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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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**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)**

**WORK REPORT OF THE BOARD OF DIRECTORS FOR 2019**  
**WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2019**  
**REPORT FOR FINAL FINANCIAL ACCOUNTS FOR 2019**  
**PROFIT DISTRIBUTION PLAN FOR 2019**  
**ENGAGEMENT OF EXTERNAL AUDITORS FOR 2020 AND THEIR**  
**REMUNERATION**  
**PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR**  
**THE SHAREHOLDERS' GENERAL MEETINGS**  
**SPECIAL REPORT ON RELATED PARTY TRANSACTIONS FOR 2019**  
**ESTIMATED AMOUNT OF THE ORDINARY RELATED PARTY**  
**TRANSACTIONS FOR 2020**  
**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**GENERAL MANDATE FOR THE ISSUE OF SHARES**  
**EVALUATION REPORT ON THE PERFORMANCE OF DUTIES**  
**BY THE BOARD AND DIRECTORS FOR 2019**  
**EVALUATION REPORT ON THE PERFORMANCE OF DUTIES**  
**BY THE SUPERVISORS FOR 2019**  
**PERFORMANCE REPORT OF THE**  
**INDEPENDENT NON-EXECUTIVE DIRECTORS FOR 2019**  
**AND**  
**NOTICE OF 2019 ANNUAL GENERAL MEETING**

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The letter from the Board is set out on pages 4 to 16 of this circular.

The Bank will hold the 2019 AGM at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Thursday, 7 May 2020. The notice, reply slip and proxy form of the 2019 AGM have been despatched to the shareholders pursuant to the Hong Kong Listing Rules.

If you intend to attend and/or vote at the 2019 AGM, you are required to (i) complete such reply slip in accordance with the instructions printed thereon and return it to the Bank's H Share Registrar (for the Bank's H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) on or before Friday, 17 April 2020; and (ii) complete such proxy form in accordance with the instructions printed thereon and return it to the Bank's H Share Registrar (for H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) not less than 24 hours before the designated time for convening the related meeting or any adjournment thereof. Completion and return of the proxy form shall not affect your right to attend or vote at such meeting or any adjournment thereof in person.

\* 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 out banking and/or deposit-taking business in Hong Kong.

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## DEFINITIONS

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

“2019 AGM”	the 2019 annual general meeting of the Bank to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Thursday, 7 May 2020
“A Shareholder(s)”	holder(s) of A Shares
“A Share(s)”	the Bank’s ordinary shares of RMB1.00 each, which are listed on SZSE (stock code: 002948) and traded in RMB
“Articles of Association”	the Articles of Association of the Bank
“Bank”	Bank of Qingdao Co., Ltd. and its branches
“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“ASBE”	Accounting Standards for Business Enterprises
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	Bank of Qingdao Co., Ltd. and its subsidiaries and branches
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Bank
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	overseas listed foreign shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange (stock code: 03866) and traded in Hong Kong dollars

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## DEFINITIONS

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“Hong Kong dollars”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise revised from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“Independent shareholder(s)”	shareholders other than those required by the Hong Kong Listing Rules to abstain from voting on the resolution to be proposed at the 2019 AGM in relation to the estimated amount of the ordinary related party transactions for 2020
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this circular, Hong Kong, Macau Special Administrative Region and Taiwan
“Preference Shares”	Non-cumulative perpetual overseas preference shares with a total size of US\$1.203 billion and dividend rate of 5.50% issued by the Bank
“Qingdao CBIRC”	Qingdao Supervision and Administration Bureau of China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會青島監管局)
“RMB”	Renminbi, the lawful currency of the PRC
“The Rules of Procedures for the Shareholders’ General Meetings”	The Rules of Procedures for the Shareholders’ General Meetings of Bank of Qingdao Co., Ltd
“Share(s)”	A Shares and/or H Shares of the Bank
“shareholder(s)”	holder(s) of Shares

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## DEFINITIONS

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“Supervisor(s)” the supervisor(s) of the Bank

“SZSE” the Shenzhen Stock Exchange

*In case of any discrepancy between the Chinese and English versions of this circular, the Chinese version shall prevail.*

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## LETTER FROM THE BOARD

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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)**

***Members of the Board:***

***Executive Directors:***

GUO Shaoquan (*Chairman*)

WANG Lin

LU Lan

***Non-executive Directors:***

ZHOU Yunjie

Rosario STRANO

TAN Lixia

Marco MUSSITA

DENG Youcheng

CHOI Chi Kin, Calvin

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

CHEN Hua

DAI Shuping

Simon CHEUNG

FANG Qiaoling

Tingjie ZHANG

***Registered Address***

***and Address of Head Office:***

Building No. 3, No. 6 Qinling Road

Laoshan District

Qingdao, Shandong Province

PRC

***Address of the Registered Office  
in Hong Kong:***

31st Floor, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

*To the shareholders*

**WORK REPORT OF THE BOARD OF DIRECTORS FOR 2019  
WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2019  
REPORT FOR FINAL FINANCIAL ACCOUNTS FOR 2019  
PROFIT DISTRIBUTION PLAN FOR 2019  
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## LETTER FROM THE BOARD

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### I. INTRODUCTION

The Board of Directors invite you to attend the 2019 AGM to be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC at 9:00 a.m. on Thursday, 7 May 2020. This circular aims to provide more information on matters set out in the notice of the 2019 AGM.

### II. MATTERS TO BE CONSIDERED AT THE 2019 AGM

#### 1. Work Report of the Board of Directors for 2019

An ordinary resolution on the *Work Report of the Board of Directors of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2019 AGM for approval. Please refer to Appendix I of this circular for the full text of the Work Report of the Board of Directors for the year 2019.

#### 2. Work Report of the Board of Supervisors for 2019

An ordinary resolution on the *Work Report of the Board of Supervisors of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2019 AGM for approval. Please refer to Appendix II of this circular for the full text of the Work Report of the Board of Supervisors for the year 2019.

#### 3. Report for Final Financial Accounts for 2019

An ordinary resolution on the *Report for Final Financial Accounts of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2019 AGM for approval.

The financial statements of the Company for 2019 prepared in accordance with ASBE have been audited by KPMG Huazhen LLP which has issued an audit report with standard unqualified opinions and the financial statements of the Company for 2019 prepared in accordance with IFRS have been audited by KPMG which has issued an audit report with unqualified opinions. There is no difference in the net profit and the shareholders' equity between the two sets of statements.

The final financial accounts for 2019 of the Company are reported as below (based on ASBE):

In 2019, the Company realized operating income of RMB9,616 million, representing a year-on-year increase of RMB2,244 million or 30.44%; total profit of RMB2,829 million, representing a year-on-year increase of RMB353 million or 14.24%; net profit of RMB2,336 million, representing a year-on-year increase of RMB292 million or 14.30%.

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## LETTER FROM THE BOARD

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As at the end of 2019, total asset amounted to RMB373,622 million, representing a growth of RMB55,964 million or 17.62% as compared with that as at the end of the previous year; with non-performing loan ratio of 1.65%, representing a decrease of 0.03 percentage point as compared with that as at the end of the previous year. Provision coverage was 155.09%, and the capital adequacy ratio was 14.76%, all of which had complied with the regulatory requirements.

For details of the audited financial information for the year ended 31 December 2019 prepared based on IFRS, please refer to the financial statements as set out in the 2019 annual report to be published by the Bank.

#### **4. Profit Distribution Plan for 2019**

An ordinary resolution on the *Profit Distribution Plan of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2019 AGM for approval.

The financial statements of the Bank for 2019 prepared in accordance with ASBE have been audited by KPMG Huazhen LLP which has issued an audit report with standard unqualified opinions and the financial statements for 2019 of the Bank prepared in accordance with IFRS have been audited by KPMG which has issued an audit report with unqualified opinions. Based on the above audited financial statements, the net profit realized by the Bank for 2019 recorded in both of the financial statements prepared in accordance with ASBE and IFRS were RMB2.231 billion.

To this end, pursuant to the profit of the Bank, the Articles of Association and relevant regulatory requirements, the Bank intends to implement the profit distribution plan for 2019 as below:

- (i) 10% of the net profit of the Bank shall be appropriated to the statutory reserve amounting to RMB223 million;
- (ii) To appropriate RMB431 million to general reserve;
- (iii) The Bank has distributed dividends of approximately RMB520 million to the holders of offshore preference shares on 19 September 2019;
- (iv) Based on the total Share on the record date for the profit appropriation, the Bank shall distribute a cash dividend of RMB2.00 (inclusive of tax) for every 10 Shares held to all ordinary shareholders. The dividends for H Shares will be paid in Hong Kong dollars, and the applicable exchange rate is the average of the central parity rates of Renminbi of the interbank foreign exchange market as announced by the PBOC on five working days preceding the date of declaration of the dividends at the 2019 AGM (inclusive of the date of the 2019 AGM); and
- (v) The retained profit will be carried forward to the next year.

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## LETTER FROM THE BOARD

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### *Taxation applying to dividends on ordinary Shares*

In accordance with the *Enterprise Income Tax Law of the PRC* and the related implementation provisions, the Company shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the register of holders of H Shares on 18 May 2020.

Pursuant to the *Notice on Issues Concerning Individual Income Tax After the Annulment of Document Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348) promulgated by the State Taxation Administration of the PRC on 28 June 2011, dividend received by overseas resident individual shareholders from the Shares issued by domestic non-foreign invested enterprises in Hong Kong are subject to individual income tax, which shall be withheld and paid by withholding agents according to relevant laws; however, the overseas resident individual shareholders of the Shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong/Macau.

In accordance with the above tax regulations, the Bank shall generally withhold and pay individual income tax at the rate of 10% for individual holders of H Shares of the Bank unless otherwise specified by the relevant tax regulations and tax agreements, in which case the Bank will conduct specific procedures according to the relevant regulatory requirements of tax authorities.

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Bank listed on SZSE (the “**Shenzhen Southbound Trading**”), the Bank will distribute the dividends in RMB through the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such Shares. The Bank will withhold income taxes at the rate of 10% on behalf of the investors and will report to the competent tax authorities for the withholding. For investors of Shenzhen Southbound Trading involved in the enjoying of tax treaty (arrangement) treatment, the withholding will be implemented in accordance with the *Notice of the State Administration of Taxation on Issues about the Administrative Measures for Nonresidents to Enjoy the Treatments of Tax Treaties* (Notice of the State Administration of Taxation [2015] No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協議待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) and *Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)).

The record date and the distribution date of cash dividends and other arrangements for the investors of Shenzhen Southbound Trading will be the same as those for the A Shareholders of the Bank. Details of the payment of dividends to the A Shareholders of the Bank and related matters will be announced in due course.

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## LETTER FROM THE BOARD

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For investors of the Shanghai Stock Exchange and the SZSE (including enterprises and individuals) investing in the H Shares of the Bank listed on the Hong Kong Stock Exchange (the “**Southbound Trading**”), China Securities Depository and Clearing Corporation Limited, as the nominee holders for the investors of the Southbound Trading, shall receive the cash dividend distributed by the Bank and distribute the cash dividends received from the Bank to the relevant investors of the Southbound Trading through their depository and clearing systems. The cash dividends for the investors of Southbound Trading will be paid in RMB. Pursuant to the *Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect* (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the *Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect* (Caishui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date and the distribution date of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the H Shareholders of the Bank.

The Bank held no liability in respect of any claims arising from any delay in, or inaccurate determination of the identity of the shareholders or any disputes over the mechanism of withholding.

If in any doubt as to the above arrangement, the relevant shareholders of the Bank may consult with their tax consultants on the advices of the tax implications in Mainland China, Hong Kong and other countries (regions) in respect of holding and disposing of the relevant H Shares of the Bank.

The Bank will make a separate announcement regarding the payment of the 2019 final dividend to A Shareholders and any related matters.

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## LETTER FROM THE BOARD

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### ***Closure of register of members and eligibility for final dividend distribution***

The Share register for H Shares of the Bank will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020 (both days inclusive). In order to be entitled to the final dividend distribution, the H Shareholders of the Bank who have not registered the transfer documents are required to deposit the transfer documents together with relevant Share certificates at the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 12 May 2020. Shareholders whose names appear on the register of members of the Bank at the close of business on Monday, 18 May 2020 are entitled to the final dividend distribution.

The Board is set to distribute the final dividends of 2019 on or before Thursday, 2 July 2020. If there are any changes to the dividend payment date, an announcement will be published regarding such changes.

### **5. Engagement of External Auditors for 2020 and their Remuneration**

An ordinary resolution on the *Engagement of External Auditors for 2020 and their Remuneration of Bank of Qingdao Co., Ltd.* will be proposed at the 2019 AGM for approval.

The Bank proposes to continue to engage KPMG Huazhen LLP as the domestic auditor of the Bank for 2020 and KPMG as the foreign auditor of the Bank for 2020.

The audit fees for 2020 amounted to RMB5.10 million, of which: the audit fee for annual financial statements, the review fee for half-yearly financial statements and the fee for performing the agreed-upon procedure for the first and third quarter financial information amounted to RMB4.50 million, and the internal control audit fee amounted to RMB0.6 million. The fees include taxes and other miscellaneous expenses such as travel, office and travel allowance.

### **6. Amendments to the Rules of Procedures for the Shareholders' General Meeting**

According to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (the “**Reply**”) and other relevant laws and regulations, based on the actual conditions of the Bank, the Bank proposed to amend certain terms in the Rules of Procedures for the Shareholders' General Meeting (the “**Amendments to the Rules of Procedures of Meetings**”).

For details of the Amendments to the Rules of Procedures of Meetings, please refer to Appendix III of this circular.

The amended Rules of Procedures for the Shareholders' General Meeting will take effect from the date of consideration and approval at the 2019 AGM.

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## LETTER FROM THE BOARD

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It is proposed at the 2019 AGM to consider and approve the Amendments to the Rules of Procedures of Meetings. Meanwhile, it is proposed at the 2019 AGM to approve the authorization to the Board to delegate its power to the chairman, president and secretary of the Board to, individually or jointly, adjust and amend the Rules of Procedures for the Shareholders' General Meeting according to the opinions of the relevant regulatory authorities and the actual conditions of the Bank and taking into account the Amendments to the Articles of Association.

### 7. Special Report on Related Party Transactions for 2019

An ordinary resolution on the *Special Report on Related Party Transactions of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2019 AGM for approval. Please refer to Appendix IV of this circular for the full text of the Special Report on Related Party Transactions for 2019 of the Bank.

### 8. Estimated Amount of the Ordinary Related Party Transactions for 2020

An ordinary resolution on the *Estimated Amount of the Ordinary Related Party Transactions of Bank of Qingdao Co., Ltd. for 2020* will be proposed at the 2019 AGM for approval.

Pursuant to the relevant provisions of the CSRC, the SZSE and the Bank's related party transaction management system, after the Bank makes reasonable estimates of the ordinary related party transactions and fulfills the corresponding approval and disclosure procedures, a single related party transaction within the estimate scope of the year is exempted from re-approval and disclosure in accordance with the standards of the CSRC and the SZSE. However, major related party transactions that comply with the standards of the CBIRC shall be submitted to the Related Party Transactions Control Committee of the Board for review and to the Board for approval on a case-by-case basis.

The Bank has estimated the ordinary related party transactions in 2020. For details, please refer to Appendix V of this circular.

### 9. Proposed Amendments to the Articles of Association

The Bank proposed to amend certain articles of the Articles of Association (the "**Amendments to the Articles of Association**") in accordance with the requirements under the Company Law of the People's Republic of China, Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》), the Reply and other relevant laws and regulations.

Details of the Amendments to the Articles of Association are set out in the Appendix VI to the Circular.

It is proposed at the 2019 AGM for the consideration and approval of the Amendments to the Articles of the Association. The amended Articles of Association shall be effective upon the approval of the Chinese banking regulatory authorities. Meanwhile, it is proposed at the 2019 AGM for the approval to authorize the Board to, and the Board to delegate its power to the chairman, president and secretary to the Board to, individually or jointly, handle all matters

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## LETTER FROM THE BOARD

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related to the Amendments to the Articles of Association. Such matters include but are not limited to making necessary amendments or adjustments to the abovementioned Articles of Association according to the opinions of the regulatory authorities as well as reporting to the banking regulatory authorities for approval and changing industrial and commercial registration, as required in making amendments to the above-mentioned Articles of Association.

### **10. General Mandate for the Issue of Shares**

A special resolution on the *Resolution on General Mandate for the Issue of Shares of Bank of Qingdao Co., Ltd.* will be proposed at the 2019 AGM for approval.

With a view to fully leveraging on the financing advantages of the capital market, capitalizing on the financing channel in the market and promoting the flexibility of capital management of the Bank, the Board, with reference to market practices, proposes to the 2019 AGM for the approval of granting a general mandate to issue Shares to the Board and further delegation of authority by the Board in accordance with the requirements of relevant laws and regulations and the provisions of the Articles of Association.

#### ***(i) Specific plan on the general mandate to issue Shares***

- (1) Pursuant to the condition listed in (2) below and under the premise of compliance with the laws and regulations, the Board shall be authorized to separately or concurrently issue, allocate or otherwise deal with A Shares and/or ordinary share, preference share of H Shares during the Relevant Period (as defined below).

“Relevant Period” means the period from the date of passing this resolution on authorization by 2019 AGM until the earliest of: (1) the conclusion of 2020 annual general meeting of the Bank; (2) the expiration of the 12-month period following the passing of this resolution at the 2019 AGM of the Bank; (3) the date on which the authorization referred to in this resolution is revoked or varied by a special resolution at any general meeting of the Bank.

- (2) The Board shall be authorized to issue, allocate or otherwise deal with the numbers of A Shares and/or ordinary share, preference share of H Shares (among which, the number of preference share shall be calculated based on the number of A Shares and/or ordinary share of H Shares to be fully converted from preference shares at the mandatory conversion price), and the respective amount shall not exceed 20% of the respective total number of issued class of Shares of A Shares and/or ordinary share, preference share of H Shares of the Bank at the date on which this resolution is passed by the 2019 AGM.

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## LETTER FROM THE BOARD

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- (3) The Board shall be authorized to: (1) formulate and implement the detailed issuing plan which includes, but without limitation, the class of Shares to be issued and allocated, the pricing method and/or the issue price (including a price range), the number of Shares to be issued, the target subscribers and the investment direction of the proceeds raised; to determine the timing of the issue, the issue period and the use of the proceeds raised, and to determine whether to offer to existing shareholders; (2) deal with matters in relation to the increase in registered capital of the Bank as to reflect the Shares of the Bank to be issued under the authorization granted under this resolution, and make any amendments to clauses in the Articles of Association of the Bank in relation to issue of Shares and registered capital as it duly thinks necessary; (3) to consider and approve statutory documents submitted to relevant regulatory authorities related to the aforesaid issuance, and carry out relevant approval procedures under the requirements of regulatory authorities and the place where the Shares of the Bank are listed; (4) take any other necessary actions and proceed with other necessary procedures in order to implement the issue proposal and realize the increase in registered capital; (5) determine other matters related to the aforesaid issuance.

**(ii) Relevant authorization**

To increase the efficiency in decision-making, reduce the internal approval procedures and seize market opportunities, in relation to dealing with the matters on issuing Shares under the general mandate, it is proposed to the 2019 AGM for approval to authorize the Board, and the Board further to authorize the authorized person(s) of the Board, to deal with matters regarding the general mandate to issue Shares during the Relevant Period. The above authorization to the authorized person by the Board shall be determined by the Board upon the exercise of the general mandate under this resolution.

### **III. MATTERS TO BE REPORTED AT THE 2019 AGM**

#### **1. Evaluation Report on the Performance of Duties by the Board and Directors for 2019**

The Board of Supervisors of the Bank conducted supervision and evaluation of the performance of duties by the Board and Directors for 2019 in accordance with the *Guidelines for Corporate Governance of Commercial Banks*, *Guidelines for Due Diligence of the Board of Directors of Joint-Stock Commercial Banks (Trial)*, *Measures on Evaluation of Performance of Duties by Directors of Commercial Banks (Trial)* and other regulatory regulations, as well as the *Articles of Association of the Bank of Qingdao Co., Ltd.* and the provisions of the *Measures on Evaluation of Performance of Duties by the Board and Directors of Bank of Qingdao Co., Ltd.* The evaluation report is hereby made as follows:

**(i) Evaluation basis**

The Board of Supervisors evaluated the annual performance of duties by the Board of Directors and Directors based on the following information:

- (1) Convening the meetings of the Board of Directors and the special committees;

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## LETTER FROM THE BOARD

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- (2) Convening the general meetings;
- (3) During the intersessional period of the Board meetings and the special committee meetings, the work status of the Directors in the Bank, the opinions and suggestions made on the Bank's operation and management, and the reading and feedback on the information provided by the Bank;
- (4) The annual *Self-Evaluation Report on Performance of Duties by the Directors* signed by the Directors themselves;
- (5) The supervision opinions of the Qingdao CBIRC on the performance of duties by the Board of Directors and Directors, and the opinions of the internal and external audit institutions on evaluation of the performance of duties by the Board of Directors and Directors.

### ***(ii) Evaluation of the performance of duties by the Board of Directors***

The Board of Supervisors is of the view that in 2019, the Board was able to perform its duties in accordance with laws and regulations and the Articles of Association, and the proceedings were legal and compliant. No violation of the laws and regulations and the Articles of Association was found during the performance of duties by the Board of Directors. However, the Board of Supervisors also suggests that there is a need to further strengthen the role of the Board of Directors in equity management, comprehensive risk management and internal supervisory.

### ***(iii) Evaluation of performance of duties by Directors***

As at the end of 2019, there were a total of fifteen Directors in the seventh session of the Board of Directors of the Bank, including four executive Directors, six non-executive Directors and five independent Directors, all of whom participated in this year's performance evaluation.

According to the daily supervision record of the Board of Supervisors, the self-evaluation of the Directors on their performance of duties, the supervision opinions of the Qingdao CBIRC, and the special reports of the external audit institutions, the Board of Supervisors is of the view that all Directors of the Bank have faithfully fulfilled their obligations and diligence in 2019. Their performance evaluation results are all satisfactory.

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## LETTER FROM THE BOARD

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### 2. Evaluation Report on the Performance of Duties by the Supervisors for 2019

The Board of Supervisors of the Bank conducted supervision and evaluation of the performance of duties by the Supervisors for 2019 in accordance with the *Guidelines for Corporate Governance of Commercial Banks*, *Guidelines for Work of the Board of Supervisors of Commercial Banks* and other regulatory regulations, as well as the *Articles of Association of the Bank of Qingdao Co., Ltd.* and the provisions of the *Measures on Evaluation of Performance of Duties by the Supervisors of Bank of Qingdao Co., Ltd.* The evaluation report is hereby made as follows:

As at the end of 2019, the Board of Supervisors of the Bank had a total of six Supervisors, including a shareholder Supervisor, two external Supervisors and three employee Supervisors, all of whom participated in this year's performance evaluation. In 2019, Mr. Zhang Lanchang and Mr. Wang Jianhua no longer serve as the shareholder Supervisors and the external Supervisors of the Bank. Upon the elected by the Board of Supervisors and the general meeting, Mr. He Liangjun served as the shareholder Supervisor of the Bank and assumed office since 15 October 2019.

The Board of Supervisors evaluated the annual performance of duties by the Supervisors based on the following information:

- (i) Attendance at the meetings of the Board of Supervisors and the special committees by the Supervisors;
- (ii) Opinions expressed at the meetings of the Board of Supervisors by the Supervisors, and opinions or suggestions provided on the operation and management of the Bank during the intersessional period of the meetings of the Board of Supervisors;
- (iii) Reading and feedback of the Supervisors regarding the information provided by the Bank;
- (iv) The *Self-Evaluation Report on Performance of Duties by the Supervisors* signed by the Supervisors themselves;
- (v) The supervision opinions of the CBRC Qingdao Office on the performance of duties by the Supervisors, and the opinions of the internal and external audit institutions on evaluation of the performance of duties by the Supervisors.

According to the daily supervision records of the Board of Supervisors, the self-evaluation of the Supervisors themselves on their performance of duties, the supervision opinions of the Qingdao CBIRC, and the special reports of the external audit institutions, the Board of Supervisors is of the view that all Supervisors of the Bank have faithfully fulfilled their obligations and diligence in 2019. Their performance evaluation results are all satisfactory.

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## LETTER FROM THE BOARD

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### 3. Performance Report of the Independent Non-executive Directors for 2019

The *Performance Report of the Independent Non-executive Directors of Bank of Qingdao Co., Ltd. for 2019* will be proposed at the 2019 AGM for review by shareholders, but no need for their approval. For the Performance Report of the Independent Non-executive Directors for 2019, please refer to Appendix VII of this circular.

### IV. RESPONSIBILITY STATEMENT

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

### V. THE 2019 AGM

The Bank intends to convene the 2019 AGM at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC, at 9:00 a.m. on Thursday, 7 May 2020 to consider and, if thought fit, to pass matters as set out in the notice of the 2019 AGM. Notice, form of proxy and reply slip of the 2019 AGM dated 23 March 2020 have been published in accordance with the Hong Kong Listing Rules. The notice of the 2019 AGM is set out on pages 65 to 68 of this circular.

If you intend to attend the 2019 AGM, you are required to complete and return the reply slip to the H Share Registrar of the Bank on or before Friday, 17 April 2020.

Completion and return of the form(s) of proxy(ies) will not preclude you from attending and voting in person at the 2019 AGM or at any adjournment, and completion and return of the reply slip do not affect the right of a shareholder to attend and vote at the respective meeting.

### Closure of Register of Members and Eligibility to Attend and Vote at the 2019 AGM

The share register of members of the Bank will be closed from Tuesday, 7 April 2020 to Thursday, 7 May 2020 (both days inclusive), during which period no Share transfer will be registered. In order to be eligible to attend and vote at the 2019 AGM, H Shareholders of the Bank must lodge the Share transfer documents accompanied by the relevant Share certificates and other appropriate documents with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited (address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) no later than 4:30 p.m. on Monday, 6 April 2020. Shareholders whose names appear in the register of members of the Bank at the close of business on Thursday, 23 April 2020, will be eligible to attend and vote at the 2019 AGM.

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## LETTER FROM THE BOARD

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### VI. METHODS OF VOTING AT THE 2019 AGM

Pursuant to the requirements of Rule 13.39(4) of the Hong Kong Listing Rules, voting by the shareholders at the 2019 AGM shall be taken by the way of poll.

To the best knowledge of the Bank, Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Haier Robot Co., Ltd., Qingdao Haier Air-Conditioner Co., Ltd., Qingdao Haier Special Refrigerator Co., Ltd., Intesa Sanpaolo S.p.A., Qingdao Conson Industrial Co., Ltd., Haitian (HK) Holdings Limited, Qingdao Guoxin Capital Investment Co., Ltd., AMTD Strategic Investment Limited, AMTD Investment Solutions Group Limited and Qingdao China Prosperity State-owned Capital Operation (Group) Co., Ltd. were deemed to have a material interest in the *Resolution on the Estimated Amount of the Ordinary Related Party Transactions of Bank of Qingdao Co., Ltd. for 2020*, therefore, they should abstain from voting on the resolution. Save as disclosed above, no other shareholder or its associate is deemed to have a material interest in any of the resolutions at the 2019 AGM, and no other shareholder is required to abstain from voting on any resolutions.

Please be advised that pursuant to the Article 60 of the Articles of Association, where a shareholder pledges 50% or more of his/her equity interests in the Bank, the voting rights of such shareholder at the 2019 AGM shall be subject to restrictions.

### VII. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the 2019 AGM are in the interests of the Bank and the shareholders as a whole. Accordingly, the Board recommends the shareholders to vote in favor of all resolutions to be proposed at the 2019 AGM.

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

Qingdao, Shandong, the PRC  
16 April 2020

- \* *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 out banking and/or deposit-taking business in Hong Kong.*

**WORK REPORT OF THE BOARD OF DIRECTORS OF BANK OF  
QINGDAO CO., LTD. FOR 2019**

In 2019, from the perspective of the international environment, due to the negative impact of cyclical factors and the escalation of global trade frictions, the global economic growth continued slowing down, and is still in a period of deep adjustment after the international financial crisis. The characteristics of the accelerated evolution of the world's huge changes have become more obvious, and the sources of global turmoil and risk points have increased significantly. In terms of the domestic environment, China is in a critical period of transforming its development mode, optimizing its economic structure and transforming its growth momentum. As the “overlap of structural, systematic and cyclical problems” exists and its impact continues to deepen, the downward pressure on the economy cannot be ignored. However, the basic trend of stable and improving economy in the long run remains unchanged, and commercial banks face both opportunities and challenges.

The Board of Directors of Bank of Qingdao Co., Ltd. (the “**Company**”) accurately researched and judged the internal and external condition, adhered to the general tone of seeking improvement in stability, fully played the role of strategic leadership and scientific decision-making to successfully push forward the completion of the Company's A-share listing, strengthened capital base, enhanced risk management, optimized the assessment and award colligation to promote transformation and upgrade and realized sustained growth in management efficiency and shareholder values. By the end of 2019, the Company's total assets reached RMB373.622 billion, representing an increase of 17.62% as compared with that at the beginning of the year; total various deposits reached RMB212.791 billion, representing an increase of 21.13% as compared with that at the beginning of the year; total various loan reached RMB172.795 billion, representing an increase of 36.72% as compared with that at the beginning of the year. The Company achieved an operating income of RMB9.616 billion throughout the year, representing an increase of 30.44% as compared with that at the beginning of the year; net profit reached RMB2.336 billion, representing a year-on-year increase of 14.30%; the non-performing loan ratio was 1.65%, representing a decrease of 0.03 percentage point as compared with that at the beginning of the year. In 2019, basic earnings per share of the Company was RMB0.39, representing an increase of RMB0.02 as compared with that in the previous year; net assets per share attributable to ordinary shareholders of the Company was RMB4.89, representing an increase of RMB0.18 as compared with that at the end of previous year.

**I. SUMMARY OF THE MAIN WORK OF THE BOARD IN 2019**

In 2019, the Board convened 18 meetings, 3 of which were on-site meetings and 15 of which were held by way of written communications voting, involving resolutions on 49 major matters including work report of the Board of Directors for 2018, work report of President, financial final accounts report, integrated business plan, profit distribution plan, periodic reports, strategic plan, the election of the new session of the Board and remuneration system.

At the meetings, 60 special reports were received or reviewed, including various risk management reports, internal and external audit reports, external auditors' recommendation letter to management and rectification reports, to control and direct the operation and development of the Company.

**(I) Successful implementation of A+H dual listing leading the Company to achieve high-quality development**

In 2019, the Board spared no effort to push forward the completion of the Company's A-share listing and successfully implemented the A+H dual listing in order to promote the Company's continuous business transformation and upgrade, leading the Company to achieve high-quality development.

**Successful completion of A-share listing.** Under the accurate research and judgement and correct guidance of the Board, the Company was successfully listed on the Shenzhen Stock Exchange on 16 January 2019, becoming the first bank in Shandong province with its A Shares listed as well as the 11th commercial bank in the PRC with its A Shares and H Shares listed. This is an important milestone in the development history of Bank of Qingdao, which not only successfully opened up domestic and overseas financing channels, continuously improved the level of capital adequacy and diversified the capital structure, but also laid a solid capital foundation for the sustainable development, and facilitated the Company on a market-oriented, specialized and featured development path.

**Continuous promotion of social reputation.** In 2019, the Company won the authoritative award of "Bank Wealth Management Product of the Year Award" by The Asian Banker for the first time, and was ranked among the Top 300 World Banks for two consecutive years. The Company was ranked among the "Top 500 Asian Brands" and the "China's 500 Most Valuable Brands" for three times, awarded the "Five Star Diamond Award", the highest honor in the service industry for four times, and won the Golden Dragon Award of Financial Times for nine consecutive times; the Company was also successfully selected as one of the "top 10" leading enterprises of the industrial cluster in Shandong Province, and ranked first in the industry of "modern financial services".

**Promotion of wealth management subsidiary approval process.** The Board made accurate research and judgement on the new regulations and requirements on asset management, development trend of domestic and overseas banking industry and the Company's own business development level, guiding the Company's forward-looking layout of wealth management subsidiaries, actively promoted the approval process of the wealth management subsidiary and further improved principal business status and institutional framework of the Company's wealth management business, driving the Company to achieve sustainable and high-quality development. As of now, the Company has received the Approval on the Establishment of Qingyin Wealth Management Company Limited by China Banking and Insurance Regulatory Commission (Yin Bao Jian Fu [2020] No. 77), becoming the sixth city commercial bank approved to establish a wealth management subsidiary.

**Continuous promotion of operating transformation and upgrade.** The Board supported the management to follow the guiding ideology of “strategic guidance, characteristic growth driver, compliance with rules and regulations, and continuous improvement” adhered to the equal importance of structural adjustment and management transformation, further promoted the “enhancement plan” to consolidate the foundation for sound development. The Board of Directors guided the management to implement professional general management on its entire assets and liabilities, so as to achieve the development goal of RMB200 billion, enhance the stability of the assets-liability structure, significantly improve the liquidity and profitability indicators, and transform from growing in size to creating value. The Board promoted the management to continuously optimize the business structure, the wholesale business focused on serving the substantial economy and preventing financial risks, focused on key segments and key customers, increased efforts in product innovation, and improved integrated service capabilities; the retail business focused on scenario construction and customer base construction, and fully utilized the internet technology to achieve the enhancement in both the ability of acquiring customers and profitability; the financial market business actively responded to the complicated and changing domestic and international macroeconomic environment and market fluctuations, optimized product mix, improved the risk control capability of the whole process, and achieved quality and efficiency enhancement and steady growth.

## **(II) Enhanced capital management, and consolidated the foundation of operation development**

In 2019, the Board advocated the refined capital management concept, regularly monitored the usage of capital, attached importance to capital efficiency improvement, and supervised the Company to maintain a good capital adequacy ratio.

**Establishment of multi-level capital replenishment channel.** The Board supported the Company to establish multi-level capital replenishment channel to promote the completion of the Company’s A-share listing; opened up the domestic and overseas capital supplement channel and set up a multi-channel capital replenishment platform which laid out a solid capital foundation for business development.

**Reinforcement of capital restriction mechanism.** The Board carried out the refined capital management concept, supported the management to enhance capital restraint, transferred capital pressure and guided the Company to establish a connotative development model; supervised the Company to optimize assets and liabilities structure, rationally determined asset size growth rate, vigorously developed capital-conservation businesses which improved the utilization of the capital.

**Monitoring the capital conditions regularly.** The Board reviewed the 2018 Assessment Report of Internal Capital Adequacy to learn about the indicators and results of stress tests regarding capital adequacy ratio, risk appetite and implementation of capital planning and assessed management of various major risks related to its assets and the implementation of annual risk appetite and risk limits to ensure the Company's capital adequacy ratio to maintain a good level and continue to meet regulatory requirements.

**(III) Intensified risk management and control in key areas and continuously enhanced the level of comprehensive risk management**

In 2019, facing the complicated internal and external economic environment, the Board adhered to a robust risk appetite and intensified active compliance, insisting on a risk concept and value criterion that are suitable for the Company's business development and intensified risk management and control in key areas, to continuously enhance the level of comprehensive risk management.

**Formulation of overall strategy of risk management.** The Board scientifically predicted internal and external situations to make the 2019 Business Operation Risk Preference Plan prudently from both dimensions of the Group and the Bank, determined risk control standard system on base of taking into considerations both risk and efficiency and conducted risk assessment and intensified tracking assessment and rectification through reviewing all risk management reports periodically.

**Focusing on risk control and management in key areas.** The Board continued to strengthen the research and judgment of the macro situation, supported the senior management to establish active compliance, strictly control risks and optimize the structure, actively supported inclusive finance, private enterprise financing and the reform and the replacement of old drivers with new ones, further improved the quality and efficiency of serving the real economy, comprehensively consolidated the overall credit strategy based on sustainable and high-quality development, promoted the integrated management of credit risk, adhered to the vertical approval structure, further increased the efforts in the write-off and recovery and conversion of non-performing loans to ensure the stable and positive development of asset quality. The Board continuously focused on the optimization of liquidity risk benchmarks, the professional general management of assets and liabilities, effective control of risk and optimization of resource allocation, achieving the balance on security, liquidity and profitability of assets and liability management of the Company; the stability of the asset and liability structure of the whole Bank increased significantly, and the liquidity benchmarks improved obviously. The Board continuously focused on the risk management regarding information technology, and considered and approved the Measure for the Risk Management regarding Information Technology of Bank of Qingdao (《青島銀行資訊技術風險管理辦法》), in order to strengthen the identification and evaluation of information technology risks, and the management ability on areas such as coping with risks.

**Compliance management intensification of related party transactions.** The Board intensified the reporting, approval and disclosure processes in relation to related party transactions, enhanced the compliance constraints of related party transactions in accordance with the requirements of CBIRC, the SZSE and the Stock Exchange. Through timely review of significant related party transactions and close attention paid to its fairness on pricing, the supervision index of all related party transactions for the year met the requirement with absence of any violation of the fairness principle or damage to the interests of the Company and shareholders.

**Monitoring and evaluating the various risk management conditions regularly.** The Board understands various risk conditions of the Company through regular review of various risk management reports regarding the compliance risk, operational risk, reputation risk and market risk, to accurately understand the effectiveness of the Company's comprehensive risk management measures, and put forward working requirements and recommendations on key risk management issues. During the year, the Company had no major risk events.

**(IV) Strengthened internal control and internal and external audit supervision, and insisted to operate according to laws and regulations**

In 2019, the Board continuously improved the internal control self-assessment mechanism, kept strengthening the roles of internal and external audit monitoring, and made the Company continue to develop steadily and operate in compliance with laws and regulations. During the year, the Company had no major cases arising from internal causes or external events.

**As to internal control,** the Board guided the Company to carry out internal control self-evaluation work in accordance with domestic and overseas regulatory requirements and considered the self-assessment report on internal control regularly to assess the effectiveness of internal control; focused on the regulators' opinions and the implementation of corrective actions of the Company on the internal control; reviewed the financial regulatory notifications and the report on corrective actions, the on-the-spot inspection opinions of CBIRC and the report on corrective actions, and dynamically integrated finding problems with performing corrective actions and improving management, and constantly upgraded internal control mechanism. During the year, the Company did not find material weaknesses in internal control design or implementation.

**As to internal and external audits,** the Board highly emphasized the opinions of internal and external audit institutions. The Board supervised the Company's operational activities and risk conditions in virtue of the professional advantage of internal and external audit; received internal and external audit work reports, reviewed assorted special audit reports and rectification reports periodically; made recommendations to guide the Company from the aspects of comprehensive utilization of on-site and off-site audit methods and the important role of big data application in internal auditing works. The Board of Directors strengthened the communication with external auditors, received external audit work report; understood the opinions and recommendations of external auditors on the Company's finance and internal control, and urged the management to implement the corrective actions for improvement.

**(V) Optimized incentive and constraint mechanism, and gave full play to the guiding role of promoting sound development of businesses**

In 2019, the Board practically played an important role in the incentive and restraint mechanism. Based on the measures on remuneration and performance management of senior management and the completion of performance indicators; the Board determined the total bonuses of staffs and the executive performance of senior management; and continued to stimulate and effectively guide management effectiveness and development momentum.

**Continuing to enhance the level of duty performance of the Directors by conducting evaluation of performance of duties in a standardized manner.** The Board established and continuously improved the duty performance and integrity records of the Directors, kept the documents of the Board meetings and general meetings in strict compliance with regulatory requirements, including the attendance of the Directors, the speeches at the meetings and the voting of resolutions, etc., standardized the custody of documents such as the self-evaluation reports on the duty performance of the Directors and the evaluation reports on the duty performance of the Directors issued by the external audit institution, earnestly cooperated with the Board of Supervisors in the evaluation of the duty performance of the Directors, and urged the Directors to continuously enhance their level of duty performance.

**Establishing and improving the performance management system, and reasonably determining the performance targets and incentive measures.** On the basis of internal and external conditions and strategic development objectives as well as the principle of equaling the incentives and constraints, the Board established long-term incentives mechanism; optimized the market-based remuneration system, reviewed the total annual bonus amount of staff and executive performance proposals to determine withdrawal plan of employee bonus and payment plan of executive performance in accordance with the principle of “manage senior management, control total amount”, to ensure the reasonableness and efficiency of the incentives mechanism.

**(VI) Strengthened standardized development of the Board and constantly enhanced operating efficiency of the Board**

In 2019, the Board continuously strengthened its self-development, formulated and constantly improved various corporate governance systems, gave full play to professional duties of the special committees; improved Directors’ research and training and continuously improved the decision-making efficiency and level of the Board.

**Continuing promotion of the standardization of corporate governance.** During the year, a number of important regulatory documents were reviewed and approved, including measures of the equity management, measures of the equity pledge management, the Administrative Measures for the Related Party Transactions and the Implementation Provisions of the Related Party Transactions of the Company, annual report working procedures of the audit committee of the Board, working system of independent directors, annual report working

system of independent directors and working system of secretary to the Board, which further improved the corporate governance system of the Company and continuously promoted the standardization of corporate governance.

**Smooth promotion of change of members of the Board.** During the year, the Board elected Mr. TINGJIE ZHANG (章汀捷) as the new independent Director, to join the seventh session of the Board, which further enriched the expertise of independent Directors and consolidated the talent foundation for scientific decision-making of the Board.

**Gave full play to professional duties of the special committees.** According to the work rules of the committee, the Board special committees formed the 2019 Work Plan and held meetings in accordance with laws and regulations, conducted pre-discussion on the matters to be submitted to the Board for approval; put forward constructive suggestions for the reference of the Board, and pragmatically played the roles of decision-maker, thus improved the scientificity and efficiency of the Board's decision-making. In 2019, the Board special committees organized 43 meetings, including 10 Audit Committee meetings, 2 Remuneration Committee meetings, 15 Related Party Transaction Control Committee meetings, 7 Risk Management and Consumer Protection Committee meetings, 3 Strategy Committee meetings, 4 Information Technology Committee meetings and 2 Nomination Committee meetings; deliberated 42 proposals; reviewed 30 reports of various types; and received 32 special reports on the spot.

**Strengthening Directors' research and training.** In 2019, some independent Directors carried out research activities on topics related to internal auditing and inclusive finance etc., to raise the corresponding suggestions on improvement of scientific and technological support level for internal auditing, and continuous optimization of internal auditing management model, and conducted discussion with relative sections about some issues such as continuous improvement on level of services of inclusive finance and innovative inclusive finance business model. All Directors attended the special training on domestic and overseas laws and regulations organized by the Company to acquire in-depth knowledge of newly revised corporate governance laws and regulations and responsibilities and obligations of the Directors, Supervisors and senior management after A-share listing. Some independent Directors participated in the subsequent training for independent directors of listed company held by Shenzhen Stock Exchange. The Directors continuously improved their performance ability and gave full play to their professional guidance through participating in such trainings and researches.

**(VII) Strengthened information disclosure and the investor relationship management, and improved capital market value**

In 2019, the Board actively implement the market supervision requirements in both places, guiding the Company to disclose major decisions, operation and management and business development of the Company to the capital market in a timely manner, and by energetically performing its social responsibilities, constantly upgraded the Company's transparency and market reputation.

**Adhered to disclosing information according to laws and regulations.** The Board guided the Company to follow the principle of truthfulness, accuracy, completeness, promptness and fairness, prepare and disclose all periodic and provisional reports, constantly enhance the effectiveness and transparency of information disclosure, and truly guarantee the investors' right to know; demonstrate to investors the Company's actual business situation and investment value, and positively explore proactive information disclosure for the purpose of striving to provide investors with more sufficient, effective, and comprehensive information on the basis of regular publication of periodic reports. In 2019, the Company issued 202 announcements of various types in the Hong Kong Stock Exchange and the SZSE. During the year, there was no case of inquiries from regulators due to issues of compliance with information disclosure.

**Actively carried out investor relations management.** Since the listing of A Shares, the Board has guided the Company to establish an investor relations management mechanism with active management of investor relations as the link, laying equal stress on frequency and depth, based on the characteristics and preferences of the domestic capital market, and actively conveyed the Company's development strategies, featured advantages and operating results to the capital market, fully demonstrating the Company's unique value and good market image.

**Positive fulfillment of social responsibility.** The Board upheld the responsibility philosophy of "adhering to compliant development, exploring green development, promoting innovative development, realizing mutual development". While realizing stable development, the Board never forgets its social mission, actively fulfills its social responsibility. It focused on the state's supply side reform and the replacement of old drivers with new ones in Shandong province, practiced inclusive finance idea, strove to develop green finance, comprehensively reinforced financial consumer right and interest protection, actively carried out activities such as targeted poverty alleviation and financial aid for education programs through Bank of Qingdao Charitable Foundation with concrete actions to pay back the society.

**(VIII) Rigidly enforced the resolutions of general meeting and safeguarded the shareholders' legitimate rights and interests**

In 2019, the Board held one annual general meeting and one extraordinary general meeting based on relevant laws and regulations, reviewed and approved 10 proposals such as the work report of the Board and the Board of Supervisors, final accounts report, profit distribution plan, election of independent Directors and election of shareholder Supervisors, and 3 reports were received.

According to the resolutions of general meeting, the Board pushed to complete its 2018 profit distribution, and further employment of external auditing institutions, promoted the supplement of members for the Board of Directors and the Board of Supervisors, put the resolutions made at the general meeting into practice earnestly, and safeguarded the shareholders' legitimate rights and interests. By rigidly performing the resolutions of general meeting, the Board earnestly fulfilled its duty as required in the Articles of Association, and safeguarded the legitimate rights and interests of all the shareholders.

## **II. WORK PRIORITIES OF THE BOARD FOR 2020**

In 2020, there are still many uncertainties in the internal and external environment of China's economy. From the perspective of the external environment, in order to cope with the downward pressure of the economy, the central bank of major developed economies has cut interest rates and the world has entered into a loose monetary cycle. In terms of internal environment, the central government will continue to unswervingly implement the new development concept, resolutely fight the three critical battles, and continue to implement positive fiscal policy and prudent monetary policy. In the long run, the basic trend of stable and improving economy of our nation remains unchanged.

In 2020, the Board will actively follow the national macro-economic policies, focus on the regional development strategy of reform and the replacement of old drivers with new ones in Shandong, maintain its strategic strength, actively respond to challenges, strengthen its confidence in development, seize development opportunities and continuously improve its level, so as to promote the Company to achieve sustainable and high-quality development. The work below will be stressed in 2020 by the Board:

### **(I) Maintaining strategic focus and promoting the achievement of high-quality development**

In 2020, the Board will maintain its strategic focus. Based on the overall requirements of the 2019-2021 Strategic Plan of Bank of Qingdao, under the guidance of the strategic goal of “being a technology-driven bank that offers new quality financial products with lean management and outstanding features”, the Board will guide and support the management to “act accordingly to actual circumstances, strengthen features, overcome difficulties and achieve steady development” as the basic operation guiding ideology, and comprehensively create a new “A+H” pattern for Bank of Qingdao. At the same time, the Board will keep a close eye on the implementation of the strategic plan, continuously track, monitor and evaluate the effectiveness of the implementation of the strategic plan, identify the existing problems in the implementation of the strategy, analyze the difficulties in the implementation of the strategy, ensure the implementation and orientation of the operation and development of the Company, and promote and served the effective implementation of the strategy of the Bank.

### **(II) Timely initiating refinancing to further strengthen capital protection**

In 2020, in accordance with the macroeconomic policies and the dynamics of the capital market, the Board will choose the right time to initiate the refinancing plan, select the quality intermediary service team, design the refinancing plan, actively promote the internal and external approval process and other work, so as to consolidate the capital protection for the sustainable development of the Company.

**(III) Enhancing self-construction, to continuously improve the corporate governance**

In 2020, the Board will continue to comply with the requirements of the policies and regulations of the regulatory authorities, and timely implement rectification of the relevant problems identified during internal and external inspections to continuously improve the corporate governance. The Board will give full play to the decision-making support role of the special committee of the Board, actively carried out special research, exchange and discussion, and improved the decision-making quality and efficiency of the Board; The Board continued to promote the election and reserve of the members of the Board of Directors, and fully utilized the measures such as thematic research, seminar discussion and professional training to continuously create convenience for the Directors to improve their performance ability and standardize their duty performance.

**(IV) Strengthening overall risk management and consolidating the foundation for steady development**

2020 is the final year of the three critical battles, and the regulatory authorities will continue to strengthen the regulatory constraints. In 2020, the Board will continue to intensify the idea of proactive compliance and strengthen overall risk management. It will promote risk management at the strategic level, penetrate the risk management into the whole process of strategic decision-making and implementation; enhance the guiding role of risk appetite for the Bank's whole business and strengthen the transmission and implementation of risk appetite policies; the Bank attached great importance to mechanism construction, promoted the continuous improvement of various risk management policies, and accelerated the construction of data governance and risk management IT system; focusing on risk prevention in key industries, key regions and key areas, the Bank will regularly monitor and evaluate various risk management indicators to further improve the foresight and effectiveness of risk management.

**(V) Enhancing the ability of market value management, to create a good market image**

In 2020, the Board will guide the Company to establish a “warm, in-depth and frequent” investor relations management mechanism, participate in the interaction and communication in the capital market with a more active and open attitude, enhance the recognition in the capital market, demonstrate the Company's unique investment value and continuously enhance the Company's market value management ability; carry out information disclosure in compliance with relevant laws and regulations, continuously improve the quality of information disclosure, moderately increase voluntary information disclosure, and take the initiative to tell the Company's business stories and establish a good capital market image.

Please review.

**WORK REPORT OF THE BOARD OF SUPERVISORS OF BANK OF  
QINGDAO CO., LTD. FOR 2019**

In 2019, the Board of Supervisors of Bank of Qingdao Co., Ltd. (herein defined as the “Company” in this report) has achieved sound developments in various businesses by diligently performing its supervisory duties, legally issuing independent opinions, and driving the ongoing perfection of risk management and internal control in accordance with the requirements of domestic and foreign laws and regulations as well as the Articles of Association, for the purpose of safeguarding the legitimate interests of the Company, its shareholders and other stakeholders. The major work is reported as follows:

**I. MAJOR WORK OF THE BOARD OF SUPERVISORS IN 2019**

**(I) Operating independently according to standards, diligently performing supervisory duties**

In 2019, the Board of Supervisors legally convened meetings of the Board of Supervisors and its special committees in accordance with the provisions of the rules of procedures and the annual working plan. All Supervisors have attended the meetings and expressed opinions independently, effectively performing their supervisory duties. During the year, the Board of Supervisors has convened a total of nine meetings, including three on-site meetings and six meetings voted via written communications, at which 20 proposals were considered, including president’s work report, periodic reports, profit distribution plan, self-evaluation reports of internal control, performance reports of Directors, Supervisors and the senior management, and 58 reports were received, including risk management reports, internal auditing reports, financial regulatory circulars and rectification reports; and the special committees of the Board of Supervisors convened a total of ten meetings, including eight meetings convened by the supervision committee and two meetings by the nomination and evaluation committee, at which 17 proposals were considered and 45 reports were received.

**(II) Deepening supervision on duty performance, enhancing the effectiveness of duty performance evaluation**

In 2019, The Board of Supervisors has deepened its supervision on performance, taking the supervision and various inspection opinions as the starting point. 1. Continually conducting daily supervision. During the year, the Supervisors attended 1 annual general meeting, 1 extraordinary general meeting, three on-site Board meetings and certain meetings of its special committees, reviewed documents considered at 15 Board meetings voted via written communications. During such meetings, the Supervisors have supervised the convening procedures, the matters considered, the voting procedures and the duty performance of Directors. The employee Supervisors were also in-attendance at various meetings convened by the senior management, including president office meetings, operation analysis meetings and internal control review meetings to conduct process supervision on the management’s duty performance and the implementation of resolutions of the Board, and provide objective and independent opinions and suggestions from the point of view of the Board of Supervisors.

2. Improving duty performance evaluation, enhancing the independence and effectiveness of duty performance evaluation. Based on the daily supervision, the Board of Supervisors has completed the duty performance evaluation of the Board and Directors and its members, the senior management and its members and the Supervisors for 2018, by reference with the self-evaluation reports of Directors, Supervisors and the senior management and opinions from regulatory authorities and external auditing institutions. In the performance assessment report, the Board of Supervisors has expressly pointed out the deficiencies in the Directors' performance, provided suggestions for improving, and reported the results of evaluation at Board meetings and shareholder's general meetings in order to urge the Directors to perform diligently.

**(III) Strengthening supervision on financial position, ensuring the truthfulness and completeness of disclosed information**

In 2019, the Board of Supervisors has focused on financial activities of the Company and the decisions and executions of material financial matters, by strengthening supervision on financial position in order to facilitate the improvement of the financial management level of the Company. 1. Carefully reviewing periodic reports. The Board of Supervisors has reviewed the 2018 annual report and the 2019 interim report, supervised the preparation and auditing procedures of periodic reports and the truthfulness and completeness of the contents of such reports, and concluded that the preparation and auditing procedures of such regular reports were in compliance with laws and regulations, and their contents were true, accurate and complete, and reflecting actual situations of the Company. 2. Focusing on the decision-making for material financial matters. The Board of Supervisors has reviewed the proposals of the profit distribution plan for 2018 and the appointment and remuneration of domestic and foreign auditors for 2019, supervised their decision-making processes, and had no disagreement upon the profit distribution plan and the appointment of auditors. 3. Regularly reviewing financial data, following up the financial performance in a timely manner. The Board of Supervisors has reviewed various financial indicators, such as deposits and loans, quality of assets and provision particulars, on a quarterly basis, for tracing the changes of such financial indicators in a timely manner and giving advice for improvement; financial reports are reviewed on a half-year basis, focusing on the performance of financial budgets, in order to make suggestions on how to strengthen the depth of financial management, explore follow-up methods for disposing written-off assets and increase yields from wealth management products.

**(IV) Strengthening supervision on internal control measures for risks, promoting sound development of businesses**

In 2019, the Board of Supervisors has been carefully monitoring the changes of the macroeconomic situations, continually strengthened supervision on risk management and internal control, steadily optimized the internal control mechanism and reinforced preventing methods. 1. Deepening the understanding of the risk management of the Bank under the economic new normal, and regularly receiving risk management reports on credit risks, market risks and liquidity risks, in order to get knowledge of the main situation of risk management of the Company in a timely manner. The focus was on the credit risk management, by

continually monitoring various situations, such as resolution of loans with potential risks, quality control of new loans, management of non-performing loans and the progress of the credit management system reform, in order to make suggestions on the resolution of strengthening customer entrance and improving approval authorization mechanism. 2. Focusing on the perfection of internal control measures and supervising the evaluation and rectification. The Board of Supervisors has reviewed reports of internal control assessment, supervised the effectiveness of the internal control system, and issued its audit opinions. Furthermore, it has carefully studied the annual regulatory circulars from regulatory authorities, regularly received reports from the internal auditing department, and reviewed special auditing reports and rectification reports for internal auditing department in time. It supervised and followed up the rectification of significant issues by the management in a timely manner, so as to form a virtuous circle of supervision, improvement, feedback and enhancement. 3. Utilizing the function of employee Supervisors, spreading the supervision. The chairman of Supervisors and employee Supervisors has fully understood issues in the process of operation and development, credit risk management, execution of regulatory policies of the branches through daily work, visits and researches, and exchange seminars and reported to the Board and senior management in a timely manner.

**(V) Promote the election of Supervisors, to strengthen the member base of Board of Supervisors**

In 2019, Mr. Zhang Lanchang ceased to act as Shareholder Supervisor of the Bank. To guarantee the supervision function to be carried out fully and to avoid vacant posts regarding supervision, the Board of Supervisors actively promoted the election of Supervisors, formulated detailed member election plan, reviewed and elected new Shareholder Supervisor candidates. Upon being elected by the Board of Supervisors and the Shareholders' general meeting, Mr. He Liangjun was appointed as the Shareholder Supervisor of the Bank, and began to perform his duties formally since October 2019. The new Shareholder Supervisor has abundant experience in corporate management and the duty performance of Board of Supervisors, beneficial to further enrich the expertise and effectively enhance the level of performance duty of the Board of Supervisors.

**(VI) Strengthening trainings and communications, improving the level of duty performance of Supervisors**

In 2019, the Board of Supervisors has continued to strengthen trainings on Supervisors and communications with peers according to the needs of duty performance, in order to continuously enhance the Supervisors' abilities of duty performing. 1. Organized all the Supervisors to participate in trainings organized by the Bank concerning domestic and foreign laws and regulations, including the revisions of the Listing Rules and the Corporate Governance Code in 2019, relevant policies enacted in 2019 by the CBIRC, obligations of the Directors, Supervisors and senior management for A-share listing companies, and latest policy requirements regarding information disclosures and related party transactions management. 2. Organized some Supervisors to launch research studies in Shenzhen to promote the carrying out of daily work and the supervision function of the Board of Supervisors.

**II. INDEPENDENT OPINIONS ISSUED BY THE BOARD OF SUPERVISORS ON RELEVANT MATTERS****(I) Compliant operation**

The business activities conducted by the Company in 2019 were in compliance with the requirements of the Company Law, the Commercial Bank Law and the Articles of Association of the Company, and decision-making procedures were legal and valid. The Directors and senior management have performed their duties loyally and diligently in the process of business operation and management. Neither violation of laws, regulations or the Articles of Association nor harm to the interests of the Bank or shareholders during performance of duties by the Directors or senior management of the Bank was identified.

**(II) Truthfulness of the financial report**

KPMG Huazhen LLP and KPMG have separately audited the financial statements for 2019 prepared by the Company under the ASBE and the IFRS respectively, and separately issued unqualified audit reports thereon. The Board of Supervisors was of the view that the financial statements provided a true, accurate and complete view of the financial position and operating results of the Company.

**(III) Acquisition and disposition of assets**

During the reporting period, the Board of Supervisors has not identified any insider trading and any conduct that damaged the interests of shareholders and caused loss of assets in the process of acquisition and disposition of assets.

**(IV) Related party transactions**

For the related party transactions occurred during the reporting period, the Board of Supervisors has not identified any conduct which was against the principle of fairness or detrimental to the interests of the Company and its shareholders.

**(V) Internal control**

The Board of Supervisors has reviewed the Internal Control Self-assessment Report of Bank of Qingdao Co., Ltd. for 2019, and had no disagreement upon the contents thereof. During the reporting period, no material weakness in respect of the completeness, reasonableness, validity and execution of the internal control system and mechanism was identified.

**(VI) Implementation of resolutions of the shareholders' general meeting**

The Board of Supervisors had no disagreement upon any report and proposal submitted by the Board to the shareholders' general meeting for consideration in 2019, has supervised the implementation of resolutions of the shareholders' general meeting, and considered that the Board diligently implemented relevant resolutions passed at the shareholders' general meetings.

**III. WORK PLAN FOR 2020**

In 2020, the Board of Supervisors will strengthen its knowledge construction, emphasize the focus of supervision, optimize the supervision mechanism, and steadily enhance the independence and effectiveness of supervision of the Board of Supervisors in accordance with the regulatory requirements of the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Guidelines on the Functioning of Supervisory Board of Commercial Banks (《商業銀行監事會工作指引》) and the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the Small and Medium-Sized Enterprise Board (《深圳證券交易所中小企業板上市公司規範運作指引》).

**(I) To emphasize the focus of supervision in order to enhance effectiveness of duty performance**

1. To focus on the implementation of the strategic plan. There are still many uncertainties in the external environment in 2020. The Board of Supervisors will focus on the implementation of the strategic plan, evaluate the reasonableness and effectiveness of the strategic plan, and inform the Board and senior management issues identified in the process of the implementation of the strategic plan, for the purpose of implementation and optimization of the strategic plan. 2. To strengthen the supervision on information disclosure. After achieving the A+H listing, the Company is facing both domestic and foreign regulations, and regulations from both the securities market and the banking industry as well as facing more concerns from the media and from the investors. As a result, the Board of Supervisors will strengthen the supervision of the information disclosures by the Board and senior management, in order to ensure the truthfulness, accuracy, timeliness and completeness of the disclosures and practically protect the interest of the investors. 3. To continue focus on the rectification of the internal and external issues identified. The Board of Supervisors will review the regulatory opinions and the rectification reports in a timely manner, and urge the senior management to continuously rectify the issues identified.

**(II) To optimize the supervision mechanism in order to enhance level of duty performance**

1. To regulate the convention of quarter meetings of the Board of Supervisors, review the financial reports, the president's report and the periodic reports, and provide suggestions on supervision in accordance with the regulatory requirements. 2. To appropriately increase the frequency of meetings of the special committees, to strengthen the professional duties on reviewing of the special committees in order to provide professional supports to the decision-making of the Board of Supervisors. 3. To make employee Supervisors fully functioned in order to extend the depth and breadth of the supervision. By taking advantage of the advantages of employee Supervisors who work in the Bank, to focus on the specific implementation of strategies, risk management and internal control by going deep in the business lines and departments of the head office and the branches. 4. To carry out special researches on an ongoing basis by focusing on the key issues of the regulatory institutions and the key business areas and weak segments in the process of business operation of the Company as the main research direction and provide targeted opinions and suggestions, in order to practically carry out the duty of supervision of the Board of Supervisors, to support and ensure the sustainable and high quality development of the Bank.

**(III) Strengthen knowledge construction in order to enhance the abilities of duty performance**

1. To regularly carry out trainings for Supervisors, understand the direction of regulatory policy timely, explore the working ideas and improve the abilities of duty performance. 2. To increase the communications and information exchanges with the peers and learn advanced working experience from them, in order to enrich means of supervision. 3. To carefully study the regulatory laws and regulations and the opinions from regulatory authorities, and actively carry out special researches on corporate governance and risk monitoring under the guidance of the regulators.

Please review.

**DETAILS OF THE AMENDMENTS TO THE RULES  
OF PROCEDURES FOR THE SHAREHOLDERS'  
GENERAL MEETINGS OF BANK OF QINGDAO CO., LTD.**

Original Articles	Amended Articles
<p><b>Article 21</b> .....The Proposing shareholders may submit provisional proposals to the conveners in writing 10 days before the date of the shareholders' general meeting. The conveners shall issue a supplemental notice setting out the content of the provisional proposals within 2 days of receiving the proposals.</p>	<p><b>Article 21</b> .....The Proposing shareholders may submit provisional proposals to the conveners in writing <u>12 Hong Kong business days</u><del>10 days</del> before the date of the general meeting. The conveners shall issue a supplemental notice setting out the content of the provisional proposals within 2 days of receiving the proposals.</p>
<p><b>Article 23</b> When the Bank is to convene a shareholders' general meeting, a written notice stipulating the matters to be considered and the venue, date and time of the meeting shall be sent to shareholders who are entitled to attend the shareholders' general meeting by way of announcement 45 days before the shareholders' general meeting. Shareholders who wish to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank 20 days before the shareholders' general meeting is convened.</p>	<p><b>Article 23</b> When the Bank is to convene a shareholders' general meeting, <del>a written notice stipulating</del> the matters to be considered <u>at</u> and the venue, date and time of the meeting shall be <del>sent</del><u>informed</u> to shareholders <del>who are entitled to attend the shareholders' general meeting</del> by way of announcement <u>20 Hong Kong business</u><del>45</del> days before the shareholders' general meeting. <u>The extraordinary general meeting shall be informed to the shareholders by way of announcement 10 Hong Kong business days or 15 days (whichever is earlier) before it is convened.</u> <del>Shareholders who wish to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank 20 days before the shareholders' general meeting is convened.</del></p>

Original Articles	Amended Articles
<p><b>Article 24</b> The Bank shall calculate the proportion of voting shares held by shareholders who wish to attend the meeting based on the written replies received 20 days before the shareholders' general meeting that is convened by the Bank. Where the proportion of voting shares held by shareholders who wish to attend the meeting exceeds half of the total voting shares of the Bank, the Bank will convene the shareholders' general meeting. If this threshold is not met, the Bank shall inform the shareholders who are entitled to attend the shareholders' general meeting within 5 days by way of announcement stipulating the matters to be considered and the venue, date and time of the meeting. Once this announcement is made, the Bank may then proceed to convene the shareholders' general meeting.</p>	<p><del><b>Article 24</b> The Bank shall calculate the proportion of voting shares held by shareholders who wish to attend the meeting based on the written replies received 20 days before the shareholders' general meeting that is convened by the Bank. Where the proportion of voting shares held by shareholders who wish to attend the meeting exceeds half of the total voting shares of the Bank, the Bank will convene the shareholders' general meeting. If this threshold is not met, the Bank shall inform the shareholders who are entitled to attend the shareholders' general meeting within 5 days via an announcement stipulating the matters to be considered and the venue, date and time of the meeting. Once this announcement is made, the Bank may then proceed to convene the shareholders' general meeting.</del></p>
<p><b>Article 28</b> .....The aforesaid announcement shall be published in one or more newspapers specified by the securities regulatory authority of the State Council between the 45 to 50 day intervals before the meeting date. All holders of domestic shares shall be deemed as having been notified of the forthcoming shareholders' general meeting once the announcement is published.</p>	<p><b>Article 278</b> .....The aforesaid announcement shall be published in one or more newspapers specified by the securities regulatory authority of the State Council between the 45 to 50 day intervals prior to the meeting date. All holders of domestic shares shall be deemed as having been notified of the forthcoming shareholders' general meeting once the announcement is published.</p>

*Note:*

1. As a result of deletion of Articles, numbering of the original articles of the Rules of Procedures for the Shareholders' General Meetings and hence those cross-referenced have been adjusted accordingly, which are not presented in the table above separately.
2. In light of the completion of the issuance of A shares, all the "domestic shares" in the Rules of Procedures for the Shareholders' General Meetings were amended to "A shares", which are not presented in the table above separately.

**SPECIAL REPORT ON RELATED PARTY TRANSACTIONS OF  
BANK OF QINGDAO CO., LTD. FOR 2019**

In 2019, the Bank strictly complied with the relevant regulations of domestic and overseas regulatory authorities and stock exchanges, continued to improve the management of related party transactions and effectively prevent the risk of related party transactions. All indicators of related party transactions are controlled within the scope allowed by regulatory requirements. The related party transactions of the Bank for 2019 are reported below:

**I. COMPOSITION OF RELATED PARTY TRANSACTIONS CONTROL COMMITTEE UNDER THE BOARD OF DIRECTORS AND SUMMARY OF CONVENING OF ANNUAL MEETING FOR 2019**

The Related Party Transactions Control Committee under the Board of Directors of the Bank consists of 7 members and the post of chairman of the committee was held by an independent Director. The proportion of independent Directors set in the committee was more than half.

In 2019, the Related Party Transactions Control Committee under the Board of Directors of the Bank held 15 meetings in total and reviewed and approved 19 resolutions and received 3 reports, including the resolutions on confirmation of the list of related parties, the review on major related party transactions and receiving of quarterly report on related party transactions status.

**II. MANAGEMENT MEASURES FOR RELATED PARTY TRANSACTIONS FOR 2019**

In 2019, in compliance with the newly applicable regulatory regulations after the listing of A Share, the Bank actively implemented the relevant requirements of the CSRC and the SZSE on the basis of the previous regulatory specifications of the CBIRC and the Stock Exchange for related party transactions. At the same time, the Bank continued to strengthen the daily management of related party transactions, and enhanced the implementation of transaction compliance and fair internal control requirements through system optimization and system construction. The specific measures are as follows:

**(I) Establishment of estimated work mechanism for related party transactions**

According to the requirements of the CSRC and the SZSE, after the Bank made reasonable estimation on the annual amount of related party transactions at the beginning of the year, it was expected that a single transaction within the range of the estimation will not be subject to the recurring approval and disclosure procedures in accordance with such specifications. To this end, the Bank had established work organization and model of “frontline business reports the demand of credit limit, and departments of the head office coordinate” together with its institution establishment and business approval structure. Based on the guidance of credit policies, the quality and quantity of business assets and the expected return

of business, the Bank conducted an analysis of business needs on a case-by-case basis, carried out demand assessment and adjustment on a case-by-case basis, and made comprehensive consideration of related party transactions, and made a reasonable arrangement of credit limit among different related parties. The establishment of this work mechanism enabled the Bank to plan its related party transactions businesses development in an orderly manner throughout the year while satisfying the regulatory requirements.

## **(II) Implementation of new management requirements through various measures**

In addition to the estimation of related party transactions, the Bank revised the administrative measures for the related party transactions and the implementation provisions in accordance with the relevant regulations of the CSRC and the SZSE, prepared a list of related parties that meets the new specifications, and conducted internal control, review and approval and information disclosure of related party transactions in accordance with the newly applicable regulatory standards.

## **(III) Optimizing the internal control review system for related party transactions**

The Bank optimized the business system of corporate credit, financial market business and personal credit, incorporated the key points of compliance and fairness review of related party transactions into the system process as the pre-conditions for business approval and lending operation, and replaced “manual control” with “automatic control” to effectively improve the implementation of various risk review of related party transactions.

## **(IV) Formulation of pricing policies for non-credit related party transactions**

In accordance with relevant laws, regulations and regulatory requirements, the Bank formulated the Pricing Policy for Non-credit Related Party Transactions of Bank of Qingdao based on its own actual situation and formulated detailed provisions on the pricing principles, pricing review mechanism and pricing adjustment mechanism of non-credit related party transactions, providing a clear policy basis for fair review.

# **III. STATISTICS OF RELATED PARTIES AT THE END OF 2019**

The Bank managed the list of related parties by the new specifications in accordance with the regulatory requirements of the CBIRC, the Stock Exchange, the CSRC and the SZSE. In 2019, the Bank successively supplemented and updated the list of related parties four times. As at the end of 2019, according to the policy of CBIRC, the Bank had 1,039 related legal persons or other organizations and 9,461 related nature persons; according to the requirements of the Stock Exchange, there are 948 related legal persons or other organizations and 149 related nature persons; according to the specifications of the CSRC and the SZSE, there were 135 related legal persons or other organizations and 222 related nature persons.

**IV. APPROVAL OF RELATED PARTY TRANSACTIONS FOR 2019**

In accordance with commercial principles, the Bank approved related party transactions on conditions not more favorable than those for comparable transactions with non-related parties. The terms of the transactions were fair and reasonable and in the interest of all shareholders and the Bank as a whole. The Bank implemented the corresponding approval process and approval requirements for the related party transactions in specifications of CBIRC, the Stock Exchange, CSRC and the SZSE. The details are as follows:

**(I) Related party transactions in specifications of CBIRC**

In 2019, the Bank strictly complied with regulatory requirements. It did not issue unsecured loans to related parties, did not provide credits to related parties using the Bank's equity as a pledge, and did not provide guarantees for financing activities of related parties.

In respect of the approval of major related party transactions, in 2019, there were a total of 11 major related party transactions considered and approved by the Board of Directors, namely related party transactions with 8 related companies of Haier Group, 2 related companies of Qingdao Conson Group (青島國信集團) and related party transactions of BQD Financial Leasing Company Limited, respectively, and the approval businesses were all credit-related with the amount of RMB4.530 billion. The major related party transactions of the Bank were reviewed by the Related Party Transactions Control Committee under the Board of Directors and submitted to the Board of Directors for approval, and reported to the Board of Supervisors and the Qingdao CBIRC within ten working days upon approval. Independent Directors of the Bank issued written opinions on the fairness of major related party transactions and the performance of internal approval procedures.

For approval of general related party transactions, the Bank approved general related party transactions in accordance with internal authorization procedures, and submitted the general related party transactions to the Related Party Transactions Control Committee under the Board of Directors annually for filings through making special reports on related party transactions.

**(II) Related party transactions in specifications of the Stock Exchange**

In 2019, the related party transactions in specifications of the Stock Exchange carried out by the Bank were exempted from submission to the Board of Directors and the general meeting for review and from external disclosure. The transactions were approved according to the internal authorization procedures of the Bank.

**(III) Related party transactions in specifications of CSRC and SZSE**

In 2019, the Bank has made reasonable estimates of daily related party transactions in accordance with the relevant requirements of the CSRC and the SZSE, and the Board of Directors and shareholders' general meeting has approved and performed the procedures for

external disclosure. A single related party transaction within the scope of estimates is not subject to repeated approval and disclosure in accordance with the standards of the CSRC and the SZSE; None of the related party transactions outside the scope of estimates have met the standards for submission to the Board of Directors and shareholders' general meeting for consideration and external disclosure, and such transactions have been considered and approved in accordance with the internal authorization procedures of the Bank.

## V. STATISTICS OF RELATED PARTY TRANSACTIONS AT THE END OF 2019

The statistics of the Bank's related party transactions at the end of the year was categorized into related party transactions in specifications of CBIRC, the Stock Exchange, the CSRC and the SZSE, the details of which are as follows:

### (I) Related party transactions in specifications of CBIRC

#### 1. Credit related party transactions

As at the end of 2019, the total credit balance of the Bank's credit related party transactions in specifications of CBIRC amounted to RMB4.617 billion. The transaction interest rate or handling fee was determined based on general commercial principles and standards not more favorable than those for similar transactions with non-related parties. The nature of the equity of the related parties in the transaction was debts, with the proportion of 100%. The details of which are as follows:

Names of Related Parties	Types of Transactions	Transaction Balance (RMB100 million)	Interest	Income from
			Rate/Handling Fee Rate (%) <sup>1</sup>	Annual Interest/Handling Fees (RMB10 thousand) <sup>2</sup>
<b>Major related party transactions</b>	<b>–</b>	<b>39.74</b>	<b>–</b>	<b>7,323.58</b>
Qingdao Conson Financial Holdings Co., Ltd.	Loan	8.75	5.00/6.00	2,925.69
Haier Consumer Finance Co., Ltd.	Interbank borrowing	8.00	6.50	–
Qingdao Changyuan Land Co., Ltd.	Non-standard debt	7.00	5.90	4,187.36
Qingdao Haier Home Integration Co., Ltd.	Commercial bill financing and letter of guarantees	3.96	–	–

# APPENDIX IV SPECIAL REPORT ON RELATED PARTY TRANSACTIONS FOR 2019

Names of Related Parties	Types of Transactions	Transaction Balance (RMB100 million)	Interest	Income from
			Rate/Handling Fee Rate (%) <sup>1</sup>	Annual Interest/Handling Fees (RMB10 thousand) <sup>2</sup>
Qingdao Haichen Real Estate Development Co., Ltd.	Loan	3.16	8.00	210.53
Haier Financial Factoring (Chongqing) Co., Ltd.	Commercial bill financing	2.10	–	–
BQD Financial Leasing Company Limited	Interbank borrowing	2.00	4.15	–
Qingdao Haier Industry and City Innovation Group Co., Ltd. (青島海爾產城創集團有限公司)	Factoring and guarantee	1.35	–	–
Haier Group Finance Co., Ltd.	Interbank bill credit	1.25	–	–
Qingdao Haizhi Weichuang Estate Co., Ltd.	Commercial bill financing	1.00	–	–
Qingdao Haitang Real Estate Co., Ltd.	Commercial bill financing	0.55	–	–
Qingdao Haiqi Real Estate Development Co., Ltd.	Commercial bill financing	0.50	–	–
Qingdao Conson Finance Guarantee Co., Ltd.	Financing guarantee	0.12	–	–
<b>General related party transactions</b>	–	<b>6.43</b>	–	<b>2,799.26</b>
<b>Total</b>	–	<b>46.17</b>	–	<b>10,122.84</b>

Notes: 1 Interest rate/handling fee rate refers to the interest rate or handling fee rate applicable to the business with transaction balance at the end of the year. As at the end of 2019, the major related party transactions of Qingdao Conson Financial Holdings Co., Ltd. with transaction balance in the Bank were all loan businesses, and the applicable loan interest rates were 5.00% and 6.00%. In the Commercial bill financing business with Qingdao Haier Home Integration Co., Ltd., Haier Financial Factoring (Chongqing) Co., Ltd., Qingdao Haizhi Weichuang Estate Co., Ltd., Qingdao Haitang Real Estate Co., Ltd. and Qingdao Haiqi Real Estate Development Co., Ltd., in the factoring business with Qingdao Haier Industry and City Innovation Group

Limited, interbank bill credit business with Haier Group Finance Co., Ltd., in the financing guarantee service with Qingdao Conson Finance Guarantee Co., Ltd. (青島國信融資擔保有限公司), the income were all derived from non-related party customers, thus the income from related parties was nil.

2. The income from annual interest/handling fee refers to the interest income or income from handling fee actually obtained from the related party transactions between the Bank and its related parties during the year on a cash basis; part of the business is one-off repayment of principal and interest, and the business has not expired at the end of the year, thus the Bank have not actually obtained interest or handling fee income from related parties in the relevant business in the current year; the income listed in the above table refers to the income from existing operations at the end of the year, and the total income from related party transactions settled during the year amounted to RMB154,146,200.

In 2019, credit related party transactions were mainly loan businesses. In respect of major related party transactions, loans granted to the related parties accounted for 0.70% of loans and advances to customers of the Bank. The non-performing ratio of loans for related parties has remained nil, and the quality of credit facilities granted to related parties was better than the average quality of credit facilities granted by the Bank. The Bank judged that the existing credit related party transactions would have no material impact on the normal operation of the Bank.

As at the end of 2019, after deducting cash guarantees, the related party with the Bank's largest balance of credit facilities was Qingdao Conson Financial Holdings Co., Ltd., accounting for 2.23% of the net capital; the related party group with the largest balance of credit facilities was Haier Group, accounting for 7.35% of the net capital; and the balance of credit facilities granted to all related parties accounted for 11.73% of the net capital. The above indicators have not exceeded the regulatory limits as required by CBIRC.

## 2. *Non-credit-related related party transactions*

In 2019, the non-credit-related related party transactions in specifications of CBIRC were primarily the agency sales of financial products to related parties, bond active management by related parties to the Bank etc., with a total transaction amount of RMB86.2192 million, and all of them were general related party transactions. The prices of non-credit-related related party transactions were determined based on general commercial principles and standards not more favorable than those for similar transactions with non-related parties.

## (II) **Related party transactions in specifications of the Stock Exchange**

In 2019, the Bank's related party transactions in specifications of the Stock Exchange during the year were primarily the funds established by related parties relevant to wealth management fund investment with a total transaction amount of RMB4.8245 million.

**(III) Related party transactions in specifications of CSRC and SZSE**

In 2019, the related party transactions of the Bank based in specifications of the CSRC and the SZSE were mainly credit business on and off balance sheet and non-credit business such as agency sales of financial products of related parties, of which the balance of credit business was RMB1.939 billion and the total transaction amount of non-credit business was RMB54.7721 million.

In 2020, the Bank will strictly comply with the laws and regulations as well as the requirements of the administrative measures on related party transactions of the Bank and its implementation rules. The Bank will continuously regulate its management on related party transactions and disclose information of related party transactions on a timely basis to ensure the legality and compliance of its related party transactions and to firmly safeguard the interests of the Bank and the shareholders as a whole.

Please review.

ESTIMATED AMOUNT OF THE ORDINARY RELATED PARTY TRANSACTIONS  
OF BANK OF QINGDAO CO., LTD. FOR 2020I. ESTIMATED CLASSIFICATION AND AMOUNT OF THE ORDINARY RELATED  
PARTY TRANSACTIONS

No.	Related party	Contents of Related Party Transactions	2020 Estimated Amount	Trading Balance as at the End of Last Year
1	Haier Group Corporation and its related parties	Credit businesses	RMB3,920 million	RMB2,887 million
2	Intesa Sanpaolo S.p.A. and its related parties	Credit businesses	RMB400 million	–
		Non-credit businesses	RMB9.50 million	RMB4.2245 million
3	Qingdao Conson Development (Group) Co., Ltd. and its related parties	Credit businesses	RMB2,500 million	RMB1,172 million
		Non-credit businesses	RMB82.05 million	RMB54.6734 million
4	AMTD Group Company Limited and its related parties	Non-credit businesses	RMB30 million	RMB23.8457 million
5	Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. and its related parties	Credit businesses	RMB2,586 million	RMB1,070 million
		Non-credit businesses	RMB1.10 million	RMB0.6987 million
6	BQD Financial Leasing Company Limited	Credit businesses	RMB800 million	RMB200 million
		Non-credit businesses	RMB2.88 million	RMB2.7769 million
7	Related natural persons	Credit businesses	RMB461 million	RMB214 million
Sub-total of credit businesses			<u>RMB10,667 million</u>	<u>RMB5,543 million</u>
Sub-total of non-credit businesses			<u>RMB125.53 million</u>	<u>RMB86.2192 million</u>

## Notes:

- The estimated amount above is applicable to the related party transactions between the Bank or the holding subsidiaries of the Bank and the related parties of the Bank but does not constitute the Bank's or the holding subsidiaries of the Bank's credit commitment to its customers. When the related party transaction within the estimated amount actually occurs, the business risk approval and related party transaction approval will be implemented in accordance with the Bank's authorization plan. The actual transaction plan shall be subject to the written documents issued by the Bank's authorized examination and approval authority.
- If the amount of related party transactions set out in the above table is within the approval authority of the Board, it shall take effect from the date of approval by the Board; for those not within the scope of the Board's authority, it shall take effect from the date of approval at the annual general meeting of the year. The validity period of related party transactions set out above shall be valid until the date on which the new estimated amount of the ordinary related party transactions is considered and approved at the next annual general meeting of the Bank.
- Since 12 months after the resignation of Mr. Zhang Lanchang, a former Supervisor of the Bank, namely 16 May 2020, Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd., where he serves, and its related parties will no longer be the related parties of the Bank.
- Save as the table above, the estimated amount of ordinary related party transactions for 2019 of the Bank to Shandong State-owned Assets Investment Holdings Co., Ltd. was RMB240 million while its business balance as at the end of 2019 was RMB90 million.

**II. INTRODUCTION OF THE RELATED PARTIES AND RELATED RELATIONSHIP****(I) Haier Group Corporation****1. Basic information**

Haier Group Corporation, with Zhang Ruimin as its legal representative, has a registered capital of RMB311.18 million. It is principally engaged in the technology development, technology consultancy, technology transfer, technology services; data processing; engaged in digital technology, intelligent technology, software technology; research and development, sales and after-sales services of robots and automation equipment products; logistics information services; the research and development and sales of intelligent household equipment and solution system software technology (方案系統軟件技術); the production of household appliances, electronic products, communication equipments, electronic computers and accessories, general machinery, kitchen appliances and robots for industrial purpose; economic technology consultancy; and research, development and transfer of technological achievements, etc. Its domicile is located in Haier Industrial Park, Qingdao City, Shandong Province.

**2. Related relationship with the Bank**

Haier Group Corporation is a substantial shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and shareholders*.

**3. Duty performance analysis**

The above-mentioned related party has strong operating strength, continuous growth in main business and results, and good duty performance ability.

**(II) Intesa Sanpaolo S.p.A.****1. Basic information**

Intesa Sanpaolo S.p.A., with Gian Maria GROS-PIETRO as its legal representative, has a registered capital of EUR9,086 million. It is principally engaged in commercial banking business. Its domicile is located in Piazza San Carlo, 156 10121 Torino. As at the end of September 2019, the total asset was EUR848.718 billion and the net asset was EUR55.229 billion. Realizing main business income of EUR13.582 billion and net profit of EUR3.310 billion in the first nine months of the year.

**2. Related relationship with the Bank**

Intesa Sanpaolo S.p.A. is a substantial shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and shareholders*.

**3. Duty performance analysis**

The above-mentioned related party is a large multinational bank headquartered in Italy. It has strong operating strength in fields of retail banking, corporate banking and wealth management. It has good major financial indicators and good duty performance ability.

**(III) Qingdao Conson Development (Group) Co., Ltd.****1. Basic information**

Qingdao Conson Development (Group) Co., Ltd., with Wang Jianhui as its legal representative, has a registered capital of RMB3 billion. It is principally engaged in the investment, construction and operation of major infrastructure projects in urban and rural areas and major public welfare programs of the government; and engaged in businesses covering real estate, tourism, land development, non-banking financial and other service industries. Its domicile is located at No. 15 Donghai West Road, Shinan District, Qingdao City, Shandong Province. As at the end of September 2019, the total asset was RMB68,982 million and the net asset was RMB26,893 million. Realizing main business income of RMB3,645 million and net profit of RMB165 million in the first nine months of the year.

**2. Related relationship with the Bank**

Qingdao Conson Development (Group) Co., Ltd. is a substantial shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and shareholders*.

**3. Duty performance analysis**

The above-mentioned related party is a high-quality large-scale state-owned enterprise engaged in the investment and operation of state-owned capital. Its major financial indicator is good, and the business operations in various fields are stable and have good duty performance ability.

**(IV) AMTD Group Company Limited****1. Basic information**

AMTD Group Company Limited, with Wang Ruiqiang as its legal representative, has a registered capital of US\$10,001. It is principally engaged in investment banking business, asset management business, corporate insurance brokerage, risk solutions and investment strategy consultancy. Its domicile is located in 23-25/F, Nexxus Building, 41 Connaught Road Central, Central, Hong Kong. As at the end of September 2019, the total asset was HK\$21.721 billion and the net asset was HK\$16.961 billion. Realizing main business income of HK\$1,761 million and net profit of HK\$1,125 million in the year.

**2. Related relationship with the Bank**

AMTD Group Company Limited is a substantial shareholder of the Bank with its subsidiaries holding a total of more than 5% of the Bank's Shares, which is in line with the related relationship as set out in the provisions of Article 8(1) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and shareholders*.

**3. Duty performance analysis**

The above-mentioned related party is a leading integrated financial group in the industry with high-quality business layouts in various fields, such as investment banking and asset management. It has good financial indicators and good duty performance ability.

**(V) Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.****1. Basic information**

Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd., with Chen Mingdong as its legal representative, has a registered capital of RMB2 billion. It is principally engaged in the equity investment, capital operation, and property financing services of intellectual advanced manufacturing industry; the development and operation of industrial park; state-owned equity holding and capital operation; restructuring of state-owned assets, claims and debts; enterprise relocation and reform and land consolidation and development; and financial and economic consulting business. Its domicile is located at No. 66 Haikou Road, Laoshan District, Qingdao City, Shandong Province. As at the end of September 2019, the total asset was RMB29,311 million and the net asset was RMB9,579 million. Realizing main business income of RMB1,309 million and net profit of RMB81 million in the first nine months of the year.

**2. Related relationship with the Bank**

Mr. Zhang Lanchang, a former Supervisor of the Bank, has resigned for less than 12 months. Mr. Zhang Lanchang is currently the deputy general manager of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd., which is in line with the related relationship as set out in the provisions of Article 10.1.6 of *the Rules Governing Listing of Stocks on Shenzhen Stock Exchange*.

**3. Duty performance analysis**

The above-mentioned related party is a high-quality large-scale state-owned enterprise with state-owned capital operation. It has sound and stable operation. Its asset scale is gradually expanding and its profitability is continuously strengthening. It has good major financial indicators and good duty performance ability.

**(VI) BQD Financial Leasing Company Limited****1. Basic information**

BQD Financial Leasing Company Limited, with Yang Changde as its legal representative, has a registered capital of RMB1 billion. It is principally engaged in the financial leasing of large and medium-sized equipment in medical health, cultural tourism, public utilities and other industries, and provision of new financial leasing services such as financing capitals and financing goods, asset management and economic consulting to meet the needs of lessees in purchasing equipment, promoting sales, revitalizing assets, balancing tax burden, improving financial structure and other aspects. As at the end of December 2019, the total asset was RMB9,451 million and the net asset was RMB1,148 million. Realizing main business income of RMB314 million and net profit of RMB103 million in the year.

**2. Related relationship with the Bank**

The Bank initiated and established BQD Financial Leasing Company Limited and holds 51% of its share capital. It is a holding subsidiary of the Bank and the Bank nominates directors to it, which is in line with the related relationship as set out in the provisions of Article 8(3) of the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and shareholders*.

**3. Duty performance analysis**

The above-mentioned related party constantly improves its operating ability and profitability with solid risk control and steady operation. It has good major financial indicators and good duty performance ability.

**(VII) Related Natural Persons**

According to the provisions of the *Administrative Measures for the Information Disclosure of Listed Companies*, the *Rules Governing Listing of Stocks on Shenzhen Stock Exchange*, the *Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders and shareholders*, the *Interim Measures for the Equity Management of Commercial Banks* and the administrative system for related party transactions of the Bank, the related natural persons of the Bank include:

1. natural persons directly or indirectly holding more than 5% of the Shares of the Bank;
2. the Directors, Supervisors and senior management of the Bank;
3. senior managers of the branches of the Bank and other officers of the Bank who have the right to decide or participate in the grant of credit and asset transfer of the Bank;
4. the directors, supervisors and senior management of the legal persons or other organizations which have direct or indirect control over the Bank;
5. the related legal persons of the Bank or the controlling natural-person shareholders, directors and key members of the management of other organizations; the related legal persons or other organizations as referred to in this paragraph shall not include the legal persons or other organizations controlled directly, indirectly or jointly or possibly materially influenced by a commercial bank's insiders and substantial natural-person shareholders and their close relatives;
6. a close family member of persons specified in paragraphs 1 and 2 (including spouse, parents, children at 18 years of age or older and their spouses, siblings and their spouses, spouses' parents and siblings, and parents of children's spouses);
7. a close relative of persons specified in paragraphs 1 to 3 (including parents, spouse, siblings and their spouses, adult children and their spouses, spouses' parents, siblings and their spouses, and parents' siblings and their spouses, and adult children of parents' siblings and their spouses);
8. natural persons involved in one of the circumstances mentioned above (except for paragraphs 3, 5 and 7) in the past 12 months or in the next 12 months under relevant agreements and arrangements;
9. any other natural persons who have such a special relationship with the Bank as may make the Bank tilted towards his/her interests, as determined by the CBIRC, the CSRC, and the Shenzhen Stock Exchange in accordance with the principle that essence is more important than form.

**III. MAIN CONTENTS AND PURPOSE OF RELATED PARTY TRANSACTIONS AND  
THEIR IMPACT ON THE BANK**

The estimated ordinary related party transactions of the Bank are mainly credit and non-credit businesses within the normal business scope of the Bank, and the counterparties are quality customers of the Bank. In accordance with the general business principles and market principles, the Bank conducts fair review from the aspects of business pricing and guarantee methods, and conducts related party transactions on terms that are not superior to those of similar transactions of non-related parties. Specific transaction terms are established according to business nature, transaction amount and duration, relevant national policies and regulations and applicable industry practices. It is in line with the overall interests of the Bank and shareholders, and does not affect the independence of the Bank. The Bank's main business will not depend on the related parties for such transactions.

DETAILS OF AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF  
BANK OF QINGDAO CO., LTD.

Original Articles	Amended Articles
<p><b>Article 28</b> The Bank may, subject to the laws, administrative regulations, departmental rules and the provisions specified in these Articles and upon approvals from the relevant competent regulatory authorities of the State, repurchase its issued shares under the following circumstances:</p> <p>(1) reduction of registered capital of the Bank;</p> <p>(2) merger with another company holding shares in the Bank;</p> <p>(3) granting of shares to employees of the Bank as reward;</p> <p>(4) requests for the Bank to buy out shares from shareholders who have voted against the resolutions passed at a shareholders' general meeting to merge or divide the Bank;</p> <p>(5) where the laws, administrative regulations, departmental rules, these Articles or the preference shares issuance plan of the Bank in relation to the repurchase of preference shares by the Bank provides otherwise, such provisions shall prevail.</p> <p>Save for the above circumstances, the Bank shall be prohibited from trading in its own shares.</p>	<p><b>Article 28</b> The Bank may, subject to the laws, administrative regulations, departmental rules and the provisions specified in these Articles and upon approvals from the relevant competent regulatory authorities of the State, repurchase its issued shares under the following circumstances:</p> <p>(1) reduction of registered capital of the Bank;</p> <p>(2) merger with another company holding shares in the Bank;</p> <p>(3) <del>granting of shares to employees of the Bank as reward</del><u>granting shares under employee share ownership scheme or as equity incentives</u>;</p> <p>(4) requests for the Bank to buy out shares from shareholders who have voted against the resolutions passed at a shareholders' general meeting to merge or divide the Bank;</p> <p>(5) <u>using the shares to convert the convertible corporate bonds issued by the Bank</u>;</p> <p>(6) <u>necessary for the protection of corporate value and shareholders' interests of the Bank</u>;</p> <p>(7) where the laws, administrative regulations, departmental rules, these Articles or the preference shares issuance plan of the Bank in relation to the repurchase of preference shares by the Bank provides otherwise, such provisions shall prevail.</p> <p>Save for the above circumstances, the Bank shall be prohibited from trading in its own shares <u>shall not acquire its own shares</u>.</p>

Original Articles	Amended Articles
<p><b>Article 29</b> Approval shall be obtained at a shareholders' general meeting when the Bank is to repurchase its own shares because of the circumstances set out in (1) to (3) of Article 28 of these Articles. After the Bank has repurchased its own shares in accordance with Article 28, the shares so repurchased shall be cancelled within 10 days from the date of repurchase (under the circumstance set out in (1)), or shall be transferred or cancelled within 6 months (under the circumstances set out in (2) and (4)).</p> <p>The shares of the Bank repurchased by the Bank under the circumstance set out in (3) of Article 28 shall not exceed 5% of the total issued shares of the Bank. The funds for repurchase of such shares shall be paid out of the Bank's profits after taxation, and the acquired shares shall be transferred to the Bank's employees within 1 year.</p>	<p><b>Article 29</b> Approval shall be obtained at a shareholders' meeting <del>when</del> <u>where</u> the Bank is to repurchase its own shares because of the circumstances set out in (1) <del>and (2) to (3)</del> <u>and (2) to (3)</u> of Article 28 of these Articles. <u>Where the Bank is to repurchase its own shares because of the circumstances set out in (3), (5) and (6) of paragraph 1 of Article 28 of these Articles, approval may be obtained at a Board meeting where two-thirds or above of the Directors are present in accordance with the provisions of these Articles or as authorized by the shareholders' general meeting.</u></p> <p>After the Bank has repurchased its own shares in accordance with Article 28, the shares so repurchased shall be cancelled within 10 days from the date of repurchase (under the circumstance set out in (1)), or shall be transferred or cancelled within 6 months (under the circumstances set out in (2) and (4)). <u>After the Bank has repurchased its own shares under the circumstances set out in (3), (5) and (6) in accordance with Article 28, the total number of shares of the Bank held by the Bank shall not exceed 10% of the total number of issued shares of the Bank and the shares so repurchased shall be transferred or cancelled within 3 years.</u></p>

Original Articles	Amended Articles
	<p><u>The above provisions in relation to share repurchase are only applicable to A shares of the Bank, and the repurchase of H shares of the Bank shall be conducted in accordance with the relevant requirements and restrictions under the Hong Kong Listing Rules.</u></p> <p><del>The shares of the Bank repurchased by the Bank under the circumstance set out in (3) of Article 28 shall not exceed 5% of the total issued shares of the Bank. The funds for repurchase of such shares shall be paid out of the Bank's profits after taxation, and the acquired shares shall be transferred to the Bank's employees within 1 year.</del></p>
<p><b>Article 30</b> The Bank may, with the approval of the relevant governing authority of the State, repurchase its shares in the following ways:</p> <p>(1) making a repurchase offer to all shareholders on a pro rata basis;</p> <p>(2) repurchasing shares through open transactions on a stock exchange;</p> <p>(3) repurchasing shares via an off-market agreement;</p> <p>(4) in any other manner approved by the laws, administrative regulations, and relevant regulatory authorities of the State.</p>	<p><del>Article 30</del> The Bank may, with the approval of the relevant governing authority of the State, repurchase its shares in the following ways: <u>by way of public centralized trading or other ways as recognized by the laws and regulations and China Securities Regulatory Commission.</u></p> <p><u>Where the Bank is to repurchase its own shares because of the circumstances set out in (3), (5) and (6) of paragraph 1 of Article 28 of these Articles, such repurchase shall be conducted by way of public centralized trading.</u></p> <p><del>(1) making a repurchase offer to all shareholders on a pro rata basis;</del></p> <p><del>(2) repurchasing shares through open transactions on a stock exchange;</del></p> <p><del>(3) repurchasing shares via an off-market agreement;</del></p> <p><del>(4) in any other manner approved by the laws, administrative regulations, and relevant regulatory authorities of the State.</del></p>

Original Articles	Amended Articles
<p><b>Article 81</b> When the Bank convenes shareholders' general meetings, the Board of Directors, the Board of Supervisors and the Proposing shareholders shall be entitled to submit their proposals in writing to the Bank. The Bank shall include matters in the proposal which are within the scope of responsibilities of the shareholders' general meeting into the agenda.</p> <p>The Proposing shareholders may submit provisional proposals to the conveners in writing 10 days prior to the date of the general meeting. The conveners shall issue a supplemental notice setting out the content of the provisional proposals within 2 days of receiving the proposals.</p> <p>...</p>	<p><b>Article 81</b> When the Bank convenes shareholders' general meetings, the Board of Directors, the Board of Supervisors and the Proposing shareholders shall be entitled to submit their proposals in writing to the Bank. The Bank shall include matters in the proposal which are within the scope of responsibilities of the shareholders' general meeting into the agenda.</p> <p>The Proposing shareholders may submit provisional proposals to the conveners in writing <del>10</del> <b>2 Hong Kong business</b> days prior to the date of the general meeting. The conveners shall issue a supplemental notice setting out the content of the provisional proposals within 2 days of receiving the proposals.</p> <p>...</p>
<p><b>Article 82</b> When the Bank is to convene a shareholders' general meeting, a written notice stipulating the matters to be considered and the venue, date and time of the meeting shall be sent to all registered shareholders who are entitled to attend the shareholders' general meeting by way of announcement 45 days before the shareholders' general meeting. Shareholders who wish to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank 20 days before the shareholders' general meeting is convened.</p>	<p><b>Article 82</b> When the Bank is to convene a shareholders' general meeting, <del>a written notice stipulating the matters to be considered and the venue, date and time of the meeting shall be sent to all registered shareholders who are entitled to attend the shareholders' general meeting</del> <b><u>the Bank shall notify the shareholders of the matters to be considered at the meeting and the date and venue of the meeting</u></b> by way of announcement 45 <del>20</del> <b>20 Hong Kong business</b> days before the <del>shareholders' general meeting, and to convene an extraordinary shareholders' meeting, the Bank shall notify the shareholders by way of announcement 10 Hong Kong business days or 15 days (whichever is earlier) before the meeting.</del> <b><u>Shareholders who wish to attend the shareholders' general meeting shall provide a written reply of attendance to the Bank 20 days before the shareholders' general meeting is convened.</u></b></p>

Original Articles	Amended Articles
<p><b>Article 83</b> The Bank shall calculate the proportion of voting shares held by shareholders who wish to attend the meeting based on the written replies received 20 days before the shareholders' general meeting that is convened by the Bank. Where the proportion of voting shares held by shareholders who wish to attend the meeting exceeds half of the total voting shares of the Bank, the Bank will convene the shareholders' general meeting. If this threshold is not met, the Bank shall inform the shareholders who are entitled to attend the shareholders' general meeting within 5 days via an announcement stipulating the matters to be considered and the venue, date and time of the meeting. Once this announcement is made, the Bank may then proceed to convene the shareholders' general meeting.</p>	<p><del>Article 83</del> The Bank shall calculate the proportion of voting shares held by shareholders who wish to attend the meeting based on the written replies received 20 days before the shareholders' general meeting that is convened by the Bank. Where the proportion of voting shares held by shareholders who wish to attend the meeting exceeds half of the total voting shares of the Bank, the Bank will convene the shareholders' general meeting. If this threshold is not met, the Bank shall inform the shareholders who are entitled to attend the shareholders' general meeting within 5 days via an announcement stipulating the matters to be considered and the venue, date and time of the meeting. Once this announcement is made, the Bank may then proceed to convene the shareholders' general meeting.</p>
<p><b>Article 87</b> Unless otherwise provided by these Articles, the notice of a shareholders' general meeting shall be delivered by hand or prepaid mail to the shareholders who are entitled to attend the shareholders' general meeting (regardless whether they have voting rights at the shareholders' general meeting). The address of the recipients shall be the address registered in the register of shareholders. For holders of A shares, the notice of a shareholders' general meeting may be in form of an announcement.</p> <p>The aforesaid announcement shall be published in one or more newspapers specified by the securities regulatory authority of the State Council between the 45 to 50 day intervals prior to the meeting date. All holders of A shares shall be deemed as having been notified of the forth coming shareholders' general meeting once the announcement is published.</p> <p>...</p>	<p><b>Article 876</b> Unless otherwise provided by these Articles, the notice of a shareholders' general meeting shall be delivered by hand or prepaid mail to the shareholders who are entitled to attend the shareholders' general meeting (regardless whether they have voting rights at the shareholders' general meeting). The address of the recipients shall be the address registered in the register of shareholders. For holders of A shares, the notice of a shareholders' general meeting may be in form of an announcement.</p> <p>The aforesaid announcement shall be published in one or more newspapers specified by the securities regulatory authority of the State Council <del>between the 45 to 50 day intervals prior to the meeting date</del>. All holders of A shares shall be deemed as having been notified of the forth coming shareholders' general meeting once the announcement is published.</p> <p>...</p>

Original Articles	Amended Articles
<p><b>Article 124</b> If the Bank proposes to change or nullify the rights of a certain class of shareholders, such proposal should be passed by a special resolution at the shareholders' general meeting and passed at the meeting convened according to Articles 126 to 130 for the class of shareholders being.</p>	<p><b>Article 124<del>3</del></b> If the Bank proposes to change or nullify the rights of a certain class of shareholders, such proposal should be passed by a special resolution at the shareholders' general meeting and passed at the meeting convened according to Articles <b>126<del>5</del></b> to <b>129<del>130</del></b> for the class of shareholders being.</p>
<p><b>Article 126</b> The shareholders of the class of shares that are affected, whether they originally have voting rights at former shareholders' general meetings, shall be entitled to vote on the matters concerning sub-paragraphs (2) to (8), (11) and (12) of the preceding Article at the meeting for this class of shareholders, but shareholders with conflicts of interests therein shall have no voting rights at the meeting for this class of shareholders.</p> <p>The shareholders with conflict of interests mentioned in the preceding paragraph shall have the meaning as follows:</p> <p>(1) if the Bank has made a repurchase tender offer to all shareholders in the same proportion in accordance with Article 30 of these Articles or has repurchased its own shares through public transaction on a stock exchange, "shareholders with conflicts of interests" shall mean the controlling shareholders defined in Article 317 of these Articles;</p> <p>...</p>	<p><b>Article 126<del>5</del></b> The shareholders of the class of shares that are affected, whether they originally have voting rights at former shareholders' general meetings, shall be entitled to vote on the matters concerning sub-paragraphs (2) to (8), (11) and (12) of the preceding Article at the meeting for this class of shareholders, but shareholders with conflicts of interests therein shall have no voting rights at the meeting for this class of shareholders.</p> <p>The shareholders with conflict of interests mentioned in the preceding paragraph shall have the meaning as follows:</p> <p>(1) if the Bank <b><u>has repurchased its own shares from its shareholders</u></b> <del>has made a repurchase tender offer to all shareholders in the same proportion</del> in accordance with Article 30 of these Articles <del>or has repurchased its own shares through public transaction on a stock exchange</del>, "shareholders with conflicts of interests" shall mean the controlling shareholders defined in Article 317<del>6</del> of these Articles;</p> <p>...</p>

Original Articles	Amended Articles
<p><b>Article 128</b> When convening a meeting for a certain class of shareholders, the Bank shall, 45 days prior to the date of the meeting, issue a written notice to all shareholders in the relevant class whose names appear on the register of shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the meeting shall deliver a written response to the Bank 20 days before the meeting is convened.</p> <p>The Bank may convene a meeting for a certain class of shareholders if the number of shareholders intending to attend the meeting represent at least one-half of the total number of shares with voting rights in that class. If this requirement is not met, the Bank shall, within 5 days, issue another announcement informing the shareholders of the matters to be considered at the meeting and the date and venue of the meeting. Once this announcement is made, the Bank may convene the meeting for that class of shareholders.</p>	<p><b>Article 128<del>7</del></b> When convening a meeting for a certain class of shareholders, the Bank shall, <del>45 days prior to the date of the meeting,</del> issue a written notice to all shareholders in the relevant class whose names appear on the register of shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting <u>in accordance with the requirements of Article 82 of these Articles</u>. <del>Shareholders who intend to attend the meeting shall deliver a written response to the Bank 20 days before the meeting is convened.</del></p> <p><del>The Bank may convene a meeting for a certain class of shareholders if the number of shareholders intending to attend the meeting represent at least one-half of the total number of shares with voting rights in that class. If this requirement is not met, the Bank shall, within 5 days, issue another announcement informing the shareholders of the matters to be considered at the meeting and the date and venue of the meeting. Once this announcement is made, the Bank may convene the meeting for that class of shareholders.</del></p>

Original Articles	Amended Articles
<p><b>Article 174</b> Each committee shall have at least 3 members, and every member of the Board committees shall be a Director.</p> <p>A chairman shall be appointed to each Board committee to take charge of convening the activities of the Board committee. The chairman of the Related Party Transactions Control Committee, Audit Committee, Remuneration Committee and Nomination Committee shall be served by an independent director, and independent directors shall form the majority of these four committees. Directors appointed as a person-in-charge for the Audit Committee, Related Party Transactions Control Committee and Risk Management and Consumer Rights Protection Committee shall work in the Bank no less than 25 working days each year.</p>	<p><b>Article 174<del>3</del></b> Each committee shall have at least 3 members, and every member of the Board committees shall be a Director.</p> <p>A chairman shall be appointed to each Board committee to take charge of convening the activities of the Board committee. The <b><u>chairman of the Audit Committee shall be an accounting professional</u></b>, the chairman of the Related Party Transactions Control Committee, Audit Committee, Remuneration Committee and Nomination Committee shall be served by an independent director, and independent directors shall form the majority of these four committees. Directors appointed as a person-in-charge for the Audit Committee, Related Party Transactions Control Committee and Risk Management and Consumer Rights Protection Committee shall work in the Bank no less than 25 working days each year.</p>
<p><b>Article 190</b> Persons who have taken up positions other than directorship in the controlling shareholder or de facto controlling entities of the Bank shall not act as members of senior management of the Bank.</p>	<p><b>Article 190<del>89</del></b> Persons who have taken up <b><u>executive</u></b> positions other than directorship <b><u>and supervisorship</u></b> in the controlling shareholder or de facto controlling entities of the Bank shall not act as members of senior management of the Bank.</p>

Original Articles	Amended Articles
<p><b>Article 255</b> The remuneration contracts between the Bank and its directors or supervisors shall stipulate that if the Bank is acquired, the directors and supervisors of the Bank shall, subject to prior approval from the shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Bank" previously mentioned refers to one of the following circumstances:</p> <p>(1) a takeover offer made by any person to all shareholders;</p> <p>(2) a takeover offer made by any person with the intent of becoming the controlling shareholder. "Controlling shareholder" shall have the meaning defined in Article 317 of these Articles.</p> <p>...</p>	<p><b>Article 255<del>4</del></b> The remuneration contracts between the Bank and its directors or supervisors shall stipulate that if the Bank is acquired, the directors and supervisors of the Bank shall, subject to prior approval from the shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. The "acquisition of the Bank" previously mentioned refers to one of the following circumstances:</p> <p>(1) a takeover offer made by any person to all shareholders;</p> <p>(2) a takeover offer made by any person with the intent of becoming the controlling shareholder. "Controlling shareholder" shall have the meaning defined in Article 317<del>6</del> of these Articles.</p> <p>...</p>
<p><b>Article 311</b> Preference shareholders of the Bank shall enjoy the following rights:</p> <p>(1) to receive distribution of dividends in priority to ordinary shareholders;</p> <p>(2) to receive distribution of residual assets of the Bank on liquidation in priority to those of ordinary shareholders;</p> <p>(3) upon the occurrence of the circumstances provided in Article 313, to attend and vote at shareholders' general meetings;</p> <p>(4) upon the occurrence of the circumstances provided in Article 314, to have its voting rights restored in accordance with the requirements of that Article;</p> <p>...</p>	<p><b>Article 311<del>0</del></b> Preference shareholders of the Bank shall enjoy the following rights:</p> <p>(1) to receive distribution of dividends in priority to ordinary shareholders;</p> <p>(2) to receive distribution of residual assets of the Bank on liquidation in priority to those of ordinary shareholders;</p> <p>(3) upon the occurrence of the circumstances provided in Article 313<del>2</del>, to attend and vote at shareholders' general meetings;</p> <p>(4) upon the occurrence of the circumstances provided in Article 314<del>3</del>, to have its voting rights restored in accordance with the requirements of that Article;</p> <p>...</p>

Original Articles	Amended Articles
<p><b>Article 315</b> The dividend rate for the issued and outstanding preference shares of the Bank consists of the benchmark rate and the fixed spread. The dividend rate may be adjusted at different intervals. During a specified period after issuance of the preference shares, the dividend rate will remain the same and during any adjusted dividend rate period, the dividend rate will remain the same.</p> <p>Preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution and the preference shares shall be entitled to the dividend rate and distribution of profits in accordance with the agreed terms. Dividends to the preference shareholders shall be payable in cash.</p> <p>After receiving the dividends at the prescribed dividend rate, the preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders. In accordance with the relevant rules on capital regulation of commercial banks, the Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends unpaid to the preference shareholders in full by the Bank will not be accumulated to the following dividend period.</p> <p>In the event of liquidation of the Bank as a result of dissolution, bankruptcy or other reasons, the remaining assets of the Bank after liquidation in accordance with laws, regulations, departmental rules and paragraph (1) to (5) under Article 299 of these Articles shall be distributed first to the preference shareholders. Preference shareholders will be entitled to an amount equal to the aggregate value of the preference shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient remaining assets, the distribution will be made ratably according to the aggregate value of the preference shares held by each offshore preference shareholder as a proportion of the aggregate value of all preference shares of the Bank.</p>	<p><b>Article 315<del>4</del></b> The dividend rate for the issued and outstanding preference shares of the Bank consists of the benchmark rate and the fixed spread. The dividend rate may be adjusted at different intervals. During a specified period after issuance of the preference shares, the dividend rate will remain the same and during any adjusted dividend rate period, the dividend rate will remain the same.</p> <p>Preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution and the preference shares shall be entitled to the dividend rate and distribution of profits in accordance with the agreed terms. Dividends to the preference shareholders shall be payable in cash.</p> <p>After receiving the dividends at the prescribed dividend rate, the preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders. In accordance with the relevant rules on capital regulation of commercial banks, the Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends unpaid to the preference shareholders in full by the Bank will not be accumulated to the following dividend period.</p> <p>In the event of liquidation of the Bank as a result of dissolution, bankruptcy or other reasons, the remaining assets of the Bank after liquidation in accordance with laws, regulations, departmental rules and paragraph (1) to (5) under Article 299<del>8</del> of these Articles shall be distributed first to the preference shareholders. Preference shareholders will be entitled to an amount equal to the aggregate value of the preference shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient remaining assets, the distribution will be made ratably according to the aggregate value of the preference shares held by each offshore preference shareholder as a proportion of the aggregate value of all preference shares of the Bank.</p>

*Note:* As a result of deletion of Article, numbering of the original Articles of the Articles of Association has been adjusted and hence those cross-referenced Articles have been adjusted accordingly, which are not showed separately.

**PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE  
DIRECTORS OF BANK OF QINGDAO CO., LTD. FOR 2019**

In 2019, the independent non-executive Directors of Bank of Qingdao Co., Ltd. (the “Bank”) performed their duties loyally and diligently in accordance with the *Company Law*, *Guidelines for Corporate Governance of Commercial Banks*, the *Rules Governing the Listing of Securities on the Hong Kong Stock Exchange* and the Bank’s *Articles of Association*, expressed opinions on the matters considered by the Board independently, objectively and fairly, as well as safeguarded the legitimate rights and interests of the Bank, minority shareholders and other stakeholders.

**I. BASIC INFORMATION OF THE INDEPENDENT NON-EXECUTIVE  
DIRECTORS**

As of the end of 2019, the Bank had a total of five independent non-executive Directors, namely Mr. WONG Tin Yau, Kelvin, Mr. CHEN Hua, Ms. DAI Shuping, Mr. Simon CHEUNG and Ms. FANG Qiaoling. In 2019, Mr. WONG Tin Yau tendered his resignation letter to the Board due to personal work arrangements. Upon elected by the Board and the general meeting, Mr. TINGJIE ZHANG (章汀捷) was purposed to be appointed as the independent non-executive Director of the seventh session of the Board of the Bank. The resignation letter of Mr. WONG Tin Yau was effective after the qualification of Mr. TINGJIE ZHANG (章汀捷) was formally approved by the CBIRC Qingdao Office on 13 February 2020.

Mr. WONG Tin Yau, Kelvin, born in October 1960, holds a doctoral degree in business administration from the Hong Kong Polytechnic University. Mr. WONG was appointed as an independent non-executive Director of the Bank on 10 April 2015 and has been an executive director and a deputy managing general manager of COSCO SHIPPING Ports Limited since July 1996.

Mr. CHEN Hua, born in July 1967, holds a doctorate degree in economics of the finance major of Suzhou University and is a professor. Mr. CHEN was appointed as an independent non-executive Director of the Bank on 10 April 2015. He has been the head of the modern finance research institute of Shandong University of Finance and Economics since August 2014. Mr. CHEN was the head of the finance and taxation research institute of Shandong Economic University and the head of the center of economics research of Shandong University of Finance, etc.

Ms. DAI Shuping, born in June 1960, holds a master's degree in business administration of Inter American University. Ms. DAI was appointed as an independent non-executive Director of the Bank on 14 October 2016. Ms. DAI has served as the dean of Shenzhen Qianhai Institute of Financial Management Limited since July 2015 and adviser to the chairman and dean since December 2017. Ms. DAI worked in China Merchants Bank, serving as the general manager of headquarter credit management department, the general manager of headquarter credit approval department, the general manager of headquarter legal and compliance department and the general manager of headquarter audit department etc.

Mr. Simon CHEUNG, born in July 1970, holds a bachelor of Arts degree in computer science of University of Wisconsin – Madison. Mr. CHEUNG was appointed as an independent non-executive Director of the Bank on 11 May 2017, and currently serves as the chief technology officer of Ping An Puhui Enterprise Management Co. Ltd. Mr. CHEUNG was the deputy general manager at China Ping An Insurance (Group) Co., Ltd., the IT architectural planning director at SF Express (Group) Co., Ltd., the deputy general manager at Shenzhen Qianhai Webank Co., Ltd., the chief information officer at Shenzhen Qianhai Dashu Financial Services Co., Ltd. and the chief technology officer of WeShare (Shenzhen) Ltd. etc.

Ms. FANG Qiaoling, born in October 1975, holds a doctorate degree in management from Renmin University of China, and is a professor. Ms. FANG was appointed as an independent non-executive Director of the Bank on 15 May 2018. Ms. FANG has been working in Management College of Ocean University of China since July 1999, her current position is professor and doctoral supervisor.

## **II. PERFORMANCE OF DUTIES IN 2019**

### **(I) Attendance of meetings**

In 2019, the Board convened 2 general meetings, including 1 annual general meeting and 1 extraordinary general meeting, at which 10 resolutions were considered and 3 reports were received; the Board convened 18 meetings, 3 of which were on-site meetings and 15 of which were held by way of written communications voting, at which 49 resolutions were considered and 60 reports were received or reviewed; the Board special committees organized 43 meetings, including 10 Audit Committee meetings, 2 Remuneration Committee meetings, 15 Related Party Transaction Control Committee meetings, 7 Risk Management and Consumer Protection Committee meetings, 3 Strategy Committee meetings, 4 Information Technology Committee meetings and 2 Nomination Committee meetings, at which 47 resolutions were considered and 49 reports were received or reviewed. Independent non-executive Directors actively participated in the general meetings, Board meetings and special committee meetings.

## APPENDIX VII      PERFORMANCE REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOR 2019

They carefully reviewed the meeting documents before the meeting, and expressed their opinions objectively and independently at the meeting, which played a positive role in improving the decision-making level and decision-making efficiency of the Board. The attendance at the meetings was as follows:

Name	Actual attendance/Number of meetings requiring attendance								
	Board					Board special committee meetings			
	General meetings	Board meetings	Strategy Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Related Party Transaction Control Committee meetings	Audit Committee meetings	Risk Management and Consumer Protection Committee meetings	Information Technology Committee meetings
WONG Tin Yau, Kelvin	2/2	17/18	2/3	2/2	1/2	13/15	9/10	-	-
CHEN Hua	2/2	17/18	2/3	2/2	-	14/15	8/10	6/7	-
DAI Shuping	2/2	18/18	3/3	2/2	2/2	15/15	10/10	-	-
Simon CHEUNG	2/2	18/18	-	2/2	2/2	15/15	-	-	4/4
FANG Qiaoling	2/2	18/18	-	-	2/2	15/15	10/10	7/7	-

*Note:* Actual number of attendance does not include attendance by proxy. The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.

### (II) Research activities

In addition to attending meetings of the Board and special committees, independent non-executive Directors also actively communicated with the line management department through investigations, seminars, etc., put forward constructive opinions and suggestions based on the duties of the Board and special committees and their own advantages, played the professional guidance role of independent non-executive Directors.

In July 2019, Ms. FANG Qiaoling, an independent Director, conducted a special investigation on internal auditing, deepening the understanding of details on the internal audit implementation, IT support level of internal audit and operation model of the internal control review meetings of the Bank, and provided targeted suggestions. In October 2019, independent Directors Mr. CHEN Hua and Ms. FANG Qiaoling conducted a special investigation on inclusive finance, discussing with the heads of relevant departments of the Bank about how to implement regulatory policy requirements, enhance the service level of inclusive finance and conduct business model innovation of inclusive finance.

**(III) Trainings**

Independent non-executive Directors have actively participated in the training programs organized by the regulatory authorities and the Bank to continuously improve their capabilities to fulfill their duties.

In December 2019, Mr. TINGJIE ZHANG (章汀捷), the purposed independent Director, participated in the qualification training of independent directors of listed companies organized by the Shenzhen Stock Exchange and obtained the qualification certificate of independent directors of listed companies. In December 2019, CHEN Hua, an independent Director, participated in the follow-up training for independent directors organized and carried out by the SZSE. In December 2019, all the independent non-executive Directors attended special training on domestic and overseas laws and regulations organized by the Bank, including the latest policy requirements such as the revision of Listing Rules and Corporate Governance Code in 2019, relevant new policies issued by the CBIRC in 2019, the duties of directors, supervisors and senior management, information disclosure and related party transactions of A Share listed companies.

**III. ISSUANCE OF INDEPENDENT OPINIONS**

In 2019, the independent non-executive Directors focused on the lawfulness and fairness of major related party transactions, the profit distribution plan and the appointment of senior management, and issued independent opinions pursuant to the Articles of Association. The details are as follows:

1. On 29 March 2019, in response to the resolutions considered at the sixteenth meeting of the seventh session of the Board, seven independent opinions were issued in relation to the 2018 Profit Distribution Plan of Bank of Qingdao Co., Ltd., the engagement of external auditors and their remuneration, the Resolution in Relation to the Withdrawal of Staff Bonuses and Senior Management Performance Bonuses of Bank of Qingdao Co., Ltd. for 2018, the Internal Control Self-assessment Report of Bank of Qingdao Co., Ltd. for 2018, the Estimated Amount of the Ordinary Related Party Transactions of Bank of Qingdao Co., Ltd. for 2019, changes in accounting policies of Bank of Qingdao Co., Ltd. and the external guarantees and the misappropriation of funds by related parties of Bank of Qingdao Co., Ltd.
2. On 27 May 2019, in response to the resolutions considered at the eighteenth meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haiqi Real Estate Development Co., Ltd. and the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haizhi Weichuang Estate Co., Ltd.

3. On 4 June 2019, in response to the resolutions considered at the nineteenth meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haitang Real Estate Co., Ltd.
4. On 24 June 2019, in relation to the resolutions considered at the twentieth meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Haier Consumer Financing Company Limited.
5. On 1 July 2019, in relation to resolutions considered at the 21st meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and BQD Financial Leasing Company Limited.
6. On 31 July 2019, in relation to the resolutions considered at the 24th meeting of the seventh session of the Board, independent opinions were issued in respect of the related party transactions between Bank of Qingdao Co., Ltd. and Haier Group Finance Co., Ltd.
7. On 23 August 2019, in relation to the resolutions considered at the 26th meeting of the seventh session of the Board, five independent opinions were issued in relation to the storage and usage of raised funds in the first half of 2019, changes in accounting policies, the Candidates for Directors of the Seventh Session of the Board of Bank of Qingdao Co., Ltd., the appointment of the vice president and the external guarantees and the misappropriation of funds by related parties.
8. On 23 October 2019, in relation to the resolutions considered at the 27th meeting of the seventh session of the Board, three independent opinions were issued in relation to the related party transactions between Bank of Qingdao Co., Ltd. and Haier Financial Factoring (Chongqing) Co., Ltd., the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Conson Financial Holdings Co., Ltd. and the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Conson Finance Guarantee Co., Ltd. (青島國信融資擔保有限公司).
9. On 20 November 2019, in relation to the resolutions considered at the 29th meeting of the seventh session of the Board, independent opinions were issued in relation to the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haichen Real Estate Development Co., Ltd. (青島海宸房地產開發有限公司).
10. On 30 December 2019, in response to the resolutions considered at the 30th meeting of the seventh session of the Board, independent opinions were issued on the related party transactions between Bank of Qingdao Co., Ltd. and Qingdao Haier Home Integration Limited.

**IV. OTHERS**

In 2019, the independent non-executive Directors did not conduct on-site inspection, propose to convene a Board meeting, appoint or dismiss the accounting firm, or engage an external auditor and consulting institution independently.

In 2020, the independent non-executive Directors of the Bank will continue to devote sufficient time and efforts to improve their performance levels on an ongoing basis. They will attend meetings earnestly and express opinions independently and objectively to perform their duties in a diligent manner. They will actively conduct special research and provide suggestions and advice for the development of the Bank to promote the high-quality development of the Bank as well as protect legitimate rights and interests of the Bank and its shareholders, in particular the minority shareholders.

Independent non-executive Directors of Bank of Qingdao Co., Ltd.  
**WONG Tin Yau, Kelvin, CHEN Hua, DAI Shuping, Simon CHEUNG, FANG Qiaoling**

7 May 2020

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## NOTICE OF 2019 ANNUAL GENERAL MEETING

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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)**

## NOTICE OF 2019 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2019 annual general meeting (the “**2019 AGM**”) of Bank of Qingdao Co., Ltd. (the “**Bank**”) will be held at No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the People's Republic of China (the “**PRC**”), at 9:00 a.m. on Thursday, 7 May 2020 for the purposes of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. to consider and approve the work report of the board of directors of Bank of Qingdao Co., Ltd. for 2019
2. to consider and approve the work report of the board of supervisors of Bank of Qingdao Co., Ltd. for 2019
3. to consider and approve the resolution on the final financial accounts of Bank of Qingdao Co., Ltd. for 2019
4. to consider and approve the profit distribution plan of Bank of Qingdao Co., Ltd. for 2019
5. to consider and approve the resolution on the engagement of external auditors of Bank of Qingdao Co., Ltd. for 2020 and their remuneration
6. to consider and approve the resolution on the amendments to the Rules of Procedures for the Shareholders' General Meetings of Bank of Qingdao Co., Ltd.
7. to consider and approve the special report on related party transactions of Bank of Qingdao Co., Ltd. for 2019
8. to consider and approve the resolution on the estimated amount of the ordinary related party transactions of Bank of Qingdao Co., Ltd. for 2020

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## NOTICE OF 2019 ANNUAL GENERAL MEETING

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### SPECIAL RESOLUTIONS

9. to consider and approve the resolution on the amendments to the Articles of Association of Bank of Qingdao Co., Ltd.
10. to consider and approve the resolution on the general mandate for the issue of shares by Bank of Qingdao Co., Ltd.

### MATTERS TO BE REPORTED

1. Evaluation Report on the Performance of Duties by the Board of Directors and Directors of Bank of Qingdao Co., Ltd. for 2019
2. Evaluation Report on the Performance of Duties by the Supervisors of Bank of Qingdao Co., Ltd. for 2019
3. Performance Report of the Independent Non-executive Directors of Bank of Qingdao Co., Ltd. for 2019

The Bank will despatch the circular of the 2019 AGM to shareholders on or before 16 April 2020.

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

Qingdao, Shandong Province, the PRC  
23 March 2020

*As at the date of this notice, 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. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung, Ms. Fang Qiaoling and Mr. Tingjie Zhang 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 out banking and/or deposit-taking business in Hong Kong.*

*Notes:*

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), all resolutions proposed at the meeting shall be voted by poll, except for those related to procedural or administrative matters to be voted by a show of hands as permitted by the chairman. Results of the poll voting will be published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.qdccb.com](http://www.qdccb.com)) as required by the Listing Rules.

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## NOTICE OF 2019 ANNUAL GENERAL MEETING

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### **2. Closure of register of members and eligibility to attend and vote at the 2019 AGM**

Closure of register of members and eligibility for attending and voting at the 2019 AGM. H shareholdings of the Bank are advised that the share register will be closed from Tuesday, 7 April 2020 to Thursday, 7 May 2020 (both days inclusive). To be eligible for attending and voting at the 2019 AGM, the transfer documents together with relevant share certificates and other appropriate documents must be deposited at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30p.m. on Monday, 6 April 2020. Shareholders whose names appear on the register of members of the Bank at the close of business on Thursday, 23 April 2020 are entitled to attend and vote at the 2019 AGM. Pursuant to the requirement of the Articles of Association of the Bank, where a shareholder pledges 50% or more of his/her equity interests in the Bank, the voting rights of such shareholder at the 2019 AGM shall be subject to restrictions.

### **3. Arrangement on dividend distribution**

The board of directors of the Bank has recommended the distribution of a final cash dividend of RMB0.20 (inclusive of tax) per share for the year ended 31 December 2019. Subject to approval of the proposal at the 2019 AGM, the dividend will be paid to A Shareholders and H Shareholders whose names appear on the register of members of the Bank at the close of business on the respective record dates. The proposed dividends payable are denominated in Renminbi, and will be paid to A Shareholders in Renminbi and H Shareholders in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the average of central parity rates of Renminbi of the interbank foreign exchange market as announced by the People's Bank of China for the five working days preceding the date of declaration of the dividend at the 2019 AGM (including the day the 2019 AGM will be held).

### **4. Closure of register of members and eligibility for final dividend distribution**

The H share register of the Bank will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020 (both days inclusive). In order to be entitled to the final dividend distribution, the H Shareholders of the Bank who have not registered are required to deposit the transfer documents together with relevant share certificates at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 12 May 2020. Shareholders whose names appear on the register of members of the Bank on Monday, 18 May 2020 are entitled to the final dividend distribution.

### **5. Reply slip**

Shareholders who intend to attend and vote at the 2019 AGM in person or by proxy are required to complete and return the enclosed reply slip to the Bank's H share registrar (for H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) on or before Friday, 17 April 2020. The reply slip may be delivered by hand, by post or by fax to Computershare Hong Kong Investor Services Limited, the Bank's H share registrar (for H Shareholder(s)), or the Bank's PRC registered office and principal place of business (for A Shareholder(s)).

In the event that shareholders do not return the reply slips, and the reply slips state that the number of shares with voting right represented by those shareholders intending to attend the 2019 AGM does not amount to half of the total number of shares with voting right of the Bank, the 2019 AGM may be adjourned.

### **6. Proxy**

Any shareholder entitled to attend and vote at the 2019 AGM is entitled to appoint one or more persons (whether such person is a shareholder of the Bank or not) as his/her proxy or proxies to attend and vote on his/her behalf at the 2019 AGM. As far as all joint shareholders of any shares are concerned, only the joint shareholder whose name appears first in the register of members has the right to receive the share certificate of the relevant shares from the Bank, to receive notices of the Bank and any notice served on such a shareholder shall be treated as having been served on all the other joint shareholders of those shares. In the case of joint shareholders, any one shareholder may sign the proxy form(s). The vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint shareholding.

The appointment of a proxy must be in writing with a form under the hand of the appointer or his/her attorney duly authorised in writing. For a corporate appointer, the proxy form must be affixed with the common seal or signed by its director or attorney duly authorised in writing. To be valid, the instrument appointing a proxy together with the power of attorney or other authorisation document (if any) or a notarially certified copy of that power of attorney or other authorisation document must be completed and returned to the Bank's H Share registrar (for H Shareholder(s)) or the Bank's PRC registered office and principal place of business (for A Shareholder(s)) not less than 24 hours before the designated time for the holding of the 2019 AGM or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude shareholders from attending and voting in person at the 2019 AGM or at any adjournment if he/she so wishes.

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## NOTICE OF 2019 ANNUAL GENERAL MEETING

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### 7. Others

- (1) The 2019 AGM is estimated to last no longer than a working day. Shareholders who attend the meeting in person or by proxy shall bear their own traveling and accommodation expenses.

- (2) Address of Computershare Hong Kong Investor Services Limited:

17M Floor, Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990

Address of the PRC registered office and principal place of business of the Bank:

No. 6 Qinling Road  
Laoshan District  
Qingdao  
Shandong Province  
the PRC  
Tel: +86 40066 96588 ext 6  
Fax: +86 (532) 8578 3866