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晋商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*

晋商银行股份有限公司*

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

(Stock code: 2558)

**(1) REVISION OF THE EXISTING ANNUAL CAPS ON CONTINUING
CONNECTED TRANSACTIONS AND THE TERMS;
AND
(2) NEW CONTINUING CONNECTED TRANSACTIONS**

**I. REVISION OF THE EXISTING ANNUAL CAPS ON CONTINUING CONNECTED
TRANSACTIONS AND THE TERMS**

The Board of Directors announced on March 26, 2020 that the Bank entered into the Huaneng Framework Supplemental Agreement with Huaneng Capital and SSCIO Framework Supplemental Agreement with SSCIO to adjust the annual caps on fee- and commission-based products and services related to the cooperation between the Bank and Huaneng Capital, SSCIO and/or their respective Associates, and/or widen the scope of cooperation stipulated in the Original Huaneng Framework Agreement (if applicable).

As at the date of this announcement, Huaneng Capital and SSCIO are substantial Shareholders of the Bank. Therefore, according to Chapter 14A of the Listing Rules, Huaneng Capital, SSCIO and/or their respective Associates are connected persons of the Bank. The entering into of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement with Huaneng Capital and SSCIO and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules and excluding profits ratio) calculated for the annual caps on transactions under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement exceed 5%, according to Chapter 14A of the Listing Rules, the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder are subject to, among others, the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will establish an Independent Board Committee to advise Independent Shareholders as to whether the revised annual caps are fair and reasonable. The Independent Board Committee will advise the Independent Shareholders at the annual general meeting after considering the recommendations of the Independent Financial Adviser.

The Bank will, as soon as practicable and in accordance with the Listing Rules, send to Shareholders a circular containing, among others, (i) further details of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement; (ii) an advisory letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the Huaneng Framework Supplemental Framework Agreement and the SSCIO Framework Supplemental Agreement; (iii) recommendations from the Independent Board Committee to Independent Shareholders; and (iv) the Notice of Annual General Meeting. Given that the annual general meeting circular relates to other resolutions and information, the circular and pertinent materials are currently expected to be despatched to the Shareholders on or before April 24, 2020.

II. NEW CONTINUING CONNECTED TRANSACTIONS

On March 26, 2020, the Bank entered into an agreement titled Shanxi Financial Holding Framework Agreement with Shanxi Financial Holding, and an agreement titled Nanye Industrial Framework Agreement with Nanye Industrial, which are valid until December 31, 2022, according to which, the Group shall provide fee- and commission-based products and services to Shanxi Financial Holding and Nanye Industrial, respectively.

As at the date of this announcement, Shanxi Financial Holding and Nanye Industrial are substantial Shareholders of the Bank. According to the Listing Rules, they are connected persons of the Company. As a result, the entering into of the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps of the Shanxi Financial Holding Framework Agreement and Nanye Industrial Framework Agreement exceed 0.1% but all are less than 5% for the three years ending December 31, 2020, 2021 and 2022, the entering into of the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement and the proposed annual caps for transactions in each of the three years ending December 31, 2020, 2021 and 2022 must comply with reporting, annual review and announcement requirements of Chapter 14A of the Listing Rules, but is exempt from Independent Shareholders' approval requirements thereof.

I DETAILS ON THE REVISION OF THE EXISTING ANNUAL CAPS ON CONTINUING CONNECTED TRANSACTIONS

A. Huaneng Framework Supplemental Agreement

1. *Background information*

Reference is made to the section entitled “Relationship with Connected Persons and Connected Transactions” in the prospectus issued by the Bank on June 28, 2019, which states that the Bank and Huaneng Capital entered into a Financial Products and Services Framework Agreement on continuing connected transactions (hereinafter referred to as the “**Original Huaneng Framework Agreement**”) on June 24, 2019, which is valid until December 31, 2021.

Based on current cooperation status, market environment, further strengthening of cooperation, etc., the Bank expects the amount of participation in Huaneng Capital and/or its Associates’ products or services to increase from the original estimate and may exceed the original annual caps during the years set forth in the Original Huaneng Framework Agreement. Therefore, after reassessment, the Board of Directors passed the resolution on and carried out the entering into of a Financial Products and Services Framework Supplemental Agreement with Huaneng Capital on March 26, 2020 (hereinafter referred to as the “**Huaneng Framework Supplemental Agreement**”) to adjust the annual caps on matters related to financial products and service fees offered by the Bank to Huaneng Capital, SSCIO and/or their respective Associates, and/or widen the scope of cooperation stipulated in the Original Huaneng Framework Agreement.

2. *Revised annual caps on the proposed continuing connected transactions contemplated under the Huaneng Framework Supplemental Agreement and the terms thereof*

After reassessment, the Board expected the annual caps on the fee- and commission-based products and services related to the cooperation between the Group and Huaneng Capital and/or its Associates in each of the financial years ending December 31, 2020 and December 31, 2021 to be as follows:

The main terms of the Huaneng Framework Supplemental Agreement are set out below:

Date: March 26, 2020

Parties thereto: (i) the Bank; and

(ii) Huaneng Capital

Term: from the effective date of the Huaneng Framework Supplemental Agreement to December 31, 2021

Subject matter

Pursuant to the Huaneng Framework Supplemental Agreement, (i) the Original Huaneng Framework Agreement and the transactions thereunder will be conducted on normal commercial terms that comply with applicable laws and regulations and industry practices. Specific fee- and commission-based products and services agreements will be concluded in the ordinary course of business and on normal commercial terms; and (ii) the annual caps on the fee- and commission-based products or services under the cooperation between the Bank and Huaneng Capital and/or its Associates will be adjusted. As one or more of the applicable percentage ratios calculated for the annual caps on transactions under the Huaneng Framework Supplemental Agreement exceed 5%, the Huaneng Framework Supplemental Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

Except as disclosed below, the Huaneng Framework Supplemental Agreement will revise the annual caps and widen the scope of cooperation business agreed in the Original Huaneng Framework Agreement, the remaining terms of the Original Huaneng Framework Agreement shall remain unchanged. According to the terms of the Original Huaneng Framework Agreement, the parties should sign specific fee- and commission-based product and service agreements separately for each actual transaction based on the terms of the said original agreement. The transactions will be conducted in the ordinary and usual course of business of the Group on normal commercial terms which comply with the provisions of applicable laws and regulations and industry practices.

For the fee- and commission-based products or services to be offered to Huaneng Capital and/or its Associates, the Bank's pricing standards will be set, if possible, not lower than comparable third-party quotations and with favourable terms, on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration. For the fee- and commission-based products or services to be provided by Huaneng Capital and/or its associates, the Bank will be attentive to the purpose of the contracts with prudence, analyze the businesses, and , if possible, set pricing standards no higher than those of third-party by comparing factors such as third-party prices and duration.

According to the Listing Rules, the Huaneng Framework Supplemental Agreement is subject to the approval of its revised annual caps by the Independent Shareholders.

Historical transaction amounts

The following table sets forth the investment amount, investment return and management fees paid by the Bank under the Original Huaneng Framework Agreement during the following years.

	Historical amounts For the years ended December 31,		
	2017	2018	2019
	<i>(in the thousands of RMB)</i>		
Investment amount	30,000.0	452,610.0	2,673,859.6
Fees and commissions received by the Group	872.4	2,075.3	120,321.9
Fees and commissions paid by the Group	45.1	109.5	2,173.8

Revised annual caps

- (a) For the financial years ended December 31, 2020 and December 31, 2021, the annual caps on the fee- and commission-based products and services related to the cooperation between the Group and Huaneng Capital and/or its Associates are as follows:

	Annual transaction caps For the year ended December 31,	
	2020	2021
	<i>(in the thousands of RMB)</i>	
Total investment amount	9,700,000	12,340,000

- (b) For the financial years ended December 31, 2020 and December 31, 2021, the annual caps on the fees and commission receivable by the Group from Huaneng Capital and/or its Associates are as follows:

	Annual transaction caps For the year ended December 31,	
	2020	2021
	<i>(in the thousands of RMB)</i>	
Total	460,000	570,000

- (c) For the financial years ended December 31, 2020 and December 31, 2021, the annual caps on the fees and commission payable by the Group to Huaneng Capital and/or its Associates are as follows:

	Annual transaction caps	
	For the year ended	
	December 31,	
	2020	2021
	<i>(in the thousands of RMB)</i>	
Total	40,000	54,000

The Directors determined the proposed annual caps and the widening of the scope of business cooperation agreed in the Original Huaneng Framework Agreement with reference to, among others, (a) the historical amounts for the provision of fee- and commission-based products and services by the Group to Huaneng Capital and its Associates in the years ended December 31, 2017, December 31, 2018 and December 31, 2019, and the fluctuations in the volume of these products and services in the years ended December 31, 2017, December 31, 2018 and December 31, 2019; (b) the significant increase in the expected fees and commissions from bond underwriting business for the coming years as the Group obtained Class-B lead underwriter qualification for underwriting debt financing instruments issued by non-financial enterprises in February 2019; (c) the significant increase in the income of fees and commissions from investment and financing business through the multi-functional online direct banking platform since 2018; (d) the possibility of the Group's future launch of new products and services; and (e) the Bank and Huaneng Capital have made specific arrangements for part of the businesses from cooperation.

B. SSCIO Framework Supplemental Agreement

1. Background information

Reference is made to the section entitled "Relationship with Connected Persons and Connected Transactions" in the prospectus issued by the Bank on June 28, 2019, which states that the Bank and SSCIO entered into a Financial Products and Services Framework Agreement on continuing connected transactions (hereinafter referred to as the "**Original SSCIO Framework Agreement**") on June 24, 2019, which is valid until December 31, 2021.

Based on current cooperation status, market environment, expectations for further strengthening of cooperation, etc., the Bank expects the amount for the provision of the following financial products or services to SSCIO and/or its Associates to increase from the original estimate and may exceed the original annual caps during the years set forth in the Original SSCIO Framework Agreement. Therefore, after reassessment, the Board of Directors passed the resolution on and carried out the entering into of a Financial Products and Services Framework Supplemental Agreement with SSCIO on March 26, 2020 (hereinafter referred to as the "**SSCIO Framework Supplemental Agreement**") to adjust the annual caps on fees and commissions related to fee- and commission-based financial products and services offered by the Bank to SSCIO and/or its Associates, as a replacement for the original annual caps.

2. Revised annual caps on the proposed continuing connected transactions contemplated under the SSCIO Framework Supplemental Agreement and the terms thereof

After reassessment, the Board expected the annual caps on the fee- and commission-based products and services arising from transactions receivable by the Group from SSCIO and/or its Associates in each of the financial years ending December 31, 2020 and December 31, 2021 to be as follows:

The main terms of the SSCIO Framework Supplemental Agreement are set out below:

Date: March 26, 2020

Parties thereto: (i) the Bank; and
(ii) SSCIO

Term: from the effective date of the SSCIO Framework Supplemental Agreement to December 31, 2021

Subject matter

Pursuant to the SSCIO Framework Supplemental Agreement, (i) the terms and conditions (including but not limited to prices) for the provision of fee- and commission-based financial products and services by the Bank to SSCIO and/or its Associates shall be fair and reasonable and determined on normal commercial terms and negotiated on an arm's length basis; and (ii) the annual caps on fees and commissions charged by the Bank to SSCIO and/or its Associates will be adjusted. As one or more of the applicable percentage ratios calculated for the annual caps on transactions under the SSCIO Framework Supplemental Agreement exceed 5%, the SSCIO Framework Supplemental Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

Except for the annual caps specifically revised by the SSCIO Framework Supplemental Agreement, the remaining terms of the Original SSCIO Framework Agreement shall remain unchanged. According to the terms of the Original SSCIO Framework Agreement, the parties shall sign specific fee- and commission-based product and service agreements separately for each actual transaction based on the terms of the said original agreement. The transactions will be conducted in the usual and ordinary course of business of the Group and on normal commercial terms which comply with the provisions of applicable laws and regulations and industry practices. For the fee- and commission-based products or services to be offered to SSCIO and/or its Associates, the Bank's pricing standards will be set, if possible, not lower than comparable third-party quotations and with favourable terms, on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration.

According to the Listing Rules, the SSCIO Framework Supplemental Agreement is subject to the approval of its revised annual caps by the Independent Shareholders.

Historical transaction amounts

The following table sets forth the historical amounts of fees and commissions regarding the provision of fee- and commission-based products and services by the Bank to SSCIO and its Associates in the following years:

	Historical amounts For the years ended December 31,		
	2017	2018	2019
	<i>(in the thousands of RMB)</i>		
Fees and commissions receivable from the provision of fee- and commission-based products and services provided to SSCIO and its Associates	24,100.0	64,900.0	128,627.4

Revised annual caps

For the financial years ended December 31, 2020 and December 31, 2021, the caps on the fees and commission receivable by the Bank from SSCIO and/or its Associates are as follows:

	Annual transaction caps As of December 31,	
	2020	2021
	<i>(in the thousands of RMB)</i>	
Total	215,000	285,000

The Directors determined the proposed annual caps with reference to, among others, (a) the historical amounts for the provision of fee- and commission-based products and services by the Group to SSCIO and its Associates in the years ended December 31, 2017, December 31, 2018 and December 31, 2019, and the fluctuations in the volume of these products and services in the years ended December 31, 2017, December 31, 2018 and December 31, 2019; (b) the significant increase in the expected fees and commissions from bond underwriting business for the coming years as the Group obtained Class-B lead underwriter qualification for underwriting debt financing instruments issued by non-financial enterprises in February 2019; (c) the significant increase in the income of fees and commissions from investment and financing business through the multi-functional online direct banking platform since 2018; and (d) the possibility of the Group's future launch of new products and services.

II. DETAILS OF THE NEW CONTINUING CONNECTED TRANSACTIONS

A. Shanxi Financial Holding Framework Agreement

On March 26, 2020, the Bank and Shanxi Financial Holding entered into an agreement titled Financial Products and Services Framework Agreement (hereinafter referred to as the “**Shanxi Financial Holding Framework Agreement**”) on continuing connected transactions, which is valid until December 31, 2022. Pursuant to it, the Group shall provide fee- and commission-based products and services to Shanxi Financial Holding.

Historical transaction amounts

	Historical amounts For the years ended December 31,		
	2017	2018	2019
	<i>(in the thousands of RMB)</i>		
Fees and commissions receivable from the provision of fee- and commission-based products and services to Shanxi Financial Holding and its Associates	0	0	80.22
Fees and commissions paid to Shanxi Financial Holding and its Associates for the provision of fee- and commission-based products and services	5,250	13,640	8,980

Pricing

Pursuant to the terms of the Shanxi Financial Holding Framework Agreement, the two parties shall, based on the terms of the Shanxi Financial Holding Framework Agreement, sign a specific fee- and commission-based products and services agreement for each actual transaction. The transactions shall be conducted on normal commercial terms that comply with applicable laws and regulations and industry practices. For the fee- and commission-based products or services to be offered to Shanxi Financial Holding and/or its Associates, the Bank’s pricing standards will be set, if possible, not lower than comparable third-party quotations and with favourable terms, on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration. For the fee-based products or services to be provided by Shanxi Financial Holding and/or its associates, the Bank will be attentive to the purpose of the contracts with prudence, analyze the businesses, and set pricing standards no higher than those of third-party by comparing factors such as third-party prices and duration.

Proposed annual caps

For the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, the annual caps on the fees and commission receivable by the Group from Shanxi Financial Holding and/or its Associates are as follows:

	Annual transaction caps		
	As of December 31,		
	2020	2021	2022
	<i>(in tens of thousands of RMB)</i>		
Total	45,000	73,000	110,000

For the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, the annual caps on the fees and commission payable by the Group to Shanxi Financial Holdings and/or its Associates are as follows:

	Annual transaction caps		
	As of December 31,		
	2020	2021	2022
	<i>(in tens of thousands of RMB)</i>		
Total	11,000	12,000	13,000

The Directors determined the proposed annual caps with reference to the following: (a) the historical amounts for the provision of fee- and commission-based products and services by the Group to Shanxi Financial Holding and its Associates in the years ended December 31, 2017, December 31, 2018 and December 31, 2019, and the fluctuations in the volume of these products and services in the years ended December 31, 2017, December 31, 2018 and December 31, 2019; (b) the significant increase in the expected fees and commissions from bond underwriting business for the coming years as the Bank obtained Class-B lead underwriter qualification for underwriting debt financing instruments issued by non-financial enterprises in February 2019; (c) the significant increase in the income of fees and commissions from investment and financing business through the multi-functional online direct banking platform since 2018; and (d) the possibility of the Group's future launch of new products and services.

B. Nanye Industrial Framework Agreement

On March 26, 2020, the Bank and Nanye Industrial entered into an agreement titled Nanye Industrial Framework Agreement on continuing connected transactions, which is valid until December 31, 2022. Pursuant to it, the Group shall provide fee- and commission-based products and services to Nanye Industrial.

Historical transaction amounts

	Historical amounts For the years ended December 31,		
	2017	2018	2019
	<i>(in the thousands of RMB)</i>		
Fees and commissions receivable from the provision of fee- and commission-based products and services to Nanye Industrial and its Associates	0	0	3,076.6

Pricing

Pursuant to the terms of the Nanye Industrial Framework Agreement, the two parties shall, based on the terms of the Nanye Industrial Framework Agreement, sign a specific fee- and commission-based products and services agreement for each actual transaction. The transactions shall be conducted on normal commercial terms that comply with applicable laws and regulations and industry practices. For the fee- and commission-based products or services paid by Nanye Industrial and/or its Associates, the Bank's pricing standards will be set on the basis of market conditions and conditions of the corporates as well as by comparing the factors such as third-party prices and duration, and thus the Bank's quotation standards will not be lower than those of other third-party peers to the fullest extent. In addition, the Bank will opt for conditions favorable to it as far as possible.

Proposed annual caps

For the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, the annual caps on the fees and commission receivable by the Group from Nanye Industrial and/or its Associates are as follows:

	Annual transaction caps For the year ended December 31,		
	2020	2021	2022
	<i>(in thousands of RMB)</i>		
Total	35,000	60,000	86,000

The Directors determined the proposed annual caps with reference to the following: (a) the historical amounts for the provision of fee- and commission-based products and services by the Group to Nanye Industrial and its Associates in the years ended December 31, 2017, December 31, 2018 and December 31, 2019, and the fluctuations in the volume of these products and services in the years ended December 31, 2017, December 31, 2018 and December 31, 2019; (b) the significant increase in the expected fees and commissions from bond underwriting business for the coming years as the Bank obtained Class-B lead underwriter qualification for underwriting debt financing instruments issued by non-financial enterprises in February 2019; (c) the significant increase in the fees and commissions from investment and financing business through the multi-functional online platform of the direct bank which generate income since 2018; and (d) the possibility of the Group's future launch of new products and services.

III. GROUNDS AND BENEFITS OF ENTERING INTO HUANENG FRAMEWORK SUPPLEMENTAL AGREEMENT, SSCIO FRAMEWORK SUPPLEMENTAL AGREEMENT, SHANXI FINANCIAL HOLDING FRAMEWORK AGREEMENT AND NANYE INDUSTRIAL FRAMEWORK AGREEMENT

Our Directors are aware that, based on the status of current cooperation and future expectations, the transaction amounts under the Original Huaneng Framework Agreement and the Original SSCIO Framework Agreement may be higher than previously estimated. Therefore, the Bank negotiates with Huaneng Capital and SSCIO respectively to enter into supplemental agreements to amend the annual caps of the said transactions.

Relying on China Huaneng Group Co., Ltd. (中國華能集團有限公司) (“**Huaneng Group**”), Huaneng Capital is a comprehensive financial service provider specializing in energy and basic industries. SSCIO and Shanxi Financial Holding, as the state-owned financial capital investment platform in Shanxi, have great financial strength. Nanye Industrial has substantial experience in bulk commodity retail and wholesale, and has been transforming to high-tech LED electronics industry in recent years. The cooperation helps the Bank to enhance its cooperation with leading enterprises in the province and its business diversification.

The Directors (excluding the independent non-executive Directors, whose opinions will be set out in a letter from the Independent Board Committee included in the circular to be despatched to the Shareholders) are of the opinion that the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement were entered into in the ordinary course of business of the Group, on normal commercial terms, and negotiated on an arm's length basis, while the transaction terms and relevant proposed annual caps under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors (including Independent non-executive Directors) are of the view that the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms and negotiated on an arm's length basis, and the proposed annual caps for each of the three years ending December 31, 2022 under the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. INTERNAL CONTROL

The Group has adopted and implemented the following internal procedures and corporate governance measures to monitor and verify the terms of future transactions:

1. The Bank places great importance on the management of connected transactions and takes the initiative to actively update the list of connected persons. In order to comprehensively and accurately identify connected persons, the Bank conducts penetration management of substantial shareholders to achieve effective collection of data related to connected transactions. To meet the management requirements of the Hong Kong Stock Exchange in relation to connected transactions, the Bank has formulated the "Implementation Rules for the Management of Related Party (Connected) Transactions", which further clarifies the duties of the connected transaction functional department and strictly implements the approval and information disclosure system of connected transactions so as to ensure that all the connected transactions of the Group are effectively monitored and supervised, maintain stable business operations, establish a risk monitoring system, and ensure that all relevant connected transactions are in the interests of our Shareholders as a whole. In order to complete the implementation of the "Implementation Rules for the Management of Related Party (Connected) Transactions", the Bank has engaged an external auditor to provide advisory services for the establishment of a related party (connected) transaction system. We have commenced the establishment of a related party (connected) transaction system to facilitate the continuous identification and detection of connected transactions of the Bank in the future.
2. The "Implementation Rules for the Management of Related Party (Connected) Transactions" aims to standardize and set out the management responsibilities and division of responsibilities as well as monitoring mechanisms related to the connected transactions of the Group, and to safeguard the interests of our Shareholders as a whole and the interests of the Company and its stakeholders. The connected transactions of the Group must be conducted in accordance with the principles, rules and procedures specified in the said policies and administrative measures.

3. Supervisors of all entities are responsible for ensuring that the employees of the relevant entities fully understand the policies and administrative measures of the “Implementation Rules for the Management of Related Party (Connected) Transactions” and will implement the provisions therein to ensure that connected transactions comply with the provisions of relevant policies and administrative measures. The Risk Management Department must also formulate detailed plans and measures based on the principles specified in the policies and administrative measures of the “Implementation Rules for the Management of Related Party (Connected) Transactions” to ensure that the continuing connected transactions comply with the Listing Rules.
4. As part of the internal control and risk management procedures, each responsible entity must perform certain procedures before entering into any agreement, including reviewing specific contracts entered into between the Company and connected persons, regularly checking the specific terms of continuing connected transactions, and comparing the terms of comparable transactions to ensure that the pricing policies and/or other contractual terms are entered into on normal commercial terms in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of us and our Shareholders as a whole.
5. Each responsible unit must also report and submit detailed information to the Risk Management Department of the Company on the continuing connected transactions for its review and analysis before entering into any specific contract, and ensure that the connected transactions comply with applicable laws, rules and regulations as well as internal policies and administrative measures.
6. As part of the internal control and risk management procedures and to ensure that the continuing connected transactions do not exceed the relevant annual caps, the relevant entities are responsible for monitoring the transaction amount and submitting the transaction amount data to the Risk Management Department on a regular basis. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual cap, the responsible entity will contact the Risk Management Department to report to our management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of Independent Shareholders (if required).
7. The Risk Management Department must report the continuing connected transactions to the Board, relevant committees and/or our management as requested so that they can carry out the review to ensure that the continuing connected transactions are entered into on normal commercial terms in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of us and our Shareholders as a whole. The independent non-executive Directors will also conduct annual reviews of continuing connected transactions in accordance with the Listing Rules. We will engage an external auditor to make reports on continuing connected transactions every year. The external auditor will write to the Board to confirm the matters required by the Listing Rules, including whether the continuing connected transactions are conducted in accordance with the relevant pricing policies.

The Directors have confirmed that the Group's qualifications and internal control procedures can effectively guarantee the fee- and commission-based products or services related to the cooperation between the Group and Huaneng Capital, SSCIO, Shanxi Financial Holding, Nanye Industrial and/or their Associates in accordance with the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement, the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement, and the terms are fair and reasonable and have gone through negotiation on an arm's length basis, and have been entered into on normal commercial terms that comply with industry practices, and such procedures and measures are sufficient to assure the Independent Shareholders that the Company will properly monitor continuing connected transactions.

V. APPROVAL BY THE BOARD OF DIRECTORS

At the sixth meeting of the fifth Board of Directors held on March 26, 2020, the Board approved the terms of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder, and the proposed annual transaction caps for the years ending December 31, 2020 and 2021. On the same day, the Board of Directors approved the terms of the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement, the transactions contemplated thereunder, and the proposed annual transaction caps for the years ending December 31, 2020, 2021 and 2022.

XIANG Lijun, a non-executive Director of the Company, served in several subsidiaries of Huaneng Group, so he has abstained from voting on the resolution regarding the Huaneng Framework Supplemental Agreement and the new cap at the Board meeting. WANG Jianjun, a non-executive Director of the Company, served in several subsidiaries of Lu'an Mining Industry (Group) Co., Ltd. (潞安礦業(集團)有限責任公司), so he has abstained from voting on the resolution regarding the SSCIO Framework Supplemental Agreement and the new cap at the Board meeting. LI Shishan, a non-executive Director of the Company, is also a director of Shanxi Financial Holding Group Co., Ltd., so he has abstained from voting on the resolution regarding the Shanxi Financial Holding Framework Agreement and the proposed annual cap at the Board meeting. LI Yang, a non-executive Director of the Company, served in Changzhi Nanye Industrial Group Co., Ltd., so he has abstained from voting on the resolution regarding the Nanye Industrial Framework Agreement and the proposed annual cap at the Board meeting. Save as aforesaid, none of the Directors has significant interests in the Huaneng Framework Supplemental Agreement, SSCIO Framework Supplemental Agreement, Shanxi Financial Holding Framework Agreement and Nanye Industrial Framework Agreement, or is required to abstain from voting on relevant board resolutions.

VI. ABOUT THE PARTIES TO THE AGREEMENTS

The Group

The Group's principal businesses include corporate banking, retail banking and financial markets business. The Group provides corporate banking customers with a wide range of products and services, including corporate loans, bill discounting, corporate deposits, transactional banking services, investment banking services, and other fee- and commission-based products and services. The Group provides retail banking customers with a wide range of products and services, including personal loans, personal deposits, card services, and other fee- and commission-based products and services. The Group's financial markets business primarily consists of interbank market transactions, investment management, wealth management, and bill discounting and rediscounting.

Huaneng Capital

Huaneng Capital, established in 2003, is a financial asset investment and professional management institution and financial service platform of Huaneng Group. Huaneng Capital has gradually become a comprehensive financial service provider specializing in energy and basic industries and a comprehensive financial holding company by leveraging the reputation and business resources supported by Huaneng's strong industrial background.

SSCIO

SSICO, established in July 2017, is mainly responsible for state-owned capital investment, operation and related business; state-owned equity holding, investment, asset management and debt restructuring, corporate restructuring and industrial mergers and acquisitions and combination, corporate and asset custody, acquisition, disposal and other related operating activities. It is the only provincial state-owned capital operation company in Shanxi that covers multiple areas including energy, metallurgy, power, equipment manufacturing, infrastructure construction and consumption, and has a mission to strategically adjust the structure of state-owned capital in Shanxi.

Shanxi Financial Holding

Shanxi Financial Holding, established in December 2015, is a state-owned financial capital investment platform in Shanxi. Shanxi Financial Holding promotes the aggregated development and transformation and upgrading of the financial industry in the province through investment holding, industry cultivation and capital integration; and promotes the rational flow of financial capital in the province through equity operation, value management and orderly entry and exit to achieve value preservation and appreciation.

Nanye Industrial

Nanye Industrial, established in May 1999, mainly engages in the wholesale and retail of coal, steel, pig iron, ore and local miscellaneous goods. Nanye Group has been transforming into a high-tech LED electronics company since 2009 in response to the call of Shanxi Province for "transformation and leapfrog development".

VII. IMPLICATION OF THE LISTING RULES

A. Huaneng Framework Supplemental Agreement and SSCIO Framework Supplemental Agreement

As at the date of this announcement, Huaneng Capital and SSCIO are the substantial Shareholders of the Bank and hold approximately 10.28% and 24.09% equity in the total issued share capital of the Bank respectively. Therefore, according to Chapter 14A of the Listing Rules, Huaneng Capital, SSCIO and their respective Associates are connected persons of the Bank. The entering into of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement with Huaneng Capital and SSCIO and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules and excluding profit ratio) calculated for the annual caps on transactions under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement exceed 5%, according to Chapter 14A of the Listing Rules, the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder are subject to, among others, the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will establish an independent board committee to advise Independent Shareholders as to whether the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the revised annual caps are fair and reasonable. The Independent Board Committee consists of all independent non-executive Directors. The Company will, after considering the recommendations by the Independent Financial Adviser, advise the Independent Shareholders on putting forward resolutions on the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the revised annual caps for vote at the Annual General Meeting. For such purpose, the Company has appointed Opus Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement (including the revised annual caps).

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement must abstain from voting on the relevant resolutions at the Annual General Meeting. Therefore, Huaneng Capital and its Associates must abstain from voting on the resolution(s) regarding the Huaneng Framework Supplemental Agreement and the new cap at the general meeting, and SSCIO and its Associates must abstain from voting on the resolution(s) regarding the SSCIO Framework Supplemental Agreement and the new cap at the Annual General Meeting.

The Bank will, as soon as practicable and in accordance with the Listing Rules, send to Shareholders a circular, among others, (i) further details of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement; (ii) an advisory letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the Huaneng Framework Supplemental Framework Agreement and the SSCIO Framework Supplemental Agreement; (iii) recommendations from the Independent Board Committee to Independent Shareholders; and (iv) the Notice of Annual General Meeting. Given that the annual general meeting circular relates to other resolutions and information, the circular and pertinent materials are currently expected to be despatched to the Shareholders on or before April 24, 2020.

B. Newly entered Shanxi Financial Holding Framework Agreement and Nanye Industrial Framework Agreement

As at the date of this announcement, Shanxi Financial Holding and Nanye Industrial respectively hold 12.25% and 7.72% equity of the Company, and are substantial Shareholders of the Bank. According to the Listing Rules, they are connected persons of the Company. As a result, the entering into of the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps of the Shanxi Financial Holding Framework Agreement and Nanye Industrial Framework Agreement exceed 0.1% but all are less than 5% for the three years ending December 31, 2020, 2021 and 2022, the entering into of the Shanxi Financial Holding Framework Agreement and the Nanye Industrial Framework Agreement and the proposed annual caps for transactions in each of the three years ending December 31, 2020, 2021 and 2022 must comply with reporting, annual review and announcement requirements of Chapter 14A of the Listing Rules, but is exempt from Independent Shareholders' approval requirements thereof.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Annual General Meeting”	the annual general meeting of the Bank to be held on Tuesday, June 9, 2020 for Independent Shareholders to approve (among other things) the the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder, or any adjournment thereof
“Associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Bank”	Jinshang Bank Co., Ltd.*, a limited liability company established in China on October 16, 1998 in accordance with relevant Chinese laws and regulations, and (if the context requires) includes its predecessor, branches and sub-branches (excluding its subsidiary)
“Board” or “Board of Directors”	the board of Directors
“Director(s)”	the director(s) of the Company
“China” or “PRC”	the People’s Republic of China
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi

“Group”	the Bank together with its subsidiaries
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	the ordinary shares issued by the Bank in Hong Kong under the global offering with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed and traded on the Hong Kong Stock Exchange
“Huaneng Capital”	Huaneng Capital Service Co., Ltd. (“華能資本服務有限公司”)
“Independent Board Committee”	an independent Board committee composed of all independent non-executive directors to advise Independent Shareholders on the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement
“Independent Shareholders”	all Shareholders excluding Huaneng Capital, SSCIO and their Associates
“Nanye Industrial”	Changzhi Nanye Industrial Group Co., Ltd. (長治市南燁實業集團有限公司)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanxi Financial Holding”	Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司)

“Shareholder(s)”	holder of Shares in the share capital of the Company with a nominal value of RMB1.00 each
“Shares”	the Domestic Shares and H Shares of the Bank
“SSCIO”	Shanxi State-owned Capital Investment and Operation Co., Ltd. (山西省國有資本投資運營有限公司), which was renamed currently as Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司). As of the date of this announcement, the industrial and commercial procedures concerning the change of name were uncompleted
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By order of the Board
Jinshang Bank Co., Ltd.*
TANG Yiping
Vice Chairman

Taiyuan, March 26, 2020

As at the date of this announcement, the Board of Directors comprises Mr. WANG Junbiao, Mr. TANG Yiping, Mr. WANG Peiming and Mr. RONG Changqing as executive Directors; Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhong, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors; and Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang as independent non-executive Directors.

* *Jinshang Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.*