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中原銀行股份有限公司*
ZHONGYUAN BANK CO., LTD.*

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

(Stock Code of H Shares: 1216)

(Stock Code of Preference Shares: 4617)

**ANNOUNCEMENT REGARDING
UPDATES ON REPLENISHMENT OF OTHER TIER-ONE
CAPITAL THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT**

References are made to the announcement dated September 29, 2022 and the circular dated October 5, 2022 (the “**Circular**”) of Zhongyuan Bank Co., Ltd.* (the “**Bank**”) in relation to, among others, the Bank’s intention to replenish its other tier-one capital through a convertible negotiated deposit. Relevant resolutions have been considered and approved at the Bank’s extraordinary general meeting held on November 11, 2022 (the “**EGM**”), the Domestic share class meeting held on November 11, 2022 and the H share class meeting held on November 11, 2022 (collectively, as the “**Class Meetings**”). As approved at the EGM and the Class Meetings, the Board authorized the senior management to make decisions and carry out relevant works in relation to the replenishment of capital through a convertible negotiated deposit at its full discretion, in accordance with laws and regulations, subject to the framework and principle of the convertible negotiated deposit considered and approved at the EGM and the Class Meetings and the requirements of the Finance Department of Henan Province (河南省財政廳) and relevant regulatory authorities. The Board has authorized the senior management to handle the specific matters related to the issuance of the aforesaid convertible negotiated deposit, including but not limited to: (1) determining, adjusting and supplementing proposal and specific terms of the convertible negotiated deposit; (2) handling relative specific matters in relation to the replenishment of capital through a convertible negotiated deposit, including but not limited to submitting issuance application materials to relevant finance department and regulatory authorities, amending and entering into all legal documents in relation to convertible negotiated deposit, and completing relevant procedures such as application, reporting, registration and filing; and (3) adjusting specific issuance proposal in accordance with provisions or requirements on new policies by relevant regulatory authorities or market conditions (excluding matters to be voted at the Shareholders’ the general meeting of the Bank in accordance with laws and regulation and the Articles of Association), if there is any change in the policy on convertible negotiated deposit by regulatory authorities prior to the issuance or new requirements are imposed by relevant regulatory authorities or changes in market conditions.

Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Circular.

As disclosed in the Circular, the Bank will enter into an agreement on the convertible negotiated deposit (the “**Agreement**”) with the Finance Department of Henan Province or its designated authority upon the approval of the EGM and the Class Meetings. The Board hereby announces that the Bank has entered into the Agreement with Zhengzhou Finance Bureau (鄭州市財政局), the authority designated by the Finance Department of Henan Province.

Pursuant to the authorization in relation to the replenishment of other tier-one capital through a convertible negotiated deposit approved at the EGM and the Class Meetings, and with the consent of Zhengzhou Finance Bureau, as compared to the proposal of convertible negotiated deposit set out in the Circular, the following adjustments to terms in the Agreement, among the others, will be made:

Terms before adjustment	Terms after adjustment	Reasons for adjustment
<p>Agreement on the Convertible Negotiated Deposit</p> <p>The interest rate of the convertible negotiated deposit under the Agreement shall be fixed, and the annual interest rate (after considering tax factors) is subject to the actual issuing rate of the corresponding local government's special bonds. Interest shall be paid on the convertible negotiated deposit under the Agreement every six months, and the interest payment day of the convertible negotiated deposit shall be at least 10 working days ahead of the interest payment day of the local government's special bonds. The interest shall be paid to the local treasury of the Finance Department of Henan Province or its designated authorities by wire transfer. The transfer voucher of the Bank shall be the valid voucher of the interest payment.</p> <p>From the sixth year, the principal of the convertible negotiated deposit is repayable by equal annual installments based on the total par value of the convertible negotiated deposit, i.e. 20% of the principal is repaid annually, amounting to RMB1.6 billion.</p>	<p>Agreement on the Convertible Negotiated Deposit</p> <p>The interest rate of the convertible negotiated deposit under the Agreement shall be fixed, and the annual interest rate (after considering tax factors) is subject to the actual issuing rate of the corresponding local government's special bonds. Interest shall be paid on the convertible negotiated deposit under the Agreement every six months, and the interest payment day of the convertible negotiated deposit shall be 30 working days before the interest payment day of the local government's special bonds. The interest shall be paid to the National Treasury Zhengzhou City Center Branch Treasury by wire transfer. The transfer voucher of the Bank shall be the valid voucher of the interest payment.</p> <p>From 2028, the principal of the convertible negotiated deposit is repayable by equal annual installments based on the total par value of the convertible negotiated deposit, i.e. 20% of the principal is repaid annually, amounting to RMB1.6 billion.</p>	<p>The Finance Department of Henan Province designated Zhengzhou Finance Bureau as the signing party of the Agreement and the interest payment day is hereby further clarified in light of the actual conditions.</p>

Terms before adjustment	Terms after adjustment	Reasons for adjustment
<p>Conversion Price</p> <p>The Initial Conversion Price is determined on the basis of the higher value of (i) average trading price of H Shares of the Bank for the 20 trading days preceding the date of the resolution of the Board approving the convertible negotiated deposit (i.e. September 29, 2022), which will be converted into the price in RMB with the central parity of the RMB against HK\$ announced by the State Administration of Foreign Exchange on the date of the resolution of the Board, and (ii) the net assets per Share attributable to the owners of the parent company based on the consolidated statement after asset and capital verification at the time of conversion of the convertible negotiated deposit.</p> <p>Further, in accordance with the relevant requirements under the PRC Company Law, the conversion price of the converted H Shares under the convertible negotiated deposit shall not be less than the nominal value of the Shares, being RMB1.00 per Share. Therefore, the Minimum Conversion Price under the convertible negotiated deposit is RMB1.00 per Share. In case that the Initial Conversion Price is determined on the basis of the average trading price of H Shares of the Bank for the 20 trading days preceding the date of the resolution of the Board approving the convertible negotiated deposit (i.e. September 29, 2022), after the date of the resolution of the Board to carry on the convertible negotiated</p>	<p>Conversion Price</p> <p>The conversion price is subject to the provisions of the capital increment agreement.</p> <p>In the event that the Bank undergoes merger, division or any other circumstances that will result in changes in the class and number of Shares of the Bank and Shareholders' equity which may affect the rights and interests of the investors of the convertible negotiated deposit, the Bank will adjust the conversion price under the principles of impartiality and fairness and according to the actual conditions. The adjustment mechanism of the conversion price under such circumstances will be determined in accordance with the relevant regulations.</p>	<p>The Finance Department of Henan Province designated the Zhengzhou Finance Bureau as the signing party of the Agreement and the relevant terms of the conversion price will be reflected in the capital increment agreement to be entered into separately when conversion conditions are triggered.</p>

Terms before adjustment	Terms after adjustment	Reasons for adjustment
<p>deposit business (before the date of the trigger event of the conversion), if the Bank issues bonus dividends of ordinary Shares, converts capital reserves to share capital and issues new Shares at a price lower than the audited net assets per Share in the year end prior to the issuance (excluding any additional share capital from the conversion of financial instruments issued by the Bank with a provision for conversion into Ordinary Shares) and makes rights issue (whether at a price lower than the audited net assets per Share in the year end prior to the issuance or not), the Bank will adjust the Initial Conversion Price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events, provided that the distribution of cash dividend of ordinary Shares by the Bank will not result in the adjustment of the Initial Conversion Price. The specific adjustment rules have been set as follows:</p> <p>Bonus issue or conversion from capital reserves to share capital</p> $P1 = P0 \times N / (N + n);$ <p>Issuance of new Shares at a price lower than net assets per Share or rights issue</p> $P1 = P0 \times [(N \times M) + (n \times A)] / [(N \times M) + (n \times M)]$	<p>The Bank undertakes not to issue new Shares at a price lower than the net assets per Share during the term of the Agreement. In order to ensure the appreciation and preservation of the value of state-owned assets and to protect the interests of the original Shareholders, and in accordance with general market principles, the Bank will not issue additional Shares at the issuance price lower than the net assets per Share. In addition, other than issuance of additional Shares, the Bank may also raise funds through various other means such as the issuance of capital bonds. Therefore, the aforementioned undertaking of the Bank will not affect its ability to raise funds in the future, which is in the interests of the Bank and its Shareholders as a whole.</p> <p>The ordinary Shares to be issued as a result of the conversion of the convertible negotiated deposit will rank pari passu with the existing issued ordinary Shares, and all holders of ordinary Shares whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.</p> <p>All or part of the convertible negotiated deposit will be converted by Zhengzhou Finance Bureau to ordinary Shares of the Bank (the “Target Shares”), and the number of ordinary Shares to be converted will be equal to the principal balance of the convertible negotiated deposit divided by the conversion price.</p>	

Terms before adjustment	Terms after adjustment	Reasons for adjustment
<p>In the aforesaid rules, “P0” denotes the effective conversion price before adjustment; “N” denotes the aggregate ordinary Shares of the Bank before the issuance of bonus dividends of ordinary Shares, conversion of capital reserves to share capital, issuance of new Shares or right issue; “n” denotes the number of new Shares created due to the issuance of bonus dividends of ordinary Shares, conversion of capital reserves to share capital, issuance of new Shares or right issue; “A” denotes the price of new Share issue or rights issue; “M” denotes audited net assets per Share in the year end prior to the completion date of new Share issue or rights issue; and “P1” denotes the effective conversion price after adjustment. In the case of rights issue (whether at a price lower than the audited net assets per Share in the year end prior to the issuance or not), the total number of ordinary Shares of the Bank will increase and the equity interest per Share will be diluted accordingly. Therefore, a corresponding discount shall be applied to the Initial Conversion Price so as to ensure that all Shareholders’ rights and interests are protected.</p> <p>In accordance with the relevant requirements under the PRC Company Law, the conversion price of the converted H Shares under the convertible negotiated deposit shall not be less than the nominal value of the Shares. Therefore, the conversion price (with or without any adjustment aforementioned) shall not be less than the Minimum Conversion Price of RMB1.00 per Share.</p>	<p>Zhengzhou Finance Bureau is entitled to choose not to convert the convertible negotiated deposit into ordinary Shares of the Bank, and the Bank shall repay the principal and interest and pay the relevant fees as stipulated in the Agreement.</p>	

Terms before adjustment	Terms after adjustment	Reasons for adjustment
<p>The Bank undertakes not to issue new shares at a price lower than the net assets per share during the term of the Agreement. In order to ensure the appreciation and preservation of the value of state-owned assets and to protect the interests of the original shareholders, and in accordance with general market principles, the Bank will not issue additional shares at a price lower than the issuance price of the net assets per share. In addition, other than issuance of additional shares, the Bank may also raise funds through various other means such as the issuance of capital bonds. Therefore, the Bank's aforesaid commitment will not affect its ability to raise funds in the future, which is in the interests of the Bank and the Bank's shareholders as a whole.</p> <p>The ordinary Shares to be issued as a result of the conversion of the convertible negotiated deposit will rank pari passu with the existing issued ordinary Shares, and all holders of ordinary Shares whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.</p> <p>All or part of the convertible negotiated deposit will be converted by the Finance Department of Henan Province or its designated authorities to ordinary Shares of the Bank (i.e. the Target Shares), and the number of ordinary Shares to be converted will be equal to the outstanding principal amount of the convertible negotiated deposit divided by the conversion price.</p>		

Terms before adjustment	Terms after adjustment	Reasons for adjustment
<p>Implementation of the Conversion</p> <p>The Finance Department of Henan Province or its designated authorities, the Bank and the prospective shareholders (including but not limited to the Qualified Target Subscribers which are related to the implementation of the conversion) of the Bank will enter into a capital increment agreement according to the conversion standards and conditions agreed in the Agreement. After the conversion, the Qualified Target Subscribers will, as the Shareholders of the Bank, exercise the corporate governance over the Bank based on the actual shareholding with other Shareholders of the Bank.</p>	<p>Implementation of the Conversion</p> <p>Once the Zhengzhou Finance Bureau entered into the capital increment agreement with the Bank and its Shareholders, and under the circumstances that the amendments to the Articles of Association, the conversion price, number and portion of the Target Shares were approved at the Shareholders' general meeting of the Bank, the Zhengzhou Finance Bureau, after the conversion, shall exercise the corporate governance over the Bank based on the actual shareholding with other Shareholders of the Bank.</p>	<p>The Finance Department of Henan Province designated Zhengzhou Finance Bureau as the signing party of the Agreement and the relevant terms of the Agreement were adjusted accordingly.</p>

The above adjustments didn't make any material alternation to the proposal of convertible negotiated deposit, nor did they exceed the scope of authorization for the proposal on the replenishment of other tier-one capital through a convertible negotiated deposit as approved at the EGM and the Class Meetings. Save as disclosed above, other terms of the Agreement are consistent with the proposal of convertible negotiated deposit as set out in the Circular.

According to the proposal of convertible negotiated deposit as set out in the Circular and the Agreement and as calculated based on the Minimum Conversion Price of RMB1.00 per Share, the details of conversion for the convertible negotiated deposit are set out in the Appendix I of this announcement. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float.

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

On behalf of the Board
Zhongyuan Bank Co., Ltd.*
XU Nuojin
Chairman

Zhengzhou, the PRC
February 6, 2023

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

* *Zhongyuan Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

Appendix I:

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

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

Assuming that the deposit amount will be converted in full, the converted H Shares to be held by Zhengzhou Finance Bureau will be 8,000,000,000 H Shares, the shareholding structures immediately after the conversion of the convertible negotiated deposit are set out as follows:

Name of Shareholders	Class of Shares	As at the date of this announcement			Immediately after the implementation of the conversion		
		Number of Shares	Approximate percentage of issued Shares of the relevant class of the Bank ^{(1) (2)}	Approximate percentage of total issued Shares of the Bank ^{(1) (2)}	Number of Shares	Approximate percentage of issued Shares of the relevant class of the Bank ^{(1) (2)}	Approximate percentage of total issued Shares of the Bank ^{(1) (2)}
Henan Investment Group Co., Ltd. [#] (河南投資集團有限公司) ("Henan Investment Group") ⁽³⁾	Domestic Shares	3,073,224,794	10.38%	8.41%	3,073,224,794	10.38%	6.90%
Other Domestic Shareholders	Domestic Shares	26,531,598,528	89.62%	72.59%	26,531,598,528	89.62%	59.55%
Sub-total		29,604,823,322	100.00%	81.00%	29,604,823,322	100.00%	66.45%
Zhengzhou Finance Bureau	H Shares	-	-	-	8,000,000,000	53.53%	17.96%
Other H Shareholders ⁽⁴⁾	H Shares	6,945,000,000	100.00%	19.00%	6,945,000,000	46.47%	15.59%
Total		36,549,823,322	100.00%	100.00%	44,549,823,322	100.00%	100.00%

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

Notes:

- (1) Certain amounts and percentage figures included in the table above have been subject to rounding adjustments, and any discrepancy between the total amount and the arithmetical sum of the amounts listed is due to rounding.
- (2) Immediately before the implementation of the conversion, the number of total issued Shares of the Bank was 36,549,823,322, comprising 29,604,823,322 Domestic Shares and 6,945,000,000 H Shares. For the avoidance of doubt, the 69,750,000 issued Preference Shares of the Bank have not been taken into account for the purpose of illustrating the change in the shareholding structure of the Bank as a result of the implementation of the conversion.
- (3) Henan Investment Group is wholly owned by the Finance Department of Henan Province. As at the date of this announcement, Henan Investment Group directly holds 2,264,396,518 Domestic Shares of the Bank and indirectly holds 17,696,926 Domestic Shares and 791,131,350 Domestic Shares through its controlled corporations, i.e. Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司) and Zhongyuan Trust Co., Ltd.# (中原信託有限公司), respectively. Therefore, Henan Investment Group is deemed to be interested in a total of 3,073,224,794 Domestic Shares under Part XV of the SFO.
- (4) Since only the H Shares held by other H Shareholders (representing approximately 15.59% of the total issued shares of the Bank) are counted towards the public float of the Bank, which falls below the Minimum Public Float, the conversion of the convertible negotiated deposit shall not proceed and the table of shareholding structure is for illustration purpose only.

For identification purpose only

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

Assuming that the deposit amount will be converted in full, the converted H Shares to be held by Zhengzhou Finance Bureau will be 6,400,000,000 H Shares, and immediately after the implementation of the conversion, the total share capital of the Bank is 42,949,823,322 Shares, including 29,604,823,322 Domestic Shares and 13,345,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

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

Assuming that the deposit amount will be converted in full, the converted H Shares to be held by Zhengzhou Finance Bureau will be 4,800,000,000 H Shares, and immediately after the implementation of the conversion, the total share capital of the Bank is 41,349,823,322 Shares, including 29,604,823,322 Domestic Shares and 11,745,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

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

Assuming that the deposit amount will be converted in full, the converted H Shares to be held by Zhengzhou Finance Bureau will be 3,200,000,000 H Shares, and immediately after the implementation of the conversion, the total share capital of the Bank is 39,749,823,322 Shares, including 29,604,823,322 Domestic Shares and 10,145,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).

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

Assuming that the deposit amount will be converted in full, the converted H Shares to be held by Zhengzhou Finance Bureau will be 1,600,000,000 H Shares, and immediately after the implementation of the conversion, the total share capital of the Bank is 38,149,823,322 Shares, including 29,604,823,322 Domestic Shares and 8,545,000,000 H Shares. If the public float after the implementation of the conversion cannot meet the requirement of the Minimum Public Float, the conversion will not be implemented. In such case, the Bank will consider various means, including but not limited to, issuing new H Shares, to comply with the requirement of the Minimum Public Float (where applicable).