

# Significant Events

## Formulation and Implementation of Profit Distribution Policy

### Ordinary Shares

In 2009, the Bank amended the Articles of Association to state that the Bank should maintain the continuity and stability of its profit distribution policy.

In 2013, the Bank amended the Articles of Association related to the cash dividend. This amendment further clarified the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The amendment stated that the Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The amendment also stated that the Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

The Bank considered and approved the *Shareholder Return Plan for 2018 to 2020* at the 2019 First Extraordinary General Meeting on 4 January 2019, specifying the basic principles, shareholder return plan and decision-making and supervisory mechanisms regarding the formulation, implementation and amendment of the shareholder return of the Bank.

The procedure to formulate the aforementioned profit distribution policy was compliant and transparent, and the decision procedure was complete. The criterion and ratio of the dividend were explicit and clear. The

independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. In these regards, the formulation of the policy was in line with the provisions of the Articles of Association and other rules and regulations.

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. In 2020, the Bank distributed dividends on ordinary shares for 2019 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

### Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute the dividends on ordinary shares before all the dividends of preference shares have been paid.

Dividend on the Bank's preference shares will be distributed on an annual basis. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend on the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent of the Bank's credit rating, nor do they vary with the credit rating.

In the first half of 2020, the Bank distributed dividends on domestic preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

### Profit Distribution during the Reporting Period

The 2019 Annual General Meeting held on 30 June 2020 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB17.298 billion; appropriation to general and regulatory reserves of RMB18.575 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for the future development of the Bank, RMB1.91 per ten shares (before tax) was proposed to be distributed as cash dividends on ordinary shares to A-Share Holders and H-Share Holders whose names appeared on the register of members of the Bank as at market close on 14 July 2020, amounting to approximately RMB56.228 billion (before tax) in total. The dividend distribution plan has been accomplished. The Bank did not distribute an interim dividend on ordinary shares for 2020, nor did it propose any capitalisation of capital reserve into share capital.

At the Board meeting held on 13 January 2020, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed a total of RMB1.540 billion (before tax)

of dividends on the Domestic Preference Shares (Second Tranche) on 13 March 2020, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 29 April 2020, the dividend distribution plans for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 29 June 2020, with an annual dividend rate of 4.50% (before tax) and the dividend distribution plan has been accomplished. The Bank will distribute a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 31 August 2020, with an annual dividend rate of 4.35% (before tax).

The dividend distribution plans for the Bank's Domestic Preference Shares (First Tranche and Second Tranche) were approved on 30 August 2020 by the Board of Directors of the Bank. The Bank will distribute a total of RMB1.920 billion (before tax) of dividends on Domestic Preference Shares (First Tranche) on 23 November 2020, with an annual dividend rate of 6.00% (before tax). The Bank will distribute a total of RMB1.540 billion (before tax) of dividends on Domestic Preference Shares (Second Tranche) on 15 March 2021, with an annual dividend rate of 5.50% (before tax).

Please refer to the Condensed Consolidated Interim Financial Information for other profit distribution during the reporting period.

## Corporate Governance

For details of the corporate governance of the Bank, please refer to the section “Corporate Governance”.

## Purchase and Sale of Material Assets

During the reporting period, the Bank did not undertake any purchase and sale of material assets that is required to be disclosed.

## Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in its regular course of business. In addition, because of the scope and scale of the Bank’s international operations, the Bank is from time to time subject to a variety of claims under the laws of various jurisdictions in which the Bank operates. After consulting legal professionals, the Senior Management of the Bank holds the view that none of the litigation and arbitration cases will have significant impact on the financial position or operating results of the Bank at the current stage.

## Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note III.30 of the Condensed Consolidated Interim Financial Information.

## Major Contracts and Enforcement thereof

### Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take, or allow to subsist any significant custody of, sub-contract or lease assets from other companies, or allow its material business assets to be subject to such arrangements, in each case that is required to be disclosed.

### Material Guarantee Business

As approved by PBOC and CBIRC, the Bank’s guarantee business is an off-balance sheet item in the ordinary course of its business. The Bank operates the guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in respect of the risks of guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.

### Other Major Contracts

During the reporting period, the Bank did not enter into or allow to subsist any other major contract that is required to be disclosed.

## Undertakings

There was no undertaking that has been fulfilled by the Bank during the reporting period. As at the end of the reporting period, there was no undertaking failed to be fulfilled by the Bank.

### **Disciplinary Actions Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Controlling Shareholder**

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to any investigation, compulsory measures or accusation of criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

### **Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Prior Year**

Not applicable.

### **Misappropriation of Funds for Non-operating Purposes by Controlling Shareholder and Other Related Parties**

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

### **Use of Raised Funds**

All proceeds raised from initial public offerings, issuance of subordinated bonds, the rights issue, issuances of tier 2 capital bonds, preference shares and undated capital bonds have been fully used to replenish the Bank's capital and increase the level of its capital adequacy.

For details, please refer to the related announcements published on the websites of SSE, HKEX and the Bank and the Notes to the Condensed Consolidated Interim Financial Information.

### **Purchase, Sale or Redemption of the Bank's Listed Securities**

Please refer to the Condensed Consolidated Interim Financial Information for details regarding the purchase, sale or redemption of the Bank's listed securities.

### **Implementation of Stock Incentive Plan and Employee Stock Ownership Plan**

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the extraordinary shareholders' meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

## Audit Committee

The Audit Committee of the Bank comprises six members, including Non-executive Directors Mr. ZHAO Jie and Mr. ZHANG Jiangang, Independent Directors Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. Independent Director Mr. JIANG Guohua serves as the Chairman of the committee. Following the principle of independence, the committee assists the Board of Directors in supervising the financial reports, internal control, internal audit and external audit of the Group.

The Audit Committee has reviewed the interim results of the Bank. The external auditor of the Bank has reviewed the interim report in accordance with *International Standards on Review Engagements No. 2410*. The committee has considered the financial statements in light of accounting standards, accounting policies and practices, internal control and financial reporting.

## Appointment of External Auditors

The Bank engaged Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control external auditor for 2020 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2020 to provide audit services on financial statements pursuant to IFRS.

## Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was party to any arrangements that would

enable the Bank's directors and supervisors or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other legal entity.

## Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 30 June 2020, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "*Model Code*") as set out in Appendix 10 of the Hong Kong Listing Rules.

## Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by the directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code*. All the directors and supervisors of the Bank have confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

## Consumer Rights Protection

The Bank attaches great importance to and makes active efforts in the protection of consumer rights and interests, strictly implements national laws and regulations on consumer protection, and protects the legitimate rights and interests of financial consumers according to relevant laws and rules, thus continuously improving its consumer protection management system. In the first half of 2020, in accordance with regulatory requirements and market changes, the Bank continuously enhanced the building of its consumer protection systems and mechanisms, refined consumer protection rules, heightened its sense of responsibility and mission with regard to consumer protection, and incorporated consumer protection efforts into its corporate governance, corporate culture and development strategy. In response to regulatory requirements, the Bank properly conducted consumer protection during the COVID-19 pandemic prevention and control, addressed consumer consultations in a timely manner, and ensured smooth financial services for consumers. It further stepped up efforts to standardise the handling of consumer complaints, and gave full play to the role of consumer complaints in helping to supervise and improve the quality of the Bank's products and services. In addition, the Bank launched a series of financial knowledge promotional and educational activities. It won the honorary title of "Excellent Organiser" in the "3.15 Consumer Protection Education and Publicity Week". It also carried out the "3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day", "Financial Knowledge Popularisation" and other thematic campaigns.

## Integrity of the Bank and its Controlling Shareholder

During the reporting period, neither the Bank nor its controlling shareholder failed to perform any effective judgment of the court or pay off any due debt in large amount.

## Other Significant Events

For announcements regarding other significant events made in accordance with the regulatory requirements during the reporting period, please refer to the websites of SSE, HKEX and the Bank.

## Compliance with *International Accounting Standard No. 34*

The 2020 interim report of the Bank is in compliance with *International Accounting Standard No. 34 — Interim Financial Reporting*.

## Interim Report

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, China) to request the interim report prepared under IFRS or visit the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of this interim report are also available on the following websites: [www.boc.cn](http://www.boc.cn), [www.sse.com.cn](http://www.sse.com.cn) and [www.hkexnews.hk](http://www.hkexnews.hk).

Should you have any queries about how to obtain copies of this interim report or access the document on the Bank's website, please contact the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotline at (86) 10-6659 2638.