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中國工商銀行股份有限公司

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

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

(Stock Code: 1398)

## **ANNOUNCEMENT OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS**

The board of directors (the “**Board**”) of Industrial and Commercial Bank of China Limited (the “**Bank**”) issued a written notice of a Board meeting (the “**Meeting**”) on 18 July 2014. The Meeting was held at the Bank’s head office on 25 July 2014. There were 15 directors eligible for attending the Meeting, of whom 13 directors attended the Meeting in person and 2 directors by proxy. Sir Malcolm Christopher McCARTHY, Mr. OR Ching Fai and Ms. WANG Xiaoya attended the Meeting by means of video conference, and Mr. Kenneth Patrick CHUNG, Mr. YI Xiqun and Mr. YAO Zhongli attended by means of telephone conference. Vice-Chairman YI Huiman appointed Chairman JIANG Jianqing and Mr. WONG Kwong Shing, Frank appointed Mr. HONG Yongmiao to attend the Meeting and exercise the voting right on their behalf. Secretary of the Board HU Hao attended the Meeting. Members of the board of supervisors attended the Meeting as non-voting attendees. The Meeting was convened in compliance with the provisions of the laws, administrative rules, the Articles of Association of Industrial and Commercial Bank of China Limited (the “**Articles**”) and the Rules of Procedures for the Board of Directors of Industrial and Commercial Bank of China Limited.

Chairman JIANG Jianqing presided over the Meeting, and the following proposals were considered and passed at the Meeting:

### **1 PROPOSAL IN RESPECT OF CAPITAL PLANNING FOR 2015 TO 2017 OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

This proposal shall be submitted to the shareholders’ general meeting of the Bank for consideration and approval by way of ordinary resolution.

## **2 PROPOSAL IN RESPECT OF GENERAL MANDATE TO ISSUE SHARES BY INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

Details of the general mandate to issue shares by the Bank are set out in Appendix I to this announcement.

This proposal shall be submitted to the shareholders' general meeting of the Bank for consideration and approval by way of special resolution.

## **3 PROPOSAL IN RESPECT OF ISSUANCE OF OFFSHORE PREFERENCE SHARES BY INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

The Bank has always been adhering to an operating model of safety, stability and efficiency. The Bank has also continuously increased its level of capital management through accumulation of internal capital resources and reasonably utilizing external channels to replenish capital. In order to ensure continuous business development and to enhance overall competitiveness and risk resistance capacity, the Bank proposes to issue preference shares within and outside the People's Republic of China with an aggregate amount of not more than RMB80 billion to replenish the Bank's capital, among which, the aggregate amount of preference shares proposed to be issued in the offshore market will be not more than RMB35 billion or its equivalent.

In accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidance Opinion on the Launch of Preference Shares Pilot Scheme by the State Council, the Trial Administrative Measures on Preference Shares, the Rules Governing Capital Management of Commercial Banks (Provisional), the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Supplementing Tier 1 Capital, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other laws, regulations and regulatory documents, the Bank has satisfied the requirements for issuance of preference shares. Details of the proposal for the issuance of preference shares in the offshore market by the Bank are set out in Appendix II to this announcement.

Opinions of the independent directors: Agreed. For details of the Opinions of Independent Directors of Industrial and Commercial Bank of China Limited regarding the Issuance of Preference Shares, please refer to the HKExnews website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

This proposal shall be submitted to the shareholders' general meeting of the Bank for consideration and approval by way of special resolution. The implementation of this proposal is subject to approvals from the China Banking Regulatory Commission (the "CBRC") and the China Securities Regulatory Commission (the "CSRC").

#### **4 PROPOSAL IN RESPECT OF ISSUANCE OF DOMESTIC PREFERENCE SHARES BY INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

The Bank has always been adhering to an operating model of safety, stability and efficiency. The Bank has also continuously increased its level of capital management through accumulation of internal capital resources and reasonably utilizing external channels to replenish capital. In order to ensure continuous business development and to enhance overall competitiveness and risk resistance capacity, the Bank proposes to issue preference shares within and outside the People's Republic of China with an aggregate amount of not more than RMB80 billion to replenish the Bank's capital, among which, the aggregate amount of preference shares proposed to be issued in the domestic market will be not more than RMB45 billion.

In accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guidance Opinion on the Launch of Preference Shares Pilot Scheme by the State Council, the Trial Administrative Measures on Preference Shares, the Rules Governing Capital Management of Commercial Banks (Provisional), the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Supplementing Tier 1 Capital and other laws, regulations and regulatory documents, the Bank has satisfied the requirements for issuance of preference shares. Details of the proposal for the issuance of preference shares in the domestic market are set out in Appendix III to this announcement. For details of the Non-public Issuance of Domestic Preference Shares Plan by Industrial and Commercial Bank of China Limited, please refer to the overseas regulatory announcement published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

Opinions of the independent directors: Agreed. For details of the Opinions of Independent Directors of Industrial and Commercial Bank of China Limited regarding the Issuance of Preference Shares, please refer to the HKExnews website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

This proposal shall be submitted to the shareholders' general meeting of the Bank for consideration and approval by way of special resolution. The implementation of this proposal is subject to approvals from the CBRC and the CSRC.

## **5 PROPOSAL IN RESPECT OF THE IMPACT ON MAIN FINANCIAL INDICATORS FROM DILUTION OF CURRENT RETURNS BY ISSUANCE OF PREFERENCE SHARES AND THE REMEDIAL MEASURES TO BE ADOPTED**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

Details of the impact on main financial indicators from dilution of current returns by issuance of preference shares and the remedial measures to be adopted are set out in Appendix IV to this announcement.

This proposal shall be submitted to the shareholders' general meeting of the Bank for consideration and approval by way of ordinary resolution.

## **6 PROPOSAL IN RESPECT OF FORMULATION OF SHAREHOLDER RETURN PLAN FOR 2014 TO 2016 OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

Details of the Shareholder Return Plan for 2014 to 2016 of Industrial and Commercial Bank of China Limited are set out in Appendix V to this announcement.

Opinions of the independent directors: Agreed.

This proposal shall be submitted to the shareholders' general meeting of the Bank for consideration and approval by way of ordinary resolution.

## **7 PROPOSAL ON AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

The amended Articles will have 22 chapters and 307 articles, as compared to 21 chapters and 296 articles in the current Articles. The numberings and cross references of relevant articles and chapters of the Articles will also be adjusted accordingly. Details of the amendments to the Articles are set out in Appendix VI to this announcement.

It was resolved at the Meeting that the proposal shall be submitted to the shareholders' general meeting for consideration and approval, and resolutions shall be proposed at the shareholders' general meeting to authorise the Board to, and the Board will then delegate the authority to the Chairman, Vice-Chairman and President of the Bank, to jointly or individually exercise the full power to make further adjustments or amendments to the Articles in accordance with the comments which may be raised by the regulatory authorities and the actual terms of the proposed issuance of preference shares, and handle the formalities in relation to the approval and filing of such amendments to the Articles.

This proposal shall be submitted to the shareholders' general meeting of the Bank for consideration and approval by way of special resolution and is subject to approval by the CBRC.

## **8 PROPOSAL ON CONVENING THE SECOND EXTRAORDINARY GENERAL MEETING OF 2014**

Voting result of this proposal: 15 valid votes, 15 voted in favour of this proposal, 0 voted against and 0 abstained from voting.

The second extraordinary general meeting of 2014 is proposed to be held on 19 September 2014 at the head office of the Bank. Details will be set out in the notice of the Bank's second extraordinary general meeting of 2014 which will be published separately.

Appendix I	General Mandate to Issue Shares by Industrial and Commercial Bank of China Limited
Appendix II	Issuance Plan of Offshore Preference Shares by Industrial and Commercial Bank of China Limited
Appendix III	Issuance Plan of Domestic Preference Shares by Industrial and Commercial Bank of China Limited
Appendix IV	Impact on Main Financial Indicators from Dilution of Current Returns by Issuance of Preference Shares and the Remedial Measures to be Adopted by Industrial and Commercial Bank of China Limited
Appendix V	Shareholder Return Plan for 2014 to 2016 of Industrial and Commercial Bank of China Limited
Appendix VI	Comparison Table of the Proposed Amendments to the Articles of Association of Industrial and Commercial Bank of China Limited

**The Board of Directors of  
Industrial and Commercial Bank of China Limited**

Beijing, the People's Republic of China  
25 July 2014

*As at the date of this announcement, the board of directors comprises Mr. JIANG Jianqing, Mr. YI Huiman and Mr. LIU Lixian as executive directors, Ms. WANG Xiaoya, Ms. GE Rongrong, Mr. LI Jun, Mr. WANG Xiaolan, Mr. YAO Zhongli and Mr. FU Zhongjun as non-executive directors, Mr. WONG Kwong Shing, Frank, Sir Malcolm Christopher McCARTHY, Mr. Kenneth Patrick CHUNG, Mr. OR Ching Fai, Mr. HONG Yongmiao and Mr. YI Xiqun as independent non-executive directors.*

## Appendix I:

# General Mandate to Issue Shares by Industrial and Commercial Bank of China Limited

In order to ensure continuous business development of Industrial and Commercial Bank of China Limited (the “**Bank**”) and to replenish the Bank’s capital, while taking into account the continuously increased level of capital management requirements on banks and the long-term interests of all shareholders, it will be proposed at the shareholders’ general meeting to grant a general mandate to issue shares, in particular, to separately or concurrently authorise, issue and deal with the newly issued A shares and/or H shares, preference shares and/or options (including warrants, convertible bonds, preference shares that can be convertible into A shares and/or H shares and any other securities carrying rights of subscription for or conversion into shares), provided that the respective aggregate amounts of A shares and/or H shares, preference shares and/or options authorised, issued and dealt with shall not exceed 20% of the respective amounts of existing A shares and H shares as at the date of the passing of this general mandate at the shareholders’ general meeting. Details of the proposal are set out below:

## 1 Proposal in respect of General Mandate to Issue Shares

Pursuant to applicable laws and regulations of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and the provisions of the articles of association of the Bank (the “**Articles**”), the proposal in relation to the grant of a general mandate to issue shares to the board of directors of the Bank (the “**Board**”) shall be presented to the shareholders’ general meeting for consideration. Details are as follow:

- (1) subject to paragraph (3) below, the Board be and is hereby unconditionally given approval to exercise, during the Relevant Period (as defined below), all powers of the Bank to separately or concurrently authorise, issue and deal with the newly issued A shares, H shares and preference shares of the Bank (collectively, the “**Shares**”);
- (2) subject to the approval under paragraph (1) above and subject to paragraph (3) below, the Board be and is hereby authorised to enter into or grant, during the Relevant Period (as defined below), offers, agreements and/or options (including warrants, convertible bonds, preference shares that can be convertible into A shares and/or H shares and any other securities carrying rights of subscription for or conversion into Shares) which require or may require Shares to be allotted and issued during or after the expiry of the Relevant Period, and to authorise, issue and deal with the Shares that are required or may be required to be allotted and issued under such offers, agreements and options;

- (3) the respective aggregate amounts of A shares, H shares and/or preference shares (calculated based on the number of A shares and/or H shares to be fully converted from preference shares at the mandatory conversion price) authorised, issued and dealt with by the Board, and offers, agreements and/or options (including warrants, convertible bonds that can be convertible into A shares and/or H shares and any other securities carrying rights of subscription for or conversion into Shares), in each case, calculated based on the number of A shares and/or H shares to be issued or fully converted from such securities, entered into or granted by the Board, in accordance with the approvals granted under paragraphs (1) and (2) above shall not exceed 20% of the respective amounts of existing A shares and/or H shares as at the date of the passing of this special resolution;
- (4) for the purpose of this special resolution, “Relevant Period” means the period from the date of passing this special resolution until the earliest of:
- (i) the conclusion of the next annual general meeting of the Bank;
  - (ii) the expiration of the 12-month period from the date of passing of this special resolution; and
  - (iii) the date on which the authority granted to the Board set out in this special resolution is revoked or varied by a special resolution of the shareholders of the Bank in a general meeting;
- (5) the Board be and is hereby authorised to deal with matters relating to the change in the registered capital of the Bank to reflect the number of Shares to be issued by the Bank pursuant to this special resolution and to make such appropriate and necessary amendments to the provisions of the Articles of the Bank relating to the shareholding structure after the issuance of Shares and the registered capital as they think fit and necessary and to take any other action and complete any formality required to effect the issuance of Shares pursuant to this proposal.

## **2 Arrangements of the Board upon Approval at the Shareholder’s General Meeting of the Bank for the Proposal in relation to the General Mandate to Issue Shares**

To enhance decision making efficiency and ensure successful issuance, the Board may delegate to the Chairman, Vice-Chairman or President of the Bank the full power to, jointly or individually, deal with all matters relating to the issuance of Shares.



## Appendix II:

# Issuance Plan of Offshore Preference Shares by Industrial and Commercial Bank of China Limited

## 1 Type of preference shares to be issued

The type of preference shares proposed to be issued by the Bank in the offshore market is preference shares that meet the requirements of the laws, regulations and regulatory documents of the People's Republic of China and overseas (the “**Offshore Preference Shares**”, together with the preference shares to be issued in the domestic market (the “**Domestic Preference Shares**”), the “**Preference Shares**”).

## 2 Issue size

The aggregate amount of the Offshore Preference Shares to be issued will not exceed RMB35 billion or its equivalent. The actual size of the issuance is proposed to be determined by the board of directors (the “**Board**”) of Industrial and Commercial Bank of China Limited (the “**Bank**”) within the above scope, subject to the authorisation at a shareholders' general meeting (which authorisation can be further delegated).

## 3 Method of issuance

The Offshore Preference Shares are proposed to be issued by way of a non-public placement, either in a single or multiple series, in compliance with the relevant procedures and in accordance with the relevant listing rules, subject to the approval of the competent authorities.

## 4 Par value and issue price

The par value of the Offshore Preference Shares will be RMB100 per Offshore Preference Share, and the issue price of the Offshore Preference Shares will be denominated in foreign currency or RMB subject to the approval by the relevant regulatory authorities. The Offshore Preference Shares will be issued at or above par value. The actual issue price is proposed to be determined by the Board with reference to market conditions and in accordance with relevant laws, regulations and market practice, subject to the authorisation at the shareholders' general meeting (which authorisation can be further delegated).

## 5 Maturity

The Offshore Preference Shares will have no maturity.

## 6 Target investors

The Offshore Preference Shares will be offered to overseas qualified investors in accordance with the relevant listing rules and shall be subscribed in cash. If the Offshore Preference Shares are undersubscribed, the Offshore Preference Shares not taken up will be underwritten by the underwriting syndicate.

## 7 Lock-up period

There will be no lock-up period for the Offshore Preference Shares.

## 8 Terms of distribution of dividends

### (1) Principles for determining the dividend rate

The dividend rate for the Offshore Preference Shares (which dividend rate is to be calculated based on the issue price of the Offshore Preference Shares, the same below) may be adjusted at different intervals. This means the dividend rate may either remain unchanged for the term of the Offshore Preference Shares, or there will be dividend adjustment periods and the dividend rate will be fixed for a certain period after the issuance of the Offshore Preference Shares and will be readjusted once after each specified period thereafter (such dividend rate will be the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate for the Offshore Preference Shares at the time of issuance and the benchmark rate, which will remain unchanged during the term of the Offshore Preference Shares). The dividend rate shall be determined by the Board with reference to factors including market conditions, the actual circumstances of the Bank and investor appetite, subject to the authorisation at the shareholders' general meeting (which authorisation can be further delegated). The dividend rate for the Offshore Preference Shares will not be higher than the average return on weighted average equity of the Bank for the last two financial years<sup>1</sup>.

### (2) Conditions to distribution of dividends

- (i) If the Bank has distributable after-tax profit<sup>2</sup> after making up for previous years' losses, contributing to the statutory reserve and making general provision, the Bank may pay dividends to holders of the Offshore Preference Shares (the **"Offshore Preference Shareholders"**), together with holders of the Domestic Preference Shares (the **"Domestic Preference Shareholders"**), the **"Preference Shareholders"**), provided the capital adequacy ratio of the Bank meets the requirements of the regulatory rules. The Offshore Preference Shares rank pari passu with the Domestic Preference Shares in terms of dividend distribution, both

<sup>1</sup> As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the Ordinary Shareholders of the Bank.

<sup>2</sup> i.e. the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.

of which rank ahead of A ordinary shares and/or H ordinary shares of the Bank (the “**Ordinary Shares**”, and holders of the Ordinary Shares, the “**Ordinary Shareholders**”). Distribution of dividends to the Offshore Preference Shareholders will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.

- (ii) In all circumstances, the Bank shall have the right to cancel dividend payments to the Offshore Preference Shareholders after going through certain regulatory procedures and being considered and approved by the shareholders’ general meeting, and will not constitute an event of default. The Bank, at its discretion, may use any dividend so cancelled to repay other debts that are due. The cancellation of any dividend payment to the Offshore Preference Shareholders will only constitute a restriction on the payment of dividend to the Ordinary Shareholders and will not constitute any other restrictions on the Bank. The Bank will fully consider the rights and interests of the Preference Shareholders when exercising the above-mentioned rights.

### **(3) Method of dividend payment**

Dividends for the Offshore Preference Shares will be calculated based on the aggregate value of the relevant series of the Offshore Preference Shares that have been issued by the Bank and outstanding (such aggregate value will be equal to the issue price of the Offshore Preference Shares multiplied by the number of Offshore Preference Shares issued and outstanding for the relevant series, the same below). Dividends for the Offshore Preference Shares shall be paid annually, calculated and declared in RMB, payable in cash, and will accrue from the payment due date of the relevant series of Offshore Preference Shares. Taxes payable on the dividend income of the Offshore Preference Shareholders shall be borne by such Offshore Preference Shareholders in accordance with relevant laws and regulations.

### **(4) Dividend stopper**

If the Bank cancels all or part of the dividends to the Offshore Preference Shareholders, the Bank shall not make any dividend distribution to the Ordinary Shareholders before the Bank declares to pay the dividends for the current dividend period to the Offshore Preference Shareholders in full.

### **(5) Dividend accumulation**

The dividends of the Offshore Preference Shares will be non-cumulative (i.e. any amount of dividends not paid to the Offshore Preference Shareholders will not be accumulated to the following dividend year).

### **(6) Distribution of residual assets**

The Offshore Preference Shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual assets of the Bank together with the Ordinary Shares.

## 9 Terms of mandatory conversion

### (1) Mandatory conversion trigger events

- (i) Upon the occurrence of an Additional Tier 1 Capital Trigger Event (i.e. the Core Tier 1 Capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Offshore Preference Shares that have been issued by the Bank and outstanding into H shares based on the aggregate amount of such Offshore Preference Shares without the approval of the Preference Shareholders in order to restore the Core Tier 1 Capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted at the same ratio under the same terms and conditions. Upon such conversion, the new H shares to be issued as a result of the conversion of the Offshore Preference Shares will not be converted back to preference shares in any event.
- (ii) Upon the occurrence of a Tier 2 Capital Trigger Event (i.e. the earlier of (a) the China Banking Regulatory Commission (the “CBRC”) has determined that the Bank will not be able to continue to exist if there is no conversion or write-down of capital, or (b) the relevant regulatory departments have determined that the Bank will not be able to continue to exist if the public departments do not provide a capital injection or other equivalent support), the Bank shall have the right to convert all the issued and outstanding Offshore Preference Shares into H shares based on the aggregate amount of such Offshore Preference Shares without the approval of the Preference Shareholders. Upon such conversion, the new H shares to be issued as a result of the conversion of the Offshore Preference Shares will not be converted back to preference shares in any event.

Upon the occurrence of the above trigger events, the Bank shall report to the CBRC for review and determination and shall comply with the relevant information disclosure requirements such as making extraordinary reports or announcements in accordance with relevant regulatory rules.

### (2) Determination of mandatory conversion price

The initial mandatory conversion price will be equal to the average trading price of the H shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the Offshore Preference Shares.

The average trading price of the H shares of the Bank for the 20 preceding trading days = total trading amount of H shares of the Bank for such 20 trading days / total trading volume of H shares for such 20 trading days, i.e. HKD5.00 per share.

### **(3) Principles for determining the ratio and number for mandatory conversion**

Upon the mandatory conversion of the Offshore Preference Shares, the formula for determining the number of shares to be converted shall be:  $Q^* = V^*/P^* \times \text{exchange rate}$  for calculation. Any fractional share will be dealt with by the Bank in accordance with relevant regulatory rules.

In the above formula: “ $Q^*$ ” denotes the number of H shares that shall be converted from the Offshore Preference Shares held by each Preference Shareholder; “ $V^*$ ” denotes the value of Offshore Preference Shares held by each Preference Shareholder for the mandatory conversion as determined under the principle that the losses will be absorbed in equal proportion by the Domestic Preference Shares and the Offshore Preference Shares; “ $P^*$ ” denotes the mandatory conversion price for the Offshore Preference Shares; and the “exchange rate for calculation” denotes the cross rate between Hong Kong dollar and the foreign currency in which the Offshore Preference Shares are denominated based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on the trading date immediately preceding the date of publication of the Board resolution in respect of the issuance plan of the Offshore Preference Shares.

Upon the occurrence of the above trigger events, all or part (as determined in accordance with the principle that the losses will be absorbed in equal proportion) of the Offshore Preference Shares issued and outstanding will be converted into corresponding number of H shares based on the above formula.

### **(4) Mandatory conversion period**

The period for mandatory conversion of the Offshore Preference Shares commences on the first trading day immediately following the completion date of issuance of the Offshore Preference Shares and ends on the date of redemption or conversion of all the Offshore Preference Shares.

### **(5) Method of adjustments of the mandatory conversion price**

Upon the occurrence of certain prescribed events relating to the H shares of the Bank (e.g. bonus issuance, capital conversion or increase, issuance of new H shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into H shares) and placement) after the date of passing the Board resolution in respect of the issuance plan of the Offshore Preference Shares, the mandatory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events. The distribution of cash dividends to the Ordinary Shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus issuance or capital conversion or increase:  $P1^* = P0^* \times N^*/(N^* + n^*)$ ;

Issuance of new H shares at a price lower than the market price or placement:  $P1^* = P0^* \times (N^* + k^*)/(N^* + n^*)$ ,  $k^* = n^* \times A^*/M^*$ ;

In the above formulae, “P0\*” denotes the effective mandatory conversion price before adjustment; “N\*” denotes the total ordinary share capital of the Bank before the bonus issuance, capital conversion or increase, issuance or placement of new H shares; “n\*” denotes the number of new shares as a result of the bonus issuance, capital conversion or increase, issuance or placement of new H shares; “A\*” denotes the price for the issuance or placement of the new H shares; “M\*” denotes the closing price of H shares on the trading date immediately preceding the date of announcement of issuance or placement of new H shares (i.e. announcement containing the effective and irrevocable terms of issuance or placement of new H shares); and “P1\*” denotes the effective mandatory conversion price after adjustment.

In the event that the rights and benefits of the Offshore Preference Shareholders may be affected by the change in the share class, number of shares and shareholders’ interests of the Bank due to write-off of any redeemed shares by, or merger or division of the Bank or any other circumstances, the Bank will, for the purpose of anti-dilution, adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice, equity and full protection and balance of the interests of the Preference Shareholders and the Ordinary Shareholders. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in accordance with the relevant regulations.

**(6) Entitlement to dividends of Ordinary Shares in the year of mandatory conversion**

The new H shares to be issued as a result of the mandatory conversion of the Offshore Preference Shares will rank *pari passu* with the existing issued H shares, and all Ordinary Shareholders whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.

## **10 Terms of conditional redemption**

**(1) Redemption right**

The Bank shall have the right to redeem the Offshore Preference Shares subject to obtaining the approval of the CBRC. The Offshore Preference Shares are not, and should not be expected to be, subject to sale back to the Bank at the option of the Preference Shareholders. The Offshore Preference Shares will not contain terms that will allow the Offshore Preference Shares to be put back by the investors, and the Preference Shareholders have no right to put back the Preference Shares held by them.

## **(2) Redemption conditions and period**

Subject to the approval of the CBRC and the satisfaction of the relevant requirements, the Bank shall have the right to redeem all or part of the Offshore Preference Shares after the fifth year following the completion date of issuance of the Offshore Preference Shares. The specific commencement date of the redemption period shall be determined by the Board with reference to market conditions subject to the authorisation at the shareholders' general meeting (which authorisation can be further delegated). The redemption period of the Offshore Preference Shares commences on such commencement date and ends on the completion date of redemption or conversion of all the Offshore Preference Shares.

The exercise by the Bank of the right to redeem the Offshore Preference Shares shall be subject to the fulfilment of the following conditions:

- (i) the Bank replaces the Offshore Preference Shares to be redeemed with capital of the same or better quality and the replacement of the capital is effected on conditions that are sustainable for the income capacity of the Bank; or
- (ii) the Bank's capital position will remain to be well above the regulatory capital requirements of the CBRC after the redemption.

## **(3) Basis for determining the redemption price**

The redemption price of the Offshore Preference Shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current dividend period.

# **11 Restrictions on voting rights**

Under normal circumstances, the Offshore Preference Shares do not entitle the Offshore Preference Shareholders to convene, attend or vote at any shareholders' general meetings of the Bank. The Offshore Preference Shareholders will be entitled to attend shareholders' general meetings and vote at a separate class meeting if the resolutions to be passed relate to any of the following and one Preference Share will be entitled to one vote (Preference Shares held by the Bank do not entitle the Bank to vote):

- (1) amendments to the articles of association of the Bank (the "**Articles**") that relate to preference shares;
- (2) reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate);
- (3) merger, division, dissolution or change of corporate form of the Bank;
- (4) issuance of preference shares; and
- (5) other events specified in the Articles that will change or abrogate the rights of preference shareholders.

Resolutions relating to the above shall be adopted by more than two thirds of votes held by the Ordinary Shareholders present at the meeting (including Preference Shareholders with voting rights restored) and by more than two thirds of votes held by the Preference Shareholders (excluding Preference Shareholders with voting rights restored).

## **12 Restoration of voting rights**

### **(1) Terms of restoration of voting rights**

During the term of the Offshore Preference Shares, if the Bank fails to pay the agreed dividend to the Offshore Preference Shareholders for three financial years in aggregate or for two consecutive financial years, commencing on the date immediately following the date on which the shareholders' general meeting resolves that the Bank will not pay the agreed dividend for the current dividend period, the Offshore Preference Shareholders will be granted the right to attend and vote at the shareholders' general meetings as if they are the Ordinary Shareholders. The formula for calculating the voting rights of the Offshore Preference Shares with voting rights restored is as follow:

$R^* = W^*/S^* \times \text{exchange rate for calculation}$ . Any fractional voting right will be rounded down to the nearest whole number.

In the above formula: "R\*" denotes the voting right of H shares that can be restored from the Offshore Preference Shares for each Offshore Preference Shareholder; "W\*" denotes the amount of the Offshore Preference Shares held by each Offshore Preference Shareholder; "S\*" denotes the average trading price of H shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the Offshore Preference Shares; and the "exchange rate for calculation" denotes the cross rate between Hong Kong dollar and the foreign currency in which the Offshore Preference Shares are denominated based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on the trading date immediately preceding the date of publication of the Board resolution in respect of the issuance plan of the Offshore Preference Shares.

Average trading price of H shares of the Bank for the 20 preceding trading days = total trading value of H shares of the Bank for such 20 preceding trading days / total trading volume of H shares for the same 20 trading days, i.e. HKD5.00 per share.

### **(2) Cancellation of restoration of voting rights**

Upon the full payment of the dividend to the Offshore Preference Shares for the current dividend period, the voting rights granted to the Offshore Preference Shares in accordance with the terms of restoration of voting rights will be cancelled commencing on the date of full payment of such dividend. After such cancellation, if the terms for the restoration of voting rights are triggered again, the Offshore Preference Shares may be re-granted with voting rights.



## **13 Order of distribution of residual assets and basis for liquidation**

All the Offshore Preference Shares will rank pari passu in terms of distribution of residual assets. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instrument of the Bank in terms of distribution of residual assets, but will rank ahead of the Ordinary Shareholders.

When the Bank is undergoing liquidation, the residual assets of the Bank after liquidation will be distributed in the following order of priority:

- (1) liquidation expenses;
- (2) employee salary, social insurance premiums and statutory compensatory amount;
- (3) principal and interest of individual deposits;
- (4) outstanding taxes;
- (5) other debts of the Bank;
- (6) after distribution to the foregoing items, the residual assets of the Bank will be distributed to the shareholders in proportion to their respective class of shares and corresponding shareholdings. The Offshore Preference Shares will rank pari passu with the Domestic Preference Shares, as well as the preference shares that may be issued by the Bank in the future, in terms of distribution of residual assets, and all such preference shares will rank ahead of the Ordinary Shares. The Offshore Preference Shareholders will be entitled to an amount equal to the aggregate value of the Offshore Preference Shares issued and outstanding plus any declared but unpaid dividends. If there are insufficient residual assets, the distribution will be made on a pro rata basis to the Offshore Preference Shareholders and the Domestic Preference Shareholders.

## **14 Rating**

The rating arrangement of the Offshore Preference Shares will be determined with reference to the market conditions and in accordance with the relevant laws and regulations.

## **15 Security**

No security will be provided in relation to the proposed issuance of the Offshore Preference Shares.

## **16 Use of proceeds from the issuance of the Offshore Preference Shares**

Subject to the approval by the CBRC, the proceeds from the proposed issuance of the Offshore Preference Shares, after deduction of the expenses relating to the issuance, will be used for replenishment of the Bank's Additional Tier 1 Capital.

## **17 Transfer**

The Offshore Preference Shares will be applied for listing on the Stock Exchange of Hong Kong Limited in accordance with the relevant regulatory rules and will be transferred in accordance with the relevant trading and settlement rules.

## **18 Relationship between offshore and domestic issuance**

The offshore tranche and domestic tranche of the proposed issuance of Preference Shares are independent from each other and are not conditional upon each other.

## **19 The validity period of the resolution in respect of the issuance of the Offshore Preference Shares**

The resolution in respect of the issuance of the Offshore Preference Shares will be valid for 36 months from the date on which the resolution is passed at the shareholders' general meeting. The approval and separate issuance of the Domestic Preference Shares and Offshore Preference Shares under the framework of the issuance plan of the Preference Shares as deliberated and adopted at the shareholders' general meeting is not subject to a separate approval by the then existing preference shareholders within the validity period of the resolution.

## **20 The application and approval procedures to be completed for the issuance**

The issuance plan of the Preference Shares is subject to the consideration and approval at the shareholders' general meeting of the Bank, after which the issuance shall obtain the approval of the CBRC, and shall also be submitted to the China Securities Regulatory Commission for approval.

## **21 Matters relating to authorisation**

### **(1) Authorisation in connection with the issuance of the Preference Shares**

To ensure smooth implementation of the issuance of the Offshore Preference Shares, it will be proposed at the shareholders' general meeting to authorise the Board, and the Board will then delegate the authority to the Chairman, Vice-Chairman and President of the Bank, to jointly or individually exercise the full power to handle all matters relating to the issuance of the Offshore Preference Shares under the framework and principles as deliberated and adopted at the shareholders' general meeting and within the validity period of the resolution in respect of the issuance of the Offshore Preference Shares, including but not limited to those set out below:

- (i) to formulate and implement the final proposal for the issuance of the Offshore Preference Shares, including but not limited to:
  - (a) to determine the number of series and the respective issue size of each series of the Offshore Preference Shares within the approved total issue size,

- (b) to determine the method for determining the dividend rate and the specific dividend rate of the Offshore Preference Shares,
  - (c) to determine whether the Offshore Preference Shares will be issued at or above par value, the issue price of the Offshore Preference Shares, the denomination currency, the specific commencement date of the redemption period and the form of issuance of the Offshore Preference Shares, with reference to market conditions,
  - (d) to determine the timing of issuance and target investors of the Offshore Preference Shares with reference to market conditions and subject to approval from regulatory authorities; and
  - (e) to determine other matters in relation to the issuance plan of the Offshore Preference Shares (including but not limited to rating arrangement, special account for the proceeds, etc.) and to make necessary adjustments to the issuance plan according to new regulatory rules or requirements of regulatory authorities (except those matters that require a separate vote at a shareholders' general meeting in accordance with the relevant laws and regulations as well as the Articles).
- (ii) to produce, amend, execute and file the application and issuance/transfer documents in relation to the issuance or transfer of the Offshore Preference Shares (such as offering circular and prospectus, as applicable) and to register the relevant prospectus (if applicable);
  - (iii) to amend, execute, implement, submit and publish all contracts, agreements and documents (including but not limited to underwriting and sponsorship agreements, agreements and schemes relating to the proceeds, subscription agreements entered into with investors, announcements, circulars and other disclosure documents, etc.) in relation to the issuance of the Offshore Preference Shares;
  - (iv) to amend the provisions of the Articles relating to the issuance of Preference Shares based on the comments of the regulatory authorities and the status of implementation of the issuance of the Offshore Preference Shares, and to deal with the matters in relation to the registration or filing with the administration for industry and commerce of such amendments, the listing of the Preference Shares and other matters; and
  - (v) to deal with other matters relating to the issuance of the Offshore Preference Shares.

## **(2) Authorisation in connection with matters during the term of the Offshore Preference Shares**

It will be proposed at the shareholders' general meeting to authorise the Board to exercise the full power to handle matters under the framework and principles as deliberated and adopted at the shareholders' general meeting during the term of the Offshore Preference Shares, including but not limited to those set out below:

- (i) to handle matters relating to conversion of the Offshore Preference Shares with reference to market conditions and in accordance with the relevant legal requirements upon occurrence of trigger events for mandatory conversion of the Offshore Preference Shares, which include but are not limited to the following: to determine the timing of conversion, conversion ratio and procedures for conversion, to amend the provisions in the Articles relating to conversion to the extent necessary, and to deal with the matters in relation to obtaining regulatory approvals, the registration with the administration for industry and commerce of the change in registered capital of the Bank and other matters;
- (ii) to decide on matters relating to redemption during the redemption period with reference to market conditions and other factors, and to handle matters relating to redemption as approved by the CBRC;
- (iii) to declare and pay all dividends to the Preference Shareholders pursuant to issuance agreements, but the cancellation of all or part of the dividends payable to the Preference Shareholders will still require approval at a shareholders' general meeting.

All members of the Board shall be informed promptly upon completion of any of the above items.

## **Appendix III:**

# **Issuance Plan of Domestic Preference Shares by Industrial and Commercial Bank of China Limited**

## **1 Type of preference shares to be issued**

The type of preference shares proposed to be issued in the domestic market by the Bank is preference shares that meet the relevant requirements under the Guidance Opinion in relation to the Trial Implementation of Preference Shares by the State Council, the Trial Administrative Measures on Preference Shares, the Rules Governing Capital Management of Commercial Banks (Provisional), the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Supplementing Tier 1 Capital, and other laws, regulations and regulatory documents (the “**Domestic Preference Shares**”, together with preference shares to be issued in the offshore market (the “**Offshore Preference Shares**”), the “**Preference Shares**”).

## **2 Number of preference shares to be issued and issue size**

The aggregate number of the Domestic Preference Shares to be issued will not exceed 450 million and the aggregate amount of the Domestic Preference Shares to be issued will not exceed RMB45 billion. The actual size of the issuance is proposed to be determined by the board of directors (the “**Board**”) of the Industrial and Commercial Bank of China Limited (the “**Bank**”) within the above scope, subject to the authorisation at a shareholders’ general meeting (which authorisation can be further delegated).

## **3 Method of issuance**

The Domestic Preference Shares are proposed to be issued by way of a non-public issuance wither in a single or multiple series, in compliance with the relevant procedures and subject to the approval of the China Banking Regulatory Commission (the “**CBRC**”), the China Securities Regulatory Commission (the “**CSRC**”) and other competent authorities.

## **4 Par value and issue price**

The par value of the Domestic Preference Shares will be RMB100 per Domestic Preference Share. The Domestic Preference Shares will be issued at or above par value. The actual issue price is proposed to be determined by the Board with reference to market conditions and in accordance with relevant laws, regulations and market practice, subject to the authorisation at the shareholders’ general meeting (which authorisation can be further delegated).

## **5 Maturity**

The Domestic Preference Shares will have no maturity.

## **6 Target investors**

Each series of Domestic Preference Shares will be offered to not more than 200 qualified investors who have met the qualification requirements under the Trial Administrative Measures on Preference Shares, and the Preference Shares with the same terms will be offered to not more than 200 investors in aggregate. The investors are proposed to be determined by the Board in accordance with the relevant regulations of the CSRC and listing rules in the domestic market, subject to the authorisation at the shareholders' general meeting (which authorisation can be further delegated). All investors shall subscribe the Domestic Preference Shares in cash. The Domestic Preference Shares will be placed on a best efforts basis.

## **7 Lock-up period**

There will be no lock-up period for the Domestic Preference Shares.

## **8 Terms of distribution of dividends**

### **(1) Principles for determining the coupon rate**

The coupon rate for the Domestic Preference Shares may be adjusted at different intervals. This means the coupon rate may either remain unchanged for the term of the Domestic Preference Shares, or there will be dividend adjustment periods and the coupon rate will be fixed for a certain period after the issuance of the Domestic Preference Shares and will be readjusted once after each specified period thereafter (such coupon rate will be the sum of the benchmark rate and the fixed spread. The benchmark rate will be the China Treasury Bonds yield with a specified maturity published certain trading days preceding the date of issuance or the date of readjustment of the benchmark rate. The fixed spread will be equal to the spread between the coupon rate for the Domestic Preference Shares at the time of issuance and the benchmark rate, which will remain unchanged during the term of the Domestic Preference Shares).

The coupon rate for the Domestic Preference Shares at the time of issuance will be determined by the Bank based on price inquiry in the market or in other manners acceptable to the regulatory authorities. The actual coupon rate shall be determined by the Board with reference to factors including the State's policies, market conditions, the actual circumstances of the Bank and investor appetite, subject to the authorisation at the shareholders' general meeting (which authorisation can be further delegated). The coupon rate for the Domestic Preference Shares will not be higher than the average return on weighted average equity of the Bank for the last two financial years<sup>1</sup>.

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<sup>1</sup> As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the Ordinary Shareholders of the Bank.

## (2) Conditions to distribution of dividends

- (i) If the Bank has distributable after-tax profit<sup>2</sup> after making up for previous years' losses, contributing to the statutory reserve and making general provision, the Bank may pay dividends to holders of the Domestic Preference Shares (the “**Domestic Preference Shareholders**”, together with holders of the Offshore Preference Shares (the “**Offshore Preference Shareholders**”), the “**Preference Shareholders**”), provided the capital adequacy ratio of the Bank meets the requirements of the regulatory rules. The Domestic Preference Shares issued by the Bank rank *pari passu* with the Offshore Preference Shares in terms of dividend distribution, both of which rank ahead of the ordinary shares of the Bank (the “**Ordinary Shares**”, and holders of the Ordinary Shares, the “**Ordinary Shareholders**”). Distribution of dividends to the Domestic Preference Shareholders will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.
- (ii) In all circumstances, the Bank shall have the right to cancel dividend payments to the Domestic Preference Shareholders after going through certain regulatory procedures and being considered and approved by the shareholders' general meeting, and will not constitute an event of default. The Bank, at its discretion, may use any dividends so cancelled to repay other debts that are due. The cancellation of any dividend payment to the Domestic Preference Shareholders will only constitute a restriction on the payment of dividend to the Ordinary Shareholders and will not constitute any other restrictions on the Bank. The Bank will fully consider the rights and interests of the Preference Shareholders when exercising the above-mentioned rights.
- (iii) If the Bank cancels all or part of the dividends to the Domestic Preference Shareholders, the Bank shall not make any distribution to the Ordinary Shareholders before the Bank declares to pay agreed dividends for the current period to the Domestic Preference Shareholders in full.

## (3) Method of dividend payment

Dividends for the Domestic Preference Shares will be payable in cash calculated based on the aggregate par value of the relevant series of the Preference Shares that have been issued by the Bank and outstanding. Dividends for the Domestic Preference Shares shall be paid annually and will accrue from the payment due date of the relevant series of Preference Shares. Taxes payable on the dividend income of the Domestic Preference Shareholders shall be borne by such Domestic Preference Shareholders in accordance with relevant laws and regulations.

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<sup>2</sup> i.e. the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.

#### **(4) Dividend accumulation**

The dividends of the Domestic Preference Shares will be non-cumulative (i.e. any amount of dividends not paid to the Preference Shareholders will not be accumulated to the following dividend year).

#### **(5) Distribution of residual assets**

The Domestic Preference Shares are only entitled to dividends at the prescribed coupon rate, but are not entitled to any distribution of residual assets of the Bank together with Ordinary Shares.

### **9 Terms of mandatory conversion**

#### **(1) Mandatory conversion trigger events**

- (i) Upon the occurrence of an Additional Tier 1 Capital Trigger Event (i.e. the Core Tier 1 Capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Domestic Preference Shares that have been issued by the Bank and outstanding into A shares based on the aggregate par value of such Domestic Preference Shares without the approval of the Preference Shareholders in order to restore the Core Tier 1 Capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the Domestic Preference Shares shall be converted at the same ratio under the same terms and conditions. Upon such conversion, the new A shares to be issued as a result of the conversion of the Domestic Preference Shares will not be converted back to preference shares in any event.
- (ii) Upon the occurrence of a Tier 2 Capital Trigger Event (i.e. the earlier of (a) the CBRC has determined that the Bank will not be able to continue to exist if there is no conversion or write-down of capital, or (b) the relevant regulatory departments have determined that the Bank will not be able to continue to exist if the public departments do not provide a capital injection or other equivalent support), the Bank shall have the right to convert all the issued and outstanding Domestic Preference Shares into A shares based on the aggregate par value of such Domestic Preference Shares without the approval of the Preference Shareholders. Upon such conversion, the new A shares to be issued as a result of the conversion of the Domestic Preference Shares will not be converted back to preference shares in any event.

Upon the occurrence of the above trigger events, the Bank shall report to the CBRC for review and determination and shall comply with the relevant information disclosure requirements such as making extraordinary reports or announcements in accordance with the Securities Laws of the People's Republic of China and the relevant regulations of the CSRC.



## **(2) Determination of mandatory conversion price**

The initial mandatory conversion price will be equal to the average trading price of the A shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the Domestic Preference.

The average trading price of the A shares of the Bank for the 20 preceding trading days = total trading amount of A shares of the Bank for such 20 preceding trading days/total trading volume of A shares for such 20 trading days, i.e. RMB3.44 per share.

## **(3) Principles for determining the ratio and number for mandatory conversion**

Upon the mandatory conversion of the Domestic Preference Shares, the formula for determining the number of shares to be converted shall be:  $Q = V/P$ . Any fractional share will be dealt with by the Bank in accordance with relevant regulatory rules.

In the above formula: “Q” denotes the number of A shares that shall be converted from the Domestic Preference Shares held by each Preference Shareholder; “V” denotes the aggregate value of Domestic Preference Shares held by each Domestic Preference Shareholder for the mandatory conversion as determined under the principle that the losses will be absorbed in equal proportion by the Domestic Preference Shares and the Offshore Preference Shares; and “P” denotes the mandatory conversion price for the Domestic Preference Shares.

Upon the occurrence of the above trigger events, all or part (as determined in accordance with the principle that the losses will be absorbed in equal proportion) of the Domestic Preference Shares issued and outstanding will be converted into corresponding number of A shares based on the above formula.

## **(4) Mandatory conversion period**

The period for mandatory conversion of the Domestic Preference Shares commences on the first trading day immediately following the completion date of issuance of the Domestic Preference Shares and ends on the date of redemption or conversion of all the Domestic Preference Shares.

## **(5) Method of adjustments of the mandatory conversion price**

Upon the occurrence of certain prescribed events relating to the A shares of the Bank (e.g. bonus issuance, capital conversion or increase, issuance of new A shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) and placement) after the date of passing the Board resolution in respect of the issuance plan of the Domestic Preference Shares, the mandatory conversion price shall be subject to cumulative adjustments in the same order of the occurrence of such events. The distribution of cash dividends to the Ordinary Shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus issuance or capital conversion or increase:  $P1 = P0 \times N/(N + n)$ ;

Issuance of new A shares at a price lower than the market price or placement:  $P1 = P0 \times (N + k)/(N + n)$ ,  $k = n \times A/M$ ;

In the above formulae, “P0” denotes the effective mandatory conversion price before adjustment; “N” denotes the total ordinary share capital of the Bank before the bonus issuance, capital conversion or increase, issuance or placement of new A shares; “n” denotes the number of new shares as a result of the bonus issuance, capital conversion or increase, issuance or placement of new A shares; “A” denotes the price for the issuance or placement of the new A shares; “M” denotes the closing price of A shares on the trading date immediately preceding the date of announcement of issuance or placement of new A shares (i.e. announcement containing the effective and irrevocable terms of issuance or placement of new A shares); and “P1” denotes the effective mandatory conversion price after adjustment.

In the event that the rights and benefits of the Domestic Preference Shareholders may be affected by the change in the share class, number of shares and shareholders’ interests of the Bank due to write-off of any redeemed shares by, or merger or division of the Bank or any other circumstances, the Bank will, for the purpose of anti-dilution, adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice, equity and full protection and balance of the interests of the Preference Shareholders and the Ordinary Shareholders. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in accordance with the relevant regulations.

## **(6) Entitlement to dividends of ordinary shares in the year of mandatory conversion**

The new A shares to be issued as a result of the mandatory conversion of the Domestic Preference Shares will rank pari passu with the existing issued A shares, and all Ordinary Shareholders whose names appear on the register of members of the Bank on the record date for dividend entitlement shall be entitled to receive the dividend for the current dividend period.

## **10 Terms of conditional redemption**

### **(1) Redemption right**

The Bank shall have the right to redeem the Domestic Preference Shares subject to obtaining the approval of the CBRC. The Domestic Preference Shares are not, and should not be expected to be, subject to sale back to the Bank at the option of the Preference Shareholders. The Domestic Preference Shares will not contain terms that will allow the Domestic Preference Shares to be put back by the investors, and the Preference Shareholders have no right to put back the Preference Shares held by them.

### **(2) Redemption conditions and period**

Subject to the approval of the CBRC and the satisfaction of the relevant requirements, the Bank shall have the right to redeem all or part of the Domestic Preference Shares after the fifth year following the completion date of issuance of the Domestic Preference Shares. The specific commencement date of the redemption period shall be determined by the Board with reference to market conditions subject to the authorisation at the shareholders' general meeting (which authorisation can be further delegated). The redemption period of the Domestic Preference Shares commences on such commencement date and ends on the completion date of redemption or conversion of all the Domestic Preference Shares.

The exercise by the Bank of the right to redeem the Domestic Preference Shares shall be subject to the fulfilment of the following conditions:

- (i) the Bank replaces the Domestic Preference Shares to be redeemed with capital of the same or better quality and the replacement of the capital is effected on conditions that are sustainable for the income capacity of the Bank; or
- (ii) the Bank's capital position will remain to be well above the regulatory capital requirements of the CBRC after the redemption.

### **(3) Basis for determining the redemption price**

The redemption price of the Domestic Preference Shares will be an amount equal to the par value plus the amount of dividend declared but unpaid for the current dividend period.

## 11 Restrictions on voting rights

Under normal circumstances, the Domestic Preference Shares do not entitle the Domestic Preference Shareholders to convene, attend or vote at any shareholders' general meetings of the Bank. The Preference Shareholders will be entitled to attend shareholders' general meetings and vote at a separate class meeting if the resolutions to be passed relate to any of the following and one Preference Share will be entitled to one vote (Preference Shares held by the Bank do not entitle the Bank to vote):

- (1) amendments to the articles of association of the Bank (the “**Articles**”) that relate to preference shares;
- (2) reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate);
- (3) merger, division, dissolution or change of corporate form of the Bank;
- (4) issuance of preference shares; and
- (5) other events specified in the Articles that will change or abrogate the rights of preference shareholders.

Resolutions relating to the above shall be adopted by more than two thirds of votes held by the Ordinary Shareholders present at the meeting (including Preference Shareholders with voting rights restored) and by more than two thirds of votes held by the Preference Shareholders (excluding Preference Shareholders with voting rights restored).

## 12 Restoration of voting rights

### (1) Terms of restoration of voting rights

During the term of the Domestic Preference Shares, if the Bank fails to pay the agreed dividend to the Domestic Preference Shareholders for three financial years in aggregate or for two consecutive financial years, commencing on the date immediately following the date on which the shareholders' general meeting resolves that the Bank will not pay the agreed dividend for the current dividend period, the Domestic Preference Shareholders will be granted the right to attend and vote at the shareholders' general meetings as if they are the Ordinary Shareholders. The formula for calculating the voting rights of the Domestic Preference Shares with voting rights restored is as follow:

$R = W/S$ . Any fractional voting right will be rounded down to the nearest whole number.

In the above formula: “R” denotes the voting right of A shares that can be restored from the Domestic Preference Shares for each Domestic Preference Shareholder; “W” denotes the par value of the Domestic Preference Shares held by each Domestic Preference Shareholder; and “S” denotes the average trading price of A shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the Domestic Preference Shares.

Average trading price of A shares of the Bank for the 20 preceding trading days = total trading value of A shares of the Bank for such 20 preceding trading days/total trading volume of A shares for such 20 preceding trading days, i.e. RMB3.44 per share.

## **(2) Cancellation of restoration of voting rights**

Upon the full payment of the dividend to the Domestic Preference Shares for the current dividend period, the voting rights granted to the Domestic Preference Shares in accordance with the terms of restoration of voting rights will be cancelled commencing on the date of full payment of such dividend. After such cancellation, if the terms for the restoration of voting rights are triggered again, the Domestic Preference Shares may be re-granted with voting rights.

## **13 Order of distribution of residual assets and basis for liquidation**

All the Domestic Preference Shares will rank *pari passu* in terms of distribution of residual assets. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instrument, of the Bank in terms of distribution of residual assets, but will rank ahead of the Ordinary Shareholders.

When the Bank is undergoing liquidation, the residual assets of the Bank after liquidation will be distributed in the following order of priority:

- (1) liquidation expenses;
- (2) employee salary, social insurance premiums and statutory compensatory amount;
- (3) principal and interest of individual deposits;
- (4) outstanding taxes;
- (5) other debts of the Bank;

- (6) after distribution to the foregoing items, the residual assets of the Bank will be distributed to the shareholders in proportion to their respective class of shares and corresponding shareholdings. The Domestic Preference Shares will rank pari passu with the Offshore Preference Shares, as well as the preference shares that may be issued by the Bank in the future, in terms of distribution of residual assets, and all such preference shares will rank ahead of the Ordinary Shares. The Domestic Preference Shareholders will be entitled to an amount equal to the aggregate par value of the Domestic Preference Shares issued and outstanding plus any declared but unpaid dividends. If there are insufficient residual assets, the distribution will be made on a pro rata basis to the Domestic Preference Shareholders and the Offshore Preference Shareholders.

## **14 Rating**

The rating arrangement of the Domestic Preference Shares will be determined with reference to the domestic market conditions and in accordance with the relevant laws and regulations of the People's Republic of China.

## **15 Security**

No security will be provided in relation to the proposed issuance of the Domestic Preference Shares.

## **16 Use of proceeds from the issuance of the Domestic Preference Shares**

Subject to the approval by the CBRC, the proceeds from the proposed issuance of the Domestic Preference Shares, after deduction of the expenses relating to the issuance, will be used for replenishment of the Bank's Additional Tier 1 Capital.

## **17 Transfer**

The Domestic Preference Shares to be issued by way of non-public issuance will be transferred on the Shanghai Stock Exchange and the investors participating in the transfer of the Domestic Preference Shares will meet the relevant qualification requirements of the CSRC.

## **18 Relationship between domestic and offshore issuance**

The domestic tranche and offshore tranche of the proposed issuance of Preference Shares are independent from each other and are not conditional upon each other.

## **19 The validity period of the resolution in respect of the issuance of the Domestic Preference Shares**

The resolution in respect of the issuance of the Domestic Preference Shares will be valid for 36 months from the date on which the resolution is passed at the shareholders' general meeting. The approval and separate issuance of the Domestic Preference Shares and Offshore Preference Shares under the framework of the issuance plan of the Preference Shares as deliberated and adopted at the shareholders' general meeting is not subject to a separate approval by the then existing preference shareholders within the validity period of the resolution.

## **20 The application and approval procedures to be completed for the issuance**

The issuance plan of the Preference Shares is subject to the consideration and approval at the shareholders' general meeting of the Bank, after which the issuance shall obtain the approval of the CBRC, and shall also be submitted to the CBRC for approval.

## **21 Matters relating to authorisation**

### **(1) Authorisation in connection with the issuance of the Preference Shares**

To ensure smooth implementation of the issuance of the Domestic Preference Shares, it will be proposed at the shareholders' general meeting to authorise the Board, and the Board will then delegate the authority to the Chairman, Vice-Chairman and President of the Bank, to jointly or individually exercise the full power to handle all matters relating to the issuance of the Domestic Preference Shares under the framework and principles as deliberated and adopted at the shareholders' general meeting and within the validity period of the resolution in respect of the issuance of the Domestic Preference Shares, including but not limited to those set out below:

- (i) to formulate and implement the final proposal for the issuance of the Domestic Preference Shares, including but not limited to:
  - (a) to determine the number of series and the issue size of each series of the Domestic Preference Shares within the approved total issue size,
  - (b) to determine the method for determining the coupon rate and the specific coupon rate of the Domestic Preference Shares,
  - (c) to determine whether the Domestic Preference Shares will be issued at or above par value, the issue price of the Domestic Preference Shares, and the specific commencement date of the redemption period, with reference to market conditions,
  - (d) to determine the timing of issuance and target investors of the Domestic Preference Shares with reference to market conditions and subject to approval from regulatory authorities; and
  - (e) to determine other matters in relation to the issuance plan of the Domestic Preference Shares (including but not limited to rating arrangement, special account for the proceeds, etc.) and to make necessary adjustments to the issuance plan according to new regulatory rules or requirements of regulatory authorities (except those matters that require a separate vote at a shareholders' general meeting in accordance with the relevant laws and regulations as well as the Articles).

- (ii) to produce, amend, execute and file the application and issuance/transfer documents in relation to the issuance or transfer of the Domestic Preference Shares and to handle all relevant matters;
- (iii) to amend, execute, implement, submit and publish all contracts, agreements and documents (including but not limited to best efforts underwriting, underwriting and sponsorship agreements, agreements and schemes relating to the proceeds, subscription agreements entered into with investors, announcements, circulars and other disclosure documents, etc.) in relation to the issuance of the Domestic Preference Shares;
- (iv) to amend the provisions of the Articles relating to the issuance of Preference Shares based on the comments of the regulatory authorities and the status of implementation of the issuance of the Domestic Preference Shares, and to deal with the matters in relation to the registration or filing with the administration for industry and commerce of such amendments, the listing of the Preference Shares and other matters; and
- (v) to deal with other matters relating to the issuance of the Domestic Preference Shares.

**(2) Authorisation in connection with matters during the term of the Domestic Preference Shares**

It will be proposed at the shareholders' general meeting to authorise the Board to exercise the full power to handle matters under the framework and principles as deliberated and adopted at the shareholders' general meeting during the term of the Domestic Preference Shares, including but not limited to those set out below:

- (i) to handle matters relating to conversion of the Domestic Preference Shares with reference to market conditions and in accordance with the relevant legal requirements upon occurrence of trigger events for mandatory conversion of the Domestic Preference Shares, which include but are not limited to the following: to determine the timing of conversion, conversion ratio and procedures for conversion, to amend the provisions in the Articles relating to conversion to the extent necessary, and to deal with the matters in relation to obtaining regulatory approvals, the registration with the administration for industry and commerce of the change in registered capital of the Bank and other matters;
- (ii) to decide on matters relating to redemption during the redemption period with reference to market conditions and other factors, and to handle matters relating to redemption as approved by the CBRC;
- (iii) to declare and pay all dividends to the Preference Shareholders pursuant to issuance agreements, but the cancellation of all or part of the dividends payable to the Preference Shareholders will still require approval at a shareholders' general meeting.

All members of the Board shall be informed promptly upon completion of any of the above items.



## Appendix IV:

# Impact on Main Financial Indicators from Dilution of Current Returns by Issuance of Preference Shares and the Remedial Measures to be Adopted by Industrial and Commercial Bank of China Limited

In accordance with the requirements under the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Minority Investors in Capital Market (Guobanfa [2013] No. 110), listed companies shall make commitments on specific measures to remedy returns and realize such commitments, if such companies undergo refinancing, mergers and acquisitions or reorganisation which would result in dilution of current returns of its shareholders. Industrial and Commercial Bank of China Limited (the “**Bank**”) has analyzed the potential impact on the rights and interests of and the current returns of the holders of ordinary shares of the Bank (the “**Ordinary Shareholders**”) by the proposed issuance of the preference shares in the domestic and offshore markets (the “**Preference Shares**”) and, with reference to the actual circumstances of the Bank, proposes the relevant specific remedial measures to be adopted.

## 1 Analysis of the Impact on Main Financial Indicators from Dilution of Current Returns by Issuance of Preference Shares

In 2013, the net profit of the Bank attributable to shareholders of the parent company is RMB262.649 billion with a basic earnings per share of RMB0.75 and a return on weighted average equity of 21.92%. The 2013 Profit Distribution Plan of the Bank has been considered and approved by the board of directors and at the 2013 annual general meeting of the Bank, under which a cash dividend totalling RMB91.958 billion has been paid with a dividend payout ratio of 35%.

In order to consistently satisfy stricter capital management requirements under the Rules Governing Capital Management of Commercial Banks (Provisional), to ensure its continuous business development, to enhance its capital strength to serve real economy and to steadily increase returns to the shareholders, the Bank proposes to issue Preference Shares within and outside the People’s Republic of China with an aggregate amount of not more than RMB80 billion for replenishment of the Bank’s Additional Tier 1 Capital. As the holders of Preference Shares (the “**Preference Shareholders**”) are entitled to receive their profit distribution of the Bank prior to the Ordinary Shareholders at the agreed dividend rate, without taking into account any financial returns that may be generated from the use of proceeds, the dividend payments for the Preference Shares will reduce the net profit after tax of the Bank attributable to the Ordinary Shareholders to certain extent.

Based on the financial data of the Bank for the financial year ended 31 December 2013, assuming the issuance of Preference Shares within and outside the People's Republic of China was completed on 1 January 2013 with an issue size of RMB80 billion and a dividend rate of 6% (such dividend rate is only for the purpose of illustrative calculation and is not the Bank's expected dividend rate of the Preference Shares to be issued) and the dividends were fully paid, without taking into account any financial returns that may be generated from the use of proceeds or deducting any dividends paid to Preference Shareholders before tax, the hypothetical assessment of the impact of the issuance of Preference Shares on main financial figures and indicators at the group level can be shown in the table below (which is an illustrative calculation only):

Unit: RMB million yuan unless otherwise specified

Item	Pre-issuance	Post-issuance
Ordinary share capital	351,390	351,390
Net assets <sup>(1)</sup>	1,278,463	1,353,663
Net profits	262,965	262,965
Return on weighted average equity attributable to ordinary shareholders of parent company (%) <sup>(2)</sup>	21.92	21.56
Basic earnings per share attributable to ordinary shareholders of parent company (RMB yuan) <sup>(3)</sup>	0.75	0.74

Note:

- (1) Post-issuance net assets = Pre-issuance net assets + RMB80 billion proceeds from the issuance of Preference Shares – Dividends on the Preference Shares for the current year
- (2) Post-issuance return on weighted average equity attributable to ordinary shareholders of parent company = (Net profits attributable to shareholders of the parent company – Dividends on the Preference Shares for the current year)/(Weighted average net assets attributable to shareholders of the parent company – Preference Shares capital – Weighted average effect of dividends on the Preference Shares for the current year)
- (3) Post-issuance basic earnings per share attributable to ordinary shareholders of parent company = (Net profits attributable to shareholders of the parent company — Dividends on the Preference Shares for the current year)/Weighted average ordinary share capital

As the dividend payments to the Preference Shareholders will reduce the net profit after tax attributable to the Ordinary Shareholders of the Bank, based on the above calculation, the return on weighted average equity to the Ordinary Shareholders and the basic earnings per share attributable to the Ordinary Shareholders will be moderately decreased. However, the issuance of Preference Shares will support the growth of the interest generating assets of the Bank and generate some revenue for the Bank. Therefore, since the proceeds from issuance are classified as Additional Tier 1 Capital, if the Bank maintains its current capital management efficiency, the leverage effect of such issuance will have positive impact on the return on equity to the Ordinary Shareholders and the earnings per share attributable to the Ordinary Shareholders.

## 2 Commitments of the Bank on Remedial Measures for the Dilution of Current Returns by the Issuance of Preference Shares

Considering the issuance of Preference Shares would reduce the current returns to the Ordinary Shareholders, for the purpose of implementing the Opinions of the General Office of State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Minority Investors in Capital Market, protecting the interests of the Ordinary Shareholders and optimizing the mechanism of return on investment of the Bank, the Bank undertakes to use the proceeds from the issuance of Preference Shares rationally, and to enhance its sustainable development capabilities and shareholders' value in the medium- to long-term through the following measures, to remedy the negative impacts on current returns to the Ordinary Shareholders upon the issuance of Preference Shares:

- (1) **Leveraging proceeds from issuance of Preference Shares.** The Bank will increase the capital management efficiency of the proceeds from the issuance of Preference Shares (which are classified as Additional Tier 1 Capital) and take full advantage of the gains and leverage from such proceeds, to deliver reasonable returns on capital and to realise positive effect on financial indicators (such as return on equity and earnings per share etc.), so as to effectively mitigate the dilution impact on current returns of the Ordinary Shareholders by the issuance of the Preference Shares and to ensure the Bank's continuous development.
- (2) **Optimizing capital constraint mechanism.** The Bank will consistently enhance its capital constraint mechanism, adopt various measures including controlling the increase of risk-weighted assets, optimizing the structure of risk assets, increasing the efficiency of capital allocation and level of return on invested capital to ensure its comprehensive, balanced and sustainable development, and also implement capital constraint measures in all operation and management aspects, such as business marketing, product pricing, resources allocation, performance assessment etc.
- (3) **Implementing centralized capital management.** The Bank will implement a cost-saving development strategy on capital management, gradually build up and improve a value management system around economic capitals, and optimize its resources allocation and its operation and management mechanism, with a focus on capital allocations to businesses or segments with stable operation and management, strong return on capital, low capital occupancy and accommodative policy environments for the purpose of consistently optimizing capital allocations and improving return on capital per unit.
- (4) **Enhancing risk management.** The Bank will strictly implement the State's macro-economic control policies to strengthen comprehensive risk management system construction, consistently improve its risk management capabilities in terms of credit, market, operational and liquidity risks, etc., consistently identify, calculate, monitor, dispose and report risks in key areas, consistently enhance internal control and compliance management, ensure overall stability of credit asset qualities in complex situations, and effectively curb the occurrence of material risk events.

- (5) **Promoting change of business development model and adjustment of capital structure.** The Bank will speed up the transformation from an asset holding powerhouse to an asset management one, from high capital occupant business to capital efficient business, from a revenue generating model mainly relying on deposit-loan spread to a diversified and balanced earnings growth structure, and from a local traditional commercial bank to a multinational comprehensive financial conglomerate, in order to enhance its stable, balanced and sustainable development on an overall basis. In the meanwhile, the Bank will adhere to the strategy of “revitalizing employed assets and making good use of asset accretions”, consistently optimize its asset portfolio, improve its capital liquidity, lower asset concentrations and speed up organic asset growth in order to further enhance its capital strength and growth potentials.
- (6) **Firmly adhering to the policy of stable returns to Ordinary Shareholders.** Aiming to create the best values to the shareholders, the Bank will firmly foster the awareness of creating values to the shareholders based on its stable and healthy development, consistently improve the mechanism of dividend distribution to the Ordinary Shareholders and maintain a consistent, reasonable and stable cash dividend distribution policy.

This proposal shall be submitted to the shareholders’ general meeting of the Bank for consideration and approval, and at the same time resolutions will be proposed at the shareholders’ general meeting to authorise the Board to exercise the full power to make necessary amendments or supplements to the commitments and remedial measures specified in this proposal, which may affect the rights and interests, and the current returns of the Ordinary Shareholders, in accordance with the latest amendments to the relevant regulatory policies.

## Appendix V:

# Shareholder Return Plan for 2014 to 2016 of Industrial and Commercial Bank of China Limited

With a view to further increasing the level of shareholder return, and improving and implementing the policy on cash dividends, in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Circular of the China Securities Regulatory Commission on Further Implementation of Relevant Matters on Payment of Cash Dividends by Listed Companies, the Regulatory Guidance to Listed Companies No. 3 — Cash Dividend Payments by Listed Companies and other laws and regulations, as well as relevant regulatory requirements, the board of directors (the “**Board**”) of Industrial and Commercial Bank of China Limited (the “**Bank**”) has formulated this Shareholder Return Plan for 2014 to 2016 of Industrial and Commercial Bank of China Limited (the “**Plan**”).

## 1 Principles for Formulation of the Plan

The Plan has been formulated by adhering to the following principles: compliance with relevant laws, regulations and regulatory requirements, as well as the provisions relating to distribution of profits as set out in the Articles of Association of Industrial and Commercial Bank of China Limited (the “**Articles**”); ensuring a continuous and stable profit distribution policy of the Bank while taking into account the Bank's long-term interests, the overall interests of all shareholders and the sustainable development of the Bank; adopting cash dividends as the preferred method of profit distribution.

## 2 Shareholder Return Plan for 2014 to 2016

- (1) The Bank may distribute dividends in cash and stocks;
- (2) The Bank adopts cash dividends as the preferred method of profit distribution;
- (3) Other than in special circumstances, if the Bank is profitable and the cumulative undistributed profits are positive in a given year, when distributing profits, the profits distributed in cash in a given year shall be no less than 10% of the net profits attributable to the ordinary shareholders of the Bank at the group level for such financial year. The special circumstances referred to above include:
  - (i) the Bank's capital adequacy ratio falling below the level required by the China Banking Regulatory Commission and other regulatory authorities;
  - (ii) other circumstances specified as not appropriate for dividend distributions in laws, regulations and regulatory documents;
  - (iii) the occurrence of any force majeure event, including war and natural disaster, which has a material impact on the Bank's operations.

### **3 Formulation, Implementation, Policy Adjustment and Supervision Mechanism of the Plan**

- (1) The Board of the Bank shall formulate the Plan in accordance with relevant laws and regulations, regulatory requirements, the Articles and the actual circumstances, taking into account the opinions of the shareholders (in particular minority shareholders), the independent directors and the board of supervisors. The Plan will be implemented after consideration and approval by both the Board and the shareholders' general meeting;
- (2) The Bank may adjust the profit distribution policy on the occurrence of any of the following: any force majeure event, such as war and natural disaster; any change to the external operating environment of the Bank that has a significant impact on the Bank's operations; or any material change to the Bank's state of operations;
- (3) Any adjustment to the profit distribution policy by the Bank due to any of the above special circumstances should be specially considered by the Board, and the Board shall identify in detail the reasons for such adjustment and prepare a written report which also incorporates the opinions of the independent directors. Such report should be submitted to the shareholders' general meeting for approval by way of special resolution. For the consideration and approval of the adjustment to profit distribution policy, the Bank shall offer the shareholders an online voting option;
- (4) The Bank encourages minority shareholders and institutional investors to actively participate in the decision-making process for profit distribution matters. Before the specific plan for distribution of cash dividends is deliberated at the shareholders' general meeting of the Bank, the shareholders' general meeting shall communicate with the shareholders, in particular minority shareholders, through various channels so as to give appropriate attention to their opinions and requests and promptly respond to their concerns;
- (5) The Board of the Bank shall implement the Plan and the profit distribution policy in compliance with the requirements of the Articles and the resolution of the shareholders' general meeting, subject to the consideration and consent by the independent directors.

### **4 Effectiveness of the Plan**

The shareholder return referred to in this Plan applies to the return to ordinary shareholders only. Return to holders of preference shares shall be handled in accordance with the Articles of the Bank and the relevant contents of the issuance plan of preference shares. Any matter not covered in the Plan shall be governed by the relevant laws, regulations, regulatory documents and the Articles. The Plan shall be interpreted by the Board of the Bank and shall take effect from the date of approval at the shareholders' general meeting of the Bank.

## Appendix VI:

### Comparison Table of the Proposed Amendments to the Articles of Association of Industrial and Commercial Bank of China Limited

No.	Existing Provisions	Provisions after Amendment
	<b>Chapter 1 General Provisions</b>	
1.	Article 9 The total capital of the Bank shall be divided into shares of equal value. The respective liability of the shareholders shall be limited to the shares held by them. The Bank shall be held liable for its debts with all its assets.	Article 9 <del>The total capital of the Bank shall be divided into shares of equal value.</del> The respective liability of the shareholders of the Bank shall be limited to the shares held by them. The Bank shall be held liable for its debts with all its assets.
	<b>Chapter 3 Shares and Registered Capital</b>	
	<b>Section 1 Issuing of Shares</b>	
2.	Article 15 The Bank shall have ordinary shares. It may have other kinds of shares if necessary, upon approval of the authorities authorized by the State Council.	<p>Article 15 The Bank shall have ordinary shares. It may have <b>preference shares</b> or other kinds of shares if necessary, upon approval of the authorities authorized by the State Council.</p> <p><b>In the Articles, “preference shares” refer to preference shares with restricted voting rights, which are another kind of shares governed by a separate set of rules under the Company Law as compared to generally regulated ordinary shares. Preference shareholders shall be entitled to participate in the distribution of profits and residual assets of the Bank in priority to ordinary shareholders, but have limited rights in respect of participation in decision making and management of the Bank.</b></p> <p><b>Unless otherwise specified, “shares” and “share certificate(s)” in Chapters 3 to 20 shall refer to ordinary shares and certificate(s) of ordinary shares, and “shareholders” in Chapters 3 to 20 shall refer to ordinary shareholders.</b></p>

No.	Existing Provisions	Provisions after Amendment
3.	<p>Article 18 ... Shares that are approved offering by the authorities authorized by the State Council, and listed at domestic stock exchange upon the approval of the stock exchange shall be of the same category and collectively referred to as “domestic listed shares”; and shares that are approved offering by the authorities authorized by the State Council and listed at overseas stock exchange upon the approval of the stock exchange shall be of the same category and collectively referred to as “overseas listed shares”.</p>	<p>Article 18 ... Shares that are approved offering by the authorities authorized by the State Council, and listed at domestic stock exchange upon the approval of the stock exchange shall be <del>of the same category</del> <b>and</b> collectively referred to as “domestic listed shares”; and shares that are approved offering by the authorities authorized by the State Council and listed at overseas stock exchange upon the approval of the stock exchange shall be of the same category and collectively referred to as “overseas listed shares”.</p>
4.	<p>Article 66 The general meeting of shareholders is the organ of power of the Bank and shall legally exercise the following duties and powers:...</p> <p>(19) examining and approving other issues that shall be approved by the general meeting of shareholders as stipulated by laws, administrative regulations, rules and relevant regulations of the securities regulatory authority of the locality where the shares of the Bank are listed as well as the Articles. ...</p>	<p>Article 66 The general meeting of shareholders is the organ of power of the Bank and shall legally exercise the following duties and powers:...</p> <p><b>(19) approving or authorizing the board of directors to pay dividends to shareholders of preference shares in accordance with the requirements under the Articles;</b></p> <p><b>(20)</b> examining and approving other issues that shall be approved by the general meeting of shareholders as stipulated by laws, administrative regulations, rules and relevant regulations of the securities regulatory authority of the locality where the shares of the Bank are listed as well as the Articles. ...</p>



No.	Existing Provisions	Provisions after Amendment
	<b>Chapter 12 Financial and Accounting System and Profit Distribution</b>	
5.	<p>Article 251 The after-tax profit of the Bank shall be distributed in the following order of priority:</p> <ol style="list-style-type: none"> <li>(1) making up for previous years' losses;</li> <li>(2) contributing ten percent (10%) to the statutory reserve;</li> <li>(3) making general provision;</li> <li>(4) contributing to the discretionary reserve; and</li> <li>(5) paying dividends to shareholders.</li> </ol> <p>No further contribution shall be required when the accumulated amount of the statutory reserve of the Bank reaches fifty percent (50%) of its registered capital. The general meeting of shareholders shall decide on whether or not to make a contribution to the discretionary reserve after contributing to the statutory reserve and making general provision. The Bank shall not distribute any profits to any shareholder before making up losses, contributing to the statutory reserve and making general provision.</p>	<p>Article 251 The after-tax profit of the Bank shall be distributed in the following order of priority:</p> <ol style="list-style-type: none"> <li>(1) making up for previous years' losses;</li> <li>(2) contributing ten percent (10%) to the statutory reserve;</li> <li>(3) making general provision;</li> <li>(4) contributing to the discretionary reserve; and</li> <li>(5) paying dividends to shareholders.</li> </ol> <p>No further contribution shall be required when the accumulated amount of the statutory reserve of the Bank reaches fifty percent (50%) of its registered capital. The general meeting of shareholders shall decide on whether or not to make a contribution to the discretionary reserve after contributing to the statutory reserve and making general provision. The Bank shall not distribute any profits to any shareholder before making up losses, contributing to the statutory reserve and making general provision.</p> <p><b>The payment of dividends to preference shareholders shall be made in accordance with laws, administrative regulations, rules, relevant regulations of competent securities regulatory authorities of the jurisdictions where the shares of the Bank are listed and the preference shares of the Bank are issued or listed and the Articles.</b></p>

No.	Existing Provisions	Provisions after Amendment
		<b>Chapter 21 Special Provisions on Preference Shares</b>
6.		<b>Article 294 Unless otherwise specified in laws, administrative regulations, department rules, regulations of the securities regulatory authority of the locality where the shares of the Bank are listed and this Chapter, the rights and obligations of preference shareholders and management of preference shares shall be governed by the provisions related to ordinary shares in the Articles.</b>
7.		<b>Article 295 The number of preference shares issued by the Bank shall not exceed 50% of the total number of ordinary shares then issued, and the capital raised from the issuance of preference shares shall not be more than 50% of the net assets of the Bank prior to such issuance (excluding the preference shares that have been redeemed or converted).</b>
8.		<b>Article 296 Preference shareholders and ordinary shareholders shall be treated as different classes of shareholders.</b>
9.		<b>Article 297 In accordance with relevant rules on capital regulation of commercial banks and subject to relevant regulatory requirements, the Bank may, through private placements, issue preference shares that are mandatorily convertible into ordinary shares upon the occurrence of conversion events.</b>
10.		<b>Article 298 Preference shares issued by the Bank cannot be put back by the holders. The Bank may redeem preference shares in accordance with relevant rules on capital regulation of commercial banks. The total number of outstanding preference shares shall be written down accordingly upon redemption of preference shares.</b>

No.	Existing Provisions	Provisions after Amendment
11.		<p><b>Article 299 Preference shareholders of the Bank shall be entitled to:</b></p> <ul style="list-style-type: none"> <li><b>(i) rights to dividends in priority to payment of dividends to ordinary shareholders;</b></li> <li><b>(ii) rights to distribution of residual assets of the Bank on liquidation in priority to those of ordinary shareholders;</b></li> <li><b>(iii) attend and vote at general meetings of shareholders upon occurrence of an event as prescribed in Article 301;</b></li> <li><b>(iv) upon occurrence of an event as prescribed in Article 302, to have its voting rights restored in accordance with the requirements of such Article;</b></li> <li><b>(v) supervise business operation of the Bank and put forward suggestions or inquiries, as prescribed in Article 52(3) that are available to ordinary shareholders;</b></li> <li><b>(vi) inspect the following documents of the Bank, namely the Articles, the register of shareholders, the record of bondholders, records of shareholders' meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial reports; and</b></li> <li><b>(vii) other rights conferred to preference shareholders by laws, administrative regulations, rules and the Articles.</b></li> </ul>

No.	Existing Provisions	Provisions after Amendment
12.		<p><b>Article 300 Only votes of ordinary shares and votes of preference shares with voting rights restored shall be counted when the resolutions to be passed relate to the following:</b></p> <ul style="list-style-type: none"> <li><b>(i) requesting to convene an extraordinary general meeting of shareholders;</b></li> <li><b>(ii) convening and presiding over a general meeting of shareholders;</b></li> <li><b>(iii) submission of an interim proposal to a general meeting of shareholders;</b></li> <li><b>(iv) nomination of directors, supervisors of shareholder representatives and external supervisors;</b></li> <li><b>(v) identifying “controlling shareholder(s)” as defined in Article 58;</b></li> <li><b>(vi) decisions on person(s) prohibited from serving as independent directors of the Bank as prescribed in Article 121;</b></li> <li><b>(vii) identifying the largest ten shareholders of the Bank and the numbers of shares held and the shareholder(s) holding 5% or more of the shares of the Bank, in accordance with the Securities Law; and</b></li> <li><b>(viii) other issues specified by laws, administrative regulations, rules and the Articles.</b></li> </ul>

No.	Existing Provisions	Provisions after Amendment
13.		<p><b>Article 301</b> The preference shares do not entitle their holders to attend or vote at any shareholders' general meetings of the Bank, unless the resolutions to be passed relate to any of the following:</p> <ul style="list-style-type: none"> <li>(i) amendments to the Articles which relate to preference shares;</li> <li>(ii) the reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate);</li> <li>(iii) merger, division, dissolution or change of corporate form of the Bank;</li> <li>(iv) issuance of preference shares; and</li> <li>(v) other events specified in the Articles that will change or abrogate the rights of preference shareholders.</li> </ul> <p>If the resolutions to be passed relate to any of the above, the notice of a shareholders' general meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles. The preference shareholders are entitled to vote at a separate class meeting with respect to the above matters and their voting rights shall be determined in accordance with the regulatory rules and the agreed terms of issuance (preference shares held by the Bank do not entitle the Bank to vote).</p> <p>Resolutions relating to the above shall be adopted by more than two thirds of votes held by ordinary shareholders present at the meeting (including preference shareholders with voting rights restored) and by more than two thirds of votes held by preference shareholders (excluding preference shareholders with voting rights restored).</p>

No.	Existing Provisions	Provisions after Amendment
14.		<p><b>Article 302</b> In the event that the Bank failed to pay the agreed dividend to preference shareholders for three years in aggregate or for two consecutive years, from the day next following the date of approval of the proposal not paying the agreed dividend for the current year by the general meeting of shareholders, preference shareholders shall be entitled to attend and vote (together with ordinary shareholders) at general meetings of shareholders:</p> <p>For preference shares the dividend of which is cumulative, the voting rights shall be temporarily restored until the full payment of the unpaid dividend by the Bank, and for preference shares the dividend of which is non-cumulative, the voting rights shall be temporarily restored until the full payment of the agreed dividend for the current year by the Bank.</p> <p>The voting rights of the preference shares shall be calculated based on the following formulae:  The formula for calculating the voting rights of the offshore preference shares with voting rights restored is as follow:  <math display="block">R^* = W^*/S^* \times \text{exchange rate for calculation.}</math> Any fractional voting right will be rounded down to the nearest whole number.</p>

No.	Existing Provisions	Provisions after Amendment
		<p>In the above formula: “R*” denotes the voting right of H shares that can be restored from the offshore preference shares for each offshore preference shareholder; “W*” denotes the amount of the offshore preference shares held by each offshore preference shareholder; “S*” denotes the average trading price of H shares of the Bank for the 20 trading days preceding the date of publication of the board resolution in respect of the issuance plan of the offshore preference shares; and the “exchange rate for calculation” denotes the cross rate between Hong Kong dollar and the foreign currency in which the offshore preference shares are denominated based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on the trading date immediately preceding the date of publication of the board resolution in respect of the issuance plan of the offshore preference shares.</p> <p>The formula for calculating the voting rights of the domestic preference shares with voting rights restored is as follow:</p> <p><math>R = W/S</math>. Any fractional voting right will be rounded down to the nearest whole number.</p> <p>In the above formula: “R” denotes the voting right of A shares that can be restored from the domestic preference shares for each domestic preference shareholder; “W” denotes the par value of the domestic preference shares held by each domestic preference shareholder; and “S” denotes the average trading price of A shares of the Bank for the 20 trading days preceding the date of publication of the board resolution in respect of the issuance plan of the domestic preference shares.</p>

No.	Existing Provisions	Provisions after Amendment
15.		<p><b>Article 303</b> The dividend of the outstanding preference shares issued by the Bank will be paid at a coupon rate which can be adjusted for different periods. Such coupon rate can either remain unadjusted for the duration of preference shares, or be adjusted and applicable to specific periods (during each of the periods, the applicable coupon rate shall remain the same).</p> <p>Preference shares rank in priority to ordinary shares as to dividends. Preference shareholders are entitled to dividend in accordance with agreed coupon rates and payment terms. Dividend to preference shareholders shall be payable in cash by the Bank and if the Bank fails to declare any agreed dividend, the Bank must not make any distribution to ordinary shareholders under Article 251.</p> <p>Holders of preference shares issued to supplement Tier 1 capital of the Bank are not entitled to any further distribution of profits of the Bank once the dividend has been paid at the coupon rates. Under relevant rules on capital regulation of commercial banks, the Bank has the right to cancel all or part of the dividend payments of such preference shares and shall not constitute an event of default. Unless otherwise agreed in the terms of issuance of the preference shares, any amount of unpaid dividends to preference shareholders shall not be accumulated to the following dividend year.</p>
16.		<p><b>Article 304</b> When the Bank is dissolved or bankrupt and liquidation occurs, the remaining assets of the Bank after liquidation in accordance with laws, administrative regulations, rules and the Articles shall first be distributed to preference shareholders. Preference shareholders shall be entitled to an amount equal to the total face value of the issued outstanding preference shares plus any declared but unpaid dividends for the current period. If there are insufficient residual assets, the distribution shall be made on a pro rata basis to the onshore and offshore preference shareholders.</p>