROM THE BOARD

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### **(2) Supporting the Steady Business Development of the Bank and Further Serving the Real Economy**

With the steady development of the national economy and the acceleration of financial market reforms, the operating environment of banks is undergoing a profound change. At the same time, the domestic economy is in the stage of industrial restructuring. To support the transformation and upgrading of the real economy, the domestic banks need to maintain a stable and reasonable growth in the scale of credit grants. However, the increase in the risk-weighted assets will cause the Bank to continue facing capital pressures as its business develops. As at the end of June 2021, the total asset of the Bank is RMB2,154.397 billion, representing an increase of 5.18% from the end of 2020; the total amount of loan and advances issued was RMB1,272.137 billion, representing an increase of 6.22% from the end of 2020, showing a steady growth trend.

To maintain a healthy and rapid development trend and effectively respond to the rapid changes and challenges of the industry environment, the Bank needs to replenish the capital required for business development, realize steady operation and further serve the real economy through Rights Issue.

After deducting relevant issuance fees, the net proceeds raised from the Rights Issue will entirely be applied for the replenishment of the Bank's core tier-one capital, to enhance the Bank's capital adequacy ratio, support the sustainable and healthy development of the Bank's business in the future as well as strengthen the Bank's capital strength and comprehensive competitiveness.

### **Shareholding Structure of the Bank**

For illustrative purpose, the following tables set out the Bank's current shareholding structure and the shareholding structure that may exist upon the completion of the Rights Issue, assuming the Rights Issue is conducted on the basis of three (3) Rights Shares for every ten (10) existing Shares and no change in the issued share capital of the Bank between the Latest Practicable Date and the Record Date, and assuming:

- (I) Rights Shares are fully subscribed; or
- (II) H Rights Shares under the H Share Rights Issue are fully subscribed by all Qualified H Shareholders, and 70% of A Rights Shares under the A Share Rights Issue are subscribed.

## LETTER FROM THE BOARD

Table under the assumption of scenario (I) (Rights Shares are fully subscribed) (for illustrative purpose only):

Name of Shareholder	Class of Shares	As of the Latest Practicable Date		Immediately after the completion of the Rights Issue	
		Number of Shares	As a percentage of total issued share capital of the Bank (%)	Number of Shares	As a percentage of total issued share capital of the Bank (%)
<b>Non-public Shareholders</b>					
Zhejiang Financial Holdings and its associates <sup>1</sup>	A Share	2,655,443,774	12.49	3,452,076,906	12.49
Directors, Supervisors and senior management of the Bank <sup>2</sup>	A Share	3,622,600	0.02	4,709,380	0.02
<b>Public A Shareholders</b>	A Share	14,055,630,404	66.09	18,272,319,525	66.09
<b>Public H Shareholders</b>	H Share	4,554,000,000	21.41	5,920,200,000	21.41
	A Share and				
<b>Public Shareholders (Subtotal)</b>	H Share	18,609,630,404	87.49	24,192,519,525	87.49
<b>Total</b>		21,268,696,778	100.00	27,649,305,811	100.00

Table under the assumption of scenario (II) (H Rights Shares under the H Share Rights Issue are fully subscribed by all Qualified H Shareholders, and 70% of A Rights Shares under the A Share Rights Issue are subscribed) (for illustrative purpose only):

Name of Shareholder	Class of Shares	As of the Latest Practicable Date		Immediately after the completion of the Rights Issue	
		Number of Shares	As a percentage of total issued share capital of the Bank (%)	Number of Shares	As a percentage of total issued share capital of the Bank (%)
<b>Non-public Shareholders</b>					
Zhejiang Financial Holdings and its associates <sup>1</sup>	A Share	2,655,443,774	12.49	3,213,086,967	12.29
Directors, Supervisors and senior management of the Bank <sup>2</sup>	A Share	3,622,600	0.02	4,383,346	0.02
<b>Public A Shareholders</b>	A Share	14,055,630,404	66.09	17,007,312,789	65.05
<b>Public H Shareholders</b>	H Share	4,554,000,000	21.41	5,920,200,000	22.64
	A Share and				
<b>Public Shareholders (Subtotal)</b>	H Share	18,609,630,404	87.49	22,927,512,789	87.69
<b>Total</b>		21,268,696,778	100.00	26,144,983,102	100.00

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## LETTER FROM THE BOARD

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*Notes:*

1. As at the Latest Practicable Date, Zhejiang Provincial Financial Holdings Co., Ltd. (“**Zhejiang Financial Holdings**”) held 2,655,443,774 A Shares.
2. As at the Latest Practicable Date, the Directors held 808,000 A Shares in aggregate; and the Supervisors held nil A Shares in aggregate; the senior management held 3,552,600 A Shares in aggregate (Mr. Zhang Rongsen serves as both an executive Director of the Bank and a member of the senior management, and holds 738,000 A Shares).
3. The Shares held by Zhejiang Financial Holdings and its associates as well as the Directors, Supervisors and senior management of the Bank are not public shareholdings under the Hong Kong Listing Rules and/or the SSE Listing Rules.

According to public information, as at the Latest Practicable Date, the Bank’s public float percentage complies with the requirements under Rule 8.08 of the Hong Kong Listing Rules. Upon the completion of the Rights Issue, the Bank’s public float percentage will continue to comply with the requirements under Rule 8.08 of the Hong Kong Listing Rules.

To the best knowledge of the Bank, as at the Latest Practicable Date, the Rights Issue will not increase the market capitalization of the Bank by more than 50%, which will require minority Shareholders’ approval under Rule 7.19A(1) of the Hong Kong Listing Rules.

### **2. Plan on Public Issuance of Shares by Way of Rights Issue**

A special resolution regarding the approval of the Resolution in relation to the Plan of China Zheshang Bank Co., Ltd. on Public Issuance of Shares by Way of Rights Issue will be proposed at the EGM and the Class Meeting for H Shareholders. The full text of the Plan of the Bank on Public Issuance of Shares by Way of Rights Issue is set out in Appendix I to this circular.

The implementation of proposal for Rights Issue is still subject to consideration by the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders and the reporting to the CBIRC and the CSRC as well as obtaining other approvals regarding the Rights Issue, respectively.

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## LETTER FROM THE BOARD

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### 3. Authorization to the Board to Deal with Matters Related to the Rights Issue

To successfully implement the Rights Issue of the Bank, it is proposed to the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders to authorize the Board and the Board to delegate the authority to the chairman, the president and the secretary to the Board to, individually or jointly, deal with at full authority, within the framework of the Rights Issue considered and passed at the general meeting and the valid period of the authorization, principles and validity period as reviewed and approved at the general meeting, relevant matters relating to the Rights Issue, the content and scope of which including but not limited to:

1. To clarify the specific terms of issue and issue plan before the Rights Issue, formulate and implement the final plan for the Rights Issue covering all aspects relating to the Rights Issue plan, including but not limited to the conditions and time of the implementation of the Rights Issue, proportion and number of the Rights Issue, Rights Issue Price, starting and ending dates of the Rights Issue, and actual size of proceeds raised, pursuant to the requirements of relevant regulatory authorities and with reference to the Bank's actual situation, to such extent as the relevant laws, regulations and resolutions at the general meeting would allow.
2. If there are changes in the national laws, regulations or regulatory documents, or in the policies on rights issue of regulatory authorities, or in market conditions, save for those matters required to be voted again at a general meeting under the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association, corresponding adjustments can be made on the specific proposals for the Rights Issue within the scope permitted by the relevant laws and regulations, and in accordance with the opinions of the regulatory authorities and the actual conditions of the Bank and the market.
3. To produce, amend, sign, execute, and submit the application materials relating to the Rights Issue, information disclosure materials and relevant documents according to the requirements of relevant domestic and foreign government agencies, relevant regulatory authorities (including the Hong Kong Stock Exchange), to handle related matters, such as approval, registration, filing, authorization and consent by relevant regulatory authorities, and to conduct all acts relating to the Rights Issue that are deemed necessary, appropriate or desirable by it.
4. To decide on the engagement of intermediary institutions for the Rights Issue, and to prepare, sign, modify, supplement, execute and suspend all relevant contracts, agreements and other important documents related to the Rights Issue (including but not limited to the sponsoring agreement, the best-efforts underwriting agreement, the fully underwriting agreement, the fund-raising regulatory agreement, the agreements on the engagement of intermediary institutions, etc.), and handle matters related to the information disclosure of the Rights Issue in accordance with regulatory requirements.

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## LETTER FROM THE BOARD

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5. To open and manage a designated account for the proceeds from the Rights Issue; to handle the matters relating to the use of the proceeds from the Rights Issue, and make adjustments to the use and specific arrangements of the proceeds from the Rights Issue within the scope of the resolutions passed at the general meeting.
6. Upon the completion of the Rights Issue, to handle matters related to the share registration and listing of issuance shares under the Rights Issue with the securities registration and settlement institutions and the stock exchanges at the place where the securities are traded at. To properly amend the relevant provisions in the Articles of Association regarding the Rights Issue, and to carry out approval for the amendment and the change of registered capital and the change of business registration according to situations of the Rights Issue.
7. To handle subsequent matters related to the Rights Issue in accordance with relevant domestic and foreign laws and regulations, including but not limited to repay any Shareholder who made subscription under the Rights Issue an amount equivalent to the issue price together with any deposit interest from the bank during the same period, in the event of a failed A Shares Rights Issue due to the expiry of best-efforts underwriting period of the Rights Issue, where A Shares subscribed by original Shareholders represent less than 70% of the A Shares under the A Share Rights Issue.
8. According to the requirements of the relevant laws and regulations and the regulatory authorities, to analyze, study and deliberate on the impacts of the Rights Issue on the dilution of current returns, formulate and implement the relevant remedial measures for current returns. According to the newly issued policies, regulations, rules for implementation or self-discipline regulations, to amend, supplement and complete relevant analysis and measures within the scope of the previous framework, and handle with full authority, other matters in this regard.
9. To the extent as permissible by the relevant laws and regulations, and according to the opinions of relevant regulatory authorities, to properly amend, adjust and supplement the proposal for the Rights Issue, and continue to handle matters on the Rights Issue in light of the Bank's actual situation.
10. In the event of force majeure or other circumstances which are sufficient to make the proposal for Rights Issue difficult to implement, or which will bring adverse consequences to the Bank although the proposal can be implemented, or in the event that there are changes in the policy on the Rights Issue, to determine to postpone or terminate in advance the proposal for Rights Issue at discretion.
11. To decide or handle other matters they deem necessary, appropriate or desirable for the Rights Issue in accordance with domestic and overseas laws and regulations.

This authorization is valid within 12 months after the consideration and approval of the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders. Such authorization will lapse if the Rights Issue is not completed by the Bank upon the expiration of the authorization period, but the Board has the right to seek approval at the general meeting, class meeting for A Shareholders and class meeting for H Shareholders of the Bank to extend the authorization period or approve new authorization.

## LETTER FROM THE BOARD

### 4. Change in Registered Capital and the Corresponding Amendments to Relevant Clauses in the Articles of Association Upon the Completion of Rights Issue

Upon the completion of the Rights Issue, the Bank shall correspondingly adjust its registered capital and the relevant clauses of the Articles of Association. For such regard, it is proposed to the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders, to agree and that, upon the completion of the Rights Issue of the Bank, the Bank's registered capital shall be adjusted in accordance with the issuance results of the Rights Issue and the approval by the regulatory authorities of the banking industry in China. Based on the issuance results of the Rights Issue and the adjustment of the Bank's registered capital, the clause related to the registered capital (Article 5 of the Articles of Association) and the clause related to the total number of Shares and shareholding structure (Article 23 of the Articles of Association) in the Articles of Association shall be amended accordingly as follows:

Number	Original Clause	Amended Clause
1	<p><b>Article 5</b> Our Bank's registered capital is RMB21,268,696,778.</p>	<p><b>Article 5</b> Our Bank's registered capital is RMB [to be determined based on the Rights Issue proposal as reviewed and approved by relevant regulatory authorities and the results of Rights Issue].</p>
2	<p><b>Article 23</b> The total number of ordinary shares that our Bank can issue upon approval by the approval departments as authorized by the State Council is 21,268,696,778 shares.</p> <p>Our Bank's ordinary share capital structure is: 21,268,696,778 ordinary shares, among which 16,714,696,778 are domestic listed shares, representing 78.59% of the total ordinary shares issued by our Bank; and 4,554,000,000 are H shares, representing 21.41% of the total ordinary shares issued by our Bank.</p> <p>The total number of offshore preference shares issued by our Bank is 108,750,000.</p>	<p><b>Article 23</b> The total number of ordinary shares that our Bank can issue upon approval by the approval departments as authorized by the State Council is [to be determined based on the Rights Issue proposal as reviewed and approved by relevant regulatory authorities and the results of Rights Issue] shares.</p> <p>Our Bank's ordinary share capital structure is: [●] ordinary shares, among which [●] are domestic listed shares, representing [●]% of the total ordinary shares issued by our Bank; and [●] are H shares, representing [●]% of the total ordinary shares issued by our Bank.</p> <p>The total number of offshore preference shares issued by our Bank is 108,750,000.</p>

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## LETTER FROM THE BOARD

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### **5. Fulfillment of Issue Conditions of Rights Issue**

A special resolution regarding the approval of the Resolution in relation to the Fulfillment of Issue Conditions of Rights Issue of China Zheshang Bank Co., Ltd. will be proposed at the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders, details of which are set out in Appendix II to this circular.

### **6. Report on the Use of Previously Raised Funds**

A special resolution regarding the approval of the Resolution in relation to the Report on the Use of Previously Raised Funds of China Zheshang Bank Co., Ltd. will be proposed at the EGM, and the full text of the Report on the Use of Previously Raised Funds of the Bank is set out in Appendix III to this circular.

### **7. Report on the Feasibility of Use of Proceeds from Rights Issue**

A special resolution regarding the approval of the Resolution in relation to the Report on the Feasibility of Use of Proceeds from Rights Issue of China Zheshang Bank Co., Ltd. will be proposed at the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders, and the full text of the Report on the Feasibility of Use of Proceeds from Rights Issue of the Bank is set out in Appendix IV to this circular.

### **8. Remedial Measures for the Dilution of Current Returns by Rights Issue to Original Shareholders**

According to the requirements as set out in the relevant regulations such as the Opinions of the General Office of the State Council on Further Strengthening the Protection of Lawful Rights and Interests of Medium and Small Investors in the Capital Markets (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), Certain Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets (《國務院關於進一步促進資本市場健康發展的若干意見》), and the Guiding Opinions on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) by the CSRC, the Bank analyzed the impacts of Rights Issue to original Shareholders on the dilution of current returns, and formulated the Announcement of Remedial Measures for the Dilution of Current Returns by Rights Issue to Original Shareholders of China Zheshang Bank Co., Ltd.

A special resolution regarding the approval of the Resolution in relation to the Remedial Measures for the Dilution of Current Returns by Rights Issue to Original Shareholders of China Zheshang Bank Co., Ltd. will be proposed at the EGM, Class Meeting for A Shareholders and Class Meeting for H Shareholders, and it is proposed to the general meeting to agree Board (the Board may delegate the authorization to persons authorized) to the special resolutions to adjust the above remedial measures in accordance with changes of laws, regulations, regulatory documents and relevant policies as well as opinions of regulatory authorities, details of which are set out in Appendix V to this circular.

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## LETTER FROM THE BOARD

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### 9. Shareholders' Return Plan for the Next Three Years (2022-2024)

To further strengthen the awareness of rewarding Shareholders, improve profit distribution system, and provide Shareholders with continuous, stable and reasonable investment returns, the Bank has formulated the Shareholders' Return Plan for the Next Three Years (2022-2024) of China Zheshang Bank Co., Ltd. in accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice of the China Securities Regulatory Commission on Matters Relevant to Further Implementing the Cash Dividend Distribution by Listed Companies (《中國證券監督管理委員會關於進一步落實上市公司現金分紅有關事項的通知》), the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號–上市公司現金分紅》) and the Articles of Association and on the basis of fully considering the actual operation and future development needs of the Bank.

A special resolution regarding the approval of the Resolution in relation to the Shareholders' Return Plan for the Next Three Years (2022-2024) of China Zheshang Bank Co., Ltd. will be proposed at the EGM, and the full text of the Shareholders' Return Plan for the Next Three Years (2022-2024) is set out in Appendix VI to this circular.

### III. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Bank collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

### IV. THE EGM AND THE CLASS MEETING FOR H SHAREHOLDERS

The Bank intends to convene the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders at Main Conference Room, 1/F, Head Office of China Zheshang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC, at 2:30 p.m. on Tuesday, November 23, 2021 to consider and, if thought fit, to pass matters as set out in the notices of the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders. The notices of the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders are set out on pages 108 to 110 and pages 111 to 113 respectively, of this circular.

Completion and return of the form(s) of proxy(ies) will not preclude you from attending and voting in person at the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders or at any adjourned meeting thereof.

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## LETTER FROM THE BOARD

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### **Closure of Register of Members and Eligibility to Attend and Vote at the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders**

The share register of members of the Bank will be closed from Thursday, November 18, 2021 to Tuesday, November 23, 2021 (both days inclusive), during which period no Share transfer will be registered. In order to be eligible to attend and vote at the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders, H Shareholders of the Bank must lodge the Share transfer documents accompanied by the relevant Share certificates and other appropriate documents with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, November 17, 2021. H Shareholders whose names appear in the H Share register of members of the Bank at the close of business on Wednesday, November 17, 2021, will be eligible to attend and vote at the 2021 Third EGM and/or the 2021 First Class Meeting for H Shareholders.

### **V. METHODS OF VOTING AT THE EGM AND THE CLASS MEETING FOR H SHAREHOLDERS**

Pursuant to the requirements of Rule 13.39(4) of the Hong Kong Listing Rules, voting by the Shareholders at the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders shall be taken by the way of poll.

To the best knowledge of the Bank, no Shareholders or their associates are deemed to have a material interest in any of the resolutions at the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders, and therefore no Shareholders are required to abstain from voting on any resolutions.

### **VI. RECOMMENDATIONS**

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders are in the interests of the Bank and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of all resolutions to be proposed at the 2021 Third EGM and the 2021 First Class Meeting for H Shareholders.

By order of the Board  
**China Zheshang Bank Co., Ltd.**  
**Shen Renkang**  
*Chairman*

Hangzhou, the PRC  
November 3, 2021

**IMPORTANT NOTES:**

1. China Zheshang Bank Co., Ltd. (hereinafter referred to as the “**Bank**”) intends to carry out the public issuance of Shares by way of rights issue of Shares to the original Shareholders (hereinafter referred to as the “**Rights Issue**”).
2. Upon completion of the Rights Issue, the number of share capital and net assets of the Bank will be increased to a certain extent. However, it takes a certain period to produce benefits after the investment of proceeds, and the Bank still mainly depends on its existing business to realize profits and Shareholders’ return, so the Bank’s indicators such as the earnings per Share and weighted average return on net assets will experience a certain decrease in short term i.e., the immediate returns will be susceptible to dilution after the Bank’s Rights Issue and issuance of Shares. Please refer to the Announcement of Remedial Measures for the Dilution of Current Returns to Original Shareholders by Rights Issue of China Zheshang Bank Co., Ltd. for details.
3. The plan represents the explanation on the Rights Issue made by the Board of the Bank and any statement to the contrary is untrue.
4. Matters set out in the plan do not indicate substantive judgments, acknowledgement or approval from the approval authorities in respect of relevant matters of the Rights Issue. Effectiveness and completion of relevant matters of the Rights Issue as set out in the plan are subject to approval or permission from relevant approval authorities.

**I. STATEMENTS ON THE RIGHTS ISSUE BEING QUALIFIED UNDER RELEVANT LAWS AND REGULATIONS IN RESPECT OF PUBLIC ISSUANCE BY WAY OF RIGHTS ISSUE**

After conducting verification carefully on a case-by-case basis in comparison with relevant qualifications and conditions in respect of rights issue by A-share and H-share listed companies as set out in the laws, regulations and regulatory documents including the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Issuance Regulatory Q&A – Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《發行監管問答–關於引導規範上市公司融資行為的監管要求(修訂版)》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Bank confirms that the Bank has satisfied the conditions for Rights Issue.

**II. SUMMARY OF THE ISSUANCE****(I) Types and par value of the Shares to be issued**

The classes of the Shares to be issued under the Rights Issue are A Shares and H Shares with a par value of RMB1.00 per Share.

**(II) Issuance Method**

The issuance is conducted through rights issue of Shares to original Shareholders.

**(III) Base, Proportion and Number of the Rights Issue**

The A Share Rights Issue is proposed to be based on the total number of A Shares after the trading hours on the A Share Rights Issue Record Date, and the allotment will be made to all A Shareholders for Rights Issue on the basis of up to three (3) Rights Shares for every ten (10) Shares. The H Share Rights Issue is proposed to be based on the total number of H Shares on the H Share Rights Issue Record Date, and the allotment will be made to all H Shareholders for Rights Issue on the basis of up to three (3) Rights Shares for every ten (10) Shares. The fractions of less than one Rights Share will be dealt with according to the relevant requirements of the stock exchanges and securities registration and settlement institutions of the places where the securities are traded at. The subscription portion of both A Shares and H Shares are the same.

If, based on the Bank's total share capital of 21,268,696,778 Shares as at June 30, 2021, the number of Rights Shares is estimated to be not more than 6,380,609,033 Shares, among which, the number of A Rights Shares would not exceed 5,014,409,033 Shares and the number of H Rights Shares would not exceed 1,366,200,000 Shares. In the event that the total share capital of the Bank changes due to any bonus issue, capital conversion from capital reserve and other reasons before the Rights Issue, the number of Rights Shares will be adjusted accordingly based on the total share capital after the change.

**(IV) Pricing Principle and Rights Issue Price****1. Pricing Principle**

- (1) The pricing shall take into account valuation indicators such as stock prices, P/E ratios and P/B ratios of the Bank in the secondary market as well as the development and Shareholders' interests of the Bank;
- (2) The pricing shall take into account the core tier-one capital requirement of the Bank for the next three years;
- (3) The pricing shall be in compliance with principles determined through negotiation between the Bank and the sponsor institution(s) (underwriter(s)).

## 2. *Rights Issue Price*

The Rights Issue Price is determined by using market discount method based on the trading conditions of A Shares and H Shares in the market prior to the publication of the issuance announcement. The final Rights Issue Price will be determined through the negotiation between those parties authorized by the Board under the authorization of the general meeting and the sponsor institution(s) (underwriter(s)) with reference to the market conditions before the issuance. The Rights Issue Prices of A Shares and H Shares are the same after exchange rate adjustments.

### **(V) Target Subscribers for the Rights Issue**

In the Rights Issue, the target A Share subscribers for the Rights Issue will be all A Shareholders of the Bank, who registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited after the trading hours on the A Share Rights Issue Record Date, and the target H Share subscribers for the Rights Issue will be all H Shareholders determined on the H Share Rights Issue Record Date. The Record Date of the Rights Issue will be otherwise determined after the approval of the proposal for Rights Issue by the CSRC.

### **(VI) Distribution Plan for Accumulated Undistributed Profits Prior to the Rights Issue**

The accumulated undistributed profits of the Bank prior to the Rights Issue shall be shared by all Shareholders on a pro-rata basis of their shareholding after the completion of the Rights Issue.

### **(VII) Time of Issuance**

The Shares will be placed to all Shareholders at a suitable timing within the stipulated period, after the approval from the regulatory authorities and the stock exchanges for the Rights Issue is obtained.

### **(VIII) Method of Underwriting**

A Share Rights Issue will proceed on a best effort basis, and H Share Rights Issue will be fully underwritten.

**(IX) Use of Proceeds Raised in relation to the Rights Issue**

The proceeds raised from the Rights Issue will not exceed RMB18.0 billion (inclusive). After deducting relevant issuance fees, the net proceeds raised from the Rights Issue will entirely be applied for the replenishment of the Bank's core tier-one capital, to enhance the Bank's capital adequacy ratio, support the sustainable and healthy development of each business of the Bank in the future as well as strengthen the Bank's capital strength and competitiveness.

**(X) Validity Period of the Resolution in relation to the Rights Issue**

The effective period of the resolution on the Rights Issue shall be 12 months starting from the date on which the resolution is approved by the Bank's EGM, the Class Meeting for A Shareholders and the Class Meeting for H Shareholders.

**(XI) Listing of the Shares to be placed**

The A Shares placed will be listed on the Shanghai Stock Exchange according to the relevant requirements after the completion of A Share Rights Issue.

The H Shares placed will be listed on the The Stock Exchange of Hong Kong Limited according to relevant requirements after completion of H Share Rights Issue.

The implementation of the Rights Issue plan is still subject to consideration and approval by 2021 Third EGM, 2021 First Class Meeting for A Shareholders and 2021 First Class Meeting for H Shareholders of the Bank by way of special resolution and the approval by the CBIRC, the CSRC and other authorities and is subject to the plan finally approved by the CSRC.

**III. FINANCIAL AND ACCOUNTING INFORMATION AND MANAGEMENT'S  
DISCUSSION AND ANALYSIS****(I) Balance sheet, income statement, cashflow statement and statement of changes in equity**

The Bank's 2018 and 2019 financial reports have been audited by PricewaterhouseCoopers Zhong Tian LLP, and the 2020 financial report has been audited by KPMG Huazhen LLP, and a standard unqualified audited report has been issued. The financial statements for January – June 2021 were reviewed by KPMG Huazhen LLP.

The financial data of the Bank for the year 2018, 2019, 2020 and January – June 2021 are set out below (If not specifically stated, the data in this section represents consolidated data of the Bank and the amounts mentioned are dominated in Renminbi):

### 1. Balance Sheet

#### (1) Consolidated Balance Sheet

Unit: RMB million

Item	June 30, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>Assets:</b>				
Cash and balances with				
the central bank	134,054	137,441	131,029	126,370
Precious metals	5,550	19,478	21,251	8,103
Deposits with banks and other				
financial institutions	35,217	38,827	17,725	20,080
Placements with banks and				
other financial institutions	44,271	5,637	9,184	7,731
Derivative financial assets	12,833	23,434	13,892	10,123
Financial assets purchased				
under resale agreements	31,549	57,067	28,950	27,572
Loans and advances to				
customers	1,238,083	1,165,875	998,933	837,076
Financial investments:				
– Financial assets held for				
trading at fair value				
through profit or loss	151,857	129,269	129,266	135,211
– Debt investments	353,732	336,109	305,160	337,836
– Other debt investments	69,355	62,013	82,922	91,611
– Other equity instrument				
investments	1,234	994	690	275
Long-term equity investments	–	–	–	–
Fixed assets	13,321	13,474	12,673	10,357
Right-of-use assets	3,038	3,050	3,256	–
Intangible assets	2,040	2,070	2,093	757
Deferred tax assets	16,480	14,620	11,831	8,320
Other assets	41,783	38,867	31,931	25,272
<b>Total assets</b>	<b>2,154,397</b>	<b>2,048,225</b>	<b>1,800,786</b>	<b>1,646,695</b>

Item	June 30, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>LIABILITIES:</b>				
Deposits from banks and other financial institutions	164,800	148,273	132,950	170,815
Due to the central bank	59,657	84,768	94,065	–
Placements from banks and other financial institutions	41,791	48,543	33,853	38,053
Financial liabilities held for trading at fair value through profit or loss	14,028	9,231	15,143	12,483
Derivative financial liabilities	12,508	23,478	14,911	10,648
Financial assets sold under repurchase agreements	34,858	900	6,002	71,132
Deposits from customers	1,367,287	1,335,636	1,143,741	974,770
Employee benefits payable	4,233	4,873	4,439	4,006
Taxes payable	5,996	4,663	4,669	2,613
Provisions	5,496	5,686	5,544	3,118
Lease liabilities	2,997	2,981	3,108	–
Debt securities issued	291,909	236,682	206,241	245,997
Other liabilities	13,720	9,968	8,093	10,612
<b>Total liabilities</b>	<b>2,019,280</b>	<b>1,915,682</b>	<b>1,672,759</b>	<b>1,544,246</b>
<b>Equity:</b>				
Share capital	21,269	21,269	21,269	18,719
Other equity instruments	14,958	14,958	14,958	14,958
Capital reserve	32,018	32,018	32,018	22,130
Other comprehensive income	204	261	2,268	1,389
Surplus reserve	8,499	8,499	7,294	6,025
Statutory general reserve	23,680	21,118	19,454	18,462
Retained earnings	32,396	32,389	28,985	19,203
Equity attributable to shareholders of the Bank	133,024	130,512	126,246	100,885
Non-controlling interests	2,093	2,031	1,781	1,563
<b>Total equity</b>	<b>135,117</b>	<b>132,543</b>	<b>128,027</b>	<b>102,449</b>
<b>Total liabilities and equity</b>	<b>2,154,397</b>	<b>2,048,225</b>	<b>1,800,786</b>	<b>1,646,695</b>

*Note:* The financial statements of 2019 was restated, the same as below.

## (2) Balance Sheet of the Bank

Unit: RMB million

Item	June 30, 2021	December 31, 2020	December 31, 2019	December 31, 2018
<b>Assets:</b>				
Cash and balances with the central bank	134,023	137,411	131,029	126,370
Precious metals	5,550	19,478	21,251	8,103
Deposits with banks and other financial institutions	35,175	38,455	17,596	19,744
Placements with banks and other financial institutions	46,773	8,648	8,834	7,741
Derivative financial assets	12,833	23,434	13,892	10,123
Financial assets purchased under resale agreements	31,549	57,067	28,950	27,572
Loans and advances to customers	1,238,083	1,165,875	998,933	837,076
Financial investments:				
– Financial assets held for trading at fair value through profit or loss	151,807	128,762	128,474	134,611
– Debt investments	353,732	336,109	305,160	337,836
– Other debt investments	69,450	62,108	83,205	92,036
– Other equity instrument investments	1,234	994	690	275
Long-term equity investments	1,530	1,530	1,530	1,530
Fixed assets	12,429	12,552	11,680	9,771
Right-of-use assets	3,038	3,050	3,255	–
Intangible assets	2,024	2,055	2,082	748
Deferred tax assets	16,109	14,244	11,545	8,150
Other assets	6,220	7,472	6,208	6,552
<b>Total assets</b>	<b>2,121,559</b>	<b>2,019,244</b>	<b>1,774,314</b>	<b>1,628,238</b>
<b>LIABILITIES:</b>				
Deposits from banks and other financial institutions	165,024	148,378	133,320	170,827
Due to the central bank	59,657	84,768	94,065	–
Placements from banks and other financial institutions	16,601	26,825	12,514	24,053
Financial liabilities held for trading at fair value through profit or loss	14,028	9,231	15,143	12,483

Item	June 30, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Derivative financial liabilities	12,508	23,478	14,911	10,648
Financial assets sold under repurchase agreements	34,858	900	6,002	71,132
Deposits from customers	1,366,771	1,335,130	1,143,741	974,916
Employee benefits payable	4,195	4,804	4,383	3,963
Taxes payable	5,962	4,486	4,521	2,469
Provisions	5,496	5,686	5,544	3,118
Lease liabilities	2,997	2,981	3,108	–
Debt securities issued	291,909	236,682	206,241	245,997
Other liabilities	9,179	5,966	4,902	7,843
<b>Total liabilities</b>	<b>1,989,185</b>	<b>1,889,315</b>	<b>1,648,395</b>	<b>1,527,449</b>
<b>Equity:</b>				
Share capital	21,269	21,269	21,269	18,719
Other equity instruments	14,958	14,958	14,958	14,958
Capital reserve	32,018	32,018	32,018	22,130
Other comprehensive income	204	261	2,268	1,389
Surplus reserve	8,499	8,499	7,294	6,025
Statutory general reserve	23,488	20,926	19,454	18,462
Retained earnings	31,938	31,998	28,658	19,106
<b>Total equity</b>	<b>132,374</b>	<b>129,929</b>	<b>125,919</b>	<b>100,789</b>
<b>Total liabilities and equity</b>	<b>2,121,559</b>	<b>2,019,244</b>	<b>1,774,314</b>	<b>1,628,238</b>

## 2. *Income Statement*

### (1) *Consolidated Income Statement*

*Unit: RMB million*

Item	January to June 2021	2020	2019	2018
<b>I. Operating income</b>	<b>25,903</b>	<b>47,703</b>	<b>46,364</b>	<b>38,943</b>
Interest income	45,151	86,224	80,276	72,252
Interest expense	-24,773	-49,129	-45,614	-45,866
<b>Net interest income</b>	<b>20,378</b>	<b>37,095</b>	<b>34,662</b>	<b>26,386</b>
Fee and commission income	2,309	4,775	4,291	4,830
Fee and commission expense	-312	-525	-500	-578
<b>Net fee and commission income</b>	<b>1,997</b>	<b>4,250</b>	<b>3,791</b>	<b>4,252</b>

Item	January to June 2021	2020	2019	2018
Investment gains	2,019	7,023	7,158	5,286
Including: gains arising from dis-recognition of financial assets measured at AC	–	19	117	252
Net losses from changes in fair value	610	-1,882	-346	3,145
Net foreign exchange gain	743	778	771	-567
Net losses on disposal of assets	-1	-9	0	-1
Other business income	118	292	226	–
Other gains	39	156	102	443
<b>II. Operating expense</b>	<b>-17,787</b>	<b>-33,232</b>	<b>-31,712</b>	<b>-25,061</b>
Tax and surcharges	-423	-620	-598	-438
General and administrative expenses	-6,500	-12,385	-12,168	-11,563
Expected credit losses	-10,834	-20,166	-18,902	-13,030
Other business costs	-30	-61	-44	-31
<b>III. Operating profit</b>	<b>8,116</b>	<b>14,471</b>	<b>14,652</b>	<b>13,882</b>
Add: non-operating income	45	68	83	79
Less: non-operating expenses	-10	-176	-55	-111
<b>IV. Total profit</b>	<b>8,151</b>	<b>14,363</b>	<b>14,680</b>	<b>13,851</b>
Less: income tax expenses	-1,163	-1,804	-1,538	-2,290
<b>V. Net profit</b>	<b>6,988</b>	<b>12,559</b>	<b>13,142</b>	<b>11,560</b>
(I) Net profit of continuing operation	6,988	12,559	13,142	11,560
(II) Net profit of discontinuing operation	–	–	–	–
Net profit attributable to shareholders of the Bank	6,851	12,309	12,924	11,490
Profit or loss of non-controlling shareholders' interests	137	250	218	70

Item	January to June 2021	2020	2019	2018
<b>VI. Other comprehensive income, net of tax</b>	<b>-57</b>	<b>-2,007</b>	<b>879</b>	<b>1,687</b>
Other comprehensive income that will not be reclassified to profit or loss:				
– Gains or losses arising from changes in fair value of financial investments designated to be measured at FVOCI	-8	41	124	–
Items that may be reclassified to profit or loss:				
– Gains or losses arising from changes in fair value of financial assets measured at FVOCI	317	-1,077	477	410
– ECLs of financial assets measured at FVOCI	-128	298	-187	391
– Translation differences arising from translation of foreign currency financial statements	-238	-1,269	465	886
<b>VII. Total comprehensive income</b>	<b>6,931</b>	<b>10,552</b>	<b>14,021</b>	<b>13,247</b>
Comprehensive income attributable to shareholders of the Bank	6,794	10,302	13,803	13,177
Comprehensive income attributable to non-controlling shareholders of the Bank	137	250	218	70

(2) *Income Statement of the Bank**Unit: RMB million*

Item	January to June 2021	2020	2019	2018
<b>I. Operating income</b>	<b>25,291</b>	<b>46,250</b>	<b>45,257</b>	<b>38,289</b>
Interest income	44,062	84,224	78,475	71,295
Interest expense	-24,291	-48,369	-44,812	-45,399
<b>Net interest income</b>	<b>19,771</b>	<b>35,855</b>	<b>33,663</b>	<b>25,895</b>
Fee and commission income	2,303	4,752	4,253	4,750
Fee and commission expense	-304	-516	-492	-575
<b>Net fee and commission income</b>	<b>1,999</b>	<b>4,236</b>	<b>3,761</b>	<b>4,176</b>
Investment gains	2,096	7,021	7,153	5,282
Including: gains arising from dis-recognition of financial assets measured at AC	–	19	117	252
Net losses from changes in fair value	602	-1,882	-337	3,145
Net foreign exchange gain	743	778	771	-567
Net losses on disposal of assets	-1	-9	0	-1
Other business income	63	165	149	–
Other gains	18	86	97	358
<b>II. Operating expense</b>	<b>-17,472</b>	<b>-32,466</b>	<b>-31,202</b>	<b>-24,596</b>
Tax and surcharges	-416	-615	-594	-432
General and administrative expenses	-6,464	-12,259	-12,063	-11,469
Expected credit losses	-10,592	-19,592	-18,545	-12,695
Other business costs	–	–	–	–
<b>III. Operating profit</b>	<b>7,819</b>	<b>13,784</b>	<b>14,055</b>	<b>13,692</b>
Add: non-operating income	45	68	83	79
Less: non-operating expenses	-10	-174	-55	-111

Item	January to June 2021	2020	2019	2018
<b>IV. Total profit</b>	<b>7,854</b>	<b>13,678</b>	<b>14,083</b>	<b>13,661</b>
Less: income tax expenses	-1,070	-1,625	-1,389	-2,243
<b>V. Net profit</b>	<b>6,784</b>	<b>12,053</b>	<b>12,694</b>	<b>11,418</b>
(I) Net profit of continuing operation	6,784	12,053	12,694	11,418
(II) Net profit of discontinuing operation	–	–	–	–
<b>VI. Other comprehensive income, net of tax</b>	<b>-57</b>	<b>-2,007</b>	<b>879</b>	<b>1,687</b>
Other comprehensive income that will not be reclassified to profit or loss:				
– Gains or losses arising from changes in fair value of financial investments designated to be measured at FVOCI	-8	41	124	–
Items that may be reclassified to profit or loss:				
– Gains or losses arising from changes in fair value of financial assets measured at FVOCI	317	-1,077	477	410
– ECLs of financial assets measured at FVOCI	-128	298	-187	391
– Translation differences arising from translation of foreign currency financial statements	-238	-1,269	465	886
<b>VII. Total comprehensive income</b>	<b>6,727</b>	<b>10,046</b>	<b>13,573</b>	<b>13,104</b>

3. *Cash Flow Statement of the Bank*(1) *Consolidated Cash Flow Statement**Unit: RMB million*

	January to June 2021	2020	2019	2018
<b>I. Cash flows from operating activities:</b>				
Net decrease in deposits with banks and other financial institutions	0	1,623	1,599	–
Net decrease in placements with banks and other financial institutions	1,666	–	6,726	–
Net decrease in financial assets purchased under resale agreements	–	28,941	–	14,915
Net decrease in financial assets held for trading	–	–	5,912	–
Net increase in placements from banks and other financial institutions	–	14,751	–	8,683
Net increase in due to central bank	–	–	29,023	–
Net decrease in balances with central bank	764	–	–	13,923
Net increase in deposits with banks and other financial institutions	16,384	15,450	–	–
Net increase in customer deposits	32,433	188,059	167,449	103,808
Interest, fee and commission received	43,655	80,307	72,340	54,692
Net increase in financial assets sold under purchase agreements	33,956	–	–	40,303
Other cash received from other operating activities	14,617	4,438	3,502	22,208
<b>Sub-total of cash inflows from operating activities</b>	<b>143,475</b>	<b>333,569</b>	<b>286,551</b>	<b>258,532</b>

	January to June 2021	2020	2019	2018
Net increase in balances with central bank	–	-16,335	-2,909	–
Net increase in placements with banks and other financial institutions	–	-1,511	–	-3,355
Net increase in financial assets purchased under resale agreements	-98	–	-1,384	–
Net increase in financial assets held for trading	-20,775	-9,113	–	-1,871
Net increase in finance lease receivables	-4,132	-5,737	-9,024	–
Net increase in loans and advances to customers	-79,409	-175,782	-168,803	-194,100
Net decrease in due to central bank	-24,691	-8,917	–	–
Net decrease in deposits from banks and other financial institutions	–	–	-37,696	-128,107
Net decrease in deposits with banks	–	–	–	-2,497
Net decrease in placements from banks and other financial institutions	-6,848	–	-4,338	–
Net decrease in financial assets sold under repurchase agreements	–	-5,102	-875	–
Cash paid for interest, fee and commission	-21,785	-39,747	-35,460	-37,047
Cash paid to and for employees	-5,086	-7,763	-7,809	-8,036
Taxes paid	-4,475	-8,799	-6,775	-7,381
Other cash paid for operating activities	-1,676	-5,183	-23,023	-16,454
<b>Sub-total of cash outflows from operating activities</b>	<b>-168,975</b>	<b>-283,989</b>	<b>-298,096</b>	<b>-398,847</b>
<b>Net cash flows generated from/(used in) operating activities</b>	<b>-25,500</b>	<b>49,580</b>	<b>-11,545</b>	<b>-140,316</b>

	January to June 2021	2020	2019	2018
<b>II. Cash flows from investing activities:</b>				
Proceeds from disposal of investments	802,961	2,600,356	3,756,063	1,853,743
Investment returns received	10,101	18,959	27,370	28,744
Proceeds from disposal of fixed assets/Proceeds from disposal of fixed assets, intangible assets and other long-term assets (2018)	2	35	14	67
<b>Sub-total of cash inflows from investing activities</b>	<b>813,064</b>	<b>2,619,350</b>	<b>3,783,447</b>	<b>1,882,554</b>
Payment for acquisition of investments	-827,990	-2,618,492	-3,721,619	-1,802,284
Payment for acquisition of fixed assets, intangible assets and other long-term assets	-360	-1,738	-4,683	-4,969
<b>Sub-total of cash outflows from investing activities</b>	<b>-828,350</b>	<b>-2,620,230</b>	<b>-3,726,302</b>	<b>-1,807,253</b>
<b>Net cash flows generated from/(used in) investing activities</b>	<b>-15,286</b>	<b>-880</b>	<b>57,145</b>	<b>75,301</b>
<b>III. Cash flows from financing activities:</b>				
Proceeds from investments	–	–	12,438	2,915
Proceeds from issuance of debt securities	242,709	273,452	227,478	314,227
<b>Sub-total of cash inflows from financing activities</b>	<b>242,709</b>	<b>273,452</b>	<b>239,916</b>	<b>317,141</b>
Cash repayment of borrowings	-186,544	-243,698	-266,514	-260,010
Payment for dividend distribution, profit or for interest	-5,989	-11,602	-9,258	-13,381
Other cash payment for financing activities	-359	-673	-583	–

	January to June 2021	2020	2019	2018
Sub-total of cash outflows from financing activities	-192,892	-255,973	-276,355	-273,391
Net cash flows generated from/(used in) from financing activities	49,817	17,479	-36,439	43,750
IV. Effect of exchange rate changes on cash and cash equivalents	-485	-1,002	144	314
V. Net increase in cash and cash equivalents	8,546	65,177	9,305	-20,951
Add: balance of cash and cash equivalents at the beginning of the year	112,121	46,944	37,639	58,590
VI. Balance of cash and cash equivalents at the end of the year	120,667	112,121	46,944	37,639

## (2) Cash Flow Statement of the Bank

Unit: RMB million

Item	January to June 2021	2020	2019	2018
<b>I. Cash flows from operating activities:</b>				
Net decrease in deposits with banks and other financial institutions	0	1,517	1,705	–
Net decrease in placements with banks and other financial institutions	2,166	–	6,737	–
Net decrease in financial assets purchased under resale agreements	–	28,941	–	14,515
Net decrease in financial assets held for trading	–	–	6,112	–
Net increase in placements from banks and other financial institutions	–	14,366	–	–
Net increase in due to central bank	–	–	29,023	–
Net decrease in balances with central bank	764	–	–	13,902
Net increase in deposits with banks and other financial institutions	16,503	15,185	–	–
Net increase in customer deposits	32,433	187,559	167,303	104,137
Interest, fee and commission received	42,576	78,445	70,500	54,840
Net increase in financial assets sold under purchase agreements	33,956	–	–	40,303
Other cash received from other operating activities	14,366	3,607	3,185	21,639

Item	January to June 2021	2020	2019	2018
<b>Sub-total of cash inflows from operating activities</b>	<b>142,764</b>	<b>329,620</b>	<b>284,565</b>	<b>249,336</b>
Net increase in balances with central bank	–	-16,305	-2,909	–
Net increase in placements with banks and other financial institutions	–	-4,511	–	-3,365
Net increase in financial assets purchased under resale agreements	-98	–	-1,384	–
Net increase in financial assets held for trading	-20,775	-9,113	–	-1,271
Net increase in finance lease receivables	–	–	–	–
Net increase in loans and advances to customers	-79,409	-175,782	-168,803	-194,100
Net decrease in due to central bank	-24,691	-8,917	–	–
Net decrease in deposits from banks and other financial institutions	–	–	-37,338	-128,134
Net decrease in deposits with banks	–	–	–	-2,497
Net decrease in placements from banks and other financial institutions	-10,192	–	-11,516	-2,798
Net decrease in financial assets sold under repurchase agreements	–	-5,102	-875	–
Cash paid for interest, fee and commission	-21,432	-38,979	-34,814	-36,482
Cash paid to and for employees	-5,027	-7,670	-7,735	-7,972
Taxes paid	-4,184	-8,530	-6,512	-7,221
Other cash paid for operating activities	-1,669	-5,026	-23,048	-5,029

Item	January to June 2021	2020	2019	2018
<b>Sub-total of cash outflows from operating activities</b>	<b>-167,477</b>	<b>-279,935</b>	<b>-294,934</b>	<b>-388,869</b>
<b>Net cash flows generated from/(used in) operating activities</b>	<b>-24,713</b>	<b>49,685</b>	<b>-10,369</b>	<b>-139,533</b>
<b>II. Cash flows from investing activities:</b>				
Proceeds from disposal of investments	802,496	2,600,259	3,754,259	1,853,318
Investment returns received	10,100	18,957	27,365	27,783
Proceeds from disposal of fixed assets/Proceeds from disposal of fixed assets intangible assets and other long-term assets (2018)	2	24	8	67
<b>Sub-total of cash inflows from investing activities</b>	<b>812,598</b>	<b>2,619,240</b>	<b>3,781,632</b>	<b>1,881,168</b>
Payment for acquisition of investments	-827,990	-2,618,492	-3,721,477	-1,802,284
Payment for acquisition of fixed assets, intangible assets and other long-term assets	-357	-1,732	-4,222	-4,702
<b>Sub-total of cash outflows from investing activities</b>	<b>-828,347</b>	<b>-2,620,224</b>	<b>-3,725,699</b>	<b>-1,806,986</b>
<b>Net cash flows generated from/(used in) investing activities</b>	<b>-15,749</b>	<b>-984</b>	<b>55,933</b>	<b>74,182</b>
<b>III. Cash flows from financing activities:</b>				
Proceeds from investments	–	–	12,438	2,915
Proceeds from issuance of debt securities	242,709	273,452	227,478	314,227

Item	January to June 2021	2020	2019	2018
<b>Sub-total of cash inflows from financing activities</b>	<b>242,709</b>	<b>273,452</b>	<b>239,916</b>	<b>317,141</b>
Cash repayment of borrowings	-186,544	-243,698	-266,514	-260,010
Payment for dividend distribution, profit or for interest	-5,989	-11,602	-9,258	-13,381
Other cash payment for financing activities	-354	-673	-583	-
<b>Sub-total of cash outflows from financing activities</b>	<b>-192,887</b>	<b>-255,973</b>	<b>-276,355</b>	<b>-273,391</b>
<b>Net cash flows generated from/(used in) from financing activities</b>	<b>49,822</b>	<b>17,479</b>	<b>-36,439</b>	<b>43,750</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>-485</b>	<b>-1,002</b>	<b>144</b>	<b>314</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>8,875</b>	<b>65,178</b>	<b>9,269</b>	<b>-21,287</b>
Add: balance of cash and cash equivalents at the beginning of the year	111,749	46,571	37,302	58,590
<b>VI. Balance of cash and cash equivalents at the end of the year</b>	<b>120,624</b>	<b>111,749</b>	<b>46,571</b>	<b>37,302</b>

4. *Statement of Changes in Equity*(1) *Consolidated Statement of Changes in Equity**Unit: RMB million*

Item	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Non-Controlling Shareholders' interests	Total Equity
	January-June 2021								
Balance as at December 31, 2020	21,269	14,958	32,018	261	8,499	21,118	32,389	2,031	132,543
Changes in equity for the period									
(I) Total comprehensive income	-	-	-	-57	-	-	6,851	137	6,931
(II) Appropriation of profits									
Appropriation to statutory general reserve	-	-	-	-	-	2,562	-2,562	-	-
Distributions to ordinary shareholders	-	-	-	-	-	-	-3,424	-75	-3,499
Distributions to preference shareholders	-	-	-	-	-	-	-858	-	-858
Balance as at June 30, 2021	21,269	14,958	32,018	204	8,499	23,680	32,396	2,093	135,117
	2020								
Balance as at December 31, 2019	21,269	14,958	32,018	2,268	7,294	19,454	28,985	1,781	128,027
Changes in equity for the year									
(I) Total comprehensive income	-	-	-	-2,007	-	-	12,309	250	10,552
(II) Appropriation of profits									
Appropriation to statutory surplus reserve	-	-	-	-	1,205	-	-1,205	-	-
Appropriation to statutory general reserve	-	-	-	-	-	1,664	-1,664	-	-
Distributions to ordinary shareholders	-	-	-	-	-	-	-5,104	-	-5,104
Distributions to preference shareholders	-	-	-	-	-	-	-932	-	-932
Balance as at December 31, 2020	21,269	14,958	32,018	261	8,499	21,118	32,389	2,031	132,543



## (2) Statement of Changes in Equity of the Bank

Unit: RMB million

Item	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Total Equity	
			January-June 2021						
Balance as at December 31, 2020	21,269	14,958	32,018	261	8,499	20,926	31,998	129,929	
Changes in equity for the period									
(I) Total comprehensive income	-	-	-	-57	-	-	6,784	6,727	
(II) Appropriation of profits									
Appropriation to statutory general reserve	-	-	-	-	-	2,562	-2,562	-	
Distributions to ordinary shareholders	-	-	-	-	-	-	-3,424	-3,424	
Distributions to preference shareholders	-	-	-	-	-	-	-858	-858	
Balance as at June 30, 2021	21,269	14,958	32,018	204	8,499	23,488	31,938	132,374	
			2020						
Balance as at December 31, 2019	21,269	14,958	32,018	2,268	7,294	19,454	28,658	125,919	
Changes in equity for the period									
(I) Total comprehensive income	-	-	-	-2,007	-	-	12,053	10,046	
(II) Appropriation of profits									
Appropriation to statutory surplus reserve	-	-	-	-	1,205	-	-1,205	-	
Appropriation to statutory general reserve	-	-	-	-	-	1,472	-1,472	-	
Distributions to ordinary shareholders	-	-	-	-	-	-	-5,104	-5,104	
Distributions to preference shareholders	-	-	-	-	-	-	-932	-932	
Balance as at December 31, 2020	21,269	14,958	32,018	261	8,499	20,926	31,998	129,929	

**APPENDIX I**
**PLAN ON PUBLIC ISSUANCE OF SHARES  
BY WAY OF RIGHTS ISSUE**

Item	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Total Equity
			2019					
Balance as at December 31, 2018	18,719	14,958	22,130	1,389	6,025	18,462	19,106	100,789
Changes in equity for the period								
(I) Total comprehensive income	-	-	-	879	-	-	12,694	13,573
(II) Contribution of shareholders and decrease in capital								
Increase in capital	2,550	-	9,888	-	-	-	-	12,438
(III) Appropriation of profits								
Appropriation to statutory surplus reserve	-	-	-	-	1,269	-	-1,269	-
Appropriation to statutory general reserve	-	-	-	-	-	992	-992	-
Distributions to preference shareholders	-	-	-	-	-	-	-881	-881
Balance as at December 31, 2019	21,269	14,958	32,018	2,268	7,294	19,454	28,658	125,919
			2018					
Balance as at December 31, 2017	17,960	14,958	19,975	-1,554	4,883	17,244	14,706	88,171
Change of accounting policies	-	-	-	1,256	-	-	-1,475	-219
Balance as at 1 January, 2018	17,960	14,958	19,975	-297	4,883	17,244	13,230	87,952
Changes in equity for the year								
(I) Total comprehensive income								
Net profit	-	-	-	-	-	-	11,418	11,418
Other comprehensive income	-	-	-	1,687	-	-	-	1,687
Total	-	-	-	1,687	-	-	11,418	13,104
(II) Contribution of shareholders and decrease in capital								
Increase in capital	759	-	2,156	-	-	-	-	2,915
(III) Appropriation of profits								
Appropriation to statutory surplus reserve	-	-	-	-	1,142	-	-1,142	-
Appropriation to statutory general reserve	-	-	-	-	-	1,218	-1,218	-
Distributions to ordinary shareholders	-	-	-	-	-	-	-3,182	-3,182
Balance as at December 31, 2018	18,719	14,958	22,130	1,389	6,025	18,462	19,106	100,789

**(II) Changes of Scope of Consolidated Statements**

As of June 30, 2021, details of the subsidiary that included in the scope of the Bank's consolidated statements are as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Registered address</b>	<b>Business nature</b>	<b>Registered capital</b>	<b>Proportion of equity/ voting rights of the Bank</b>
Zhejiang Zheyin Financial Leasing Co., Ltd.	Zhejiang Province	Zhoushan	Financial institution	RMB3 billion	51%

The changes of the Bank's consolidated statements for the last three years and the latest period:

***(1) Change of Bank's consolidated statements for January–June 2021***

There was no change in the Bank's consolidated statements for January–June 2021.

***(2) Change of Bank's consolidated statements for the year of 2020***

There was no change in the Bank's consolidated statements in the year of 2020.

***(3) Change of Bank's consolidated statements for the year of 2019***

There was no change in the Bank's consolidated statements in the year of 2019.

***(4) Change of Bank's consolidated statements for the year of 2018***

There was no change in the Bank's consolidated statements in the year of 2018.

## (III) Major Financial Indicators and Regulatory Indicators of the Bank

## 1. Major Financial Indicators

Major Financial Indicators	January- June 2021/ June 30, 2021	2020/ December 31, 2020	2019/ December 31, 2019	2018/ December 31, 2018
Basic earnings per share (RMB)	0.28	0.53	0.64	0.61
Diluted earnings per share (RMB)	0.28	0.53	0.64	0.61
Basic earnings per share after deduction of non- recurring profit or loss (RMB)	0.28	0.54	0.63	0.60
Diluted earnings per share after deduction of non- recurring profit or loss (RMB)	0.28	0.54	0.63	0.60
Weighted average return on net assets (%)	5.06	10.03	12.92	14.04
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	5.02	10.05	12.82	13.93
Net assets per share attributable to ordinary shareholders of listed companies (RMB)	5.55	5.43	5.23	4.59

## 2. Major Regulatory Indicators

The Bank calculates and completes the regulatory indicators in accordance with the Core Indicators for Risk Supervision of Commercial Banks (Trial) (《商業銀行風險監管核心指標(試行)》) (Yin Jian Fa [2005] No. 89), the Administrative Measures for the Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》) and the Administrative Measures on the Liquidity Risk Management of Commercial Banks (《商業銀行流動性風險管理辦法》) (Yin Bao Jian Hui Ling [2018] No. 3). In the last three years and one period, all risk control indicators of the Bank, including capital adequacy ratio, consistently satisfy regulatory requirements. The major risk control indicators are shown as follows:

Unit: %

Regulatory Indicators		Criterion for Indicators	January- June 2021/ June 30, 2021	2020/ December 31, 2020	2019/ December 31, 2019	2018/ December 31, 2018
Liquidity risks	Liquidity ratio	≥25	41.56	42.52	55.74	52.80
	Liquidity coverage ratio	≥100	114.63	111.49	223.49	214.79
	Net stable fund ratio	≥100	109.16	110.43	113.49	108.90
	Non-performing loan ratio	≤5	1.50	1.42	1.37	1.20
	Single customer loans concentration	≤10	2.31	2.33	2.16	2.78
	Top ten single borrowers concentration	-	17.14	19.40	18.38	21.33
Risk migration rate	Pass loan migration rate	-	1.21	3.45	4.09	1.17
	Special mention loan migration rate	-	26.13	37.77	41.28	70.91
	Substandard loan migration rate	-	95.08	94.93	96.96	67.63
	Doubtful-loan migration rate	-	13.92	36.30	39.96	18.95
Profitability	Return on assets	≥0.60	0.67	0.65	0.76	0.73
	Return on capital	≥11	11.00	10.03	12.21	14.17
	Cost-to-income ratio	≤45	25.09	25.96	26.24	29.69
	Loan provision ratio	≥2.50	2.71	2.72	3.03	3.25
	Provision coverage ratio	≥150	180.24	191.01	220.80	270.37
Adequacy of capital	Capital adequacy ratio	≥10.5	12.42	12.93	14.24	13.38
	Tier-one capital adequacy ratio	≥8.5	9.46	9.88	10.94	9.83
	Core tier-one capital adequacy ratio	≥7.5	8.37	8.75	9.64	8.38

*Note 1:* The above data is on a consolidated basis.

*Note 2:* The calculation methods of indicators are as follow:

Liquidity ratio=liquid assets/liquid liabilities\*100%, the data is the Group's total liquidity ratio of the local currencies and foreign currencies;

Liquidity coverage ratio= high quality liquid assets/the net cash outflows over the next 30 days\*100%;

Net stable fund ratio=stable fund available/stable fund required\*100% ( On May 2018, the CBIRC issued the Measures for the Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》). Thus, as stipulated in the Measures, the net stable fund ratio was added to the regulatory indicators since July 2018);

Non-performing loan ratio=balance of the non-performing loan ratio/total loans and advances to customers\*100%;

Our single borrowers concentration =total loan of the largest customer/net capital\*100%;

Our top ten borrowers= total loans to our top ten customers/net capital\*100%;

Pass loan migration rate=the amount in the pass loan changed to the latter four categories/pass loan\*100%;

Migration rate of special mention loans = The amount of special mention loans that became non-performing loans divided by special mention loans and multiply by 100%;

Migration rate of substandard loans = The amount of substandard loans that became doubtful loans and loss loans divided by substandard loans and multiply by 100%;

Migration rate of doubtful loans = The amount of doubtful loans that became loss loans divided by doubtful loans and multiply by 100%;

Return on assets = Net profit of the Bank divided by average total assets and multiply by 100%;

Return on capital = Net profit attributable to shareholders of the Bank divided by average net assets attributable to shareholders of the Bank and multiply by 100%;

Cost-to-income ratio = Operation and administrative expenses divided by operating income and multiply by 100%;

Allowance to total loans = Balance of expected credit loss allowance on loans (or balance of impairment allowances on loans) divided by total loans and advances to customers and multiply by 100%. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a bank's allowance to total loans shall not be less than 2.10% from 2018;

Allowance to non-performing loans = Balance of expected credit loss allowance on loans (or balance of impairment allowances on loans) divided by balance of non-performing loans and multiply by 100%. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a bank's allowance to non-performing loans shall not be less than 140% from 2018;

Capital adequacy ratio = Net capital base divided by risk-weighted assets and multiply by 100%;

Tier-one capital adequacy ratio = Net tier-one capital divided by risk-weighted assets and multiply by 100%;

Core tier-one capital adequacy ratio = Net core tier-one capital divided by risk-weighted assets and multiply by 100%.

*Note 3:* According to the Notice of China Banking and Insurance Regulatory Commission on Completing the Filling of Off-site Banking Supervision Statements in 2019 (《中國銀保監會關於做好2019年銀行業非現場監管報表填報工作的通知》) (Yin Bao Jian Fa [2018] No. 69), since 2019, the original G14\_I Top Ten Group Customers Credit Facilities Statement (《G14\_I最大十家集團客戶授信情況表》) and G14\_III Top Ten Customers Loan Statement (《G14\_III最大十家客戶貸款情況表》) have been suspended, the index data of the loan concentration of single customer and the concentration of top ten single borrowers are calculated based on the original indicators.

#### (IV) Management Discussion and Analysis

In this section, unless otherwise specified, all financial data refers to the Bank's data in consolidated financial statement. Any differences between the total and its components in aggregate as shown herein are due to rounding.

##### 1. Analysis on major items in balance sheet

###### (1) Assets

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the total assets of the Bank were RMB1,646.695 billion, RM1,800.786 billion, RMB2,048.225 billion and RMB2,154.397 billion, respectively, with a CAGR of 11.53% from 2018 to 2020. The composition of total assets of the Bank are shown as follows:

*Unit: RMB million, %*

Item	June 30, 2021		December 31, 2020		December 31, 2019		December 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Cash and balance with central bank	134,054	6.22	137,441	6.71	131,029	7.28	126,370	7.67
Precious metals	5,550	0.26	19,478	0.95	21,251	1.18	8,103	0.49
Deposits with banks and other financial institutions	35,217	1.63	38,827	1.90	17,725	0.98	20,080	1.22
Placements with banks and other financial institutions	44,271	2.05	5,637	0.28	9,184	0.51	7,731	0.47
Derivative financial asset	12,833	0.60	23,434	1.14	13,892	0.77	10,123	0.61
Financial assets purchased under resale agreements	31,549	1.46	57,067	2.79	28,950	1.61	27,572	1.67
Loans and advances to customers	1,238,083	57.47	1,165,875	56.92	998,933	55.47	837,076	50.83

Item	June 30, 2021		December 31, 2020		December 31, 2019		December 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Financial assets:</b>								
- Financial assets held for trading at fair value through profit or loss	151,857	7.05	129,269	6.31	129,266	7.18	135,211	8.21
- Debt investments	353,732	16.42	336,109	16.41	305,160	16.95	337,836	20.52
- Other debt investments	69,355	3.22	62,013	3.03	82,922	4.60	91,611	5.56
- Other equity instrument investments	1,234	0.06	994	0.05	690	0.04	275	0.02
Long-term equity investments	-	-	-	-	-	-	-	-
Fixed assets	13,321	0.62	13,474	0.66	12,673	0.70	10,357	0.63
Right-of-use assets	3,038	0.14	3,050	0.15	3,256	0.18	-	-
Intangible assets	2,040	0.09	2,070	0.10	2,093	0.12	757	0.05
Deferred tax assets	16,480	0.76	14,620	0.71	11,831	0.66	8,320	0.51
Other assets	41,783	1.94	38,867	1.90	31,931	1.77	25,272	1.53
<b>Total assets</b>	<b>2,154,397</b>	<b>100.00</b>	<b>2,048,225</b>	<b>100.00</b>	<b>1,800,786</b>	<b>100.00</b>	<b>1,646,695</b>	<b>100.00</b>

The assets of the Bank mainly include loans and advances to customers, various financial investments and cash and balances with central bank. As of June 30, 2021, the loans and advances to customers, various financial investment, cash and balances with central bank of the Bank accounted for 57.47%, 26.74% and 6.22% of total assets, respectively.

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the net loans and advances to customers of the Bank amounted to RMB837.076 billion, RMB998.933 billion, RMB1,165.875 billion, and RMB1,238.083 billion, respectively, with a CAGR of 18.02% from 2018 to 2020. The Bank enhanced the support of credit to the real economy in line with the regulatory requirements, continuously deepened the innovation of products and comprehensive financial service model. The advance of loan has grown at a steady pace.

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the net financial investment of the Bank amounted to RMB564.933 billion, RMB518.038 billion, RMB528.385 billion and RMB576.178 billion, respectively, accounting for 34.31%, 28.77%, 25.80% and 26.74% of the total assets of the Bank. In 2017, the financial investments of the Bank included financial assets measured at FVTPL, available-for-sale financial assets, held-to-maturity investments and receivable investments. Since 1 January 2018, the Bank has implemented the new financial instrument standards. Financial investments include financial assets held for trading, debt investment, other debt investments and other equity instrument investments. Since 2018, as the Bank proactively adjusted its asset structure and

responded actively to the call of serving the real economy, the balance of investment trusts and regulatory schemes has declined. The proportion of financial investment assets in the Bank's assets has shown a downward trend.

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the cash and balances with central bank of the Bank amounted to RMB126.370 billion, RMB131.029 billion, RMB137.441 billion and RMB134.054 billion, respectively, mainly included reserve deposits.

(2) *Liabilities*

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the total liabilities of the Bank amounted to RMB1,544.246 billion, RMB1,672.759 billion, RMB1,915.682 billion and RMB2,019.280 billion, respectively, with a CAGR of 11.38% from 2018 to 2020. The composition of liabilities of the Bank are shown as follows:

*Unit: RMB million, %*

Item	June 30, 2021		December 31, 2020		December 31, 2019		December 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Deposits from banks and other financial institutions	164,800	8.16	148,273	7.74	132,950	7.95	170,815	11.06
Due to central bank	59,657	2.95	84,768	4.42	94,065	5.62	-	-
Placements from banks and other financial institutions	41,791	2.07	48,543	2.53	33,853	2.02	38,053	2.46
Financial liabilities held for trading at fair value through profit or loss	14,028	0.69	9,231	0.48	15,143	0.91	12,483	0.81
Derivative financial liabilities	12,508	0.62	23,478	1.23	14,911	0.89	10,648	0.69
Financial assets sold under repurchase agreements	34,858	1.73	900	0.05	6,002	0.36	71,132	4.61
Customer deposits	1,367,287	67.71	1,335,636	69.72	1,143,741	68.37	974,770	63.12
Employee benefits payable	4,233	0.21	4,873	0.25	4,439	0.27	4,006	0.26
Taxes payable	5,996	0.30	4,663	0.24	4,669	0.28	2,613	0.17
Provisions	5,496	0.27	5,686	0.30	5,544	0.33	3,118	0.20
Lease liabilities	2,997	0.15	2,981	0.16	3,108	0.19	-	-
Debt securities issued	291,909	14.46	236,682	12.35	206,241	12.33	245,997	15.93
Other liabilities	13,720	0.68	9,968	0.52	8,093	0.48	10,612	0.69
<b>Total liabilities</b>	<b>2,019,280</b>	<b>100.00</b>	<b>1,915,682</b>	<b>100.00</b>	<b>1,672,759</b>	<b>100.00</b>	<b>1,544,246</b>	<b>100.00</b>

The liabilities of the Bank mainly include customer deposits, debt securities issued and deposits from banks and other financial institutions. As of June 30, 2021, the customer deposits, debt securities issued and deposits from banks and other financial institutions of the Bank accounted for 67.71%, 14.46% and 8.16% of total liabilities, respectively.

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the total customer deposits of the Bank amounted to RMB974.770 billion, RMB1,143.741 billion, RMB1,335.636 billion and RMB1,367.287 billion, respectively, with a CAGR of 17.06% from 2018 to 2020. Since 2018, the Bank has proactively responded to changes in the external situations such as interest rate liberalization, strengthened deposit organization and management, and improved the differential pricing mechanism of deposit interest rates through increasing the coverage of outlets across the country. The Bank has also made greater efforts to develop a fundamental customer base, expand the scale of deposits, increase the stability of deposits and optimize the deposit structure, thereby achieving rapid growth in customer deposits. Since the second half of 2020, the Bank has focused on the adjustment on debt structure, and the deposits growth has slowed down gradually.

As of December 31, 2018, December 31, 2019, December 31, 2020 and June 30, 2021, the balance of debt securities issued of the Bank amounted to RMB245.997 billion, RMB206.241 billion, RMB236.682 billion and RMB291.909 billion, respectively. The balance of deposits from banks and other financial institutions of the Bank amounted to RMB170.815 billion, RMB132.950 billion, RMB148.273 billion and RMB164.800 billion, respectively. Since 2018, bonds payable and the balance of deposits from banks and other financial institutions has fluctuated, mainly due to the market environment, fluctuations in fund costs, the Bank's capital needs and other factors.

**2. Analysis on Key Income Statement Items**

In 2018, 2019, 2020 and from January to June 2021, the Bank achieved net profit attributable to shareholders of the Bank of RMB11.490 billion, RMB12.924 billion, RMB12.309 billion and RMB6.851 billion, respectively, with a CAGR of 3.50% from 2018 to 2020, and the level of profitability remained stable overall.

In the last three years and one period, the key income statement items are set out below:

*Unit: RMB million*

Item	January- June 2021	2020	2019	2018
Operating income	25,903	47,703	46,364	38,943
Including:				
net interest income	20,378	37,095	34,662	26,386
Net fee and commission income	1,997	4,250	3,791	4,252
Gains arising from investments	2,019	7,023	7,158	5,286
Operating expenses	-17,787	-33,232	-31,712	-25,061
Operating profit	8,116	14,471	14,652	13,882
Total profit	8,151	14,363	14,680	13,851
Net profit	6,988	12,559	13,142	11,560
Net profit attributable to				
shareholders of the Bank	6,851	12,309	12,924	11,490
Net profit attributable to				
shareholders of the Bank after the				
deduction of non-recurring profit				
or loss	6,805	12,334	12,828	11,403

In 2018, 2019, 2020 and from January to June 2021, the Bank achieved operating income of RMB38.943 billion, RMB46.364 billion, RMB47.703 billion and RMB25.903 billion, respectively. The operating income of the Bank was mainly derived from net interest income, net fee and commission income and investment proceeds.

Net interest income is the largest component of the operating income of the Bank. In 2018, 2019, 2020 and from January to June 2021, the net interest income of the Bank amounted to RMB26.386 billion, RMB34.662 billion, RMB37.095 billion and RMB20.378 billion, respectively, maintaining an overall stable growth.

3. *Analysis on Cash Flow Statement*

In 2018, 2019, 2020 and from January to June 2021, the net increase in cash and cash equivalents of the Bank amounted to RMB-20.951 billion, RMB9.305 billion, RMB65.177 billion and RMB8.546 billion, respectively. The cash flow of the Bank is shown in the table below:

*Unit: RMB million*

Item	January- June 2021	2020	2019	2018
Sub-total of cash inflows from operating activities	143,475	333,569	286,551	258,532
Sub-total of cash outflows from operating activities	-168,975	-283,989	-298,096	-398,847
<b>Net cash flows generated from/(used in) operating activities</b>	<b>-25,500</b>	<b>49,580</b>	<b>-11,545</b>	<b>-140,316</b>
Sub-total of cash inflows from investing activities	813,064	2,619,350	3,783,447	1,882,554
Sub-total of cash outflows from investing activities	-828,350	-2,620,230	-3,726,302	-1,807,253
<b>Net cash flows generated from/(used in) investing activities</b>	<b>-15,286</b>	<b>-880</b>	<b>57,145</b>	<b>75,301</b>
Sub-total of cash inflows from financing activities	242,709	273,452	239,916	317,141
Sub-total of cash outflows from financing activities	-192,892	-255,973	-276,355	-273,391
<b>Net cash flows generated from/(used in) financing activities</b>	<b>49,817</b>	<b>17,479</b>	<b>-36,439</b>	<b>43,750</b>
<b>Effects of foreign exchange rates changes on cash and cash equivalents</b>	<b>-485</b>	<b>-1,002</b>	<b>144</b>	<b>314</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,546</b>	<b>65,177</b>	<b>9,305</b>	<b>-20,951</b>

In 2018, 2019, 2020 and from January to June 2021, the net cash flows generated from operating activities of the Bank amounted to RMB-140.316 billion, RMB-11.545 billion, RMB49.580 billion and RMB-25.500 billion, respectively. The Bank has made greater efforts to promote the innovations of business model and service, bringing in a constant enhancement of market competitiveness, increasingly expanded high-quality customer base, growing in scale of customer deposits, and increase in cash inflows from operating activities. In 2018 and 2019 and from January to June 2021, the net cash flow generated from operating activities was negative, mainly due to the increase in cash paid for loans and advances to customers as a result of the expansion of the Bank's business scale, resulting the increase in cash outflows from operating activities. In 2020, the net cash flow from operating activities of the Bank was positive, mainly due to the significant increase in the net inflow in customer deposits.

In 2018, 2019, 2020 and from January to June 2021, the net cash flows from investment activities of the Bank amounted to RMB75.301 billion, RMB57.145 billion, RMB-880 million and RMB-15.286 billion, respectively. The Bank has continued to optimize the allocation of investment assets, and provided capital support and comprehensive financial services to fundamental customers through diversified investment tools. Since 2020, the net cash flow from investment activities of the Bank has been negative, mainly due to the Bank's increase in the scale of the investment in debt securities attributable to the study of the market.

In 2018, 2019, 2020 and from January to June 2021, the net cash flows from financing activities of the Bank amounted to RMB43.750 billion, RMB-36.439 billion, RMB17.479 billion and RMB49.817 billion, respectively. Since 2018, the net cash flow from financing activities of the Bank has fluctuated, mainly due to changes in the scale of financing through the issuance of debt securities. The net cash flow generated from financing activities in 2019 was negative, mainly due to the rapid growth of deposits, the decline in demand for interbank liabilities, and the decline in the scale of issuance of interbank certificates of deposit.

#### **VIII. THE USE OF THE PROCEEDS FROM THE RIGHTS ISSUE**

The proceeds from the Rights Issue shall not exceed RMB18.0 billion (inclusive). The Bank will use all net proceeds from the Rights Issue of the Bank (after deducting the relevant issuance expenses) to replenish the core tier-one capital, enhance the Bank's capital adequacy ratios, support the sustainable and healthy development of each business in future and enhance the Bank's capital strength and competitiveness.

**IX. THE NECESSITY AND REASONABLENESS OF THE RIGHTS ISSUE****(I) Analysis on the Necessity of the Rights Issue*****1. Better Meeting the Capital Supervision Requirements and Enhancing the Capability of Risk Resilience***

In recent years, the China Banking and Insurance Regulatory Commission has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the former China Banking Regulatory Commission in 2012 imposed strict and prudent regulations on the qualification standards and measurement requirements of various types of capital. Since 2016, the People's Bank of China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and self-discipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. And it is expected that starting from 2023, China will implement a capital measurement method based on the Basel III: Final Plan for Post-crisis Reform. By then, the measurement of various risk-weighted assets of the Bank will be affected to varying degrees. As at June 30, 2021, the Bank's consolidated capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 12.42%, 9.46% and 8.37%, respectively.

In order to better meet regulatory requirements and enhance the capacity of risk resilience, it is necessary for the Bank to further increase the core tier-one capital adequacy ratio through Rights Issue, leave space for the possible increase of regulatory requirements and ensure the implementation of the long-term strategic development target of the Bank, while satisfying the needs of future business development.

***(2) Supporting the Steady Business Development of the Bank and Further Serving the Real Economy***

With the steady development of the national economy and the acceleration of financial market reforms, the operating environment of banks is undergoing a profound change. At the same time, the domestic economy is in the stage of industrial restructuring. To support the transformation and upgrading of the real economy, the domestic banks need to maintain a stable and reasonable growth in the scale of credit grants. However, the increase in the risk-weighted assets will cause the Bank to continue facing capital pressures as its business develops. As at the end of June 2021, the total assets of the Bank is RMB2,154.397 billion, representing an increase of 5.18% from the end of 2020; the total amount of loan and advances issued was RMB1,272.137 billion, representing an increase of 6.22% from the end of 2020, showing a steady growth trend.

To maintain a healthy and rapid development trend and effectively respond to the rapid changes and challenges of the industry environment, the Bank needs to replenish the capital required for business development, realize steady operation and further serve the real economy through Rights Issue.

In summary, the Rights Issue will effectively replenish the Bank's core tier-one capital, which is of great significance to the Bank in meeting increasingly stringent capital regulatory requirements, supporting the sustainable and healthy development of its business, and further serving the real economy.

## **(II) Feasibility Analysis on the Rights Issue**

The Bank will strengthen capital management and improve the efficiency of the use of proceeds. Through the rational use of the proceeds from the Right Issue and focusing on prudent operation and steady development, the Bank will promote the high-quality development of various businesses and improve profitability and risk resistance while maintaining the steady growth of its asset scale.

### ***1. A clear strategic positioning to build China Zheshang Bank Co., Ltd. into a first class commercial bank***

The Bank will firmly grasp the overall requirements of basing on the new development stage, implementing the new development concept, and building a new development pattern, closely following the implementation of the "August Eight Strategy in Zhejiang Province, striving to create an "important window", and strive to create a leading province in socialist modernization. Guided by the overall goal of "two most", the Bank deepens the implementation of the platform-based service strategy, and continue to build the three major characteristics of liquidity services, industrial chain supply chain services, and wealth management services through continuous improvement of the three capabilities of digitalization, specialization and refinement. The Bank deeply implements the twelve-character business policy of "enlarging scale, adjusting structure, controlling risks, and creating benefits", promotes high-quality development, and accelerates the realization of the vision of a "first-class commercial bank".

### ***2. Adhering to the platform-based service strategy and endeavor to promote the development of the business sector of large companies***

The Bank will continue to fully promote the development strategy of the business segment of large companies and further develop on the basis of the results of the platform-based service model, focus on key customer, key business, key regions and key personnel under the principle of "a policy for an account and a policy for a bank", as well as the three core requirements of physical enterprises, being "reducing financing costs, improving service efficiency and maintaining the stability of the supply chain", and embed banking business and services into corporate production, operation and fund

management activities, so as to help core companies build an ecosystem and sales network, help upstream and downstream companies to effectively solve the problems of difficulties in financing, high financing costs and low financing efficiency, and effectively serve the real economy.

**3. *Continuing to focus on small and micro services, and comprehensively improving inclusive financial service capabilities***

The Bank has been implementing the national economic and financial policies and decision-making arrangements, practiced inclusive finance, and served the small and micro real economy. It is a pioneer in the business of small and micro enterprises in the industry, and has formed distinctive advantages in terms of mechanism, products, processes, and risk control. Adhering to the principle of sustainable business development and based on a professional operation method, the Bank actively applied Internet technology and thinking, continued to focus on key points, and expanded the coverage of inclusive finance. In the future, the Bank will actively carry out a three-year expansion of first-lenders, actively increase medium and long-term financial support for manufacturing and emerging industries, and comprehensively improve inclusive financial service capabilities.

**4. *Further enhancing customer service capabilities, cultivating unique advantages in retail business and new growth drivers***

In terms of retail business, the Bank will closely focus on the “two most” overall goal of the Bank, and realize the overall rapid development of each retail business by building the unique advantages of wealth management as the main line of development. In terms of personal deposit and loan business, the Bank will strengthen the optimization of the personal deposit structure to achieve a steady increase in the scale of personal deposits; in terms of wealth management business, the Bank will continue to build a “client-entrusted unique wealth management bank” in an all-round way; in terms of private banking business, the Bank will continue to improve the three major capabilities in customer service, wealth management and asset allocation by improving products, characteristic value-added services and professional teams; in the credit card business, the Bank will accelerate the development of online and scenario-based transformation, and promote a profitable, high-quality and sustainable business development.

**5. *Building the core advantages of finance technology and promoting the digital transformation of the Bank***

The Bank will continue to deepen the development of finance technology, practice technology-driven transformation, strengthen finance-technology-innovation driven development and explore the in-depth integration of cutting-edge technologies such as block-chain, Internet of Things, artificial intelligence, cloud computing, big data and meta universe with banking business and operation management to create strong technical intermediate platform and data intermediate platform, comprehensively empower operational management, improve quality and enhance profitability. In terms of business development, relying on business innovation empowered by finance technology, the Bank will focus on promoting the construction of the “Five Major” business segments system. In terms of operation management, the Bank will continue to strengthen the improvement of the operation and maintenance management system, actively innovate the technology management system and mechanism, and endeavor to promote the digital transformation of the Bank.

**VI. Remedial Measures for the Dilution of Current Returns by the Rights Issue**

Upon completion of the Rights Issue, the amount of share capital and net assets of the Bank will increase by a larger degree. However, it takes a certain period to produce benefits after the investment of proceeds, and the Bank mainly depends on its existing business to realize profits and Shareholders’ return, so the Bank’s indicators such as the earnings per Share and weighted average net return on assets will experience a certain decrease in short term, i.e. the immediate returns will be susceptible to dilution after the Bank’s Rights Issue. Please refer to the relevant contents set out the Announcement of Remedial Measures for the Dilution of Current Returns to Original Shareholders by Rights Issue of China Zheshang Bank Co., Ltd. for further details.

The specific remedial measures for the risk of dilution of current returns do not constitute a guarantee of future profit by the Bank. Investors shall not make decisions related to investment on the above basis, and any losses thus incurred shall not be borne by the Bank.

**VII. Profit Distribution Policy and Implementation**

**(I) The Relevant Requirements of the Existing Articles of Association on the Profit Distribution Policy**

“Article 249 Our Bank shall distribute profits after income tax in the following order:

- (1) to make up for the losses of previous years;
- (2) to set aside 10% as statutory reserve fund;
- (3) to make allocations to general reserve;
- (4) to set aside discretionary reserve fund;
- (5) to pay dividends to shareholders.

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

Article 250 No further contribution may be required when the accumulated amount of statutory reserve funds of our Bank reaches more than 50% of our registered capital.

If the statutory revenue reserve is not sufficient to cover the losses in the previous year, the profits of the current year shall be used to cover such losses before allocation to the statutory revenue reserve is made in accordance with the provisions of the proceeding paragraph. After withdrawal of statutory reserve fund, the general meeting may decide whether to withdraw discretionary reserve fund.

If it is resolved at the general meeting to distribute profit to shareholders before covering the losses and making allocation to statutory revenue reserve in violation to the provisions of the proceeding paragraph, the shareholders shall return such distributed profits to our Bank.

The reserve fund of our Bank shall be used for making up the losses, expanding the scale of operation or increasing the registered capital. However, capital reserve of our Bank shall not be applied for making up for losses.

The shares held by our Bank shall not participate in the profit distribution.

Article 251 If the statutory reserve fund is converted into capital, the retained part of such statutory reserve fund shall not be less than 25% of the registered capital of the Bank prior to the conversion.

Article 252 The profit distribution policy of ordinary shareholders of the Bank is as follows:

- (I) The Bank will implement a sustainable and stable dividend distribution policy. The Bank shall emphasize reasonable investment returns to investors and take its sustainable development into account when distributing dividends. The Bank shall give priority to distribution of dividends in cash subject to compliance with the principle of continuous profitability, regulatory requirements and its normal operation and long-term development.
- (II) Particulars of the profit distribution policy are as follows:
  - 1. Form of profit distribution and its interval: The Bank may distribute profits in proportion to the shareholdings of Shareholders, and may make dividend distributions either in cash or in shares or a combination of both. If the Bank

satisfies the conditions for cash dividends, it shall give priority to make profit distribution in the form of cash dividends. The Bank shall, in principle, distribute profits once a year. Where conditions allow, the Bank may distribute interim dividends.

2. Particulars of conditions and ratio of cash dividend distribution: In general, no cash dividends shall be paid to Shareholders for any year in which the Bank's capital adequacy ratio is lower than the minimum standard required by the regulatory authorities of the PRC. Provided that the capital adequacy ratio meets the regulatory requirements, the Bank may pay cash dividends if its profits realized in each year, after making up any losses, making allocations to reserve fund and general reserve and making the payment for dividends on preference shares in accordance with applicable laws, remain positive and distributable. The accumulated profits distributed to the ordinary shareholders by the Bank in cash in last three years shall be no less than 30% of the annual average distributable profits attributable to the ordinary shareholders of the Bank realized for these three years. The specific ratio of cash dividend distribution each year will be determined by the Bank in accordance with the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association, and based on its business operation, and will be considered and approved at general meetings of the Bank.
3. Conditions for distributing dividends in shares: Where the operating income of the Bank grows rapidly and the Board considers that the share price of the Bank does not reflect its share capital, the Bank may propose and execute a share dividend distribution proposal in addition to payment of the cash dividend distribution above.
4. The Board of the Bank shall take into full account various factors, such as features of the industries where the Bank operates, stage of development, its own business model, profitability and whether there is significant capital expenditure arrangement, to distinguish the following situations and put forward differentiated policies of cash dividend policy in accordance with the procedures as required by the Articles of Association of the Bank:
  - (1) If the Bank is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;
  - (2) If the Bank is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;

- (3) If the Bank is at the growing stage and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made;

If it is difficult to distinguish the Bank's stage of development and the Bank has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

5. The Bank shall not distribute profits to the ordinary shareholders before ensuring the full satisfaction of annual dividend as agreed to preference shareholders.

(III) Review Procedure of Profit Distribution:

1. When determining a profit distribution plan, the Board shall consider, among other things, the timing, conditions and minimum ratio for cash dividend distribution, its conditions for adjustments and the requirements of the procedures for decision-making. The independent Directors shall give specific opinion in respect thereof. The independent Directors may seek the opinion of the minority Shareholders, devise a dividend distribution proposal accordingly and submit the same directly to the Board for consideration. Prior to the consideration of the plan by the Shareholders at a general meeting, the Bank shall communicate and exchange ideas through multiple channels with Shareholders (in particular, the minority Shareholders), consider the opinions and requests of the minority Shareholders and give timely responses to the issues that concern them. The Supervisory Committee of the Bank shall supervise the formulation and decision-making by the Board of the profit distribution plan of the Bank.
2. Where the Bank has satisfied conditions for cash dividend distribution but has not prepared any cash dividend plan, or the accumulated profit distributed by the Bank in cash in last three years is less than 30% of the distributable profits realized by it for these three years, the Board shall set out the specific reasons for not distributing cash dividends, the exact purpose for the retained profits and the estimated investment return. The Bank shall submit to the general meeting for consideration after the independent Directors have expressed their opinions, and make disclosure in the designated media by the Bank. The Bank shall provide access to online voting platforms for Shareholders.

- (IV) Explanation of the reasons for not making profit distribution in cash: A profit distribution plan shall be disclosed in the annual report for the year. If the Bank generated profits during the reporting period but the Board of the Bank has not made any cash profit distribution plan, the reasons thereof and the use of proceeds retained by the Bank not used for distribution shall be explained in detail in its periodic reports and independent Directors shall give an independent opinion in this regard.
- (V) Adjustments to the profit distribution policy: If the production and operation of the Bank are materially affected as a result of war, natural disasters and other events of force majeure, or any change in its external operating environment, or any significant changes in its own operating conditions, the Bank may adjust its profit distribution policy. When the Bank makes such adjustment, the Board shall prepare a written report on special topics containing detailed discussion and verification of the reasons for adjustment, which, after being considered by the independent Directors, shall be submitted to the general meeting for approval by Shareholders representing over 2/3 voting rights at such meeting. The Bank shall provide access to online voting platforms for Shareholders for voting purpose. In considering such adjustments at a general meeting, the opinions of minority Shareholders must be sufficiently considered.
- (VI) If there is any shareholder illegally taking up the Bank's capital, the Bank shall deduct the cash dividends allocated to such shareholder to repay the amount of capital taken.
- (VII) The Bank shall disclose in detail the formulation and implementation of cash dividends distribution policy in its annual reports, and state whether the policy is in compliance with these Articles of Association or the resolutions passed at general meeting, whether the benchmark and ratio of dividend distribution are definite and clear, whether the relevant decision-making procedure and mechanism is impeccable, whether independent directors perform their duties diligently and exercise their functions as required, whether the minority shareholders have the opportunities to fully express their opinions and appeals, and whether the legitimate rights and interests of the minority shareholders have been fully protected. Where the Bank revises or changes its cash dividend distribution policy, it shall explain in detail as to whether the revised or changed plans and procedures are in compliance with regulations and transparent.

**(II) The Profit Distribution for the Last Three Years****1. *The Arrangements of Profit Distributions and the Uses of Undistributed Profits for the Last Three Years*****(1) *Profit Distribution of Ordinary Shares*****① Profit Distribution of Ordinary Shares for the Year 2018**

According to the relevant resolutions at 2018 annual general meeting of the Bank convened on May 27, 2019, the Bank did not make dividend distribution to ordinary shareholders in 2018.

**② Profit Distribution of Ordinary Shares for the Year 2019**

As approved by shareholders in 2019 Annual General Meeting on 16 June 2020, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.40 for each 10 ordinary shares, with total amount of RMB5,104 million.

**③ Profit Distribution of Ordinary Shares for the Year 2020**

As approved by shareholders in 2020 Annual General Meeting on June 30, 2021, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.61 for each 10 ordinary shares, with total amount of RMB3,424 million.

**(2) *Dividend Distribution of Preference Shares***

On December 20, 2017 as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB866 million. The dividend issuance date was March 29, 2018.

On March 18, 2019, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB881 million. The dividend issuance date was March 29, 2019.

On March 11, 2020, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB932 million. The dividend issuance date was March 30, 2020.

On January 5, 2021, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB858 million. The dividend issuance date was March 29, 2021.

(3) *Arrangement for the usage of the undistributed profits for the last three years*

In accordance to the regulatory requirements of the CBRC on capital of commercial banks, the undistributed profits for the last three years of the Bank have been carried forward to the next year, which were retained to replenish the capital for the stable development of various businesses of the Bank.

2. *Details on the Dividend Distributions of Ordinary Shares for the Last Three Years*

Details on the dividend distributions of ordinary shares for the last three years of the Bank are shown in the following table:

*Unit: RMB100 million*

Dividend year	Cash dividend amount (Tax inclusive)	Net profit attributable to ordinary shareholders of the parent company for the dividend year	Cash dividends as a percentage of net profit attributable to ordinary shareholders of the parent company
2020	34.24	113.77	30.10%
2019	51.04	120.43	42.38%
2018	0.00	112.74	0.00%
The accumulated profit distributed in cash in the last three years as a percentage to the average annual distributable net profit realized in the last three years		73.74%	

In November 2019, the Bank has been listed on the Shanghai Stock Exchange. During 2018-2020, the Bank's accumulated profit distributed in cash as a percentage to the average annual distributable net profit realized in the last three years was 73.74%. The cash dividends distributed by the Bank for the last three years have been complied with the relevant requirements under the Articles of Association of China Zheshang Bank Co., Ltd. and shareholders return plans. The legal benefits of our Shareholders are fully safeguarded with comprehensive procedures and mechanisms for decision making, accurate and clear dividend standards and ratios, which have been considered and agreed by the independent directors of the Bank.

### ***3. Profit Distribution Policy of the Bank After the Rights Issue***

In order to further increase Shareholders' return, optimize and implement the cash dividend policy, clarify the plan of the Bank for providing reasonable investment returns to Shareholders, improve the transparency and operability of decision-making on profit distribution and to facilitate supervision of the Bank's operations and profit distribution by the Shareholders, the Board of the Bank has formulated the Shareholder Return Plan for the Next Three Years (2022-2024) of China Zheshang Bank Co., Ltd., the detailed contents of which are as follows:

#### *(1) Priorities of Profit Distribution*

Our Bank shall distribute profits after income tax in the following order:

- ① to make up for the losses of previous years;
- ② to set aside 10% as statutory reserve fund;
- ③ to make allocations to general reserve;
- ④ to set aside discretionary reserve fund;
- ⑤ to pay dividends to ordinary shareholders.

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

No further contribution may be required when the accumulated amount of statutory reserve funds of our Bank reaches more than 50% of our registered capital.

If the statutory revenue reserve is not sufficient to cover the losses in the previous year, the profits of the current year shall be used to cover such losses before allocation to the statutory revenue reserve is made in accordance with the provisions of the proceeding paragraph. After withdrawal of statutory reserve fund, the general meeting may decide whether to withdraw discretionary reserve fund.

If it is resolved at the general meeting to distribute profit to shareholders before covering the losses and making allocation to statutory revenue reserve in violation to the provisions of the proceeding paragraph, the shareholders shall return such distributed profits to our Bank.

The reserve fund of our Bank shall be used for making up the losses, expanding the scale of operation or increasing the registered capital. However, capital reserve of our Bank shall not be applied for making up for losses.

The shares held by our Bank shall not participate in the profit distribution.

*(2) Forms and Interval of Profit Distribution*

The Bank shall distribute profits on a pro-rata basis based on the shareholdings of shareholders, and may make dividend distributions either in cash or shares or in a combination of both. If the Bank reaches the conditions for cash dividends, it shall give preference to profit distribution in the form of cash dividends. The Bank shall, in principle, distribute profits once a year. Where conditions allow, the Bank may distribute interim dividends.

*(3) Conditions and ratio of cash dividend distribution*

In general, no cash dividend shall be paid to the shareholders for any year in which the Bank's capital adequacy ratio falls below the minimum standard required by the regulatory authorities of the PRC. Provided that the capital adequacy ratio meets the regulatory requirements, the Bank may pay cash dividends for each of the years with realized profits which, after recovery of losses and withdrawal of the statutory reserve fund, general reserve and payment of dividends to preference shareholders in accordance with applicable laws, remain positive and distributable. The profit to be distributed to ordinary shareholders by the Bank in cash each year shall be no less than 30% of the distributable profits of the Bank for the last three years. The specific ratio of cash dividend distribution each year shall be set by the Bank in accordance

with the requirements of the relevant laws, regulations, regulatory documents and Articles of Association of China Zheshang Bank Co., Ltd. and based on its business operations, and then shall be considered and approved at the general meetings of the Bank.

Where the operating income of the Bank grows rapidly and the Board of Directors considers that the share price of the Bank does not reflect its share capital scale, the Bank may propose and execute a share dividend distribution proposal in addition to the aforesaid distribution of cash dividends.

The Board of Directors of the Bank shall take into full account various factors, including features of the industries where the Bank operates, the stage of its development, its own business model, profitability and whether there are significant capital expenditure arrangements, to distinguish the following situations from each other and put forward differentiated cash dividend policies in accordance with the procedures provided under Articles of Association of China Zheshang Bank Co., Ltd.:

- ① if the Bank is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the distributable profits shall be at least 80% when making profit distribution;
- ② if the Bank is at the mature stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the distributable profits shall be at least 40% when making profit distribution;
- ③ if the Bank is at the growing stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the distributable profits shall be at least 20% when making profit distribution.

If it is difficult to distinguish the Bank's stage of development and the Bank has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding paragraph.

The Bank shall not make dividend distribution to ordinary shareholders before ensuring that the dividend agreed each year has been paid in full to preference shareholders.

**RESOLUTION IN RELATION TO THE FULFILLMENT OF  
ISSUE CONDITIONS OF RIGHTS ISSUE OF  
CHINA ZHESHANG BANK CO., LTD.**

The Bank plans to allot shares to original shareholders (the “**Rights Issue**”). According to the laws, regulations and regulatory documents including the Company Law of the PRC (the “**Company Law**”), the Securities Law of the PRC (the “**Securities Law**”), the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) (the “**Issuance Measures**”) and the Issuance Regulatory Q&A – Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《發行監管問答—關於引導規範上市公司融資行為的監管要求(修訂版)》), and in light of the annual audit report of the Bank, the formulation and implementation of each system, internal control level of finance and management, the convening of general meeting, aggregating the Broad and supervisors and their decision-making as well as the plan for the use of proceed from the Rights Issue, the Bank has complied with the statutory conditions for the Rights Issue. Details are as follow:

**I. THE BANK COMPLIES WITH RELEVANT PROVISIONS IN THE COMPANY LAW**

- (I) The Rights Issue include RMB ordinary shares (A Shares) and overseas-listed foreign shares (H Shares), and each share of the same type has the same issuance conditions and the Rights Issue Prices are the same after exchange rate adjustments, which complies with the relevant provisions in Article 126 of the Company Law.
- (II) The par value of the issuance of Shares for the Right Issue is RMB1.00. The price of Rights Issue is to be determined at a discount to market price having regard to the market trading conditions of the A Shares and the H Shares before the publication of the Rights Issue announcement. The final Rights Issue Price shall be determined through negotiation between those parties authorized by the Board and the sponsor(s) institution (underwriter(s)) with reference to the market conditions before the issuance, which complies with the relevant provisions in Article 127 of the Company Law.

**II. THE BANK COMPLIES WITH RELEVANT PROVISIONS IN THE SECURITIES LAW**

- (I) The Rights Issue of the Bank complies with the relevant requirements of the Issuance Measures (《發行辦法》) of the China Securities Regulatory Commission (the “**CSRC**”), therefore it complies with the relevant provisions in Article 12 of the Securities Law.
- (II) The net proceeds from the H Shares IPO in 2016 and the A Shares IPO in 2019 of the Bank after deducting the relevant issuance cost have been fully applied for the replenishment of the Bank’s core tier-one capital, which complies with the relevant provisions in Article 14 of the Securities Law.

**III. THE BANK COMPLIES WITH RELEVANT PROVISIONS IN THE ISSUANCE MEASURES****(I) The Bank has a complete and well-operated organization:**

1. The Articles of Association of China Zheshang Bank Co., Ltd. are lawful and effective, and there are sound systems for the general meeting, the Board of Directors, the board of supervisors, and independent Directors, who are able to perform their respective duties in accordance with the law;
2. The Bank has a sound internal control system, which can ensure its operating efficiency, legal compliance, and the reliability of its financial reports effectively. There are no serious defects in regard to the completeness, reasonableness and validity of the internal control system;
3. The current Directors, supervisors and senior management are qualified for their posts and can faithfully and diligently perform their duties. None of them has committed any act in violation of Article 147 or Article 148 of the Company Law, or has been given any administrative penalties by the CSRC within the recent 36 months, or has been publicly condemned by the stock exchange within the recent 12 months;
4. It has not provided any illegal guarantee to external parties,

which complies with the relevant requirements of Article 6 of the Issuance Measures.

**(II) The Bank has sustainability in its profit-making ability:**

1. Profit is recorded for three consecutive accounting years. In 2018, 2019 and 2020, the audited net profit amounted to RMB11.560 billion, RMB13.142 billion and RMB12.559 billion, and the net profit after deducting non-recurring profit or loss amounted to RMB11.461 billion, RMB13.044 billion and RMB12.559 billion;
2. It has relatively stable sources of businesses and profits;
3. It can maintain its present primary business or investment trend sustainably. It has a sound business operation mode and investment plan, and has a good market prospect for its main products or services. There is no seriously unfavorable imminent or foreseeable change in the business operation environment and market demands;
4. The senior management is stable and there is no seriously unfavorable change;

5. The important assets, core technologies or other material interests of the Bank have been lawfully obtained and can be continuously utilized, and there is no seriously imminent or foreseeable unfavorable change;
6. There is no guarantee, litigation, arbitration or any other important matters that are likely to seriously affect the sustainable business operations of the Bank;
7. For the A Shares IPO in 2019 of the Bank, the operating profit for the year of listing increased by 5.55% from the previous year. There is no public issuance of securities within the recent 24 months, and there is no situation of a decrease in the business profits of the current year of the issuance by 50% or more as compared to the previous year,

which complies with the relevant provisions in Article 7 of the Issuance Measures.

**(III) The Bank is in a good financial position:**

1. Its basic accounting work is standard, and it strictly complies with the unified accounting system of the State;
2. The audit opinions of the audit reports for the recent three years are standard unqualified opinions;
3. The assets are of good quality. The non-performing assets is not sufficient to produce any seriously unfavorable effect on the financial position;
4. Its business outcomes are authentic and the cash flows are normal. It has strictly complied with the relevant corporate accounting standards of the State in recognition of its business incomes, costs and expenses. It has made full and reasonable provisions for the asset impairment in the recent three years and has never manipulated its operating results;
5. The profits which it has accumulatively distributed in cash for the recent three years accounted for 73.74% of the annual average distributable profits realized in the recent three years. Meanwhile, given the A Shares of the Bank are listed for less than 3 years, since the listing of A Shares, the profits which it has accumulatively distributed in cash accounted for 72.83% of the annual average distributable profits realized after listing,

which complies with the relevant provisions in Article 8 of the Issuance Measures.

**(IV) The Bank has no false record in its financial and accounting documents within the recent 36 months and has not committed any of the following serious illegal acts as stipulated in Article 9 of the Issuance Measures:**

1. It has been subject to any administrative penalties of the CSRC or has been given any criminal punishments due to a violation of any securities laws, administrative regulations or rules;
2. It has been subject to any administrative penalties with serious circumstances, or has been subject to any criminal punishments due to a violation of any laws, administrative regulations or rules on industry and commerce, tax, land, environmental protection or customs;
3. Other acts in violation of other national laws or administrative regulations with serious circumstances.

**(V) The amount and utilization of the proceeds raised by the Bank:**

1. They comply with the capital needs of the Bank;
2. The proceeds, after deducting relevant issuance costs, are all applied for the replenishment of core tier-one capital, and there is no incompliance with the national industry policies and laws and administrative regulations on, among others, environmental protection and land administration;
3. The proceeds specific storage system has been established and the proceeds have been stored in specific accounts,

which complies with the relevant provisions in Article 10 of the Issuance Measures.

**(VI) The Bank is not involved in any of the following circumstances under which it is prohibited to issue any securities publicly as stipulated in Article 11 of the Issuance Measures:**

1. The application documents for the Rights Issue have any false record, misleading statement or serious omission;
2. It changes the purposes of the use of the proceeds raised in the previous public issuance of securities without permission and fails to make rectifications;
3. The Bank has been publicly condemned by the stock exchange within the recent 12 months;
4. The Bank fails to perform its public commitments to the investors within the recent 12 months;
5. The Bank or any of its incumbent Directors or senior management are being investigated by the judicial authority due to any suspected crime or are being investigated by the CSRC due to any suspected violation;
6. Other circumstances under which the legitimate rights and interests of the investors or the social and public interests are severely impaired.

**(VII) The Bank intends to conduct the Rights Issue on the basis of up to three (3) Shares for every ten (10) Shares, under which, the A Share Rights Issue will proceed on a best effort basis pursuant to the requirements of the Securities Law, and it complies with the relevant provisions in Article 12 of the Issuance Measures.**

**IV. THE BANK SATISFIES THE RELEVANT PROVISIONS OF THE ISSUANCE REGULATORY Q&A – REGULATIONS ON GUIDING AND REGULATING FINANCING ACTIVITIES OF LISTED COMPANIES (REVISED):**

For the A Shares IPO of the Bank in November 2019, the proceeds amounted to RMB12.438 billion. The Board meeting for the Rights Issue is 23 months after the date of receiving the raised funds and it complies with the relevant provisions in the Issuance Regulatory Q&A – Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《發行監管問答–關於引導規範上市公司融資行為的監管要求(修訂版)》).

In conclusion, the Board is of the view that the Bank has a complete and well-operated organization, sustainable profit-making ability, a good financial position without false record in its financial and accounting documents. The amount and utilization of the proceeds comply with relevant provisions without any significant violations. It satisfies various regulations and requirements on rights issue by listed companies in relevant laws and regulations, and it has the qualification and conditions for the application for rights issue.

**REPORT ON THE USE OF PREVIOUSLY RAISED FUNDS  
AS AT 30 SEPTEMBER 2021 OF CHINA ZHESHANG BANK CO., LTD.**

Pursuant to the provisions under the Status Report on the Use of Previously Raised Funds issued by the China Securities Regulatory Commission (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)), China Zheshang Bank Co., Ltd. (hereinafter referred to as the “Bank”) prepared the report on the use of the previously raised funds as at 30 September 2021.

**I. OVERVIEW OF THE PREVIOUSLY RAISED FUNDS**

**(I) Initial public offering (including over-allotment) of overseas-listed foreign shares (ordinary H Shares) in March 2016**

As approved by the China Securities Regulatory Commission with the Approval on the Issuance of Overseas Listed Foreign Invested Shares by China Zheshang Bank Co., Ltd. (Zheng Jian Xu Ke [2016] No. 118) (《關於核准浙商銀行股份有限公司發行境外上市外資股的批覆》(證監許可[2016]118號)), the Bank was listed on The Stock Exchange of Hong Kong Limited on 30 March 2016. The total proceeds raised from the offering were HK\$13,662,000,000 (equivalent to RMB11,421,705,240). After deducting the issuing expenses, the net proceeds were equivalent to RMB11,212,856,319.

As at 19 April 2016, such proceeds have been deposited to bank account No. 7215971321 and No. 02187560123417 opened by the Bank at the Agricultural Bank of China Hong Kong Branch and Bank of China Hong Kong Branch, respectively, and were verified by PricewaterhouseCoopers Zhongtian LLP, which has issued the capital verification report (PwC Zhong Tian (2016) Yan Zi No. 1308).

**(II) Non-public issuance of preference shares in March 2017**

As approved by the Approval of China Banking Regulatory Commission (“CBRC”) Concerning the Issuance of Offshore Preference Shares and Amendments to the Articles of Association by China Zheshang Bank Co., Ltd. (Yin Jian Fu [2017] No. 45) issued by CBRC and China Securities Regulatory Commission’s Approval Concerning the Overseas Issuance of Preference Shares by China Zheshang Bank Co., Ltd. (Zheng Jian Xu Ke [2017] No. 360), the Bank non-publicly issued 108,750,000 preference shares to qualified investors at an issue price of USD20 per share. The total proceeds were USD2,175,000,000, and net proceeds after deducting the issuing expenses were equivalent to RMB14,957,663,800.

As at 30 March 2017, the aforesaid proceeds have been deposited to specific bank account for proceeds from issuing preference shares No. 01287560102739 opened by the Bank at Bank of China (Hong Kong) Limited, and were verified by PricewaterhouseCoopers Zhongtian LLP, which has issued the capital verification report (PwC Zhong Tian (2017) Yan Zi No. 395).

**(III) Non-public additional issuance of overseas-listed foreign shares (ordinary H Shares) in March 2018**

As approved by the Approval of CBRC Concerning the H Share Capital Increase Plan of China Zheshang Bank Co., Ltd.(Yin Jian Fu [2018] No. 16) issued by CBRC and China Securities Regulatory Commission's Approval Concerning the Additional Issuance of Overseas-listed Foreign Shares by China Zheshang Bank Co., Ltd. (Zheng Jian Xu Ke [2018] No. 486), the Bank non-publicly issued 759,000,000 ordinary H shares to overseas investors at an issue price of HK\$4.80 per share. The total proceeds were HK\$3,643,200,000, and net proceeds after deducting the issuing expenses and relevant domestic expenses were equivalent to RMB2,914,544,841.

As at 29 March 2018, the aforesaid proceeds have been deposited to specific bank account for proceeds No. 02187560123417 opened by the Bank at Bank of China (Hong Kong) Limited, and were verified by PricewaterhouseCoopers Zhongtian LLP, which has issued the capital verification report (PwC Zhong Tian (2018) Yan Zi No. 0192).

**(IV) Initial public offering of RMB ordinary shares (A shares) in November 2019**

As approved by the Approval of CBRC Concerning the Initial Public Offering of A Shares and Matters on Listing of China Zheshang Bank Co., Ltd.(Yin Jian Fu [2017] No. 345) issued by CBRC and China Securities Regulatory Commission's Approval Concerning the Initial Public Offering of Shares by China Zheshang Bank Co., Ltd. (Zheng Jian Xu Ke [2019] No. 1846), the Bank issued RMB ordinary shares (A shares) under the initial public offering to domestic investors. The total proceeds were RMB12,597,000,000, and net proceeds after deducting the issuing expenses amounted to RMB12,437,943,067.

As at 20 November 2019, the aforesaid proceeds have been deposited to the bank account No. 3310008080120100100248 opened at China Zheshang Bank Business Center, and were verified by PricewaterhouseCoopers Zhongtian LLP, which has issued the capital verification report (PwC Zhong Tian (2019) Yan Zi No. 0685).

**II. ACTUAL USE OF THE PREVIOUSLY RAISED FUNDS**

As at 30 September 2021, the Bank has utilised all remaining proceeds after deducting the issuing expenses from the initial public offering (including over-allotment) of overseas-listed foreign shares (ordinary H shares) in March 2016, the non-public issuance of preference shares in March 2017, the non-public additional issuance of overseas-listed foreign shares (ordinary H shares) in March 2018 and the initial public offering of RMB ordinary shares (A shares) in November 2019 to replenish the capital of the Bank, which is in line with the intended use of proceeds in accordance with the undertakings made in connection therewith.

The actual use of the previously raised funds as at 30 September 2021 is set out in the "Breakdown of the Use of the Previously Raised Funds" to the schedule of this report.

### **III. ECONOMIC BENEFITS GENERATED BY THE USE OF THE PREVIOUSLY RAISED FUNDS**

After initial public offering (including over-allotment) of overseas-listed foreign shares (ordinary H shares) in March 2016, the Bank raised funds successively through non-public issuance of preference shares, non-public additional issuance of overseas-listed foreign shares (ordinary H shares) and initial public offering of RMB ordinary shares (A shares). All the raised funds after deducting the issuing expenses have been applied to replenish the capital of the Bank. Due to the particularity of banking business, the benefits of the funds raised by the Bank cannot be calculated separately. As the previously raised funds were used to replenish the Bank's capital, the Bank's capital adequacy ratio was improved.

### **IV. COMPARISON BETWEEN THE USE OF PREVIOUSLY RAISED FUNDS AND INFORMATION DISCLOSED IN THE REGULAR REPORTS OF THE BANK**

The actual use of the previously raised funds mentioned above has been compared, item by item, by the Bank with reference to the relevant disclosures made in the relevant regular reports and other disclosure documents of the Bank published since March 2016. The actual use of proceeds is in line with the relevant disclosures.

### **V. CONCLUSION**

The Bank had used the previously raised funds in accordance with the undertakings made in connection with the use of proceeds from the initial public offering (including over-allotment) of overseas-listed foreign shares (ordinary H shares) in March 2016, the non-public issuance of preference shares in March 2017, the non-public additional issuance of overseas-listed foreign shares (ordinary H shares) in March 2018 and the initial public offering of RMB ordinary shares (A shares) in November 2019. This report has been prepared in accordance with the Regulations on the Status Report on the Use of Previously Raised Funds (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) issued by the China Securities Regulatory Commission.

The Directors of the Bank undertake that this Report does not contain any false statements, misleading representations or material omissions, and jointly and severally accept legal liability for the truthfulness, accuracy and completeness hereof.









**REPORT ON THE FEASIBILITY OF USE OF PROCEEDS  
FROM RIGHTS ISSUE OF  
CHINA ZHESHANG BANK CO., LTD.**

In order to ensure the sustained and healthy development of the Bank's business operations, further enhance the Bank's capital strength, comprehensive competitiveness, risk resilience and sustainable profitability, and adapt to increasingly stringent regulatory requirements, the Bank plans to allot shares to the original shareholders (hereinafter referred to as the "**Rights Issue**"). The feasibility analysis report on the use of proceeds raised by the Rights Issue is hereby formulated as follows:

**I. TOTAL AMOUNT OF PROCEEDS TO BE RAISED UNDER THE RIGHTS ISSUE AND USE**

The proceeds from the Rights Issue shall not exceed RMB18.0 billion (inclusive). The Bank will use all net proceeds from the Rights Issue (after deducting the relevant issuance expenses) to replenish its core tier-one capital, enhance its capital adequacy ratios, support the sustainable and healthy development of the business of the Bank in future and enhance the Bank's capital strength and competitiveness.

**II. THE NECESSITY OF THE RIGHTS ISSUE**

The Rights Issue will effectively replenish the Bank's core tier-one capital, which is of great significance to the Bank in meeting increasingly stringent capital regulatory requirements and supporting the sustainable and healthy development of its business and further serving the real economy.

**1. Better meeting the capital supervision requirements and enhancing the capability of risk resilience**

In recent years, the China Banking and Insurance Regulatory Commission has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the former China Banking Regulatory Commission in 2012 imposed strict and prudent regulations on the qualification standards and measurement requirements of various types of capital. Since 2016, the People's Bank of China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and self-discipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. And it is expected that starting from 2023, China will implement a capital measurement method based on the Basel III: Final Plan for

Post- crisis Reform. By then, the measurement of various risk-weighted assets of the Bank will be affected to varying degrees. As at June 30, 2021, the Bank’s consolidated capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 12.42%, 9.46% and 8.37%, respectively.

In order to better meet regulatory requirements and enhance the capacity of risk resilience, it is necessary for the Bank to further increase the core tier-one capital adequacy ratio through Rights Issue, leave space for the possible increase of regulatory requirements and ensure the implementation of the long-term strategic development target of the Bank, while satisfying the needs of future business development.

## **2. Supporting the steady business development of the Bank and further serving the real economy**

With the steady development of the national economy and the acceleration of financial market reforms, the operating environment of banks is undergoing a profound change. At the same time, the domestic economy is in the stage of industrial restructuring. To support the transformation and upgrading of the real economy, the domestic banks need to maintain a stable and reasonable growth in the scale of credit grants. However, the increase in the risk-weighted assets will cause the Bank to continue facing capital pressures as its business develops. As at the end of June 2021, the total assets of the Bank is RMB2,154.397 billion, representing an increase of 5.18% from the end of 2020; the total amount of loan and advances issued was RMB1,272.137 billion, representing an increase of 6.22% from the end of 2020, showing a steady growth trend.

To maintain a healthy and rapid development trend and effectively respond to the rapid changes and challenges of the industry environment, the Bank needs to replenish the capital required for business development, realize steady operation and further serve the real economy through Rights Issue.

In summary, the Rights Issue will effectively replenish the Bank’s core tier-one capital, which is of great significance to the Bank in meeting increasingly stringent capital regulatory requirements and supporting the sustainable and healthy development of its business and further serving the real economy.

## **III. FEASIBILITY ANALYSIS ON THE RIGHTS ISSUE**

The Bank will strengthen capital management and improve the efficiency of the use of proceeds. Through the rational use of the proceeds from the Right Issue and focusing on prudent operation and steady development, the Bank will promote the high-quality development of various businesses and improve profitability and risk resistance while maintaining the steady growth of its asset scale.

**1. A clear strategic positioning to build China Zheshang Bank Co., Ltd. into a first class commercial bank**

The Bank will firmly grasp the overall requirements of basing on the new development stage, implementing the new development concept, and building a new development pattern, closely following the implementation of the “August Eight Strategy” in Zhejiang Province, striving to create an “important window”, and strive to create a leading province in socialist modernization. Guided by the overall goal of “two most”, the Bank deepens the implementation of the platform-based service strategy, and continue to build the three major characteristics of liquidity services, industrial chain supply chain services, and wealth management services through continuous improvement of the three capabilities of digitalization, specialization and refinement. The Bank deeply implements the twelve-character business policy of “enlarging scale, adjusting structure, controlling risks, and creating benefits”, promotes high-quality development, and accelerates the realization of the vision of a “first-class commercial bank”.

**2. Adhering to the platform-based service strategy and endeavor to promote the development of the business sector of large companies**

The Bank will continue to fully promote the development strategy of the business segment of large companies and will further develop on the basis of the results of the platform-based service model, focus on key customer, key business, key regions and key personnel under the principle of “a policy for an account and a policy for a bank”, as well as the three core requirements of physical enterprises, being “reducing financing costs, improving service efficiency and maintaining the stability of the supply chain”, and embed banking business and services into corporate production, operation and fund management activities, so as to help core companies build an ecosystem and sales network, help upstream and downstream companies to effectively solve the problems of difficulties in financing, high financing costs and low financing efficiency, and effectively serve the real economy.

**3. Continuing to focus on small and micro services, and comprehensively improving inclusive financial service capabilities**

The Bank has been implementing the national economic and financial policies and decision-making arrangements, practiced inclusive finance, and served the small and micro real economy. It is a pioneer in the business of small and micro enterprises in the industry, and has formed distinctive advantages in terms of mechanism, products, processes, and risk control. Adhering to the principle of sustainable business development and based on a professional operation method, the Bank actively applied Internet technology and thinking, continued to focus on key points, and expanded the coverage of inclusive finance. In the future, the Bank will actively carry out a three-year expansion of first-lenders, actively increase medium and long-term financial support for manufacturing and emerging industries, and comprehensively improve inclusive financial service capabilities.

**4. Further enhancing customer service capabilities, cultivating unique advantages in retail business and new growth drivers**

In terms of retail business, the Bank will closely focus on the “two most” overall goal of the Bank, and realize the overall rapid development of each retail business by building the unique advantages of wealth management as the main line of development. In terms of personal deposit and loan business, the Bank will strengthen the optimization of the personal deposit structure to achieve a steady increase in the scale of personal deposits; in terms of wealth management business, the Bank will continue to build a “client-entrusted unique wealth management bank” in an all-round way; in terms of private banking business, the Bank will continue to improve the three major capabilities in customer service, wealth management and asset allocation by improving products, characteristic value-added services and professional teams; in the credit card business, the Bank will accelerate the development of online and scenario-based transformation, and promote a profitable, high-quality and sustainable business development.

**5. Building the core advantages of finance technology and promoting the digital transformation of the Bank**

The Bank will continue to deepen the development of finance technology, practice technology-driven transformation, strengthen finance-technology-innovation driven development and explore the in-depth integration of cutting-edge technologies such as block-chain, Internet of Things, artificial intelligence, cloud computing, big data and meta universe with banking business and operation management to create strong technical intermediate platform and data intermediate platform, comprehensively empower operational management, improve quality and enhance profitability. In terms of business development, relying on business innovation empowered by finance technology, the Bank will focus on promoting the construction of the “Five Major” business segments system. In terms of operation management, the Bank will continue to strengthen the improvement of the operation and maintenance management system, actively innovate the technology management system and mechanism, and endeavor to promote the digital transformation of the Bank.

**IV. IMPACTS OF THE RIGHTS ISSUE ON THE OPERATION, MANAGEMENT AND FINANCIAL CONDITION OF THE BANK**

The Rights Issue will enable the Bank to increase its capital adequacy ratios which will enhance its risk resilience and competitiveness. The impacts of the Rights Issue on the operation, management and financial condition of the Bank are as follows:

**1. Impact on shareholding structure and control of the Bank**

There are no controlling shareholders or de facto controllers of the Bank before and after the Rights Issue. Therefore, the Rights Issue will not lead to a change in control of the Bank.

**2. Impact on net assets, net assets per share and rate of return on net assets**

The net assets of the Bank will increase upon the completion of the Rights Issue. Although there may be certain dilution effects on the rate of return on net assets in the short run, the Issuance will have positive effects on the operating results of the Bank and further improve its net assets per share in the long run when the benefits of the proceeds used to support the business development of the Bank appear gradually.

**3. Impact on capital adequacy ratios**

Upon receipt of the proceeds from the Rights Issue, the core tier-one capital of the Bank will be effectively replenished, and the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Bank will be enhanced which would strengthen the Bank's risk tolerance while providing strong capital guarantee for the Bank's business growth and sustainable development.

**4. Impact on profitability**

The Rights Issue will help consolidate the capital of the Bank, increase the Bank's capital scale, provide strong capital guarantees for the rapid, stable and sustainable development of the Bank's various businesses, promote the achievement of expansion and profit growth and further enhance its profitability and core competitiveness.

Based on the above, the Rights Issue is in accordance with the requirements of relevant laws and regulations, which is of great significance in enhancing the Bank's capital strength, ensuring the continuous and stable development of its business, and increasing its risk tolerance and market competitiveness, and it will be necessary and feasible, as well as in line with the interests of the Bank and shareholders as a whole.

**REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS BY  
RIGHTS ISSUE TO ORIGINAL SHAREHOLDERS  
OF CHINA ZHESHANG BANK CO., LTD.**

According to the requirements set out in the relevant regulations such as Opinions on Further Strengthening the Protection of Lawful Interests of Medium and Small Investors in the Capital Markets of the General Office of the State Council (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), Certain Opinions on Further Promoting the Healthy Development of Capital Markets of the State Council (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), and the Guiding Opinions on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (China Securities Regulatory Commission Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(中國證券監督管理委員會公告[2015]31號)) issued by China Securities Regulatory Commission (the “CSRC”), China Zheshang Bank Co., Ltd. (hereinafter referred to as the “Bank”) has analyzed the Rights Issue to Original Shareholders (hereinafter referred to as the “Rights Issue”) and its potential impacts on the ordinary shareholders’ equity and current returns, and explained on relevant measures taken to remedy the returns in combination with the Bank’s actual situation as follows:

**I. ANALYSIS ON THE EFFECT IN CONNECTION WITH DILUTION OF  
CURRENT RETURNS AS A RESULT OF THE RIGHTS ISSUE****(I) Assumptions**

The impact of the Rights Issue on the estimation of major financial statistics and financial indicators of the Bank are mainly based on the followings:

1. Assuming that the macroeconomic environment, bank industry development trends and the Bank’s operations have no material and adverse changes.
2. Assuming that the shares of the Rights Issue are placed on the basis of three (3) shares for every ten (10) shares. On the basis of the total share capital of 21,268,696,778 Shares as at June 30, 2021, and the maximum shares to be placed of the Rights Issue of 6,380,609,033 Shares, the total share capital of the Bank upon completion of the Rights Issue is 27,649,305,811 Shares.
3. Assuming that the Rights Issue will be completed on September 30, 2022 (only for indicative purpose; and it does not represent the actual time of the Rights Issue, which will be finalized based on the actual completion time after regulatory approvals).

4. Assuming the growth in the Bank's net profit attributable to the shareholders of the Bank, the net profit attributable to the ordinary shareholders of the Bank, the net profit attributable to the shareholders of the Bank after deducting non-recurring profit or loss and the net profit attributable to the ordinary shareholders of the Bank after deducting non-recurring profit or loss in 2021 are estimated based on the annualized results data in January-June 2021.
5. Assuming that the net profit attributable to the shareholders of the Bank in 2022 will grow by 0%, 3% and 6%, respectively, then the net profit attributable to shareholders of the Bank would be RMB13.702 billion, RMB14.113 billion and RMB14.524 billion, respectively; at the same time, assuming that the Bank's 2022 non-recurring gains and losses attributable to the ordinary shareholders of the Bank will be the same as those in 2021, then the 2022 net profit attributable to the shareholders of the Bank after deducting nonrecurring gains and losses would be RMB13.610 billion, RMB14.021 billion and RMB14.432 billion, respectively. These aforementioned profit figures do not represent the Bank's profit forecast for the future, but are used to calculate the impact of the dilution of immediate returns due to the right issue on the main financial indicators of the Bank. Investors shall not base their investment decisions on these figures.
6. Assuming that the dividend of the Bank's overseas preference shares in 2022 is consistent with the dividends of overseas preference shares that have been distributed in 2021, which is equivalent to RMB858 million.
7. Assuming that its impact on the Bank's production, operation and financial conditions (such as usage efficiency of the raised funds) after the funds raised from the Rights Issue are received is not taken into consideration.
8. Except for the Rights Issue, assuming changes in the ordinary share capital due to any other factors (including profit distribution, mandatory conversion of preferred shares, etc.) will not be considered for now.
9. The earnings indicator per share is calculated in accordance with the relevant requirements of Standards concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (amended in 2010) (《公開發行證券的公司信息披露編報規則第9號-淨資產收益率和每股收益的計算及披露》(2010年修訂)).

**(II) Impact on the key financial indicators of the Bank**

Based on the above assumptions, the Bank has estimated the impacts on the dilution of current returns of the shareholders by the Rights Issue in accordance with the relevant provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities, No. 9 – Calculation and Disclosure of Rate of Return on Net Assets and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露》(2010年修訂)). The details are as follows:

1. Case 1: Assuming the net profit attributable to the shareholders of the Bank after deducting non-recurring profit or loss in 2022 is RMB13.610 billion.

*Unit: RMB100 million except otherwise stated*

Item	Year 2021/ December 31, 2021	Year 2022/December 31, 2022	
		Before the Rights Issue	After the Rights Issue
Total ordinary share capital (100 million)	212.69	212.69	276.49
Weighted average total ordinary share capital (100 million)	212.69	212.69	228.64
Net profit attributable to shareholders of the Bank	137.02	137.02	137.02
Net profit attributable to ordinary shareholders of the Bank	128.44	128.44	128.44
Net profit attributable to shareholders of the Bank, net of non-recurring profit or loss	136.10	136.10	136.10
Net profit attributable to ordinary shareholders of the Bank, net of non- recurring profit or loss	127.52	127.52	127.52
Basic earnings per share (RMB)	0.60	0.60	0.56
Diluted earnings per share (RMB)	0.60	0.60	0.56
Basic earnings per share, net of non-recurring profit or loss (RMB)	0.60	0.60	0.56
Diluted earnings per share, net of non- recurring profit or loss (RMB)	0.60	0.60	0.56

2. Case 2: Assuming the net profit attributable to shareholders of the Bank after the deduction of the non-recurring profit or loss in 2022 is RMB14.021 billion.

*Unit: RMB100 million except otherwise stated*

Item	Year 2021/ December 31, 2021	Year 2022/December 31, 2022	
		Before the Rights Issue	After the Rights Issue
Total ordinary share capital (100 million)	212.69	212.69	276.49
Weighted average total ordinary share capital (100 million)	212.69	212.69	228.64
Net profit attributable to shareholders of the Bank	137.02	141.13	141.13
Net profit attributable to ordinary shareholders of the Bank	128.44	132.55	132.55
Net profit attributable to shareholders of the Bank, net of non-recurring profit or loss	136.10	140.21	140.21
Net profit attributable to ordinary shareholders of the Bank, net of non- recurring profit or loss	127.52	131.63	131.63
Basic earnings per share (RMB)	0.60	0.62	0.58
Diluted earnings per share (RMB)	0.60	0.62	0.58
Basic earnings per share, net of non-recurring profit or loss (RMB)	0.60	0.62	0.58
Diluted earnings per share, net of non- recurring profit or loss (RMB)	0.60	0.62	0.58

3. Case 3: Assuming the net profit attributable to shareholders of the Bank after the deduction of the non-recurring profit or loss is in 2022 RMB14.432 billion.

*Unit: RMB100 million except otherwise stated*

Item	Year 2021/ December 31, 2021	Year 2022/December 31, 2022	
		Before the Rights Issue	After the Rights Issue
Total ordinary share capital (100 million)	212.69	212.69	276.49
Weighted average total ordinary share capital (100 million)	212.69	212.69	228.64
Net profit attributable to shareholders of the Bank	137.02	145.24	145.24
Net profit attributable to ordinary shareholders of the Bank	128.44	136.66	136.66
Net profit attributable to shareholders of the Bank, net of non-recurring profit or loss	136.10	144.32	144.32
Net profit attributable to ordinary shareholders of the Bank, net of non- recurring profit or loss	127.52	135.74	135.74
Basic earnings per share (RMB)	0.60	0.64	0.60
Diluted earnings per share (RMB)	0.60	0.64	0.60
Basic earnings per share, net of non-recurring profit or loss (RMB)	0.60	0.64	0.59
Diluted earnings per share, net of non- recurring profit or loss (RMB)	0.60	0.64	0.59

- Notes:*
1. The above financial data for 2021 is based on the annualized date of the 2021 interim report, and the 2021 annual report shall prevail;
  2. Net profit attributable to ordinary shareholders of the Bank = Net profit attributable to shareholders of the parent company – Dividends declared on preferred share for the current period;
  3. Net profit attributable to ordinary shareholders of the Bank, net of non-recurring profit or loss = Net profit attributable to shareholders of the parent company, net of non-recurring profit or loss – Dividends declared on preferred share for the current period.

**(III) Explanation on the estimation**

1. The foregoing hypothetical analysis of the Bank for the calculation does not constitute the Bank's profit forecast. Investors shall not base their investment decisions on these analysis, and the Bank does not take any responsibility for losses caused by investors' investment decisions on such basis;
2. The issuance time of the right issue is for indicative calculation only, and the actual issue time will be the time when the offering is actually completed after approval from the CSRC.

**II. RISK REMINDER IN CONNECTION WITH DILUTION OF CURRENT RETURNS AS A RESULT OF THE RIGHTS ISSUE**

Due to the particularity of the business model of commercial banks, the proceeds will be applied together with the existing capital upon receipt, and thus the income contribution from which cannot be individually calculated. Generally, the proceeds raised shall generate a certain level of benefit in the current period; however, the asset scale cannot be expanded in the same pace over a short period, while the gains and benefits that directly generated are also unable to be fully synchronized. Therefore, if the Bank fails to maintain its current operating capital efficiency by utilizing the proceeds from the Rights Issue, upon the increase in both share capital and net assets of the Bank, both basic earnings per share and weighted average return on net assets of the Bank will decrease.

Investors are kindly reminded to pay attention to the risk of dilution of immediate returns of the Rights Issue. Investors are also reminded that the Bank's remedial measures against the potential dilution of immediate returns do not constitute the Bank's guarantee for future profit. The Bank will keep disclosing in the periodic reports the fulfillment of these remedial measures for the dilution of current returns and the performance of the commitments made by relevant stakeholders.

**III. NECESSITY AND REASONABLENESS OF THE RIGHTS ISSUE**

The Rights Issue can help consolidate the Bank's capital base for sustainable development of various businesses and further improve its capital adequacy ratio, which is of great significance in the enhancement of the Bank's profitability and risk resistance capacity.

**(I) Better meeting the capital supervision requirements and enhancing the capability of risk resilience**

In recent years, the China Banking and Insurance Regulatory Commission has been continuously tightening the capital supervision of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the former China Banking Regulatory Commission in 2012 imposed

strict and prudent regulations on the qualification standards and measurement requirements of various types of capital. Since 2016, the People's Bank of China has been implementing a "macro and discreet assessment system" to guide financial institutions of the banking industry to strengthen self-restrain and self-discipline management from seven aspects including capital and leverage, assets and liabilities, liquidity, pricing behavior, asset quality, cross-border financing risks and credit policy implementation. And it is expected that starting from 2023, China will implement a capital measurement method based on the Basel III: Final Plan for Postcrisis Reform. By then, the measurement of various risk-weighted assets of the Bank will be affected to varying degrees. As at June 30, 2021, the Bank's consolidated capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 12.42%, 9.46% and 8.37%, respectively.

In order to better meet regulatory requirements and enhance the capacity of risk resilience, it is necessary for the Bank to further increase the core tier-one capital adequacy ratio through Rights Issue, leave space for the possible increase of regulatory requirements and ensure the implementation of the long-term strategic development target of the Bank, while satisfying the needs of future business development.

**(II) Supporting the steady business development of the Bank and further serving the real economy**

With the steady development of the national economy and the acceleration of financial market reforms, the operating environment of banks is undergoing a profound change. At the same time, the domestic economy is in the stage of industrial restructuring. To support the transformation and upgrading of the real economy, the domestic banks need to maintain a stable and reasonable growth in the scale of credit grants. However, the increase in the risk-weighted assets will cause the Bank to continue facing capital pressures as its business develops. As at the end of June 2021, the total assets of the Bank is RMB2,154.397 billion, representing an increase of 5.18% from the end of 2020; the total amount of loan and advances issued was RMB1,272.137 billion, representing an increase of 6.22% from the end of 2020, showing a steady growth trend.

To maintain a healthy and rapid development trend and effectively respond to the rapid changes and challenges of the industry environment, the Bank needs to replenish the capital required for business development, realize steady operation and further serve the real economy through Rights Issue.

In summary, the Rights Issue will effectively replenish the Bank's core tier-one capital, which is of great significance to the Bank in meeting increasingly stringent capital regulatory requirements and supporting the sustainable and healthy development of its business and further serving the real economy.

**IV. RELATIONSHIP BETWEEN THIS PROCEEDS-RAISED INVESTMENT PROJECT AND THE EXISTING BUSINESS OF THE BANK, AND THE BANK'S PERSONNEL, TECHNOLOGY AND MARKET RESERVES FOR ENGAGEMENT IN SUCH INVESTMENTS****(I) Relationship between the proceeds-raised investment project and the existing business of the Bank**

The proceeds from the Rights Issue, after deducting relevant issuance expenses, will be fully used to replenish the core tier-one capital of the Bank to support the sustainable and steady development of various businesses of the Bank, which complies with the capital regulatory requirements and long-term development strategies, facilitating the enhancement of the Bank's business development momentum and risk resilience ability and improvement of the competitive edge and earnings, so as to create reasonable and stable investment return for the shareholders of the Bank.

**(II) The Bank's personnel, technology and market reserves for engagement in such investments**

In terms of personnel, the Bank has strengthened the construction of its management and talent team. The management has excellent strategic vision and operational management capabilities, as well as extensive experience in business operations, financial management, risk control, and information technology. The Bank promoted a differentiated talent training model, and continued to focus on the development of young employees. Employees are highly educated, strong in professional skills, young and full of vitality.

In terms of technology, the Bank insists on developing finance technology, practicing technology-driven transformation, and actively constructing information technology infrastructure, system architecture, technology platform, application system and management mechanism that are in line with the actual development of the Bank, taking the lead in exploring the deep integration of cutting-edge technologies such as block-chain, artificial intelligence, biometrics, natural language recognition, cloud computing, big data and meta universe with banking services, and gradually establishing a leading brand image in finance technology innovation.

In terms of market and business, the Bank developed investment banking, asset custody, financial markets, capital markets, financial institutions, and asset management businesses focusing on the improvement of differentiated competitiveness. Through iterative innovation of financial products and service models, the Bank applied various types of financial tools to provide customers with comprehensive, one-stop and sustainable financial service solutions, and continuously improve diversified profitability and potential. In the future, the Bank will endeavor to promote the "Five Major Business" segments coordinated development of retail business, companies, investment banking, assets management and cross-border, thus making the profit resources more balanced and reasonable.

**V. REMEDIAL MEASURES FOR DILUTED RETURNS OF THE BANK**

The Bank will take effective measures to improve the management and use efficiency of proceeds, further enhance business development and profitability, implement a continuous, stable and reasonable profit distribution policy for Shareholders, and minimize the impact of the Rights Issue on returns to ordinary Shareholders, so as to fully protect the legitimate rights of Shareholders, especially minority Shareholders. The specific remedial measures for diluted returns that the Bank intends to take are as follows:

**(I) The operation conditions, development trends, major risks and improvement measures of the Bank's existing business segments**

The Bank's major businesses include corporate banking business, investment banking and financial market business, small business and retail banking business.

The Bank's positioning to corporate banking business focuses on building a platform-based service bank. Centering on the mainline of "enlarging scale, adjusting structure, controlling risks, and creating benefits", we pay attention to the key clients, business, regions and personnel, adhering to "one household, one policy; one bank, one policy", so as to build the Bank's large corporate segments to particularly improve quality and efficiency of corporate business to achieve high quality development. The Bank's corporate clients include, among others, large-scale central enterprises and local state-owned enterprises, high-quality private enterprises, government agencies and public utilities. The Bank provides diversified financial products and services to corporate clients, which mainly include corporate loans and advances, supply-chain finance, trade financing, deposit products and other various corporate intermediary businesses.

In terms of investment banking and financial market business, the Bank fully leverage its unique advantages of targeting clients and markets it knows, maintain flexible and innovative services, keep pace with economic and financial reform, make a deeper analysis on the needs of real economy to invest and raise funds to flexibly expand business such as financial business, capital market, investment banks, financial institutions, assets management and assets custody business. Building on the strategy of platform services, we will accelerate the innovation of business model and enhance the capability of comprehensive financial services.

In terms of business of small enterprises, the Bank has been implementing the national economic and financial policies and decision-making arrangements, assuming responsibility, and serving the small and micro real economy and developing methods to Zheshang for the sustainable business development of small and micro finance. The Bank has always insisted on the principle of "small amount and decentralization", promoted the application of financial technology, improved the ability to obtain clients in batches and expanded the coverage of inclusive finance continuously; it has strengthened the product model innovation, vigorously supported the transformation and upgrading of small and micro manufacturing enterprises and those science and technology-based that master the industry's "specialization and novelty"

technology; and the bank has been adhered to professional management, continuously optimized process application, improved the efficiency of microfinance services, and consolidated its leading edge in the industry.

The Bank strives to be customer-centric in the retail banking business, and create a “client-entrusted unique wealth management bank”. The Bank provides diversified products and services, including personal deposit, personal loan, wealth management, private banking, credit card. The Bank implements an overall strategy across the Bank in the retail business to provide quality comprehensive financial services for clients, win a good market position, image and word of mouth and create values for shareholders.

The Bank’s business operations are mainly exposed to risks such as credit risk, market risk, liquidity risk and operational risk. The Bank has continuously improved the overall risk management through various measures. The Bank implements a “prudent and healthy” risk appetite. Under the guidance of a platform-based service strategy, the Bank insists on serving the real economy and strengthening its innovation drive. The Bank strengthened access management, strengthened customer base, and optimized business structure; strengthened full-process management, and continued to promote the construction of a big data risk control platform; accelerated liquidation and resolution work, and maintained stable asset quality; continued to improve the comprehensive risk management system to create a second development curve, promote the high-quality development of the Bank and steadily advance the realization of the “two most” overall goal.

**(II) Specific measures for improving the Bank’s routine operating efficiency, reducing its operating costs, and enhancing its performance**

The Bank will take effective measures to strengthen capital management, enhance the use efficiency of raised funds, further improve its profitability, minimize the impact of the right issue on immediate returns for ordinary shareholders, and adequately protect the legitimate rights and interests of its ordinary shareholders, especially those of the small and medium sized shareholders. The Bank plans to take the following measures:

***1. Improving management of capital planning to ensure stable capital adequacy***

The Bank will regularly re-examine its medium and long-term capital plans, and make timely dynamic adjustments to the capital plans in light of changes in the macro environment, regulatory requirements, market conditions, business development and internal management, to ensure that the capital levels adapt to its future business development and risk profiles.

***2. To increase efforts in asset structure adjustment and enhance capital allocation efficiency***

The Bank will adjust and optimize the on-and-off balance asset structure and give priority to the development of higher overall returns and low-capital consumption business. When expanding our business, the Bank will raise the standard of risk mitigation and reduce capital occupation as appropriate; maintain the stable growth of loans and improve the investment structure; enhance the management off-balance business risky assets and restrict the growth of risky assets through economic capital, thereby achieving reasonable balance between capital and risk level, while enhancing the efficiency of capital use.

***3. Improving operating efficiency and reducing operating costs***

The Bank will effectively promote the transformation of its business model, and improve operating efficiency. In terms of refined cost management, the Bank will continue to strengthen management and control of operating costs, reinforce the evaluation of the efficiency and effectiveness of resource input, accelerate the construction of management information systems, intensify the monitoring of expenses and capital expenditures, and reduce operating costs.

***4. Reinforcing capital stress test and improving capital contingency plans***

In accordance with applicable regulatory requirements, the Bank will establish a sound stress test system to ensure that available capital levels are sufficient to respond to unfavorable changes in market conditions. In addition, it will formulate and improve capital contingency plans, clarify the corresponding policy arrangements and countermeasures under stress situations, and ensure unplanned capital needs are met. The contingency plans include, but are not limited to, asset transfer, and greater risk mitigation.

***5. To regulate management and use of proceeds***

The Bank will strictly comply with the requirements in the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks on The Shanghai Stock Exchange, the Administrative Measures for Funds Raised by Companies Listed on the Shanghai Stock Exchange (amended in 2013) (《上海證券交易所上市公司募集資金管理辦法》) and other relevant laws, regulations, department rules and regulatory documents. Due to the particularity of commercial banks, the proceeds raised will be used for capital replenishment instead of project investment. Therefore, its use and effectiveness cannot be measured in isolation. The Bank will strengthen the management of, and the reasonable and effective use of, the proceeds raised, and proactively increase the capital return level.

*6. To maintain stable shareholder return policy to safeguard medium and small shareholders' interests*

The Bank will strictly abide by the Company Law of the People's Republic of China, the Opinions of the General Office of the State Council on Further Strengthening the Protection of Lawful Rights and Interests of Medium and Small Investors in the Capital Markets(《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), the Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders (《關於加強社會公眾股股東權益保護的若干規定》), the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號-上市公司現金分紅》) and other relevant laws and regulations, pay great attention to the protection of the Shareholders' interests. It will maintain the continuity and stability of the profit distribution policy, with an aim to create long-term value for the Shareholders.

**VI. UNDERTAKINGS BY THE BANK'S DIRECTORS AND SENIOR MANAGEMENT ON THE BETTER FULFILLMENT OF REMEDIAL MEASURES FOR RETURNS**

The Bank's Directors and senior management members will faithfully and diligently perform their due diligence, and safeguard the legitimate rights and interests of the Bank and all of its Shareholders. As per the relevant requirements of the CSRC, and for the purpose of ensuring effective implementation of these remedial measures, the Bank's Directors and senior management members hereby personally undertake:

- (I) they shall faithfully and diligently discharge their duties so as to safeguard the legitimate rights of the Bank and all Shareholders;
- (II) they shall not transfer benefits to other units or individuals at nil consideration or under unfair terms, nor shall they damage the Bank's interest otherwise;
- (III) they shall refrain from consumption on their roles;
- (IV) they shall never utilize the assets of the Bank in any investment or consumption activities irrelevant with the performance of their duties;
- (V) they shall procure the remuneration system formulated by the Board or the Remuneration Committee to be linked with the Bank's implementation of remedial measures for returns;
- (VI) they shall conscientiously procure the conditions to exercise to be linked with the Bank's implementation of remedial measures for returns if the Bank introduces any equity incentive policies in the future.

**SHAREHOLDERS' RETURN PLAN  
FOR THE NEXT THREE YEARS (2022-2024)  
OF CHINA ZHESHANG BANK CO., LTD.**

According to the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice on Matters Relevant to Further Implementing the Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號 – 上市公司現金分紅》) and the Articles of Association of China Zheshang Bank Co., Ltd. (hereinafter referred to as the “Articles of Association”), and in order to further increase Shareholders' return, optimize and implement the cash dividend policy, clarify the plan of the Bank for providing reasonable investment returns to Shareholders, improve the transparency and operability of decision-making on profit distribution and to facilitate supervision of the Bank's operations and profit distribution by the Shareholders, the Board of the Bank has formulated the Shareholders' Return Plan for the Next Three Years (2022-2024) of China Zheshang Bank Co., Ltd. (hereinafter referred to as the “**Plan**”), details of which are as follows:

**I. PRINCIPLES FOR FORMULATION OF THE PLAN**

The Bank will distribute dividends to Shareholders in proportion to their shareholdings of the Shares of the Bank under the principle of “equal rights and returns for each share”.

The Bank will implement a continuous and stable dividend distribution policy. The Bank shall emphasize reasonable investment return to investors and ensure sustainable development of the Bank when distributing dividends.

The Bank shall prioritize the distribution of dividends in cash based on the principle of continuous profitability, compliance with regulatory requirements and its normal operation and long-term development.

**II. FACTORS CONSIDERED IN DEVELOPING THE PROFIT DISTRIBUTION PLAN**

In developing the dividend distribution policy, the Bank with a focus on its existing operations and sustainable development conducts comprehensive analysis of and takes into full consideration the following important factors:

**(I) Safeguarding Shareholders' Legitimate Rights and Interests in a Practical Manner and Implementing Regulatory Requirements**

The Notice on Matters Relevant to Further Implementing the Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies issued by the CSRC and relevant regulations provide specific requirements on further improving profit distribution decision-making process, perfecting the cash distribution system, enhancing transparency in cash dividend distribution, and maintaining the consistency, reasonableness and stability of the cash dividend policy.

To implement the regulatory requirements of the CSRC on profit distribution and cash dividend policies for listed companies, perform its social and legal responsibilities, and safeguard Shareholders' legitimate rights and interests in a practical manner, the Bank shall provide reasonable investment returns to investors.

**(II) Actual Business Development of the Bank**

The Bank maintains satisfactory operating results and strong profitability. The Bank will formulate a continuous and stable dividend distribution plan based on its actual operations of the current year.

**(III) Development Stage of the Bank**

The Bank is currently in a fast-growing stage, during which each of its business lines maintains a good development momentum with huge development potentials. Therefore, the Bank needs sufficient capital to guarantee its future development. Taking into full consideration the impact of various factors, the Bank will formulate a dividend distribution policy that is able to meet the requirements of its normal operation and sustainable development.

**(IV) Demands and Wishes of Shareholders**

The dividend distribution policy of the Bank, which attaches high importance to providing reasonable investment returns to investors while considering the expectation of investors for the rapid development of the Bank on an ongoing basis, will fully take into consideration the demands and wishes of the Shareholders. The specific dividend distribution plan, including the ratio of cash dividend and whether distributing dividends in form of Shares, will be determined, considered and approved at a general meeting according to the actual operations of the Bank for the current year and the future development of its normal operation.

**(V) Cost of Social Capital and External Financing Environment**

The Bank may currently increase its capital scale by means of issuing ordinary shares, debt instruments and profit retention. Among them, profit retention is currently one of the important means of the Bank to increase its capital funds. When formulating a dividend policy, the Bank will take into consideration various factors comprehensively, including the reasonable capital structure, capital cost and external financing environment of the bank.

**(VI) Cash Flow**

The cash flow of the Bank from operating activities is mainly affected by various factors, including the macro-economic development, the monetary policy and the scale of deposits and loans of the PRC. While taking into consideration the impact of its financing and investment activities on cash flow and ensuring its normal operation, the Bank will make appropriate adjustments to the cash dividend policy according to its actual cash flow for the current year.

**(VII) Capital Requirements**

The Bank is required to satisfy the regulatory requirements of the CBIRC on capital adequacy of commercial banks. The Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) issued by the CBIRC with effect from January 1, 2013, further strengthened the capital restrictive mechanism and provided more stringent capital regulatory requirements for commercial banks. The Bank is required to take into full consideration its capital adequacy when formulating the profit distribution policy. The Bank may implement a positive dividend distribution plan on the basis that its capital adequacy ratio meets regulatory requirements and its long-term development. However, when its net capital is consumed in a relatively fast manner, the dividend policy of the Bank shall take into full consideration various factors, including the banking regulatory requirements, requirements for meeting the demands of the Shareholders for dividends, and the ability of the Bank to deal with operational and financial uncertainties.

**III. SPECIFIC PROPOSAL FOR SHAREHOLDERS' RETURN PLAN FOR THE NEXT  
THREE YEARS (2022-2024)****(I) Priorities of Profit Distribution**

The after-tax profit of the Bank shall be distributed in the following order of priority:

1. to make up for the losses of previous years;
2. to set aside 10% as statutory reserve;
3. to make allocations to general reserve;

4. to set aside discretionary reserve fund;
5. to pay dividends to shareholders.

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

No further contribution may be required when the accumulated amount of statutory reserve funds of our Bank reaches more than 50% of our registered capital.

If the statutory revenue reserve is not sufficient to cover the losses in the previous year, the profits of the current year shall be used to cover such losses before allocation to the statutory revenue reserve is made in accordance with the provisions of the proceeding paragraph. After withdrawal of statutory reserve fund, the general meeting may decide whether to withdraw discretionary reserve fund.

If it is resolved at the general meeting to distribute profit to shareholders before covering the losses and making allocation to statutory revenue reserve in violation to the provisions of the proceeding paragraph, the shareholders shall return such distributed profits to our Bank.

The reserve fund of our Bank shall be used for making up the losses, expanding the scale of operation or increasing the registered capital. However, capital reserve of our Bank shall not be applied for making up for losses.

The shares held by our Bank shall not participate in the profit distribution.

## **(II) Form of Profit Distribution and Its Interval**

The Bank may distribute profits in proportion to the Shareholdings of Shareholders, and may make dividend distributions either in cash or in shares or a combination of both. If the Bank satisfies the conditions for cash dividends, it shall give priority to make profit distribution in the form of cash dividends. The Bank shall distribute profits annually in principle, and may distribute an interim dividend where conditions allow.

## **(III) Conditions and Ratio of Cash Dividend Distribution**

In general, no cash dividend shall be paid to Shareholders for any year in which the Bank's capital adequacy ratio is lower than the minimum standard required by the regulatory authorities of the PRC. On the premises of ensuring that the capital adequacy ratio meets the regulatory requirements, the Bank may pay cash dividends if its profits realized in the last three years, after making up losses and making allocation to the statutory reserve and general reserves and payment of dividends to preference Shareholders in accordance with law, remain

positive and distributable. Any profit to be distributed to its ordinary Shareholders by the Bank in cash each year shall be no less than 30% of the distributable profits attributable to ordinary Shareholders of the Bank realized by it for the last three years. The specific ratio of cash dividend distribution each year will be determined by the Bank in accordance with the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association, and based on its business operation, and will be considered and approved at general meetings of the Bank.

Where the operating income of the Bank grows rapidly and the Board considers that the share price of the Bank does not reflect its share capital size, the Bank may propose and execute a share dividend distribution proposal in addition to the cash dividend distribution above.

The Board of the Bank shall take into full account various factors, such as features of the industries where the Bank operates, stage of development, its own business model, profitability and whether there is significant capital expenditure arrangement, to distinguish the following situations and put forward differentiated policies of cash dividend in accordance with the procedures as required by the Articles of Association of the Bank:

1. If the Bank is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;
2. If the Bank is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;
3. If the Bank is at the growing stage and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made.

If it is difficult to distinguish the Bank's stage of development and the Bank has significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the preceding provisions.

The Bank shall not distribute profits to the ordinary shareholders before ensuring the full satisfaction of annual dividend as agreed to preference shareholders.

**IV. DECISION-MAKING AND SUPERVISION MECHANISM OF THE RETURN PLAN**

When determining a profit distribution plan, the Board of the Bank shall carefully study and justify the timing, conditions and minimum ratio for cash dividend distribution, its conditions for adjustments and the requirements of the procedures for decision-making. The independent Directors shall give specific opinion in respect thereof. The independent Directors may seek the opinion of the minority Shareholders, devise a dividend distribution proposal accordingly and submit the same directly to the Board for consideration. Prior to the consideration of the specific plan of cash dividend by the Shareholders at a general meeting, the Bank shall actively communicate and exchange ideas through multiple channels with Shareholders (in particular, the minority Shareholders), thoroughly consider the opinions and requests of the minority Shareholders and give timely responses to the issues that concern them. The Board of Supervisors of the Bank shall supervise the formulation and decision-making by the Board of the profit distribution plan of the Bank.

Where the Bank has satisfied conditions for cash dividend distribution but has not prepared any cash dividend plan, or the profit distributed to its ordinary Shareholders by the Bank in cash is less than 30% of the distributable profits attributable to ordinary Shareholders of the Bank realized by it for the last three years, the Board shall set out the specific reasons for not distributing cash dividends, the exact purpose for the retained profits and the estimated investment return. The Bank shall submit to the general meeting for consideration after the independent Directors have expressed their opinions, and make disclosure in the designated media by the Bank. The Bank shall provide access to online voting platforms for Shareholders.

A profit distribution plan shall be disclosed by the Bank in the annual report for the year. If the Bank generated profits during the reporting period but the Board of the Bank has not made any cash profit distribution plan, the reasons thereof and the use of proceeds retained by the Bank not used for dividend distribution shall be explained in detail in its periodic reports and independent Directors shall give an independent opinion in this regard.

**V. IMPLEMENTATION OF THE PROFIT DISTRIBUTION PLAN**

After a resolution is adopted by the Bank's general meeting in respect of the profit distribution plan, the Board must complete the profit distribution within two months after the general meeting.

**VI. FORMULATION PERIOD AND ADJUSTMENT MECHANISM OF THE RETURN PLAN**

The Bank shall formulate the Shareholders' return plan based on the profit distribution policy set out in the Articles of Association, and ensure that the Shareholders' return plan is prepared every three years so as to plan the dividend distribution policy for the next three years. When formulating the Shareholders' return plan, the Board of the Bank shall fully

consider and take advices and suggestions from Shareholders (especially the minority Shareholders), independent Directors, and external Supervisors through various channels. The dividend distribution policy and the Shareholders' return plan for three years as made by the Board of the Bank shall not be implemented until they are approved by a general meeting upon submission.

If the operations of the Bank are materially affected as a result of war, natural disasters and other events of force majeure, or any change in its external operating environment, or any significant changes in its own operating conditions, the Bank may adjust its profit distribution policy. When the Bank makes such adjustment, the Board shall prepare a written report on special topics containing detailed discussion and verification of the reasons for adjustment, which, after being considered by the independent Directors, shall be submitted to the general meeting for approval by Shareholders representing over 2/3 voting rights at such meeting. The Bank shall provide access to online voting platforms for Shareholders for voting purpose. In considering such adjustments to profit distribution policy at a general meeting, the opinions of minority Shareholders must be sufficiently considered.

**VII. MATTERS WHICH ARE NOT COVERED UNDER THIS PLAN SHALL BE IMPLEMENTED IN ACCORDANCE WITH THE RELEVANT LAWS AND REGULATIONS, REGULATORY DOCUMENTS AND THE ARTICLES OF ASSOCIATION OF THE BANK. THE PLAN SHALL BE INTERPRETED BY THE BOARD OF THE BANK AND SHALL BECOME EFFECTIVE FROM THE DATE UPON APPROVAL AT A GENERAL MEETING OF THE BANK.**

**VIII. UNLESS OTHERWISE INDICATED IN THE PLAN, THE TERMS "SHARES" AND "STOCKS" USED HEREIN REFER TO ORDINARY SHARES AND STOCKS, AND THE TERM "SHAREHOLDERS" USED HEREIN REFER TO ORDINARY SHAREHOLDERS.**



CHINA ZHESHANG BANK CO., LTD.

浙商银行股份有限公司

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

**(Stock Code: 2016)**

**(Stock Code of Preference Shares: 4610)**

**NOTICE OF 2021 THIRD EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2021 third extraordinary general meeting (the “EGM”) of China Zheshang Bank Co., Ltd. (the “Bank”) will be held at Main Conference Room, 1/F, Head Office of China Zheshang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the People’s Republic of China (the “PRC”), at 2:30 p.m. on Tuesday, November 23, 2021 for the purposes of considering and, if thought fit, passing the following resolutions (capitalised terms used in this notice shall have the same meanings as those defined in the circular dated November 3, 2021 by the Bank unless otherwise stated):

**SPECIAL RESOLUTIONS**

1. To consider and approve the resolution in relation to the proposal for rights issue of China Zheshang Bank Co., Ltd.
  - 1.1 class and par value of the shares to be issued
  - 1.2 issuance method
  - 1.3 base, proportion and number of the rights issue
  - 1.4 pricing principle and price for the rights shares
  - 1.5 target subscribers for the rights issue
  - 1.6 distribution plan for accumulated undistributed profits prior to the rights issue
  - 1.7 time of issuance
  - 1.8 method of underwriting
  - 1.9 use of proceeds in relation to the rights issue

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## NOTICE OF 2021 THIRD EXTRAORDINARY GENERAL MEETING

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- 1.10 validity period of the resolution in relation to the rights issue
- 1.11 listing of the shares in relation to the rights issue
2. To consider and approve the resolution in relation to the plan of China Zheshang Bank Co., Ltd. on public issuance of shares by the way of rights issue
  3. To consider and approve the resolution in relation to the authorization to the Board and persons authorized by China Zheshang Bank Co., Ltd. to deal with matters related to rights issue to be proposed in the general meeting
  4. To consider and approve the resolution in relation to the change in registered capital and the corresponding amendments to the relevant clauses in the Articles of Association upon the completion of rights issue of China Zheshang Bank Co., Ltd.
  5. To consider and approve the resolution in relation to the fulfillment of issue conditions of rights issue of China Zheshang Bank Co., Ltd.
  6. To consider and approve the resolution in relation to the report on the use of previously raised funds of China Zheshang Bank Co., Ltd.
  7. To consider and approve the resolution in relation to the report on the feasibility of use of proceeds from rights issue of China Zheshang Bank Co., Ltd.
  8. To consider and approve the resolution in relation to the remedial measures for the dilution of current returns by rights issue to original shareholders of China Zheshang Bank Co., Ltd.
  9. To consider and approve the resolution in relation to the shareholders' return plan for the next three years (2022-2024) of China Zheshang Bank Co., Ltd.

By order of the Board  
**China Zheshang Bank Co., Ltd.**  
**Shen Renkang**  
*Chairman*

Hangzhou, the PRC,  
November 3, 2021

*As at the date of this notice, the executive directors of the Bank are Mr. Shen Renkang and Mr. Zhang Rongsen; the non-executive directors are Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, and Mr. Zhu Weiming; the independent non-executive directors are Mr. Tong Benli, Mr. Dai Deming, Mr. Liu Pak Wai, Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai and Mr. Wang Wei.*

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## NOTICE OF 2021 THIRD EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Individual Shareholder who wish to attend the meeting in person shall produce his/her identity cards or other effective document or proof of identity. Proxies of individual Shareholder shall produce his/her effective proof of identity and proxy form. A corporate Shareholder should attend the meeting by its legal representative or a person authorized by its board of directors or other decision-making body upon resolution. A legal representative or an authorized person who wishes to attend the meeting should produce his/her identity card or other effective document or proof of identity. If appointed to attend the meeting, the proxy should produce his/her identity card and the proxy form which bears the corporate Shareholder's seal or is signed by its director or a proxy duly appointed.
2. Any Shareholder entitled to attend and vote at the 2021 Third EGM is entitled to appoint one or more persons (whether such person is a shareholder or not) as his/her proxy or proxies to attend and vote on his/her behalf
3. The instrument appointing a proxy must be in writing under the hand of the Shareholder or his/her attorney duly authorised in writing. For a corporate Shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorised in writing.
4. For H Shareholders who wish to attend the 2021 Third EGM, the form of proxy (together with a notarized copy of the power of attorney or other authority (if any) if the form of proxy is signed by a person on behalf of the H Shareholder) must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the 2021 Third EGM or any adjournment thereof (i.e. before 2:30 p.m. on Monday, November 22, 2021) in order to be valid. If no direction is given, the proxy will be entitled to vote or abstain as he/she thinks fit. The proxy will also be entitled to vote at his/her discretion on any resolution properly put to the 2021 Third EGM other than those referred to in the notice convening the EGM.
5. The H Shares register of members of the Bank will be closed from Thursday, November 18, 2021 to Tuesday, November 23, 2021 (both days inclusive), during which period no transfer of H Shares of the Bank will be effected. For unregistered holders of H Shares who intend to attend the 2021 Third EGM, all share certificates and the transfer documents must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, November 17, 2021. The holder of H Shares whose names appear on the register of members of the Bank at the close of business on Wednesday, November 17, 2021 will be entitled to attend and vote at the 2021 Third EGM.
6. Pursuant to the Hong Kong Listing Rules, each of the resolutions set out in the notice of the 2021 Third EGM will be voted by poll. Results of the poll voting will be published on the Bank's website at [www.czbank.com](http://www.czbank.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) after the 2021 Third EGM.
7. Shareholders who attend the EGM in person or by proxy shall bear their own traveling, dining and accommodation expenses.



CHINA ZHESHANG BANK CO., LTD.

浙商银行股份有限公司

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

**(Stock Code: 2016)**

**(Stock Code of Preference Shares: 4610)**

**NOTICE OF 2021 FIRST CLASS MEETING FOR H SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the 2021 first class meeting for H shareholders (the “**2021 First Class Meeting for H Shareholders**”) of China Zheshang Bank Co., Ltd. (the “**Bank**”) will be held at Main Conference Room, 1/F, Head Office of China Zheshang Bank, No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC, immediately after the conclusion of the 2021 First Class Meeting for A Shareholders on Tuesday, November 23, 2021 for the purposes of considering and, if thought fit, passing the following resolutions (capitalised terms used in this notice shall have the same meanings as those defined in the circular dated November 3, 2021 by the Bank unless otherwise stated):

**SPECIAL RESOLUTIONS**

1. To consider and approve the resolution in relation to the proposal for rights issue of China Zheshang Bank Co., Ltd.
  - 1.1 class and par value of the shares to be issued
  - 1.2 issuance method
  - 1.3 base, proportion and number of the rights issue
  - 1.4 pricing principle and price for the rights shares
  - 1.5 target subscribers for the rights issue
  - 1.6 distribution plan for accumulated undistributed profits prior to the rights issue
  - 1.7 time of issuance
  - 1.8 method of underwriting
  - 1.9 use of proceeds in relation to the rights issue

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## NOTICE OF 2021 FIRST CLASS MEETING FOR H SHAREHOLDERS

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- 1.10 validity period of the resolution in relation to the rights issue
- 1.11 listing of the shares in relation to the rights issue
2. To consider and approve the resolution in relation to the plan of the China Zheshang Bank Co., Ltd. on public issuance of shares by the way of rights issue
  3. To consider and approve the resolution in relation to the authorization to the Board and persons authorized by China Zheshang Bank Co., Ltd. to deal with matters related to rights issue to be proposed in the general meeting
  4. To consider and approve the resolution in relation to the change in registered capital and the corresponding amendments to the relevant clauses in the Articles of Association upon the completion of rights issue of China Zheshang Bank Co., Ltd.
  5. To consider and approve the resolution in relation to the fulfillment of issue conditions of rights issue of China Zheshang Bank Co., Ltd.
  6. To consider and approve the resolution in relation to the report on the feasibility of use of proceeds from rights issue of China Zheshang Bank Co., Ltd.
  7. To consider and approve the resolution in relation to the remedial measures for the dilution of current returns by rights issue to original shareholders of China Zheshang Bank Co., Ltd.

By order of the Board  
**China Zheshang Bank Co., Ltd.**  
**Shen Renkang**  
*Chairman*

Hangzhou, the PRC,  
November 3, 2021

*As at the date of this notice, the executive directors of the Bank are Mr. Shen Renkang and Mr. Zhang Rongsen; the non-executive directors are Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, and Mr. Zhu Weiming; the independent non-executive directors are Mr. Tong Benli, Mr. Dai Deming, Mr. Liu Pak Wai, Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai and Mr. Wang Wei.*

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## NOTICE OF 2021 FIRST CLASS MEETING FOR H SHAREHOLDERS

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*Notes:*

1. Individual H Shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual H Shareholders shall produce their effective proof of identity and proxy form. A corporate H Shareholder should attend the meeting by its legal representative or a person authorized by its board of directors or other decision-making body upon resolution. A legal representative or an authorized person who wishes to attend the meeting should produce his/her identity card or other effective document or proof of identity. If appointed to attend the meeting, the proxy should produce his/her identity card and the proxy form which bears the corporate H Shareholder's seal or is signed by its director or a proxy duly appointed.
2. Any H Shareholder entitled to attend and vote at the 2021 First Class Meeting for H Shareholders is entitled to appoint one or more persons (whether such person is a shareholder or not) as his/her proxy or proxies to attend and vote on his/her behalf.
3. Any H Shareholder entitled to attend and vote at the 2021 First Class Meeting for H Shareholders is entitled to appoint one or more persons (whether such person is a shareholder or not) as his/her proxy or proxies to attend and vote on his/her behalf.
4. For H Shareholders who wish to attend the 2021 First Class Meeting for H Shareholders, the form of proxy (together with a notarized copy of the power of attorney or other authority (if any) if the form of proxy is signed by a person on behalf of the H Shareholder) must be returned to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the 2021 First Class Meeting for H Shareholders or any adjournment thereof (i.e. before 2:30 p.m. on Monday, November 22, 2021) in order to be valid. If no direction is given, the proxy will be entitled to vote or abstain as he/she thinks fit. The proxy will also be entitled to vote at his/her discretion on any resolution properly put to the 2021 First Class Meeting for H Shareholders other than those referred to in the notice convening the 2021 First Class Meeting for H Shareholders.
5. The H Shares register of members of the Bank will be closed from Thursday, November 18, 2021 to Tuesday, November 23, 2021 (both days inclusive), during which period no transfer of H Shares of the Bank will be effected. For unregistered H Shareholders who intend to attend the 2021 First Class Meeting for H Shareholders, all share certificates and the transfer documents must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, November 17, 2021. The holder of H Shares whose names appear on the register of members of the Bank at the close of business on Wednesday, November 17, 2021 will be entitled to attend and vote at the 2021 First Class Meeting for H Shareholders.
6. Pursuant to the Hong Kong Listing Rules, the resolution set out in the notice of the 2021 First Class Meeting for H Shareholders will be voted by poll. Results of the poll voting will be published on the Bank's website at [www.czbank.com](http://www.czbank.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) after the 2021 First Class Meeting for H Shareholders.
7. H Shareholders who attend the 2021 First Class Meeting for H Shareholders in person or by proxy shall bear their own traveling, dining and accommodation expenses.