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BQD  青岛银行

Bank of Qingdao Co., Ltd.*

青島銀行股份有限公司*

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

(H Shares Stock Code: 3866)

(Preference Shares Stock Code: 4611)

ANNOUNCEMENT ON THE CHANGES IN ACCOUNTING POLICIES

This announcement is made by Bank of Qingdao Co., Ltd. (the “**Bank**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

I. SUMMARY OF THE CHANGES IN ACCOUNTING POLICIES

In May 2019, the Ministry of Finance of the People's Republic of China (the “**MOF**”) successively promulgated the modified “Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets” (the “**New Accounting Standards for Exchange of Non-monetary Assets**”) and “Accounting Standards for Business Enterprises No. 12 - Debt Restructuring” (the “**New Accounting Standards for Debt Restructuring**”), which are required to be implemented in all enterprises that have adopted the Accounting Standards for Business Enterprises from 10 June 2019 and 17 June 2019, respectively.

The Resolution Regarding the Changes in Accounting Policies of Bank of Qingdao Co., Ltd. was considered and approved at the meeting of the board of directors of the Bank (the “**Board**”) held on 23 August 2019, pursuant to which the changes in accounting policies in accordance with the abovementioned standards were approved. The changes in accounting policies are not subject to the consideration and approval at the shareholders' general meeting of the Bank.

II. DETAILS OF THE CHANGES IN ACCOUNTING POLICIES AND THE IMPACT ON THE BANK

(I) Amendments to the Accounting Standards for Exchange of Non-Monetary Assets

Upon the changes, the Bank will implement the New Accounting Standards for Exchange of Non-monetary Assets. The Bank previously implemented the “Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets” and the “Application Guide for Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets” issued by the MOF in February 2006 and October 2006, respectively. The standards set out the recognition, measurement and disclosure of relevant information relating to exchange of non-monetary assets, but did not regulate the scope of application of the standards.

As compared with the previous accounting standards, the New Accounting Standards for Exchange of Non-monetary Assets refine the scope of application of the accounting standards for exchange of non-monetary assets; clarify the timing of recognition of the assets received and the timing of derecognition of the assets transferred, and provide the accounting treatment in the event of inconsistency between the two time points; make amendments to the measurement principles for exchange of non-monetary assets at fair value upon the receiving or transfer of multiple assets at the same time; and add disclosure requirements on whether the exchange of non-monetary assets has commercial substance and its reasons.

(II) Amendments to the Accounting Standards for Debt Restructuring

Upon the changes, the Bank will implement the New Accounting Standards for Debt Restructuring. The Bank previously implemented the “Accounting Standards for Business Enterprises No. 12 - Debt Restructuring” and the “Application Guidance for Accounting Standards for Business Enterprises No. 12 - Debt Restructuring” issued by the MOF in February 2006 and October 2006, respectively. The standards set out the recognition, measurement and disclosure of relevant information relating to debt restructuring, and took “financial difficulties of debtors” and “concessions of creditors” as the standards to limit the claims and debts of restructuring to a smaller scope compared with other financial instruments.

As compared with the previous accounting standards, the New Accounting Standards for Debt Restructuring amend the definition of debt restructuring, which refers to a transaction that, without changing the counterparty, reaches a new agreement on the time, amount or means of debt settlement, etc. upon the agreement between the creditor and the debtor or pursuant to the court ruling; clarify the scope of application of the standards and the requirements of the application of relevant standards for financial instruments for the recognition, measurement and presentation of financial instruments involved in debt restructuring; in respect of the debt restructuring by way of payment with assets, make amendments to the measurement principles at the initial recognition of non-financial assets transferred to the creditor and provide that the profit or loss arising from the debt restructuring is no longer distinguished from the profit or loss arising from the assets transfer in respect of the presentation of profit or loss arising from the debt restructuring of the debtor; in respect of the debt restructuring by way of conversion of debt into equity instruments, make amendments to the measurement principles of the initial recognition of share entitlement by creditors and add guides to the measurement principles of the debtors’ initial recognition on equity instruments.

In accordance with the provisions for the transitional period of the New Accounting Standards for Exchange of Non-monetary Assets and the New Accounting Standards for Debt Restructuring, the Bank has prepared the financial statements in accordance with the requirements of the standards from the preparation of interim report of 2019, and no adjustment has been made to the information of the comparative period. The adoption of the standards does not have any material impact on the shareholders’ equity and net profit of the Bank.

III. EXPLANATION OF THE BOARD ON THE RATIONALITY OF THE CHANGES IN ACCOUNTING POLICIES

The Board is of the view that the changes in accounting policies are reasonably made based on relevant requirements of the documents of the MOF, and are in line with the relevant regulations of government departments and regulatory authorities including the MOF and the actual situation of the Bank. The decision-making procedures for the changes are in compliance with relevant laws and regulations and the Articles of Association of the Bank of Qingdao Co., Ltd., without prejudice to the interests of the Bank and its shareholders. All the independent directors of the Bank have expressed independent opinions on the changes in accounting policies, and the Board agrees to the changes in accounting policies.

By order of the Board
Bank of Qingdao Co., Ltd.*
Guo Shaoquan
Chairman

Qingdao, Shandong Province, the PRC
23 August 2019

As at the date of this announcement, the Board comprises Mr. Guo Shaoquan, Mr. Wang Lin, Mr. Yang Fengjiang and Ms. Lu Lan as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita, Mr. Deng Youcheng and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Wong Tin Yau, Kelvin, Mr. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung and Ms. Fang Qiaoling as independent non-executive directors.

* *Bank of Qingdao 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.*