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中國民生銀行股份有限公司  
**CHINA MINSHENG BANKING CORP., LTD.**

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

**(Stock Code: 01988)**

**(USD Preference Shares Stock Code: 04609)**

**PROPOSED PUBLIC ISSUANCE  
OF A SHARE CONVERTIBLE BONDS**

The Meeting of the Board was held on-site in Beijing on 30 March 2017. The Board considered and approved, among others, the resolution on the public issuance and listing of A Share Convertible Bonds by the Company.

The proposed issuance of A Share Convertible Bonds is subject to approval at the shareholders' general meeting and class meetings of the Company. A circular containing, among others, the details of the proposed issuance of A Share Convertible Bonds will be delivered to the shareholders in due course.

The second meeting (the “**Meeting**”) of the seventh session of the board of directors (the “**Board**”) of China Minsheng Banking Corp., Ltd. (the “**Company**”) was held on-site in Beijing on 30 March 2017. The Board considered and approved, among others, the resolution on the public issuance and listing of A Share Convertible Bonds by the Company.

# PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

Pursuant to the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Rules Governing Capital Management of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other laws, regulations and normative legal documents, the Company has satisfied the requirements for the public issuance of A share convertible bonds of the Company (the “**Convertible Bonds**” or “**A Share Convertible Bonds**”). In order to improve the capital adequacy ratio of the Company, enhance its comprehensive competitiveness and strengthen the sustainable development capabilities, the Company proposes the public issuance and listing of the Convertible Bonds on the Shanghai Stock Exchange (the “**Issuance**”). Details of the proposal are as follows:

## I. TYPE OF SECURITIES TO BE ISSUED

The type of the securities to be issued by the Company is a convertible bonds which can be converted into A shares of the Company (“**A Shares**”). The Convertible Bonds and A Shares to be converted from the Convertible Bonds will be listed on the Shanghai Stock Exchange.

## II. ISSUE SIZE

The total amount of the proposed Convertible Bonds will not exceed RMB50 billion. The actual size of the Issuance shall be determined by the Board within the above range, subject to the authorization by the shareholders of the Company (“**Shareholders**”) in general meeting.

## III. PAR VALUE AND ISSUE PRICE

The Convertible Bonds will be issued at par with a nominal value of RMB100 each.

## IV. TERM

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

## V. INTEREST RATE

The Board proposes to the Shareholders in general meeting to authorize the Board to determine the methods for determination of nominal interest rate and the final interest rate for the interest accrual year in accordance with PRC policies, market conditions and the actual conditions of the Company, prior to the issuance of the Convertible Bonds.

## VI. METHOD AND TIMING OF INTEREST PAYMENT

### (I) Calculation of annual interest

The interest of each interest accrual year (the “**Annual Interest**”) means the interest accrued to the holder of the Convertible Bonds (the “**Convertible Bond Holder**”) in each year on each anniversary of the date of issuance of the Convertible Bonds, calculated based on the aggregate nominal value of the Convertible Bonds.

The formula for calculating the Annual Interest is:  $I = B \times i$

“**I**”: denotes the Annual Interest;

“**B**”: denotes the aggregate nominal value of the Convertible Bonds held by a Convertible Bond Holder as at the record date for interest payment in an interest accrual year (“**that year**” or “**each year**”); and

“**i**”: denotes the interest rate of the Convertible Bonds of that year.

### (II) Method of interest payment

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

## VII. CONVERSION PERIOD

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

## VIII. DETERMINATION AND ADJUSTMENT OF THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

### (I) Basis for determining the initial conversion price for the Convertible Bonds (the “**Conversion Price**”)

The initial Conversion Price of the Convertible Bonds shall not be lower than the average trading price of A Shares for the 20 trading days preceding the date of publication of the offering document and the average trading price of A Shares on the trading day preceding the date of the offering document of the Convertible Bonds. The actual initial Conversion Price shall be determined by the Board of the Company with reference to the market conditions, according to the authorization by the Shareholders in general meeting.

### (II) Method of adjustments to the Conversion Price

The Conversion Price is subject to adjustment upon the Issuance in case of certain events which affect the share capital of the Company and lead to distribution of cash dividends, such as distribution of share dividends, capitalization, issuance of new shares or rights issue (excluding any increase in the share capital as a result of conversion of the Convertible Bonds). The Company will adjust the Conversion Price based on the actual situation and in accordance with the principles of fairness, justice, equality and full protection of the Convertible Bond Holders’ interests. The specific formulas for adjustments to the Conversion Price will be determined by the Board of the Company pursuant to relevant requirements as set out in the offering document.

Upon occurrence of any of the abovementioned changes in shareholding and/or Shareholder’s interests, the Company will adjust the Conversion Price in accordance with the methods determined, and an announcement of the adjustment of the Conversion Price shall be made on the publications designated by the China Securities Regulatory Commission (the “**CSRC**”) for information disclosure of listed companies. The announcement will indicate the date of adjustment to the Conversion Price, adjustment method and suspension period of share conversion (if necessary). An announcement will also be published (if necessary) in the Hong Kong market in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the “**Hong Kong Listing Rules**”) and the articles of association of the Company (the “**Articles of Association**”). If the Conversion Price adjustment date is on or after the date on which a Convertible Bond Holder applies for conversion of his Convertible Bonds but before the registration date of the shares to be issued upon conversion, then such conversion will be executed based on the adjusted Conversion Price.

In the event that the Convertible Bond Holder's creditor's interests, or the interests derived from the share conversion are affected by the change in the Company's share class, quantity and/or shareholders' interests due to any possible share repurchase, consolidation, division or any other circumstances, the Company will adjust the Conversion Price based on the actual situation and in accordance with the principles of fairness, justice and equality so as to fully protect of the Convertible Bond Holder's interests. The details of adjustments to Conversion Price and its implementation measures shall be determined in accordance with then relevant PRC laws and regulations and the relevant requirements of the securities regulatory authorities.

## **IX. DOWNWARD ADJUSTMENT TO CONVERSION PRICE**

### **(I) Limitation of adjustment right and the magnitude of adjustment**

If, during the term of the Convertible Bonds issued hereunder, the closing prices of the A Shares in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing Conversion Price, the Company may propose a downward adjustment to the Conversion Price to the Shareholders in general meeting for their consideration and approval within ten business days from the date of occurrence of the abovementioned circumstance.

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

The abovementioned proposal is subject to approval of two-thirds of the participating shareholders with voting rights. Shareholders who hold the Convertible Bonds issued hereunder should abstain from voting. The adjusted Conversion Price should be no less than the average trading price of the A Shares for 20 trading days immediately before the shareholders' general meeting for consideration and approval of the aforementioned proposal and the average trading price of the A Shares on the trading day immediately prior to shareholders' general meeting for the consideration and approval of the aforementioned proposal, and should be also no less than the latest audited net asset value per share and the nominal value per share.

## (II) Procedure of adjustment

If the Company decides to make a downward adjustment to the Conversion Price, the Company will publish an announcement in the print media and the website designated by the CSRC. The information disclosed will include the resolutions of shareholders' general meeting in relation to the magnitude of the adjustment, the registration date of shares and the suspension period of share conversion. An announcement will also be published (if necessary) in the Hong Kong market if it is required by the Hong Kong Listing Rules and the Articles of Association. Application for conversion of the Convertible Bonds at adjusted Conversion Price shall be resumed upon the first trading day after the registration date, i.e. the Conversion Price adjustment date.

If the adjustment date of the Conversion Price is on or after the date on which a Convertible Bond Holder applies for conversion of the Convertible Bonds but before the date of registration of the shares to be issued upon such conversion, then such conversion will be executed based on the adjusted Conversion Price.

## **X. METHOD FOR DETERMINING THE NUMBER OF SHARES FOR CONVERSION**

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

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

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

## **XI. ENTITLEMENT TO DIVIDEND IN THE YEAR OF CONVERSION**

The new shares of the Company to be issued as a result of the conversion of the Convertible Bonds shall rank pari passu with all the existing shares of the Company, and all shareholders whose names are recorded on the register of members of the Company on the record date for dividend distribution shall be entitled to receive the dividend of that period.

## XII. TERMS OF REDEMPTION

### (I) Terms of redemption at maturity

Within five trading days upon the maturity of the Convertible Bonds, the Company will redeem all the Convertible Bonds from Convertible Bond Holder which have not been converted into shares by then, at a price calculated at a premium (including the interest accrued in the last interest accrual year) in addition to the nominal value of the Convertible Bonds. The actual premium shall be determined by the Board with reference to the market conditions, according to the authorization at the shareholders' general meeting.

### (II) Terms of conditional redemption

During the conversion period of the Convertible Bonds, if the closing price of the A Shares in at least 15 trading days out of any 30 consecutive trading days is equal to or higher than 130% of the prevailing Conversion Price, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds, at a price equal to the nominal value of the Convertible Bonds plus then accrued interest, subject to the approval from relevant regulatory authorities (if necessary). In the event that an adjustment to the Conversion Price is made due to ex-rights or ex-dividend during the aforementioned trading days, the calculation shall be made based on unadjusted Conversion Price relating to, and the closing price of, the trading day prior to such adjustment, and on the adjusted Conversion Price relating to, and the closing price of, the trading day after such adjustment.

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

Formula for calculating then accrued interest is:

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

IA : Accrued interest for the current period;

B : Aggregate nominal value of the Convertible Bonds issued hereunder that are held by the Convertible Bond Holder and will be redeemed;

i : Interest rate of the Convertible Bonds for current year; and

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



### **XIII. TERMS OF SALE BACK**

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

### **XIV. METHOD OF ISSUANCE AND TARGET INVESTORS**

The method of the issuance of the Convertible Bonds will be determined by the Board, subject to the authorization at the Shareholders' general meeting. The target investors are natural persons, legal persons, securities investment funds and other investors that are in compliance with the laws, who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, except those prohibited by PRC laws and regulations.

### **XV. SUBSCRIPTION ARRANGEMENT FOR THE EXISTING HOLDERS OF A SHARES**

The existing holders of A Shares shall have pre-emptive rights to subscribe for the Convertible Bonds to be issued. They shall, however, also have the right to surrender such rights of subscription. The actual amount of the Convertible Bonds to be preferentially allocated to the existing holders of A Shares shall be determined by the Board with reference to the market conditions before the issuance, subject to the authorization at the shareholders' general meeting, and shall be disclosed in the offering document of the Convertible Bonds. The exercise of such preferential allocation is subject to the Company Law of the PRC, the Hong Kong Listing Rules and all other applicable laws, rules and regulations (including but not limited to the regulations and requirements related to connected transactions) of government or regulatory authorities.



## **XVI. CONVERTIBLE BONDS HOLDERS AND THEIR MEETINGS**

### **(I) Rights and obligations of Convertible Bond Holders**

#### **1. Rights of Convertible Bond Holders**

- (1) to receive agreed interests in accordance with the number of the Convertible Bonds held by Convertible Bond Holders;
- (2) to convert the Convertible Bonds held by Convertible Bond Holders into shares of the Company according to the agreed conditions;
- (3) to exercise right of sale back on agreed conditions;
- (4) to assign, bestow or pledge the Convertible Bonds held by Convertible Bond Holders in accordance with the laws, administrative regulations and the Articles of Association;
- (5) to receive relevant information in accordance with the laws and the Articles of Association;
- (6) to request the Company to repay the principal and interest of the Convertible Bonds within the agreed period and by the agreed manner; and
- (7) other rights as creditors of the Company prescribed by applicable laws, administrative regulations and Articles of Association.

#### **2. Obligations of the Convertible Bond Holders**

- (1) to abide by the relevant terms of the Convertible Bonds;
- (2) to pay the subscription amount in accordance with the number of Convertible Bonds subscribed for;
- (3) not to request the Company to make prepayment of the principal and interest of the Convertible Bonds, unless otherwise required by applicable laws and regulations, or otherwise agreed in the offering document of the Convertible Bonds; and
- (4) other obligations of the Convertible Bond Holder prescribed by applicable laws, administrative regulations and the Articles of Association.

## **(II) Convertible Bond Holders' Meetings**

### **1. Circumstances under which Convertible Bonds Holders' meetings shall be convened**

A Convertible Bond Holders' meeting shall be convened by the Board upon the occurrence of any of the following events:

- (1) the Company proposes to change the terms of the offering document;
- (2) the Company defaults in paying principal amount and interests under the Convertible Bonds on time;
- (3) the Company undertakes a capital reduction, merger, division, dissolution or files for bankruptcy; and
- (4) other matters which may affect the material interests of the Convertible Bond Holders.

The following entities or persons may propose a Convertible Bond Holders' meeting:

- (1) the Board of the Company;
- (2) upon written proposal by the holders of 10% or more of the total par value of the outstanding Convertible Bonds; and
- (3) other entities or persons prescribed by the CSRC.

### **2. Convening of Convertible Bond Holders' meetings**

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

### **3. Attendance of the Convertible Bond Holders' meetings**

Unless otherwise required by applicable laws and regulations, the Convertible Bond Holders have the right to attend the Convertible Bond Holders' meeting in person or by proxy to exercise their voting rights.

The following entities or persons may attend the Convertible Bond Holders' meetings as non-voting attendees and submit proposals at the meetings for discussion and decision of the meeting:

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

The Board should engage attorneys to attend the Convertible Bond Holders' meetings and issue legal opinions in relation to the calling and convening of the meetings, voting procedures, and qualifications of the attendees of the Convertible Bond Holders' meetings.

### **4. Procedures of the Convertible Bond Holders' meetings**

- (1) The chairman of the meeting shall announce the rules of procedure of the meeting and important notice, nominate and announce a scrutineer, and present the proposals. Voting will be commenced after discussion of the proposals. The resolution of the Convertible Bond Holders' meetings will be effective upon witness by an attorney;
- (2) A Convertible Bond Holders' meeting shall be chaired by the Chairman of the Board. In the absence of the Chairman of the Board, the meeting shall be chaired by a director authorized by the Chairman of the Board. If neither the Chairman of the Board nor the director authorized by the Chairman of the Board is able to chair the meeting, the meeting shall be chaired by a Convertible Bond Holder elected by Convertible Bond Holders representing at least 50% (exclusive) of par value of Convertible Bonds present at the meeting; and
- (3) The convener should record the attendees of the meeting, which shall indicate the name (or entity name), identity card number, domicile, the par value of the Convertible Bonds with voting rights held or represented by the attendee and the name (or entity name) of Convertible Bonds Holder being represented.

## **5. Voting and resolution of the Convertible Bond Holders' meeting**

- (1) Each Convertible Bond represents one vote in the Convertible Bond Holders' meeting;
- (2) Convertible Bond Holders shall vote by open ballot in the Convertible Bond Holders' meeting;
- (3) A resolution of the Convertible Bond Holders' meeting shall be valid upon the affirmative votes representing at least two-thirds of par value of Convertible Bonds present at the meeting;
- (4) All the items and sub-items contained in the proposals at the Convertible Bond Holders' meetings should be considered and voted separately;
- (5) A resolution of Convertible Bond Holders' meeting will be valid after it has been resolved by the Convertible Bond Holders at the Convertible Bond Holders' meeting, and for resolutions subject to approval by the CSRC or other regulatory authorities, the resolution will be effective from the date of approval or confirmation of the relevant approval;
- (6) Unless expressly agreed that special compensation shall be made to the Convertible Bond Holders voting against the resolution or failing to attend the meeting, a resolution shall have equal effect on all Convertible Bond Holders; and
- (7) After a resolution is adopted by the Convertible Bond Holders' meeting, the Board of the Company shall notify the Convertible Bond Holders by an announcement and be responsible to execute such resolution.

## **6. The subscription or otherwise holding of the Convertible Bonds by the Convertible Bond Holders shall be deemed as their consent to the aforementioned procedures of the Convertible Bond Holders' meetings.**

## **XVII. USE OF PROCEEDS**

The proceeds from the Issuance will be utilised to support the future development of business, and after the conversion of the Convertible Bonds, the proceeds will be used to replenish the core tier-one capital of the Company in accordance with relevant regulatory requirements.

## **XVIII. GUARANTEE AND SECURITY**

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

## **XIX. VALIDITY PERIOD OF THE RESOLUTIONS**

The resolutions in respect of the Issuance will be valid for 12 months from the date on which the relevant resolutions are passed at the shareholders' general meeting and shareholders' class meetings of the Company.

For details of the Feasibility Report of the Use of Proceeds from the Issuance of A Share Convertible Bonds, please refer to Appendix I to this announcement.

For details of the resolution on Impacts of Dilution of Current Returns of the Proposed Issuance of A Share Convertible Bonds and the Remedial Measures, please refer to Appendix II to this announcement.

For details of the resolution on Report of the Use of Proceeds from the Previous Issuance (as defined below), please refer to Appendix III to this announcement.

## **MATTERS RELATING TO AUTHORIZATION**

To ensure that the public issuance of the Company's A Share Convertible Bonds can be executed smoothly, the Board proposes to the shareholders' meeting to authorize the Board and its authorized persons to handle the public issuance of the Convertible Bonds and other matters related to the Convertible Bonds, acting jointly or solely, with full discretions:

### **I. AUTHORIZATION RELATED TO THE PUBLIC ISSUANCE**

The Board proposes to the shareholders' meeting to authorize the Board, which in turn can delegate authority to the chairman, president and other personnel of the senior management, to jointly or solely handle with full discretions the relevant matters of the public issuance of the Convertible Bonds within the framework and principles approved by the shareholders' meeting. The term of the authorization shall be 12 months from the date on which the resolution of the shareholders' meeting takes effect. Before the expiry of the authorization, the Board will propose to the shareholders' meeting of the Company the approval of a new authorization, taking into account the actual situation of the public issuance of the Convertible Bonds. The specific terms and scope of the authorization include but are not limited to:

- (I) Within the scope permitted by the relevant laws and regulations and the resolutions of the shareholders' meeting, and in accordance with the requirements of the relevant regulatory authorities and the actual situation of the Company, before the Issuance comes into effect, the specific terms and conditions of the issuance and the issuance plan shall be clearly defined, and the final plan of the Issuance shall be formulated and implemented, which include but are not limited to the determination of the size, format and target investor(s) of the Issuance, interest rate of the bonds, the conversion terms, the terms on redemption, the size of the preferential allotment to the existing shareholders of A Shares, rating arrangements and others, so as to determine the timing and all other matters related to the Issuance;

- (II) If there are changes in the national laws and regulations, or in the policies governing the issuance of convertible bonds of relevant regulatory authorities, or if there are changes in market conditions, unless such changes are related to the relevant laws and regulations, the regulations in the Articles of Association and matters required by the regulatory authorities to be re-voted by the shareholders' meeting, appropriate revisions, adjustments and supplements can be carried out on the specific arrangements for the Issuance 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 Company and the market;
- (III) The establishment the special account for fund-raising for the Issuance;
- (IV) The handling of the matters related to the listing of the Convertible Bonds after the completion of the Issuance; modification of the terms in Articles of Association in connection with the Issuance in a timely manner after taking into account the situation of the Issuance and conversion; the handling of the matters related to the approval and business filing of the amendments of the Articles of Association and changes in registered capital;
- (V) The analysis, research and demonstration of the dilution effects of the current convertible bond issuance on immediate returns, in accordance with the relevant laws and regulations and requirements of regulatory authorities; the formulation and implementation of relevant measures to make up for the immediate returns, or the modifications, supplements and improvements of the relevant analysis and measures under the existing framework according to the new policies and regulations, regulations on implementation, or self-disciplinary regulations to be introduced in the future, and to handle other relevant matters with full discretion;
- (VI) The Company shall determine which intermediary to hire for the Issuance, and, in accordance with the requirements of the regulatory authorities, handle matters related to the reporting of the Issuance; produce, prepare, modify, perfect, sign and submit all the documents related to the Issuance and the listing; and sign, modify, supplement, execute and suspend all relevant contracts, agreements and other important documents related to the Issuance (including but not limited to the sponsor agreement, the underwriting agreement, the fund-raising regulatory agreement, the agreements on the appointment of intermediary, etc.), and handle matters related to the information disclosure of the Issuance in accordance with regulatory requirements;
- (VII) Within the scope permitted by the relevant laws and regulations, and in accordance with the opinions of the regulatory authorities and the actual situation of the Company, to carry out the appropriate revisions, adjustments and supplements on the specific terms and conditions of the Convertible Bonds in the Issuance; and
- (VIII) In circumstances permitted by the relevant laws and regulations, take all necessary actions to determine/handle other matters related to the Issuance.

## II. AUTHORIZATIONS ON OTHER MATTERS RELATED TO THE CONVERTIBLE BONDS

To propose to the shareholders' meeting to authorize the Board to handle the following matters with full discretion during the period the Convertible Bonds are outstanding, in a manner in accordance with the laws and regulations, permitted by the Articles of Association and the relevant regulatory authorities, and within the framework and principles approved by the shareholders' meeting:

- (I) Matters related to redemption: to authorize the Board to handle all matters related to redemption with full discretion, in a manner in accordance with the requirements of laws and regulations, the approval of the relevant regulatory authorities (if required), the requirements in the Articles of Association and market conditions, such matters include but not limited to the timing of redemption, redemption ratio and the execution procedures; and
- (II) Matters related to conversion: to authorize the Board to handle all matters related to conversion with full discretion, in a manner in accordance with the requirements of laws and regulations, the requirements in the Articles of Association and market conditions, such matters include but not limited to the adjustments of the conversion price; the timely amendments to the relevant provisions related to registered capital in the Articles of Association taking into account the conversion situation of the Convertible Bonds; the handling of approval and business filing of the amendments of the Articles of Association; and matters related to the approval and registration of business changes with respect to the changes in registered capital.

All members of the Board should be promptly informed upon completion of all of the above matters.

## RECENT EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

On 14 December 2016, the Company issued 71,950,000 offshore preference shares by private placement (the “**Previous Issuance**”) with a par value of RMB100 and an issuance price of USD20 per offshore preference share. Gross proceeds from the Previous Issuance were USD1,439,000,000, or RMB9,933,129,200 based on the central parity rate published by China Foreign Exchange Trade System on 14 December 2016 of Renminbi to USD exchange rate. Please refer to Appendix III of this announcement for further details.

Save for the above, the Company did not conduct any other equity fund raising activities in the past 12 months immediately before the date of this announcement.



## **GENERAL INFORMATION**

### **REASONS FOR AND BENEFITS OF THE ISSUANCE OF THE CONVERTIBLE BONDS**

Upon conversion into A Shares, the Convertible Bonds will further replenish the capital base and improve the capital adequacy ratio of the Company, further strengthen the Company's capability to resist risks, consolidate the capital foundation for the sustainable business development of the Company, and contribute to enhancing the core competitiveness of the Company and achieving its strategic goals.

Having considered the factors described above, the Board (including the independent non-executive directors of the Company) are of the view that the terms of the Issuance are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **INFORMATION ON THE COMPANY**

The Company, incorporated in Beijing on 12 January 1996, is the first national joint stock commercial bank with contributions from non-state-owned enterprises in China. The Company and its subsidiaries mainly provide corporate and personal banking, treasury business, finance leasing, asset management and other financial services in China.

### **THE HONG KONG LISTING RULES IMPLICATIONS**

As certain existing holders of A Shares are considered associates of Mr. Zhang Hongwei, Mr. Lu Zhiqiang and Mr. Liu Yonghao, being the non-executive directors of the Company, they constitute connected persons of the Company under the Hong Kong Listing Rules. In addition, certain connected persons of the Company, including Mr. Wang Jiazhi, being a supervisor of the Company, and Anbang Insurance Group Co., Ltd., a substantial shareholder of the Company, are also existing holders of A Shares. Such existing holders of A Shares may choose to execute their pre-emptive rights and subscribe for the A Share Convertible Bonds, which will constitute connected transactions under Appendix 14A of the Hong Kong Listing Rules. All of the existing holders of A Shares are entitled to participate in and subscribe for A Share Convertible Bonds on a pro rata basis, and there would be no preferential treatment to connected persons of the Company.

In accordance with Rule 19A.38 of the Hong Kong Listing Rules, the Issuance is subject to approvals by the Shareholders in general meeting and class meetings. Having considered that (i) none of the directors of the Company was engaged in any discussion and negotiation of the specific terms and conditions of the proposed Issuance of A Share Convertible Bonds; and (ii) the Issuance will be made to all the existing A shareholders of the Company on a pro rata basis pursuant to the same terms and conditions, the Company believes that none of the directors of the Board has material interest in the abovementioned matters and hence no director abstained from voting on such Board resolution.

The Board expects that the Company will continue to maintain sufficient public float to satisfy the applicable minimum requirements of the Hong Kong Listing Rules.

## **CONVENING OF SHAREHOLDERS' GENERAL MEETING, A SHARE CLASS MEETING AND H SHARE CLASS MEETING**

The annual general meeting for 2016, the second A share class meeting for 2017 and the second H share class meeting for 2017 of the Company will be convened to consider and, if thought fit, approve, among others, the proposed public issuance and listing of A Share Convertible Bonds. Such resolution shall also be subject to the approvals of China Banking Regulatory Commission and the CSRC and the plan eventually approved. A circular containing, among others, the abovementioned matters will be delivered to H shareholders in due course.

**Shareholders and potential investors should be aware that the Issuance shall be subject to the abovementioned approvals and certain conditions, including market conditions. The proposed Issuance of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise with caution when dealing in the Shares.**

By Order of the Board  
**CHINA MINSHENG BANKING CORP., LTD.**  
**Hong Qi**  
*Chairman*

Beijing, PRC  
30 March 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Hong Qi, Mr. Liang Yutang and Mr. Zheng Wanchun; the non-executive directors are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Yao Dafeng, Mr. Song Chunfeng, Mr. Tian Zhiping and Mr. Weng Zhenjie; and the independent non-executive directors are Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Cheng Hoi-chuen, Mr. Peng Xuefeng and Mr. Liu Ningyu.*

## **Feasibility Report of the Use of Proceeds from the Public Issuance of A Share Convertible Bonds of China Minsheng Banking Corp., Ltd.**

The Company plans to issue the A share convertible bonds (the “**Convertible Bonds**”), and the total amount of fund to be raised shall not exceed RMB50 billion.

### **I. TOTAL PROCEEDS FROM THE PUBLIC ISSUANCE OF CONVERTIBLE BONDS AND THE USE OF PROCEEDS**

The proceeds from the public issuance of the Convertible Bonds shall not exceed RMB50 billion, and the proceeds will be used for financing the future business development, and for replenishing the core tier-one capital of the Company after the Convertible Bonds is converted to shares according to related regulatory requirements.

### **II. ANALYSIS ON NECESSITY OF PUBLIC OFFERING OF THE CONVERTIBLE BONDS**

After converted to shares, the Convertible Bonds will further replenish the capital base, improve the capital adequacy ratio of the Company, further strengthen the Company’s capability to resist risks, consolidate the capital foundation for the sustainable business development of the Company, and contribute to enhancing the core competitiveness of the Company and achieving its strategic goals.

#### **(I) The need for further optimizing the Company’s capital adequacy ratio**

In recent years, the Company has developed healthily and rapidly. With rapid growth in its businesses and the good operation performance, the Company has become a national joint-stock commercial bank with the highest growth rate. The corporate and personal finance businesses of the Company continued to grow, especially highlighted by the strong demand for the vigorously developed private enterprise and small business finance services. Through scientific capital management, the capital adequacy ratio of the Company has been kept at a level comparatively the same as that of other joint-stock commercial banks, and has reached in advance the capital requirement by 2018 as required by China Banking Regulatory Commission (the “**CBRC**”). As at 31 December 2016, the Company’s core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio reached 8.95%, 9.22% and 11.73%, respectively. Through the Issuance of the Convertible Bonds, the Company can further promote its capital adequacy ratio so as to steadily take the leading place in the industry.

(II) The need for meeting the increasingly stringent capital regulatory requirements

In order to promote the capability of China banking industry to resist risks and to strengthen the capital restriction, the CBRC requires that the capital adequacy ratio of the domestic systematically important banks and non-systematically important banks shall reach 11.5% and 10.5% during normal periods, respectively. Commercial banks shall fully meet the relevant capital regulatory requirements by the end of 2018, and eligible banks are encouraged to satisfy the requirements in advance. Although the Company has met the supervision requirement in advance, it still tries to replenish capitals through various channels, build a dynamic capital replenishment mechanism, and maintain the capital quality and long-term capital stability, in order to meet the increasingly stringent regulatory requirements.

(III) The Convertible Bond is an effective way for the Company's refinancing and capital replenishment

The Company has had a set of scientific, well-established and reasonable capital replenishment plans in place. In the past few years, the Company has issued various capital instruments such as A share convertible bonds, tier-2 capital bonds, offshore preference shares, and H share placement. At present, convertible bond is one of the relatively rare products in the domestic capital market and is widely welcomed by the investors. The Convertible Bonds can be placed first to the existing A shareholders of the Company, which has taken into consideration the due rights of all the A shareholders of the Company. The Convertible Bonds have several advantages including little impact on the market and gradual dilution and thus is an effective way for the Company's refinancing and capital fund replenishment.

### **III. Feasibility Analysis on the Public Issuance of the Convertible Bonds**

The Company will prudently operate and steadily develop with reasonable use of the proceeds from the Issuance. While keeping stable and fast growth of its assets, the Company will ensure to maintain the high level of return on equity. In order to achieve this goal, the Company will continue to put forward the following measures:

Based on the changes in external environment and the internal needs for development, the Company developed a mid-to-long-term development strategy for the next decade. Looking forward, the Company will, aiming at serving the real economy and centered on the improvement in quality and efficiency of development, accelerate the implementation of the Phoenix Project and the new strategies, to draw a new blue print of sustainable and healthy development of the Company.

Under its mid-to-long-term development strategy, the Company strives to become a trans-border interconnected, win-win and platform-oriented modern financial service group with distinctive features and global competitive power. By adhering to its development concepts of building up a bank pursuing ongoing innovation, excellence, global distribution and mutual benefits, the Company constructed a new business model driven by financing, strategic consultation, commercial advisory and internet financing, to continue its development of the blue-ocean market and foster new revenue growth drivers.

In its implementation of strategies, the Company insisted on the leading role of asset and liability management. With linkage among the three segments of corporate banking, retail banking and financial markets, and also with the coordination between parent company and its subsidiaries, the Company quickened its pace of building itself into a new bank characterized by digitalization, conglomeration and internationalization. Specifically, the Company constructed a model of strategically significant asset and liability management to lead the steady development of the overall industry; the Company deepened the reform of various divisions, concentrated on advantageous fields and strategic clients to create a corporate banking business with strong competitive power and industry leadership. The Company actively promoted the development of its financial markets segment to speed up its transition to a light-model bank. Based on the features of community finance and small business finance, the Company constructed a new big retail system to open up new blue ocean for the retail finance. The Company set up innovative business lines to develop differentiated new competitive power. The Company established characteristic branches to build regional core competitive power. The Company accelerated the construction of its CMBC Ecosphere of Internet Finance combined with vertical traditional business and horizontal emerging business. By conforming with its development trend, the Company added key licenses and built a comprehensive financial service platform with the group's involvement. With a focus on the "Follower" strategy, the Company expanded its international presence, and improved its global competitiveness.

In conclusion, subject to the approval from regulatory authorities, proceeds from the public issuance of the Convertible Bonds will be used to finance the future business development and replenish the core tier-one capital of the Company after the Convertible Bonds are converted to shares in accordance with relevant regulatory requirements. It will comply with the provisions of relevant laws and regulations, PRC industry policies and the Company's strategy development direction. The public offering of the Convertible Bonds can further enhance the Company's capital strength and the capability to resist risks, help boost the implementation of the Phoenix Project and the new strategy of the Company, expand the international presence, and improve the global competitiveness. The Issuance meets the overall development strategy of the Company and interests of all of its shareholders. Therefore, it is necessary and feasible.

### **Impacts of the Dilution of Current Rate of Return of the Proposed Public Issuance of the A Share Convertible Bonds of China Minsheng Banking Corp., Ltd.**

In accordance with the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (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)), Opinions of the Office of State Council on Further Strengthening the Protection of Legal Interests of Small and Medium Investors in Capital Market (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)) and the Guidelines on Matters relating to Impacts of Dilution of Current Returns of Initial Offering and Re-financing and Major Asset Reorganization (CSRC Notice [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》(證監會公告[2015]31號)), the Company has conducted an analysis on the potential impacts of the Issuance on the interests and current returns of the ordinary shareholders of the Company, and has proposed remedial measures according to actual circumstances.

#### **I. Analysis on the Impacts of the Dilution of Current Rate of Return of the Proposed Public Issuance of the Convertible Bonds**

##### **(I) Assumptions**

The impacts of the public issuance of the Convertible Bonds on the Company's key financial figures and financial indicators are measured mainly on basis of the following assumptions:

1. The Company assumes no material negative changes in the macroeconomic environment, industry development trend and the Company's operation in 2017.
2. The Company assumes that the public issuance of the Convertible Bonds will be closed by the end of 2017 and all Convertible Bonds will be converted to shares. The timing is purely for calculating the impacts of the dilution of the current rate of return resulting from the public issuance of the Convertible Bonds on the key financial figures and financial indicators, subject to the CSRC's approval and the actual completion of the Company's public issuance of the Convertible Bonds.
3. The Company assumes that the proceeds from the Company's public issuance of the Convertible Bonds will be no more than RMB50 billion, without regard to the impact of from the issuance expenses. The proceeds actually generated from the public issuance of the Convertible Bonds will be determined on basis of such factors as the approval of the regulatory authorities, the subscription of the issuance and the issuance expenses.



4. The Company assumes that the Convertible Bonds is converted at RMB9.12 per share with 1 March 2017 as the pricing benchmark date, namely the higher of the average trading price of the Company's A Shares in the 20 trading days prior to 1 March 2017 and the average trading price of the Company's A Shares in the preceding trading day. The conversion price aforesaid is only used to calculate the impacts of the dilution of the current rate of return resulting from the public issuance of the Convertible Bonds on the key financial figures and financial indicators, and the final initial conversion price shall be determined by the Board of the Company, under the authorization of the shareholders' general meeting, based on the market conditions prior to the offering, possibly with ex-rights, ex-dividend adjustment or downward revisions.
5. At the moment, the Company has not considered the impacts of the proceeds generated from the issuance on the Company's production, operation and financial conditions (e.g. financial expenses, efficiency in the use of capital).
6. The Company assumes no major changes in the macroeconomic environment, the development of the banking industry and the Company's business environment. While measuring, the Company assumes a year-on-year growth of 0%, 3% and 6% respectively in the net profit attributable to the Company's shareholders and in the net profit attributable to the Company's shareholders after non-recurring profit and loss in 2017.
7. The Company assumes no other factors (including profit distribution, mandatory conversion of preference shares) which can cause changes to the ordinary share capital than the conversion of the Convertible Bonds to ordinary shares.
8. The earnings per share ("EPS") is calculated according to relevant provision in the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per share.



(II) Impacts on the Company's key financial indicators

Based on the above assumptions, the impacts of the public issuance of the Convertible Bonds on the Company's key financial figures and financial indicators are as follows:

1. Scenario 1: 0% year-on-year growth in both the net profit attributable to the Company's shareholders and the net profit attributable to the Company's shareholders after non-recurring profit and loss.

Unit: RMB in million, unless otherwise stated

| Item   | For the year of 2016/as at 31 December 2016 | For the year of 2017/<br>as at 31 December 2017          |   |
|--|---|--|---|
|  |   | Before public<br>issuance of the<br>Convertible<br>Bonds | After full<br>conversion<br>of the issued<br>Convertible<br>Bonds |
| Ordinary share capital (million shares)  | 36,485                                      | 36,485   | 41,967  |
| Weighted average ordinary share capital (million shares)                                   | 36,485                                      | 36,485   | 41,967  |
| Net profit attributable to the Company's shareholders                                      | 47,843                                      | 47,843   | 47,843  |
| Net profit attributable to the Company's shareholders, after non-recurring profit and loss | 47,885                                      | 47,885   | 47,885  |
| Basic EPS (RMB)  | 1.31  | 1.31   | 1.14  |
| Diluted EPS (RMB)  | 1.31  | 1.31   | 1.14  |
| Basic EPS after non-recurring profit and loss (RMB)  | 1.31  | 1.31   | 1.14  |
| Diluted EPS after non-recurring profit and loss (RMB)                                      | 1.31  | 1.31   | 1.14  |

2. Scenario 2: 3% year-on-year growth in both the net profit attributable to the Company's shareholders and the net profit attributable to the Company's shareholders after non-recurring profit and loss.

Unit: RMB in million, unless otherwise stated

| Item   | For the year of<br>2016/as at 31<br>December 2016 | For the year of 2017/<br>as at 31 December 2017          |   |
|--|---|--|---|
|  |   | Before public<br>issuance of the<br>Convertible<br>Bonds | After full<br>conversion<br>of the issued<br>Convertible<br>Bonds |
| Ordinary share capital (million shares)  | 36,485  | 36,485   | 41,967  |
| Weighted average ordinary share capital<br>(million shares)                                      | 36,485  | 36,485   | 41,967  |
| Net profit attributable to the Company's<br>shareholders   | 47,843  | 49,278   | 49,278  |
| Net profit attributable to the Company's<br>shareholders, after non-recurring profit<br>and loss | 47,885  | 49,322   | 49,322  |
| Basic EPS (RMB)  | 1.31  | 1.35   | 1.17  |
| Diluted EPS (RMB)  | 1.31  | 1.35   | 1.17  |
| Basic EPS after non-recurring profit<br>and loss (RMB)   | 1.31  | 1.35   | 1.18  |
| Diluted EPS after non-recurring profit<br>and loss (RMB)   | 1.31  | 1.35   | 1.18  |

3. Scenario 3: 6% year-on-year growth in both the net profit attributable to the Company's shareholders and the net profit attributable to the Company's shareholders after non-recurring profit and loss.

Unit: RMB in million, unless otherwise stated

| Item   | For the year of<br>2016/as at 31<br>December 2016 | For the year of 2017/<br>as at 31 December 2017          |   |
|--|---|--|---|
|  |   | Before public<br>issuance of the<br>Convertible<br>Bonds | After full<br>conversion<br>of the issued<br>Convertible<br>Bonds and |
| Ordinary share capital (million shares)  | 36,485  | 36,485   | 41,967  |
| Weighted average ordinary share capital<br>(million shares)                                      | 36,485  | 36,485   | 41,967  |
| Net profit attributable to the Company's<br>shareholders   | 47,843  | 50,714   | 50,714  |
| Net profit attributable to the Company's<br>shareholders, after non-recurring profit<br>and loss | 47,885  | 50,758   | 50,758  |
| Basic EPS (RMB)  | 1.31  | 1.39   | 1.21  |
| Diluted EPS (RMB)  | 1.31  | 1.39   | 1.21  |
| Basic EPS after non-recurring profit<br>and loss (RMB)   | 1.31  | 1.39   | 1.21  |
| Diluted EPS after non-recurring profit<br>and loss (RMB)   | 1.31  | 1.39   | 1.21  |

### (III) Notes to the measurement

The above assumptions in relation to the impacts of the public issuance of the Convertible Bonds on the Company's key financial figures and financial indicators are not representative of the Company's judgment of the operation and development trend in 2017, and do not constitute the Company's earnings forecasts. Investors shall not rely on this when making decisions on investment. The Company assumes no liability for the losses incurred therefrom.

## II. Risks in Relation to the Dilution of Current Rate of Return Due to the Public Issuance of the Convertible Bonds:

After the public issuance of the Convertible Bonds is closed, the number of the Company's all outstanding diluting potential ordinary shares will increase correspondingly. Without regard to the financial return of the proceeds, the diluted EPS and the diluted EPS after the non-recurring profit and loss may both decline in the year when the Company's public issuance of the Convertible Bonds is closed.

After the public issuance of the Convertible Bonds is closed and before the conversion of the Convertible Bonds, the Company needs to pay interests at the pre-set coupon rate with regard to the Convertible Bonds which are not converted to shares. Since the coupon rate of the Convertible Bonds is generally low, the earnings growth as a result of the Company's use of proceeds will exceed the interest paid to Convertible Bonds investors in normal cases, which will not lead to reduction of the Company's overall income. In extreme cases, the Company may face risk of a decline in its after-tax profit and dilution impacts on the current rate of return of the holders of the Company's ordinary shares, if the earnings growth as a result of the Company's use of proceeds is unable to cover the interests paid to Convertible Bonds investors.

After the Convertible Bonds held by the investors are converted to shares in part or in full, the Company's total share capital will increase correspondingly, which will dilute the shareholding of the existing holders of A Shares, the return on equity and the EPS of the Company.

In addition, Conversion Price and downward revision clause has been provided under the Convertible Bonds. Where the clause is triggered, the Company may apply for downward revision of the Conversion Price, which may expand the share capital as a result of the Convertible Bonds conversion and hence increase the potential dilution of the Convertible Bonds conversion on the existing shareholders of the Company.

### **III. Necessity and Rationality of the Public Issuance of the Convertible Bonds**

Upon conversion into A Shares, the Convertible Bonds will further replenish the capital base and improve the capital adequacy ratio of the Company, further strengthen the Company's capability to resist risks, consolidate the capital foundation for the sustainable business development of the Company, and contribute to enhancing the core competitiveness of the Company and achieving its strategic goals.

#### **(I) Improving the capital adequacy ratio to meet the regulatory requirements**

With the official implementation of the Basel III and the Rules Governing Capital Management of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Company is experiencing more stringent capital regulatory requirements in its process of operation. Pursuant to the Circular of the China Banking Regulatory Commission on Issues Concerning the Arrangement in the Transition Period in Implementing the Rules Governing Capital Management of Commercial Banks (Provisional) (Yin Jian Fa [2012]No. 57) (《中國銀監會關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》(銀監發[2012]57號)), the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the domestic commercial banks shall meet the regulatory requirements of 7.5%, 8.5% and 10.5% by the end of the transition period (end of 2018), while those of systematically important commercial banks shall reach 8.5%, 9.5% and 11.5%, respectively. As of 31 December 2016, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of the Company was 8.95%, 9.22% and 11.73%, respectively. With the Company's continued business development and asset expansion, the capital adequacy levels of the Company are expected to drop.

Therefore, the Company still needs to satisfy the regulatory requirements of capital adequacy on an ongoing basis by replenishing its capital through various channels including the public issuance of the Convertible Bonds, in addition to its earnings retention. The conversion of the Convertible Bonds offered this time can effectively replenish the Company's core tier-one capital, helping the Company to improve its capital adequacy and lay a solid capital foundation for the Company's sustainable healthy development.

(II) Satisfying the business need and strengthening the ability to withstand risks

In recent years, the Company has improved its capital adequacy through various channels including internal accumulation, asset and liability management, and external financing, providing strong supports to the Company's business operation and development. However, the Company needs to further replenish its capital due to the continued rapid business development and credit expansion. The Convertible Bonds offered this time, after being converted to shares, can be used to replenish the Company's core tier-one capital, provide sufficient capital support to the Company's business development, and ensure the smooth implementation of the Company's development strategies, which is important to enhance the Company's competitiveness and maintain stable earnings.

At the current level of capital adequacy, the Company possesses some ability to withstand general risks. As one of the major joint-stock commercial banks in China, however, in order to better respond to uncertainties in future development of macro-economy, the Company shall further improve its strength in serving the development of Chinese economy in the transition period and reinforce its risk resistance ability to respond to the rapid changes in the complex international environment and domestic macro-economy, so as to achieve its goal of prudent operation and to better protect the interests of the depositors and investors. In this sense, it is necessary for the Company to further shore up its capital and capital adequacy ratio.

**IV. Relationship between the Investment Project Financed by the Proceeds and the Company's Existing Business, and the Company's Reserves for the Financing and Investment Projects in Terms of Personnel, Technology and Market**

(I) Relationship between the Investment Project Financed by the Proceeds and the Company's Existing Business

Proceeds from the public issuance of the Convertible Bonds will be used to finance the Company's continued and steady business development, which complies with the capital regulatory requirements and the Company's long-term development strategies, helping enhance the Company's business development momentum and risk resistance ability and improve the competitive edge and earnings, so as to provide sufficient credit supports to the development of the real economy and create reasonable and stable investment return for the Company's shareholders.

(II) The Company's Reserves for the Financing and Investment Projects in Terms of Personnel, Technology and Market

The Company's management team has been engaged in the financial and banking business for a long time. It is a prudent and specialized operation and management team, backed by their extensive financial knowledge and work experiences. The Company strives to improve the input and output efficiency of the human resources, and continues to optimize the mechanism of human resource allocation, to ensure the concentration of human resources on key businesses, and to enhance the incentive and restriction mechanisms and the performance management. Furthermore, the Company actively expands the staff's career path by building a talent bank for reserve cadres and professionals at various levels, and a talent bank for its overseas institutions in response to the "Going Global" strategy. The Company also pushes forward delicacy management to consolidate the foundation for human resource management and meet the Company's needs for talents in its pursuit of sustainable development.

**V. The Company's Measures for Replenishing the Rate of Return**

(I) Operation conditions and development trend of the Company's existing business segments, major risks and improvement measures

1. Operation conditions and development trend of the Company's existing business segments

In 2016, the Company accurately grasped the economic and financial situations in its response to changes in the economic environment under the correct leadership of the Board. With the Phoenix Project as the main line, the Company accelerated its strategic transition and business structural adjustment. With the management concept of "strengthening the corporate banking business, expanding the retail banking business and optimizing the financial market business", the Company continued to improve the risk management system, enhanced the asset quality management, and promoted the reform and innovation to boost the sustained and prudent development of the Company's business.

2. Major risks and improvement measures of the Company

Major risks that the Company faces in its business operation include credit risk, liquidity risk, market risk, operation risk, country risk and reputation risk. The Company manages risks under the philosophy that "risk management creates value". By adhering to the coordinated development of quality, efficiency and scale, the Company has actively promoted the implementation of the Basel III and the construction of the comprehensive overall risk management system, which has effectively improved its risk management ability, supported its business development and strategic transition, enhanced the Company's core competitiveness and protected the long-term interests of its employees and clients. In this way, the shareholders' value is maximized.



## (II) Specific measures for improving the Company's performance

Based on the changes in external environment and the internal need for development, the Company developed a mid-to-long-term development strategy for the next decade, and accelerated the implementation of Phoenix Project. Under its mid-to-long-term development strategy, the Company strives to become a trans-border interconnected, win-win and platform-oriented modern financial service group with distinctive features and global competitive power. By adhering to its development concepts of building up a bank pursuing ongoing innovation, excellence, global distribution and mutual benefits, the aims to Company construct a new business model driven by financing, strategic consultation, commercial advisory and internet financing, to continue its development of the blue-ocean market.

In its implementation of the new strategy and the Phoenix Project, the Company insisted on the leading role of asset and liability management. With linkage among corporate banking, retail banking and financial market, and also with the coordination between parent company and subsidiaries, the Company quickened its pace of building itself into a new bank characterized by digitalization, conglomeration and internationalization. Specifically, the Company constructed a model of strategically significant asset and liability management, to lead the steady development of the overall industry; the Company deepened the reform of the business divisions, strengthened the corporate finance, optimized the industry and regional distribution, improved client structure, seized the business opportunities in the investment banking and transaction banking, and ensured the standardized development of bill business; based on the features of community finance and microfinance, the Company constructed the new broader retail system, to expand the retail business, stabilize the microfinance business, and improve the community finance business. By keeping revenue oriented, the Company made breakthrough in its key businesses and improved its ability to segment the client base, so as to achieve its goals of revenue growth, asset optimization and client diversification. The Company actively promoted the development of its financial market segment, optimized its financial market business, and jointly built a first-class cross-market, cross-industry and cross-border financial market comprehensive service platform, to speed up its transition to a light-weight bank. The Company accelerated the construction of its CMBC Ecosphere of Internet Finance combined with vertical traditional business and horizontal emerging business, built the basic platform, put up the “CMBC Series-e” platform, developed and researched a series of online products, and expedited the digital and intelligent reform. By conforming to its development trend, the Company added the key licenses and built a comprehensive financial service platform with the Group involvement. With a focus on the follower strategy, the Company expanded its international presence, and improved its global competitiveness. The Company constructed characteristic branches, to build regional core competitive power. The Company constructed innovative business lines, to develop differentiated new competitive power. The Company enhanced risk management in an all-round way, by building long-term risk management mechanism, improving linear risk management system, constructing market-oriented clearing and recovering mechanism, and preventing risks in key areas. The Company also pushed forward the portfolio management in all aspects, to improve the internal compliance management and mitigate risks with various measures.



In the future, the Company will plan, act and make progress by adhering to its bigger picture logic and following the development trend, so as to adapt to, seize and lead the new norm. Aiming at serving the real economy and centered around the improvement in development quality and efficiency, the Company will accurately grasp the economic and financial situations, accelerate the strategic transition and business structural adjustment, attach high importance to the asset quality and risk management, actively expand new business growth drivers, reinforce the fundamental management, promote the reform and innovation steadily and draw a new blue print of sustainable and steady development by taking advantage of the cohesion in the corporate culture.

## **VI. Commitments of All Directors and Senior Management Personnel**

All directors and senior management personnel of the Company undertake to perform their duties faithfully and diligently, to safeguard the legitimate rights and interests of the Company and all its shareholders. In accordance with the relevant requirements of the CSRC, directors and senior management of the Company have undertaken the following to ensure the concrete implementation of the measures for replenishing the rate of return:

- (I) They will not harm the Company's interests by tunnelling to other units or individuals free of charge or unfairly or in other manners;
- (II) They will act in a diligent and thrifty way, and restrict the position-related consumption strictly in accordance with the relevant stipulations of the State, local government and the Company, so as to eliminate excessive consumption and extravagance and waste;
- (III) They will not use the Company's assets for investment or consumption that are unrelated with the performance of their duties;
- (IV) They will cause the remuneration policies formulated by the Board of Directors or the Remuneration Committee to be linked with the implementation of the Company's replenishment measures; and
- (V) They will cause the conditions for exercising the Company's ownership incentives to be linked with the implementation of the Company's replenishment measures, if the Company sets out ownership incentive plan in future.

# Report of the Use of Proceeds from the Previous Issuance of China Minsheng Banking Corp., Ltd.

According to the requirement under the Administrative Measures on the Issuance of Securities of Listed Companies (《上市公司證券發行管理辦法》) by the CSRC, the use of proceeds from the Previous Issuance of the Company is as follows:

## I. Amount and Availability of Proceeds from the Previous Issuance

According to Replies of the China Banking Regulatory Commission on Private Placement of Preference Shares and the Modification of Articles of Association by Minsheng Bank (Yin Jian Fu [2016] No. 168) (《中國銀監會關於民生銀行非公開發行優先股及修改公司章程的批覆》(銀監覆[2016]168號)) and Replies of the China Securities Regulatory Commission on Approving Overseas Offering of Preference Shares by China Minsheng Banking Corp. Ltd. (Zheng Jian Xu Ke [2016] No. 2971) (《關於核准中國民生銀行股份有限公司境外發行優先股的批覆》(證監許可[2016]2971號)), the Company issued 71,950,000 shares of offshore preference shares by private placement on 14 December 2016 (the “**Issuance of Preference Shares**”), of which the face value is RMB100 per share and the issuance price is US\$20. Gross proceeds from the Issuance of Preference Shares were US\$1,439,000,000, or RMB9,933,129,200 at the central parity rate of Renminbi exchange rate published by China Foreign Exchange Trade System on 14 December 2016. On 14 December 2016, the proceeds were remitted to the special account opened at the Hong Kong Branch of the Company with account number of 900002165214. The above-mentioned proceeds actually collected include issuance expenses of RMB41,154,507.57. With the issuance expenses deducted, the net proceeds from the Issuance of Preference Shares were RMB9,891,974,692.43. The availability of the proceeds has been examined by KPMG Huazhen LLP which issued the Report on the Capital Verification of Proceeds from Offshore Issuance of Preference Shares by China Minsheng Banking Corp. Ltd. (KPMG Huazhen Yan Zi No. 1700283) (《中國民生銀行股份有限公司境外發行優先股募集資金驗證報告》(畢馬威華振驗字第1700283號)) for purposes of verification and confirmation.

## II. Actual Use of Previous Proceeds

Pursuant to the Company’s offering circular on the Preference Shares, proceeds from the Company’s Issuance of Preference Shares, after deducting the issuance expenses, shall be used to replenish other tier-one capital of the Company, subject to the requirements under applicable laws and regulations and approvals from the CBRC, the CSRC and other regulatory bodies. With the proceeds from the Issuance of Preference Shares available, the Company used the net proceeds of RMB9,891,974,692.43 (after deduction of the issuance expenses of RMB41,154,507.57) in the special account to replenish the other tier-one capital of the Company. As of 31 December 2016, the use of proceeds from the Issuance of Preference Shares was consistent with that as disclosed in the offering circular. The actual use of the proceeds from the Previous Issuance can be seen in the “Comparison of the Use of Proceeds from the Previous Issuance” below.

## Comparison of the Use of Proceeds from the Previous Issuance

Unit: RMB

|  |                                  |                                  |                                    |                       |                   |   |                       |                   |   |   |
|--|----------------------------------|----------------------------------|------------------------------------|-----------------------|-------------------|---|-----------------------|-------------------|---|---|
| Total net proceeds: 9,891,974,692.43                     |                                  |                                  |                                    |                       |                   | Proceeds accumulatively used: 9,891,974,692.43                                  |                       |                   |   |   |
| Total proceeds with changes in the use: None             |                                  |                                  |                                    |                       |                   | Total proceeds used in the corresponding year/period:<br>2016: 9,891,974,692.43 |                       |                   |   |   |
| Proportion of the proceeds with changes in the use: None |                                  |                                  |                                    |                       |                   |   |                       |                   |   |   |
| Investment projects                                      |                                  |                                  | Total investment with the proceeds |                       |                   | Cumulative investment with the proceeds as of the cut-off date                  |                       |                   |   | Completion of the project by the cut-off date |
| No.  | Investment project committed     | Actual investment project        | Pre-money commitment               | Post-money commitment | Actual investment | Pre-money commitment  | Post-money commitment | Actual investment | Proportion of actual investment to post-money commitments |   |
| 1  | Replenish other tier-one capital | Replenish other tier-one capital | 9,891,974,692.43                   | 9,891,974,692.43      | 9,891,974,692.43  | 9,891,974,692.43  | 9,891,974,692.43      | 9,891,974,692.43  | —   | N/A   |

### III. Conclusions

This report has been compiled according to the Rules of the China Securities Regulatory Commission on the Report of the Use of Previous Proceeds (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)). The Company has compared one by one the actual use of proceeds with that as disclosed in the related regular reports and other disclosure documents published since December 2016. The actual use of proceeds is consistent with the disclosure.

Due to the specialty of the banking business, the proceeds of the Company, once available, was fully used to replenish other tier-one capital of the Company, while the benefits realized cannot be independently accounted. The availability of the proceeds has replenished the capital and improved the capital adequacy ratio of the Company.