中国建设银行
China Construction Bank

中國建設銀行股份有限公司
China Construction Bank Corporation

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 939)
(USD Preference Shares Stock Code: 4606)

Announcement on the Completion of the Non-public Issuance of Domestic Preference Shares

Reference is made to the announcement entitled Announcement on the Resolutions of the Meeting of the Board of Directors published by China Construction Bank Corporation (the "**Bank**") on 12 December 2014 (the "**Announcement**"). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meaning as those defined in the aforementioned Announcement.

The board of directors of the Bank (the "**Board**") announces that, as at the date of this announcement, the Bank has received gross proceeds from the issuance of domestic preference shares of RMB60,000,000,000.00 (including offering expenses of RMB22,849,056.60). The relevant capital verification institute has issued fund verification reports in respect of such proceeds.

I. Investors

The subscribers of the preference shares under the Issuance are 16 qualified investors in compliance with the requirements of the Trial Administrative Measures on Preference Shares and other laws and regulations. The range of all the subscribers' subscription amounts is between RMB500,000,000 and RMB17,600,000,000. No preferential offering has been arranged under the Issuance to existing shareholders.

II. Type and Key Terms of the Issuance of Domestic Preference Shares

1.	Par value	RMB100
2.	Issuance price	Issued at par value
3.	Number of shares to be issued	The number of shares to be issued shall be 600 million.
4.	Issuance size	The aggregate amount to be issued shall be RMB60 billion.

5.	Issuance method	Subject to the approval of regulatory authorities, the preference shares will be issued in a non-public manner in one tranche in compliance with the relevant procedures and relevant rules.
6.	Dividend accumulation	No
7.	Participation in distribution of residual assets	No
8.	Dividend adjustment	Yes
9.	Maturity date	The preference shares have no maturity date.
10.	Method of dividend payment	Dividends for the preference shares shall be paid in cash, and shall be calculated based on the total par value of the relevant series of preference shares issued and outstanding. The Bank will pay the dividends for the preference shares annually. When the Bank decides to pay the dividends for the preference shares, it will announce the amount of the dividends to be paid on the dividend declaration date; all the shareholders of the preference shares to be issued who are registered on the dividend distribution record date shall be entitled to the distribution of such dividends. On the dividend payment date, the Bank will pay dividends to the shareholders of the preference shares to be issued who are registered on the dividend distribution record date. Dividends shall accrue from the payment due date of the issuance of the preference shares, i.e. 26 December 2017. Dividend payment dates shall be each anniversary of the payment due date of the issuance of the preference shares, i.e. 26 December. If such anniversary date is not a trading day of the Shanghai Stock Exchange, the relevant dividend payment date shall be postponed to the immediately following trading day, and no dividend shall accrue during such postponed period. If any dividend for the preference shares needs to be calculated and paid before the dividend payment date, the dividend shall be calculated pro rata based on the actual number of days lapsed, and each year shall be regarded as having 360 days for the purpose of such calculation. Results of dividend calculation shall be rounded to two decimal places (RMB0.01). Taxes on the preference shareholders for receiving such dividends shall be borne by such preference shareholders in accordance with relevant laws and regulations.

11.	Principles for determining dividend rate	The preference shares may adopt the dividend rate that is adjusted at different intervals. The dividend rate equals benchmark interest rate plus a fixed interest margin; the adjustment period of the dividend rate is every five years, which means that the dividend rate will be adjusted every five years and the dividend rate in each adjustment period will remain unchanged. The dividend rate consists of benchmark interest rate and a fixed interest margin, among which the fixed interest margin will be determined by deducting the benchmark interest rate at the time of issuance from the dividend rate at the time of issuance and the margin will remain unchanged once determined. On the readjustment date, the Bank will determine the dividend rate level for the new dividend rate adjustment period in the future; the determination method is to add the benchmark interest rate on the readjustment date and the fixed interest margin determined at the time of issuance together. The initial benchmark interest rate of the preference shares shall be the arithmetic average yield (rounded to 0.01%) of the China Treasury Bonds with a repayment period of five years as indicated in the China Interbank Fixed-Rate China Treasury Bonds Yield Curve announced by China Bond Information Network (www.chinabond.com.cn, or such other website as approved by China Central Depository & Clearing Co., Ltd., same as follows) 20 trading days prior to (but excluding) the first day of offering of the preference shares (i.e. 21 December, 2017). The benchmark interest rate on the dividend rate readjustment date shall be the arithmetic average yield (rounded to 0.01%) of China Treasury Bonds with a repayment period of five years as indicated in the China Interbank Fixed-Rate China Treasury Bonds Yield Curve announced 20 trading days prior to (but excluding) the readjustment date (which is each fifth anniversary of the first date of the issuance, i.e. 21 December). If such interest rate is not available on the readjustment date, the benchmark interest rate on the readjustment date shall be the arithmetic average yield of the five-year China Treasury Bonds for the latest 20 trading days available prior to the readjustment date.

		The dividend rate in the first dividend rate adjustment period of the preference shares is determined, through pricing inquiry on the market, at 4.75%, of which the benchmark interest rate is 3.86% and fixed interest margin is 0.89%. The dividend rate of the preference shares will not be higher than the annual weighted average return on equity of the Bank for the last two financial years[1].
12.	Conditions for dividend distribution	(1) The Bank may distribute dividends to its preference shareholders on the premise that its capital position meets the regulatory requirements for commercial banks and if the Bank has distributable after-tax profit[2] after making up losses in accordance with law and setting aside statutory common reserve and general reserve. The offshore preference shares have the same ranking as the domestic preference shares in dividend distribution, both taking priority over ordinary shareholders. Dividend payment shall not be linked to or vary with the Bank's ratings. (2) The Bank shall be entitled to cancel the dividend distribution for the preference shares without being deemed as default. The Bank may use the dividends for preference shares so cancelled to repay other matured debts at its discretion. (3) If the Bank fully or partly cancels dividends for the preference shares, it will not distribute profits to ordinary shareholders from the next day following the resolution is adopted at the Shareholders' General Meeting to cancel such dividends to the day when the payment of dividends has been resumed in full. Except for the restrictions on the distribution of profits on ordinary shares, cancellation of dividend distribution for preference shares shall not have any other restrictions on the Bank.

1 Weighted average return on equity is determined according to the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9: Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) and calculated on the basis of profits attributable to ordinary shareholders.

2 Distributable after-tax profit is the retained profit in the financial statements of the Bank prepared according to China's accounting standards for business enterprises or the international financial reporting standards, whichever is lower.

13.	Conversion arrangements	**1. Trigger conditions for mandatory conversion** (1) Upon the occurrence of an Additional Tier 1 Capital Trigger Event, that is, the core tier 1 capital adequacy ratio falling to 5.125% (or below), the Bank shall have the right to convert (without the consent of the preference shareholders) in whole or in part the issued and outstanding preference shares into A ordinary shares according to their terms, so as to restore the Bank's core tier 1 capital adequacy ratio to above the trigger point (i.e. 5.125%). In the case of partial conversion, the preference shares shall be converted ratably and on the same conditions. After the preference shares have been converted into A ordinary shares, such A ordinary shares shall not be converted back into preference shares in any event. (2) Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to convert (without the consent of the preference shareholders) all the issued and outstanding preference shares into A ordinary shares according to their terms. After the preference shares have been converted into A ordinary shares, such A ordinary shares shall not be converted back into preference shares in any event. A Tier 2 Capital Trigger Event means either of the following circumstances occurs (whichever is earlier): a. the CBRC having decided that a conversion or write-off is necessary, without which the Bank would become non-viable; or b. any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon the occurrence of any event requiring the mandatory conversion of preference shares into ordinary shares, the Bank shall report such event to CBRC for review and determination, and shall comply with the relevant obligations for information disclosure, including interim reports and announcements, according to the Securities Law of the People's Republic of China and relevant requirements of CSRC. If the Bank's control power changes because the preference shares are converted to A ordinary shares, the conversion shall comply with relevant requirements of CSRC.

		2. Mandatory conversion term The mandatory conversion term of the preference shares commences on the first trading day after completion of the issuance and ends on the date when the preference shares are wholly redeemed or converted. **3. Mandatory conversion price** The initial mandatory conversion price of the preference shares shall be the average trading price of the A ordinary 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 preference shares. Average trading price of the A ordinary shares of the Bank for the 20 preceding trading days = Total trading amount of A ordinary shares of the Bank for the 20 preceding trading days/Total trading volume of A ordinary shares of the Bank for the 20 preceding trading days, i.e. RMB5.20 per share. Assuming the maximum number of preference shares under the issuance plan are all issued in one tranche and the preference shares are issued at a par value of RMB100 per share, then based on the initial mandatory conversion price and assuming the preference shares are converted in full, the maximum number of A ordinary shares that would be issued is 11,538,461,538 shares. After the issuance plan for the preference shares is approved by the Board of the Bank, in the event that the Bank distributes bonus shares, recapitalizes, issues new shares at a price lower than the market price (excluding any increase in share capital due to conversion of financing instruments issued by the Bank and which are convertible into ordinary shares) or makes a rights issue in respect of the A ordinary shares, the Bank will adjust the mandatory conversion price to reflect each of the events above on a cumulative basis and in the order of occurrence; however, the adjustment shall not be made for the distribution of cash dividends for ordinary shares. Specific adjustment method is as follows: Distribution of bonus shares or recapitalization: $P1=P0\times N/(N+n)$;

		Issuance of new A ordinary shares at a price lower than the market price or by a rights issue: $P1 = P0 \times (N + k)/(N + n)$; $k = n \times A/M$. Where, P0 denotes the mandatory conversion price effective before adjustment; N denotes total number of A ordinary shares of the Bank prior to such distribution of bonus shares, recapitalization, issuance of new shares or rights issue; n denotes the number of A ordinary shares issued in such distribution of bonus shares, recapitalization, issuance of new shares or rights issue; A denotes the price of new A ordinary shares issued in such issuance of new shares or rights issue; M denotes the closing price of A ordinary shares on the trading day immediately preceding the announcement of such issuance of new shares or rights issue (being the announcement on such issuance or rights issue that has taken effect and is irrevocable); P1 denotes the mandatory conversion price effective after such adjustment. In the event of cancellation of repurchased shares, merger, division or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the mandatory conversion price in a fair and equitable manner so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders. In that event the mandatory conversion price adjustment mechanism shall be determined in accordance with relevant requirements. **4. Mandatory conversion rate, number and determination principles** In the event of mandatory conversion of the preference shares, the number of shares to be converted is calculated according to the formula: Q=V/P.

		Where, Q denotes the number of A ordinary shares that shall be mandatorily converted from the domestic preference shares held by each domestic preference shareholder; V denotes the total par value of domestic preference shares held by each domestic preference shareholder that is subject to mandatory conversion as determined under the principle that losses will be absorbed ratably between the domestic preference shares and offshore preference shares; P denotes the effective mandatory conversion price at the time of mandatory conversion. Any fractional share arising from the mandatory conversion of the preference shares shall be handled by the Bank according to relevant regulatory requirements. Upon the occurrence of a trigger event, the issued and outstanding preference shares shall be mandatorily converted into A ordinary shares in whole or in part (as determined in accordance with the principle that any losses will be absorbed ratably) according to the formula above. **5. Attribution of relevant dividends in the year of mandatory conversion** The A ordinary shares issued by the Bank upon the mandatory conversion of the preference shares shall be entitled to the same rights to those of existing A ordinary shares. All the ordinary shareholders (including the holders of A ordinary shares converted from preference shares) registered on the shareholder register by the record date for any dividend distribution on ordinary shares may participate in the relevant dividend distribution for the current period.
14.	Redemption arrangement	**1. Terms of conditional redemption** The preference shares have no maturity date. In accordance with the relevant regulations of CBRC, the Bank currently has no plan to exercise the redemption right for the preference shares and the investors shall not have any expectation that the redemption right for the preference shares shall be exercised. Any exercise of the redemption right shall be subject to the prior approval of CBRC.

		Subject to approval of CBRC and compliance with applicable requirements, the Bank may redeem the preference shares in whole or in part at least five years following completion of the issuance of the preference share (i.e. 27 December 2017). The redemption period for the preference shares starts from the issue date and ends on the date when all the preference shares have been wholly redeemed or converted. The Bank's exercise of such redemption right shall be subject to the following requirements: a. the Bank will substitute the preference shares to be redeemed with capital instruments of the same or superior quality to the preference shares, and such substitution shall only be made at a time at which the Bank has a sustainable income generating capacity; or b. the capital position of the Bank immediately after redemption of the preference shares will remain significantly higher than the regulatory capital requirements prescribed by CBRC. **2. Redemption price** During the redemption term, the Bank is entitled to redeem the preference shares in whole or in part at an amount equal to the par value of the preference shares plus any dividends payable for the period. **3. Holder of redemption right** The redemption right for the preference shares is at the option of the Bank, subject to the prior approval of CBRC. The preference shareholders shall not have any right to require the Bank to redeem the preference shares. The preference shares shall not contain any investor option to put back the preference shares to the Bank. The preference shareholders have shall not have any right to require the Bank to repurchase their preference shares.

15.	Rating arrangement	China Chengxin Security Rating Co., Ltd. has issued the Credit Rating Report of China Construction Bank Corporation for Non-public Issuance of Domestic Preference Shares in 2017, based on its comprehensive analysis and valuation of the Bank's operation status and in accordance with applicable regulatory rules. According to the rating report, the Bank's issuer credit rating is AAA, and the rating outlook is stable, and the preference shares are rated as AA+. China Chengxin Security Rating Co., Ltd. will continue to conduct annually regular and ad hoc follow-up ratings on the credit risk of the Bank and the preference shares during the validity period of the credit rating of the preference shares or the term of the preference shares.
16.	Security	No security will be provided for the preference shares.
17.	Transfer arrangement	The Bank will apply for non-public transfer and trading of the preference shares on the trading platform designated by Shanghai Stock Exchange.
18.	Arrangement for restoration of voting rights	**1. Restoration of voting right** According to the Articles of Association, if the Bank fails to pay the agreed dividends to the preference shareholders for three financial years in aggregate or two consecutive financial years during the time the preference shares remain outstanding, the preference shareholders will have the right to attend the Shareholders' General Meeting and exercise voting rights together with the ordinary shareholders from the next day after the Shareholders' General Meeting resolves that the Bank will not pay the agreed dividend for such year. The voting rights of the preference shareholders with restored voting rights shall be calculated according to the formula below: R=W/E, with the restored voting rights rounded down to the nearest whole number.

		Where, R denotes the A ordinary share voting rights restored from domestic preference shares held by each domestic preference shareholder; W denotes the total par value of domestic preference shares held by such domestic preference shareholder; E denotes the restored voting right conversion price, being the average trading price of A ordinary 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 preference shares. Average trading price of A ordinary shares of the Bank for the 20 preceding trading days = Total trading amount of A ordinary shares of the Bank for the 20 preceding trading days/Total trading volume of A ordinary shares of the Bank for the 20 preceding trading days, i.e. RMB5.20 per share. If the Articles of Association otherwise have provisions with respect to the restriction of voting rights of shareholders, such provisions shall be observed. **2. Cancellation of voting right restoration** After restoration of the voting rights of the preference shares, the voting rights shall remain restored until the date when the Bank pays the dividend on the preference share in full for the relevant year. Articles of Association may provide for other circumstances where the voting rights for preference shares may be restored.
19.	Use of proceeds	Upon approval by relevant regulators, all proceeds from the issuance will, after deduction of expenses relating to the issuance, be used to replenish additional tier 1 capital of the Bank.
20.	Explanation on other special terms	None.

III. Compliance of the Process of the Issuance and the Investors

Haiwen & Partners, the issuer's legal counsel for the issuance is of the view that: the Issuance has obtained the necessary internal approvals from the Bank and has obtained the approvals from the CBRC and the CSRC; the legal documents (including the Subscription Invitations and the Application and Quotation Sheets) produced and signed in respect of the issuance are legal and valid; the process of the issuance, based on the relevant rules including the Detailed Implementation Rules of Non-public Offering of Shares of Listed Companies, is fair and equal; the offering results, including the investors, the dividend rate, the number of preference shares, the allotment results for all investors, determined by the Issuance process are fair, equal and in compliance with the Trial Administrative Measures on Preference Shares and other relevant laws and regulations; the application for the trading of the preference shares under the issuance on the Shanghai Stock Exchange is subject to the approval of the Shanghai Stock Exchange.

IV. Commitment of the Bank on Remedial Measures for the Dilution of Current Returns by the Issuance of Preference Shares

In order to effectively use raised funds from the proposed financing, fully protect the interests of ordinary shareholders of the Bank, in particular small and medium shareholders, the Bank will observe and take the following principles and measures to further boost operating results of the Bank, seek to increase the return to shareholders in medium and long terms and offset the dilutive effect of the proposed preference share issuance on ordinary shareholders and the return to them:

1. Regulate the management and use of raised funds and maximize the benefits of it. Given the special nature of commercial banking, raised funds are used for capital replenishment other than specific investment projects. Therefore, the use and benefits of raised funds cannot be measured separately. The Bank will strengthen management of raised funds, maximize the benefits and leverage effect of raised funds, create a reasonable return on capital, seek a positive effect on return on equity, earnings per share and other financial indicators, effectively offset the dilutive effect of the proposed preference share issuance on common shareholders and their return and support sustainable development.

2. Strengthen the accumulation of internal capital. The Bank will adopt measures like accelerating diversified operation and vigorously developing intermediary business, promoting product innovation, improving service quality to enhance the profitability, control costs and expenditures and keep balanced dividend distribution ratio, to enhance retained earnings and the accumulation of internal capital.

3. Improve the capital constraint and transmission mechanism, optimize business and income structure. The Bank will continuously improve the capital constraint and incentive mechanism under the strategy of "diversification, multifunction and intensification", thereby boosting the capital allocation efficiency and the return on capital. During the planning period, it will keep a balanced capital growth rate; further improve the on- and off-balance sheet asset structure, encourage the development of capital-efficient business like retail banking business and small and micro enterprise

businesses, and properly control the growth of on- and off-balance sheet assets with high risk weight; constantly improve the income structure, promote the steady development of capital-efficient intermediary business and lower the dependence on capital-intensive business in increasing profits. Meanwhile, internal management should be further refined and the constraint role of capital should be strengthened in the marketing, risk pricing, resource allocation and performance evaluation to improve the efficiency of capital use.

4. Vigorously push forward the implementation and application of advanced capital management approaches. Taking the implementation of advanced capital management approaches as an opportunity, the Bank will keep on working to be compliance with the advanced approach, improve the models and parameters of capital measurement, more accurately evaluate and quantify risks and continue the overall application of measurement results in risk management, business management and capital management. The internal capital adequacy assessment procedure will be improved to cover all risks. Information disclosure about capital management will be continuously strengthened to ensure the compliance with regulatory requirements.

5. Maintain continuous stability of the shareholder return policy. The Bank attaches great importance to the reasonable return to shareholders in profit distribution and distributes cash dividends to shareholders continuously. The Board of Directors shows full respect for the opinions and claims of shareholders in developing the profit distribution plan, protects legitimate interests of small and medium investors and submits the profit distribution plan to the Shareholder's General Meeting for approval. The Bank will continue to maintain the continuity and stability of profit distribution policy and persistently create long-term value for shareholders.

The announcement is hereby made.

By Order of the Board
China Construction Bank Corporation
Wang Zuji
Vice Chairman, Executive Director and President

3 January 2018

At the announcement date, the executive directors of the Bank are Mr. Tian Guoli, Mr. Wang Zuji, Mr. Pang Xiusheng and Mr. Zhang Gengsheng; the non-executive directors of the Bank are Ms. Feng Bing, Mr. Zhu Hailin, Mr. Li Jun, Mr. Wu Min, Mr. Zhang Qi and Ms. Hao Aiqun; the independent non-executive directors of the Bank are Ms. Anita Fung Yuen Mei, Sir. Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Chung Shui Ming Timpson and Mr. Murray Horn.