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If you are in any doubt as to any content of this circular or as to the action to be taken, you should consult licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

If you have sold or transferred all your shares in Jinshang Bank Co., Ltd., you should at once hand this circular, the proxy form, the form of proxy for independent non-executive Directors and the reply slip to the purchaser or transferee or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(A joint stock company incorporated in the People's Republic of China with limited liability)
(stock code: 2558)

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2019**
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2019**
- (3) PROFIT DISTRIBUTION PLAN FOR 2019**
- (4) REPORT OF FINAL FINANCIAL ACCOUNTS FOR 2019**
- (5) FINANCIAL BUDGET FOR 2020**
- (6) REPORT OF THE BOARD OF SUPERVISORS ON SUPERVISION AND ASSESSMENT ON THE PERFORMANCE OF DUTIES BY DIRECTORS DURING 2019**
- (7) REPORT OF THE BOARD OF SUPERVISORS ON ASSESSMENT ON THE PERFORMANCE OF DUTIES BY SUPERVISORS DURING 2019**
- (8) REPORT OF THE BOARD OF SUPERVISORS ON SUPERVISION AND ASSESSMENT ON THE PERFORMANCE OF DUTIES BY SENIOR MANAGEMENT DURING 2019**
- (9) DETERMINATION OF THE WRITE-OFF AMOUNT FOR NON-PERFORMING LOANS AND BAD DEBTS FOR 2020**
- (10) REVISION OF THE EXISTING ANNUAL CAPS AND THE TERMS OF CONTINUING CONNECTED TRANSACTIONS**
- (11) PROPOSED EXTENSION OF THE TERM OF AUTHORIZATION FOR THE ISSUANCE OF FINANCIAL BONDS**
- (12) PROPOSED ISSUANCE OF GREEN FINANCIAL BONDS**
- (13) PROPOSED ISSUANCE OF TIER-2 CAPITAL BONDS**
- (14) APPOINTMENT OF AUDITORS TO AUDIT FINANCIAL STATEMENTS FOR 2020**
- (15) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
- (16) PROPOSED AMENDMENTS TO THE RULES OF PROCEDURES FOR THE SHAREHOLDERS' GENERAL MEETING**
- (17) REPORT ON RELATED PARTY TRANSACTIONS FOR 2019 AND**
- (18) NOTICE OF THE 2019 ANNUAL GENERAL MEETING AND H SHAREHOLDERS' CLASS MEETING**

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the revision of the existing annual caps and the terms of continuing connected transactions



The letter from the Board is set out on pages 4 to 31 of this circular.

The Bank will convene the AGM, Domestic Shareholders' Class Meeting and H Shareholders' Class Meeting at the Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC at 10:00 a.m. on Tuesday, June 9, 2020. The notice of the AGM, and H Shareholders' Class Meeting is set out on pages 119 to 125 of this circular and were despatched by the Bank on Friday, April 24, 2020.

Whether or not you intend to attend and/or vote at the AGM, Domestic Shareholders' Class Meeting and H Shareholders' Class Meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the proxy form to our Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in case of H Shareholders), or to the office of the Board of the Bank ("Office of the Board") (in case of Domestic Shareholders) as soon as possible and in any event, not later than 24 hours before the scheduled time (10:00 a.m. on Monday, June 8, 2020) for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending in person and voting at the AGM and Class Meetings should you so wish, in this case, the proxy form should be deemed withdrawn. The proxy forms and reply slips for the AGM were despatched on Friday, April 24, 2020.

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

April 24, 2020

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DEFINITIONS

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

“AGM” or “2019 AGM” or “Annual General Meeting”	the annual general meeting of the Bank to be held at the Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC at 10:00 a.m. on Tuesday, June 9, 2020, or any adjournment thereof
“Articles of Association”	the Articles of Association of the Bank, as amended, modified or otherwise supplemented from time to time
“Associate(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“Bank” or “our Bank”	Jinshang Bank Co., Ltd.* (晉商銀行股份有限公司), a joint stock company established on October 16, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
“Board” or “Board of Directors”	the Board of Directors of the Bank
“Board of Supervisors”	the Board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (Guo Fa [2018] No. 6) (《國務院關於機構設置的通知》(國發[2018]6號)) issued by the State Council on March 24, 2018, and, if the context requires, includes its predecessors, namely the CBRC and CIRC
“China” or “PRC”	the People’s Republic of China, for the purpose of this circular, unless the context otherwise requires, excluding the regions of Hong Kong, Macau and Taiwan
“Class Meetings”	the Domestic Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“connected person(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission

DEFINITIONS

“Director(s)”	the director(s) of the Bank
“Domestic Shares”	the 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
“Domestic Shareholders’ Class Meeting”	the 2020 first class meeting of Domestic Shareholders or any adjourned meeting of the Bank to be held on Tuesday, June 9, 2020, immediately after the conclusion of the AGM or any adjournment thereof (whichever is the later)
“Group”	the Bank together with its subsidiaries
“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
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholders’ Class Meeting”	the 2020 first class meeting of H Shareholders or any adjourned meeting of the Bank to be held on Tuesday, June 9, 2020, immediately after the conclusion of the Domestic Shareholders’ Class Meeting or any adjournment thereof (whichever is the later)
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

DEFINITIONS

“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 activities, 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
“Latest Practicable Date”	April 20, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	the Domestic Share(s) and H Share(s) 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 Latest Practicable Date, the industrial and commercial procedures concerning the change of name were uncompleted
“substantial shareholder(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“Yuncheng Financial Service”	Yuncheng Financial Service Company Limited, being an Associate of Huaneng Capital
“%”	per cent

LETTER FROM THE BOARD



JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(stock code: 2558)

Executive Directors:

Mr. WANG Junbiao (王俊飈)[#]
(Chairman)[□]
Mr. TANG Yiping (唐一平)
(Vice Chairman)
Mr. WANG Peiming (王培明)
Mr. RONG Changqing (容常青)

Non-executive Directors:

Mr. LI Shishan (李世山)
Mr. XIANG Lijun (相立軍)
(Vice Chairman)[△]
Mr. LIU Chenhang (劉晨行)
Mr. LI Yang (李楊)[#]
Mr. WANG Jianjun (王建軍)

Independent Non-executive Directors:

Mr. JIN Haiteng (金海騰)
Mr. SUN Shihu (孫試虎)
Mr. WANG Liyan (王立彥)
Mr. DUAN Qingshan (段青山)[#]
Mr. SAI Zhiyi (賽志毅)
Mr. YE Xiang (葉翔)

Registered Address and Address of Head Office:

No. 59 Changfeng Street
Xiaodian District
Taiyuan
Shanxi Province, the PRC

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

[□] Subject to the approval of chairman qualification by the regulatory authorities for the banking industry.

[△] Subject to the approval of vice chairman qualification by the regulatory authorities for the banking industry.

[#] Subject to the approval of director qualification by the relevant regulatory authorities for the banking industry.

LETTER FROM THE BOARD

April 24, 2020

To the Shareholders,

Dear Sir/Madam,

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2019
- (2) WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2019
- (3) PROFIT DISTRIBUTION PLAN FOR 2019
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- (5) FINANCIAL BUDGET FOR 2020
- (6) REPORT OF THE BOARD OF SUPERVISORS ON SUPERVISION AND ASSESSMENT ON THE PERFORMANCE OF DUTIES BY DIRECTORS DURING 2019
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- (17) REPORT ON RELATED PARTY TRANSACTIONS FOR 2019 AND
- (18) NOTICE OF THE 2019 ANNUAL GENERAL MEETING AND H SHAREHOLDERS' CLASS MEETING

I. INTRODUCTION

The AGM, Domestic Shareholders' Class Meeting and H Shareholders' Class Meeting will be held at the Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC at 10:00 a.m. on Tuesday, June 9, 2020. The following resolutions will be proposed at the AGM, Domestic Shareholders' Class Meeting and H Shareholders' Class Meeting for the Shareholders to consider and, if thought fit, to approve: (1) the Work Report of the Board of Directors for 2019; (2) the Work Report of the Board of Supervisors for 2019; (3) the Profit Distribution Plan for 2019; (4) the Report of Final Financial Accounts for 2019; (5) the Financial Budget for 2020; (6) the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2019; (7) the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2019; (8) the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2019; (9) the

LETTER FROM THE BOARD

determination of the write-off amount for non-performing loans and bad debts for 2020; (10) the revision of the existing annual caps and the terms of continuing connected transactions; (11) the proposed extension of the term of authorization for the issuance of financial bonds; (12) the proposed issuance of green financial bonds; (13) the proposed issuance of tier-2 capital bonds; (14) the appointment of auditors to audit financial statements for 2020; (15) the proposed amendments to the Articles of Association; and (16) the proposed amendments to the Rules of Procedures for the Shareholders' General Meeting. In the meantime, Shareholders will listen to the report on related party transactions for 2019. The notice of the AGM and H Shareholders' Class Meeting is set out on pages 119 to 125 of this circular.

The purpose of this circular is to provide you with further details of these proposed matters to enable you to make an informed voting decision on the proposed resolutions at the AGM, Domestic Shareholders' Class Meeting and H Shareholders' Class Meeting.

II. MATTERS TO BE RESOLVED AT THE AGM AND CLASS MEETINGS

1. Work Report of the Board of Directors for 2019

For the Work Report of the Board of Directors for 2019, please refer to Appendix I to this circular.

2. Work Report of the Board of Supervisors for 2019

For the Work Report of the Board of Supervisors for 2019, please refer to Appendix II to this circular.

3. Profit Distribution Plan for 2019

On March 26, 2020, the Board resolved to submit to the Shareholders for their consideration and approval of the following profit distribution plan for the year ended December 31, 2019:

- (i) Appropriation of statutory surplus reserve. 10% of the net profit for 2019 amounting to RMB148,562,523.53 will be appropriated to the statutory surplus reserve;
- (ii) Based on 5,838,650,000 paid-up shares, including 4,868,000,000 Domestic Shares and 970,650,000 H Shares, at the end of 2019, a cash dividend of RMB11 (tax inclusive) for every 100 Shares for 2019 will be distributed to all Shareholders, amounting to RMB642,251,500 in aggregate. Dividends for H Shares will be paid in Hong Kong dollars, applicable to the average middle exchange rate of RMB to HKD as announced by the People's Bank of China prevailing five business days preceding the date of declaration of such dividends at the AGM (including the date thereof).

LETTER FROM THE BOARD

The balance of RMB785,078,662.94 will be carried forward to the subsequent years.

The final dividends, if approved by the 2019 AGM, is expected to be paid on July 29, 2020.

The Bank's register of members of H shares will be closed from Saturday, June 13, 2020 to Thursday, June 18, 2020 (both days inclusive). Shareholders whose names appear on the H share register of members and domestic share register of members of the Bank on Thursday, June 18, 2020 will be entitled to receive the final dividends. The holders of H Shares who qualify for receiving the final dividends shall lodge all transfer documents accompanied by the relevant H share certificates with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong to process the registration no later than 4:30 p.m. on Friday, June 12, 2020.

4. Report of Final Financial Accounts for 2019

For details of the audited final financial accounts for the year ended December 31, 2019 prepared in accordance with the International Financial Reporting Standards, please refer to the financial statements in the annual results announcement of the Bank for the year ended December 31, 2019 dated March 26, 2020 and the annual report of the Bank for the year ended December 31, 2019.

5. Financial Budget for 2020

Based on the demands for the Bank's strategic development and business expansion, the Bank plans to arrange capital expenditure of approximately RMB177.99 million in 2020, details are as follows :

1. investment in fixed assets of approximately RMB75.79 million, mainly used for expenditure on construction of science and technology such as renewal of equipment in science and technology machine rooms and the expansion of database and investment expenditure on electronic equipment for business and office and machinery equipment, etc.;
2. investment in intangible assets of approximately RMB55.80 million, mainly used for investment in instrument-based and construction-based IT projects and others; and
3. investment in decoration projects of approximately RMB46.40 million, mainly used for expenditure on decoration and renovation and optimization of layout of new outlets and original properties for business and office and others.

LETTER FROM THE BOARD

6. Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2019

For the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2019, please refer to Appendix III to this circular.

7. Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2019

For the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2019, please refer to Appendix IV to this circular.

8. Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2019

For the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by senior management during 2019, please refer to Appendix V to this circular.

9. Determination of the Write-off Amount for Non-performing Loans and Bad Debts for 2020

On March 26, 2020, the Board resolved to submit to the Shareholders for their consideration and approval of a plan on the amount of non-performing loans and bad debts written off for 2020 as follows:

The Bank's write-off amount for 2020 will be RMB1.5 billion (asset impairment losses).

10. Revision of the Existing Annual Caps and the Terms of Continuing Connected Transactions

I. Details on the Revision of the Existing Annual Caps on Continuing Connected Transactions

A. Original Huaneng Framework 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.

LETTER FROM THE BOARD

In the ordinary and usual course of business, the Bank participates in the asset management schemes launched by Great Wall Securities (“**Great Wall Securities Asset Management Schemes**”) prior to its listing and expects to continue to participate in such asset management schemes and also to participate in the collective trust schemes launched by Huaneng Guicheng Trust (“**Huaneng Guicheng Trust Schemes**”). To comply with the requirements of the Hong Kong Listing Rules, the Bank entered into the Original Huaneng Framework Agreement with Huaneng Capital on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes. The Original Huaneng Framework Agreement is valid until December 31, 2021, unless terminated earlier in accordance with the agreement.

Principal terms:

The principal terms of Great Wall Securities Asset Management Schemes are set out as follows:

- Great Wall Securities Co., Ltd. (“**Great Wall Securities**”) shall independently operate and manage the assets in accordance with the terms and conditions of the asset management schemes subject to the supervision of the asset custodian;
- the historical annualized return on investment of the assets management schemes ranges from 5.1% to 5.7%, the management fee rate ranges from 0.2% to 0.3% and the annual custody fee rate payable by the Bank to the asset custodian ranges from 0.02% to 0.1%;
- the term of such asset management schemes may range from six months to three years; and
- Great Wall Securities shall issue and publish asset management reports about the portfolio of the investment assets, net value of the assets, fees and investment return in accordance with the assets management schemes.

The principal terms of Huaneng Guicheng Trust Schemes are set out as follows:

- Huaneng Guicheng Trust Corp., Ltd. (“**Huaneng Guicheng Trust**”) shall, in its own name, manage, utilize or dispose the trust property in the interest of the Bank;

LETTER FROM THE BOARD

- the annual trust remuneration and the annual management fee payable to the trustee shall be calculated according to the formula as provided in the relevant trust agreement at a minimum rate of 0.3% and 0.1% respectively, and the annual custody fee rate payable by the Bank to the trust custodian is 0.01%;
- the term of such trust schemes is 36 months; and
- Huaneng Guicheng Trust shall provide the Bank information relevant to the trust schemes, including but not limited to notice of establishment of trust plan, trust property management report, trust property utilization and return report.

Other than Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes, the widen scope of the proposed annual caps under the Huaneng Framework Supplemental Agreement (as defined below) concerns fee-and commission-based products and services to be provided to Huaneng Capital and its Associates, which mainly include bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust products distribution services.

The widen scope of the proposed annual caps under the Huaneng Framework Supplemental Agreement (as defined below) concerns fee-and commission-based products and services to be provided by Huaneng Capital and its Associates, which mainly include the yuncheng payment (“**Yuncheng Payment**”) (being a service fee, based on a fixed fee rate, to be paid by the Group to Yuncheng Financial Service in relation to the Group’s “An Xin Fu” (安鑫富) series wealth management products on a mobile application developed and managed by Yuncheng Financial Service.

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 and/or its Associates, and/or widen the scope of cooperation stipulated in the Original Huaneng Framework Agreement.

LETTER FROM THE BOARD

B. Huaneng Framework Supplemental 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 Hong Kong 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.

LETTER FROM THE BOARD

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 collective asset management schemes launched by Great Wall Securities and Huaneng Guicheng Trust Schemes, the management fees are applicable to all investors participating in such plans equally and evenly, including Bank and any other independent third party investor participants. For single asset management schemes launched by Great Wall Securities, the management fees are at prevailing market rate based on arm's length negotiation.

For the fee- and commission-based products or services to be offered to Huaneng Capital and/or its Associates, (including bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust products distribution services) the Bank's pricing standards will be set, at the Bank's normal fee standards not lower than comparable third-party quotations and at a certain rate which is also applicable to independent counterparties on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration. In connection with the bank acceptance bill, the fixed percentage of commission is determined with reference to the *Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement* (支付結算辦法) published by the PBOC and an internal pricing guidance of the Group (the "**Price Guidance**") which listed the pricing basis for all of the products and services of the Group.

In connection with the settlement services provided by the Group to Huaneng Capital and its Associates, the commission rate is determined based on the Price Guidance and a number of factors, including the credit rating of the counterparties, tenure, face value of the bills or notes, costs may be incurred in relation to such transactions and prevailing market conditions.

In connection with the debt securities underwriting and distribution provided by the Group to Huaneng Capital and its Associates, such commission is determined based on arm's length negotiation between the debt securities issuers or the lead underwriter and the Group with reference to prevailing market rates, and where prevailing market rates are not applicable, the terms of the transactions are determined with reference to comparable transactions entered into with independent financial institutions.

LETTER FROM THE BOARD

In connection with the direct banking services provided by the Group to Huaneng Capital and its Associates, the commission/commission rate is determined based on the fees and commissions offered by the independent suppliers for the provision of similar services.

In connection with the fund/trust products distribution services provided by the Group, the commission is determined with reference to the prevailing market rates and no less favourable than that offered to independent third parties.

For the fee-and commission-based products or services to be provided by Huaneng Capital and/or its Associates (including the Yuncheng Payment), 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 independent third-party prices and duration. In connection with the Yuncheng Payment paid by the Group to Yuncheng Financial Service, the fee rate is determined based on arm's length negotiation and with reference to: (i) an internal cost assessment; and (ii) the transaction amount.

According to the Hong Kong 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 (which constitutes fees and commissions received/receivable and fees and commission paid/payable by Great Wall Securities Asset Management Scheme and Huaneng Guicheng Trust Schemes) 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

LETTER FROM THE BOARD

Revised annual caps

- (a) For the financial years ended December 31, 2020 and December 31, 2021, the Board proposed to increase 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 from RMB3,683,860.9 thousand and RMB4,839,019.2 thousand to the following figures:

	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 Board proposed to increase the annual caps on the fees and commission receivable by the Group from Huaneng Capital and/or its Associates from RMB173,141.5 thousand and RMB227,433.9 thousand to the following figures:

	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 Board proposed to increase the annual caps on the fees and commission payable by the Group to Huaneng Capital and/or its Associates from RMB11,441.4 thousand and RMB15,073.9 thousand to the following figures:

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

LETTER FROM THE BOARD

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) in relation to Great Wall Securities Asset Management Scheme and Huaneng Guicheng Trust Schemes, 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, had high utilization rate of the existing annual caps under the Original Huaneng Framework Agreement 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 maintain steady;
- (b) in relation to other new asset management schemes products, the Bank would consider the credential of the asset management company (i.e. the asset under management (“AUM”) exceeds RMB20 billion and top 60 asset management companies ranked by AUM for 2 consecutive years) and adopt the Bank’s investment guidelines (i.e. the investment in the debt securities must be no less than 80% in the investment portfolio; and for investment in single money market fund, the investment size must be no more than 10% of the fund size or the net worth of the fund), for example, the Bank has received the information sheets provided by Invesco Great Wall Fund Management Co., Ltd. and Great Wall Fund Management Co., Ltd. (both of which are Huaneng Capital’s Associates) regarding their schemes, the Bank has preliminarily agreed to participate such schemes in compliance with relevant investment guidelines;
- (c) 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, which is consistent with the Bank’s strategy to cooperate with leading enterprises in the province and to achieve business diversification, the fees and commission from bond underwriting business are expected to increase with the broader service scope of the Bank and increasingly mature business capabilities;
- (d) 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 which is consistent with the Bank’s strategy to diversify its business cooperation;
- (e) the possibility of the Group’s future launch of new products and services; and
- (f) the Bank and Huaneng Capital have made specific arrangements in relation to asset management schemes products, such as Great Wall Securities Asset Management Scheme and Huaneng Guicheng Trust Schemes for part of the businesses from cooperation.

LETTER FROM THE BOARD

C. *Original SSCIO Framework 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.

In the ordinary and usual course of business, the Bank provides fee- and commission-based products and services to SSCIO and its Associates. To comply with the requirements of the Hong Kong Listing Rules, the Bank entered into a financial products and services framework agreement (the “**SSCIO Financial Products and Services Framework Agreement**”) with SSCIO on June 24, 2019. The SSCIO Financial Products and Services Framework Agreement will be valid until December 31, 2021, unless terminated earlier in accordance with the agreement.

The fee-and commission-based products and services to be provided to SSCIO and its Associates after the Bank’s listing mainly include bank acceptance bills, letters of credit, debt securities distribution, debt securities underwriting, syndicated loans, direct banking services, settlement services and wealth management business.

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.

LETTER FROM THE BOARD

D. SSCIO Framework Supplemental Agreement

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 Hong Kong 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.

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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, at the Bank's normal fee standards, not lower than comparable third-party quotations and at a certain rate which is also applicable to independent counterparties, on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration. In connection with the bank acceptance bill, the fixed percentage of commission is determined with reference to the *Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement* (支付結算辦法) published by the PBOC and the Price Guidance which listed the pricing basis for all of the products and services of the Group.

In connection with the settlement services provided by the Group to SSCIO and its Associates, the commission rate is determined based on the Price Guidance and a number of factors, including the credit rating of the counterparties, tenure, face value of the bills or notes, costs may be incurred in relation to such transactions and prevailing market conditions as well as comparing factors such as third-party prices.

In connection with the debt securities underwriting and distribution provided by the Group to SSCIO and its Associates, such commission is determined based on arm's length negotiation between the debt securities issuers or the lead underwriter and the Group with reference to prevailing market rates by comparing third-party prices and where prevailing market rates are not applicable, the terms of the transactions are determined with reference to comparable transactions entered into with independent financial institutions.

In connection with syndicated loans, the commission/commission rate is determined based on arm's length negotiation between the syndicate members and the Group with reference to the *Notice of China Banking Regulatory Commission on Issuing the Guidelines for Syndicated Loan Business* (銀團貸款業務指引) issued by PBOC.

In connection with the direct banking services provided by the Group to SSCIO and its Associates, the commission/commission rate is determined based on the fees and commissions offered by the independent suppliers for the provision of similar services.

In connection with wealth management business provided by the Group to SSCIO and its Associates, the management fees/rates of management fees are based on the Price Guidance and no less favourable than those offered to independent third party investors.

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

LETTER FROM THE BOARD

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 Board proposed to increase the caps on the fees and commission receivable by the Bank from SSCIO and/or its Associates from RMB174.8 million and RMB230.0 million to the following figures:

	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, had high utilization rate of the existing annual caps under the Original SSCIO Framework Agreement 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 maintain steady;

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- (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, which is consistent with the Bank's strategy to cooperate with leading enterprises in the province and to achieve business diversification;
- (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; which is consistent with the Bank's strategy to diversify its business cooperation; and
- (d) the possibility of the Group's future launch of new products and services.

II. Grounds and Benefits of Entering Into Huaneng Framework Supplemental Agreement and SSCIO Framework Supplemental 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 negotiated 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, as one of the state-owned capital investment platform in Shanxi, has great financial strength. The cooperation helps the Bank to enhance its cooperation with state-owned enterprises and leading enterprises in the province and its business diversification.

The Directors 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 Bank and its Shareholders as a whole.

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III. 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 the 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 consulting firm to provide advisory services for the establishment of a related party (connected) transaction system. The Group 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 the Shareholders as a whole and the interests of the Bank 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 Hong Kong Listing Rules.

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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 Bank 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 the Bank and the Shareholders as a whole.
5. Each responsible unit must also report and submit detailed information to the Risk Management Department of the Bank 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 the Group's management and consider the measures to be taken to ensure that the requirements under the Hong Kong 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 the Group's 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 the Bank and the Shareholders as a whole. The independent non-executive Directors will also conduct annual reviews of continuing connected transactions in accordance with the Hong Kong Listing Rules. The Bank 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 Hong Kong Listing Rules, including whether the continuing connected transactions are conducted in accordance with the relevant pricing policies.

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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 and/or their Associates in accordance with the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental 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 Bank will properly monitor continuing connected transactions.

IV. 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, served in several subsidiaries of Huaneng Group, so he abstained from voting on the Board resolution regarding the Huaneng Framework Supplemental Agreement and the new cap at the Board meeting. WANG Jianjun, a non-executive Director, served in several subsidiaries of Shanxi Lu'an Mining Industry (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司), being the subsidiary of SSCIO, so he abstained from voting on the Board resolution regarding the SSCIO Framework Supplemental Agreement and the new cap at the Board meeting. Save as aforesaid, none of the Directors had significant interests in the Huaneng Framework Supplemental Agreement and SSCIO Framework Supplemental Agreement, or was required to abstain from voting on relevant board resolutions.

V. About the Parties to the Huaneng Framework Supplemental Agreement and SSCIO Framework Supplemental Agreement

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

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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. Huaneng Capital is one of the state-owned Shareholders and was held as to 61.22% by China Huaneng Group Co., Ltd., which was wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

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. SSICO is one of the state-owned Shareholders, which was wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province.

VI. *Implications of the Hong Kong Listing Rules*

Huaneng Framework Supplemental Agreement and SSCIIO Framework Supplemental Agreement

As at the Latest Practicable Date, Huaneng Capital and SSCIIO are the substantial shareholders of the Bank holding approximately 10.28% and 24.09% equity interests in the total issued share capital of the Bank respectively. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Huaneng Capital, SSCIIO and their respective Associates are connected persons of the Bank. The entering into of the Huaneng Framework Supplemental Agreement and the SSCIIO Framework Supplemental Agreement with Huaneng Capital and SSCIIO and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

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As one or more of the applicable percentage ratios (as defined in the Hong Kong 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 Hong Kong 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 Hong Kong Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the independent Shareholders as to (i) the Huaneng Framework Supplemental Agreement and the transactions contemplated thereunder and the proposed annual caps and (ii) the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder and the proposed annual caps. The letter from the Independent Board Committee setting out its advice and recommendations to the Independent Shareholders on (i) the Huaneng Framework Supplemental Agreement and the transactions contemplated thereunder and the proposed annual caps and (ii) the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder and the proposed annual caps is set out on page 32 to 33 of this circular. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021. The letter from 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, the transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021 is set out on page 34 to 69 of this circular.

Pursuant to Rule 14A.36 of the Hong Kong 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 regarding the Huaneng Framework Supplemental Agreement and the new caps at the Annual General Meeting, and SSCIO and its Associates must abstain from voting on the resolution regarding the SSCIO Framework Supplemental Agreement and the new caps at the Annual General Meeting.

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11. Proposed Extension of the Term of Authorization for the Issuance of Financial Bonds

On March 26, 2020, the Board resolved to submit to the Shareholders for their consideration and approval a plan for extending the term of authorization for the issuance of financial bonds:

On May 4, 2018, our Bank's 2017 Annual General Meeting considered and approved the resolution on the issuance of financial bonds of RMB10 billion, and authorized the Board and the Board delegated to the Chairman to deal with relevant specific matters in relation to this issuance of financial bonds up to May 3, 2020. In order to make sure the success and completion of the issuance of the second tranche of financial bonds, the extension of the term of authorization for 6 months is submitted at the Shareholders' general meeting for approval.

12. Proposed Issuance of Green Financial Bonds

On March 26, 2020, the Board resolved to submit to the Shareholders for their consideration and approval a plan for the issuance of green financial bonds:

(1) Size of issuance

Not more than RMB3 billion of green financial bonds in aggregate will be issued in one or more tranches.

(2) Duration of bonds

The duration of each tranche of bonds will not exceed 5 years in principle, subject to the Bank's capital requirements, investors' subscriptions and market conditions.

(3) Face value of bonds

RMB One Hundred (RMB100).

(4) Issue price

The bonds will be issued at market price.

(5) Method of issuance

The leading underwriter will form an underwriting syndicate for the bonds, which will be placed through book-building by bookrunners and issued in the domestic bond market among banks.

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(6) *Coupon rate*

The coupon rate of the bonds will be determined through the book-building process in placing or by the result of public tender.

(7) *Target subscribers*

The bonds will be issued to members of the national inter-bank bond market.

(8) *Use of proceeds*

The proceeds raised thereof will be used for the green projects specified in the Green Bond Support Project Directory (《綠色債券支持項目目錄》) prepared by the Green Finance Committee of the China Society for Finance and Banking.

(9) *Nature of bonds*

The order of repayment of the principal and interest is equivalent to the general liabilities of commercial banks, and has priority over to commercial banks' long-term subordinated debts, tier-2 capital instruments, hybrid capital bonds, other tier-1 capital instruments and unsecured commercial bank financial bonds of equity capital.

(10) *Authorization to the Board*

It is proposed to authorize the Board and then the Board delegates the senior management to handle the above-mentioned matters relating to the issuance of green financial bonds; to authorize the senior management to, as per the specific requirements of regulatory authorities, make appropriate adjustments to the terms of issuance within the scope of the issuance plan determined by the Board (including, but not limited to, the determination of the amount of issuance of each tranche, duration and coupon rate, retention arrangements) in accordance with the national policies, in light of market conditions and the Bank's needs for assets and liabilities management; to authorize the senior management to take other actions required to complete the above-mentioned issuance of green financial bonds (including, but not limited to, the engagement of necessary bond underwriters, credit rating agencies, law firms, accounting firms, third-party assessment and certification agencies or other professionals). The authorization will be valid for 36 months since the date of approval at the AGM.

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13. Proposed Issuance of Tier-2 Capital Bonds

On March 26, 2020, the Board resolved to submit to the Shareholders for their consideration and approval a plan for the issuance of tier-2 capital bonds:

It is proposed to redeem RMB2 billion of tier-2 capital bonds due in August 2020 and continue to issue RMB4 billion of tier-2 capital bonds. The issuance plan is as follows:

(1) Nature of bonds

The bonds are qualified tier-2 capital instruments with write-down clause but no share conversion clause, which are in compliance with the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).

(2) Size of issuance

Not more than RMB4 billion (inclusive).

(3) Duration of bonds

The duration of bonds will not be less than 5 years (inclusive), depending on the Bank's capital requirements, investors' subscriptions and market conditions.

(4) Coupon rate

The coupon rate is determined with reference to the market coupon rate.

(5) Method of issuance

The lead underwriter will form an underwriting syndicate for the bonds, which will be placed through book-building by bookrunners and issued in the domestic bond market among banks.

(6) Use of proceeds

The proceeds raised from the issuance of the qualified tier-2 capital instruments will be used, in accordance with applicable laws and regulatory approvals, to replenish the tier-2 capital of the Bank, increase our capital adequacy ratio, strengthen our operating capabilities, improve our ability to resist risks, as well as support the sustainable and steady development of our business.

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(7) Authorization to the Board

It is proposed to authorize the Board and then the Board delegates the Chairman to handle the above-mentioned matters relating to the issuance of tier-2 capital bonds; to the extent permitted by the regulatory authorities and as per the specific requirements of regulatory authorities, to make appropriate adjustments to the terms of issuance within the scope of the issuance plan determined by the Board (including, but not limited to, the determination of the amount of issuance of each tranche, duration and coupon rate of the bonds, retention arrangements); to take other actions required to complete the issuance of tier-2 capital bonds (including, but not limited to, the engagement of necessary bond underwriters, credit rating agencies, legal counsels or other professionals). The authorization will be valid for 36 months since the date of approval at the AGM.

14. Appointment of Auditors to Audit Financial Statements for 2020

Reference is made to the announcement published by the Company on March 26, 2020, pursuant to the Administrative Measures for the Appointment of Accounting Firms by Financial Enterprises (《金融企業選聘會計師事務所管理辦法》) (Caijin [2016] No. 12) issued by the Ministry of Finance, the term of appointment of an accounting firm by a financial enterprise shall not exceed eight years. KPMG Huazhen LLP and KPMG (collectively “KPMG”) have been consecutively engaged as the auditing agency for the financial statements of the Bank for eight years as of 2019. In order to comply with above requirement, the Bank has reached a mutual understanding with KPMG on the non-renewal of its appointment.

Under the recommendation of the audit committee of the Bank, the Board resolved that KPMG will retire as the independent auditor of the Group upon expiration of its current term of office with effect from the conclusion of 2019 AGM of the Bank.

An ordinary resolution will be proposed at the 2019 AGM to consider and, where appropriate, approve the appointment of Ernst & Young Hua Ming LLP as the domestic auditor of the Bank for the year 2020, and the appointment of Ernst & Young as the international auditor of the Bank for the year 2020, to hold office until the conclusion of the next annual general meeting of the Bank. The audit fees for the domestic and international financial statements for 2020 and the review fee for the international half-yearly financial statements are expected to be approximately RMB3.98 million.

15. Proposed Amendments to the Articles of Association

Please refer to Appendix VI to this circular for the details of amendments to the Articles of Association.

16. Proposed Amendments to the Rules of Procedures for the Shareholders’ General Meeting

Please refer to Appendix VII to this circular for the details of amendments to the Rules of Procedures for the Shareholders’ General Meeting.

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III. OTHERS

In addition, the Shareholders will listen to the report on related party transactions of the Bank for 2019 at the 2019 AGM, the text of which is set out in Appendix VIII to this circular.

IV. THE AGM AND H SHAREHOLDERS' CLASS MEETINGS

The AGM will be held at the Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC at 10:00 a.m. on Tuesday, June 9, 2020, to consider and, if thought fit, approve the resolutions relating to the matters set out in the notice of the AGM. The Domestic Shareholders' Class Meeting will be held at the same place immediately after the conclusion of the AGM, and the H Shareholders' Class Meeting will be held at the same place immediately after the conclusion of the Domestic Shareholders' Class Meeting. The proxy form and the reply slip will be despatched to the Shareholders on Friday, April 24, 2020. The notice of the AGM and H Shareholders' Class Meeting is set out on pages 119 to 125 of this circular.

The Bank's register of members will be closed from Saturday, May 9, 2020 to Tuesday, June 9, 2020 (both days inclusive), during which no transfer of Shares will be effected. The Shareholder(s) whose name(s) appear(s) in the Bank's register of Shareholders as at the close of business on May 8, 2020 (Friday) shall be entitled to attend and vote at the AGM and Class Meetings. In order to be eligible to attend and vote at the AGM and Class Meetings, all transfer documents together with relevant share certificates and other appropriate documents shall be sent for registration to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in case of H Shareholders) or to the Office of the Board at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (in case of Domestic Shareholders) by 4:30 p.m. on Friday, May 8, 2020.

If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other authorization documents under which the instrument is signed must be notarized and shall be deposited together and at the same time with the instrument appointing the proxy. To be valid, the proxy form together with a copy of the notarized power of attorney or other authorization documents must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in case of H Shareholders) or the Office of the Board (in case of Domestic Shareholders) at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC not later than 24 hours before the scheduled time for the commencement of the AGM (i.e. 10:00 a.m. on Monday, June 8, 2020) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM and Class Meetings or any adjournment thereof should you so wish, only in such event, the instrument appointing a proxy will be deemed to be revoked.

Pursuant to the Hong Kong Listing Rules, all resolutions at the AGM and Class Meetings will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The voting results will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (<http://www.jshbank.com/>) in accordance with the Hong Kong Listing Rules.

LETTER FROM THE BOARD

V. RECOMMENDATIONS

Non-connected Directors (including all independent non-executive Directors) are of the opinion that the terms of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021 are fair and reasonable, and have been entered into in the ordinary and usual course of business of the Group on normal commercial terms, which are in the interests of the Bank and the Shareholders as a whole. Therefore, the non-connected Directors (including all independent non-executive Directors) recommend all the Independent Shareholders/the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

The Board (including independent non-executive Directors) is of the opinion that all resolutions proposed at the AGM and Class Meetings are in the interests of the Bank and the Shareholders as a whole. Thus, the Board recommends that the Shareholders should vote in favor of all the relevant resolutions proposed at the AGM and Class Meetings (if applicable).

VI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices I to IX to this circular.

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

Taiyuan, April 24, 2020

* *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.*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders in connection with the Huaneng Framework Supplemental Agreement and SSCIO Framework Supplemental Agreement, transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021 for the purpose of inclusion in this circular.



JINSHANG BANK CO., LTD.*

晉商銀行股份有限公司*

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

(stock code: 2558)

To the Independent Shareholders of Jinshang Bank Co., Ltd.

April 24, 2020

Dear Sir or Madam,

REVISION OF THE EXISTING ANNUAL CAPS AND THE TERMS OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Bank dated April 24, 2020, of which this letter forms a part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in this circular.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on, whether the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021 are in the ordinary and usual course of business of the Group and are in the interests of the Bank and the Shareholders as a whole and the terms of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021 are on normal commercial terms and are fair and reasonable.

In addition, Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to (i) the letter from the Independent Financial Adviser as set out on pages 34 to 69 of this circular; (ii) the “Letter from the Board” on pages 4 to 31 of this circular; and (iii) the additional information set out in the appendix to this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account, among other things, the information set out in the letter from the Board, and the principal factors, reasons and recommendations set out in the letter from the Independent Financial Adviser contained in this circular, we are of the opinion that (i) the entering into the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Bank and the Shareholders as a whole; (ii) the terms of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps for the two years ending December 31, 2020 and 2021 are on normal commercial terms, fair and reasonable so far as the Bank and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the AGM to approve (i) the resolution regarding the Huaneng Framework Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps for the two years ending December 31, 2020 and 2021; and (ii) the resolution regarding the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps for the two years ending December 31, 2020 and 2021.

Yours faithfully,
For and on behalf of
the Independent Board Committee

JINSHANG BANK CO., LTD.

Mr. Jin Haiteng
*Independent non-
executive Director*

Mr. Sun Shihu
*Independent non-
executive Director*

Mr. Wang Liyan
*Independent non-
executive Director*

Mr. Duan Qingshan
*Independent non-
executive Director*

Mr. Sai Zhiyi
*Independent non-
executive Director*

Mr. Ye Xiang
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31, 2020 and 2021, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

April 24, 2020

To: the Independent Board Committee and the Independent Shareholders of Jinshang Bank Co., Ltd.

Dear Sir or Madam,

REVISION OF THE EXISTING ANNUAL CAPS AND THE TERMS OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, the transactions contemplated thereunder, and the proposed annual caps for the two years ending December 31 (“FY”), 2020 and 2021 (the “New Caps”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Bank to the Shareholders dated April 24, 2020 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On March 26, 2020, the Bank entered into 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 (as defined below) (if applicable).

As at the Latest Practicable Date, Huaneng Capital and SSCIO are substantial shareholders of the Bank holding approximately 10.28% and 24.09% equity interests in the total issued share capital of the Bank respectively. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Huaneng Capital, SSCIO and/or their respective Associates are connected persons of the Bank. The entering into of the Huaneng Framework Supplemental

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules and excluding profit ratio) calculated for the New Caps exceed 5%, according to Chapter 14A of the Hong Kong 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, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

At the sixth meeting of the fifth Board of Directors held on March 26, 2020, the Board approved, among others, the terms of the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the New Caps). Mr. Xiang Lijun, a non-executive Director, served in several subsidiaries of China Huaneng Group Co., Ltd. (中國華能集團有限公司) (the “**Huaneng Group**”), so he abstained from voting on the Board resolution regarding the Huaneng Framework Supplemental Agreement and the relevant New Caps at the Board meeting. Mr. Wang Jianjun, a non-executive Director, served in several subsidiaries of Shanxi Lu'an Mining Industry (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司), being a subsidiary of SSCIO, so he abstained from voting on the Board resolution regarding the SSCIO Framework Supplemental Agreement and the relevant New Caps at the Board meeting. Save as aforesaid, none of the Directors had significant interests in the Huaneng Framework Supplemental Agreement and/or SSCIO Framework Supplemental Agreement, or was required to abstain from voting on relevant Board resolutions.

Pursuant to Rule 14A.36 of the Hong Kong 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 AGM. Therefore, Huaneng Capital and its Associates must abstain from voting on the resolution regarding the Huaneng Framework Supplemental Agreement and the transactions contemplated thereunder (including the relevant New Caps) at the AGM, and SSCIO and its Associates must abstain from voting on the resolution regarding the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the relevant New Caps) at the AGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising of all independent non-executive Directors (being Mr. Jin Haiteng, Mr. Sun Shihu, Mr. Wang Liyan, Mr. Duan Qingshan, Mr. Sai Zhiyi and Mr. Ye Xiang), has been established by the Bank to advise and make recommendations to the Independent Shareholders in respect of the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the New Caps). Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this respect has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the entering into of the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Bank and the Shareholders as a whole; (ii) whether the terms of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the New Caps) are on normal commercial terms and fair and reasonable so far as the Bank and the Independent Shareholders are concerned; and (iii) to how the Independent Shareholders should vote on the relevant resolutions at the AGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Bank, Huaneng Capital, SSCIO or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Bank, Huaneng Capital, SSCIO or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the prospectus of the Bank dated June 28, 2019 (the “**Prospectus**”);
- (ii) the Bank’s interim report for the six months ended June 30, 2019 (the “**2019 Interim Report**”);
- (iii) the Bank’s annual results announcement for FY2019 (the “**2019 Annual Results**”);
- (iv) the framework agreement entered between the Bank and Huaneng Capital dated June 24, 2019 (the “**Original Huaneng Framework Agreement**”);
- (v) the financial products and services framework agreement entered between the Bank and SSCIO dated June 24, 2019 (the “**Original SSCIO Framework Agreement**”);
- (vi) the Huaneng Framework Supplemental Agreement;
- (vii) the SSCIO Framework Supplemental Agreement; and
- (viii) other information as set out in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Bank, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the AGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the New Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and transactions contemplated thereunder (including the New Caps), we have considered the following principal factors and reasons:

1. Information on the Group, Huaneng Capital and SSCIO

(i) Background of the Group

As mentioned in the Prospectus, the Bank was the only provincial city commercial bank in Shanxi Province, the PRC and is regulated by the CBIRC and the People's Bank of China (the "PBOC"). 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.

The Group recorded an operating income of approximately RMB5,088.9 million for FY2019, representing an increase of approximately 7.1% as compared to that of approximately RMB4,752.8 million for FY2018. The increase was mainly attributable to the growth in: (i) net fee and commission income by approximately 47.5% from approximately RMB423.7 million for FY2018 to approximately RMB624.8 million for FY2019; and (ii) net trading gains by approximately 87.8% from approximately RMB231.8 million for FY2018 to approximately RMB435.4 million for FY2019. The increase was partially offset by the decrease in net gains arising from investment securities from approximately RMB887.4 million to approximately 746.2 million for FY2019, representing a decrease of approximately 15.9%. The net profit of the Group increased from approximately RMB1,313.6 million for FY2018 to approximately RMB1,482.4 million for FY2019, representing an increase of approximately 12.9%. The improved profit, in addition to the aforementioned increase in operating income, was mainly due to the year-on-year decrease in income tax by approximately 32.8% as a result of an increase in the non-taxable income derived from the Bank's increased investments in the tax-free debt securities and bonds issued by the PRC government.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's total assets increased by approximately 3.7% from approximately RMB238.8 billion as at June 30, 2019 to approximately RMB247.6 billion as at December 31, 2019, which was mainly due to: (i) a rise of net financial investments by approximately 9.4% from approximately RMB84.9 billion as at June 30, 2019 to approximately RMB92.9 billion as at December 31, 2019; and (ii) a moderate increase of deposits with banks and other financial institutions from approximately RMB1,120.3 million as at June 30, 2019 to approximately RMB1,303.7 million as at December 31, 2019, representing a growth of approximately 16.4%. Such increase were partially offset by decreases in: (i) placements with banks and other financial institutions from approximately RMB3,602.3 million as at June 30, 2019 to approximately RMB1,300.4 million as at December 31, 2019, representing a decrease of approximately 63.9%; and (ii) cash and deposits with the central bank by approximately 12.0% from approximately RMB21.7 billion as at June 30, 2019 to approximately RMB19.1 billion as at December 31, 2019. As at December 31, 2019, the Group's total liabilities amounted to approximately RMB227.4 billion, representing a slight increase of approximately 2.2% from approximately RMB222.6 billion as at June 30, 2019.

(ii) Background of Huaneng Capital

Huaneng Capital, established in 2003, is a financial asset investment and professional management institution and financial service platform of the Huaneng Group. Huaneng Capital has gradually become a comprehensive financial service provider specializing in energy and basic industries and a complete financial holding company by leveraging the reputation and business resources supported by the Huaneng Group's strong industrial background. Huaneng Capital is one of the state-owned Shareholders and was held as to 61.22% by China Huaneng Group Co., Ltd., which was wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

(iii) Background of SSCIO

SSCIO, established in July 2017, is mainly responsible for state-owned capital investment operation and relates 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. SSICO is one of the state-owned Shareholders, which was wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Grounds and benefits of entering into of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement

The 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 negotiated with Huaneng Capital and SSCIO respectively to enter into supplemental agreements to amend the annual caps of the said transactions.

Relying on the Huaneng Group, Huaneng Capital is a comprehensive financial service provider specializing in energy and basic industries. SSCIO, as one of the state-owned capital investment platforms in Shanxi, having great financial strength. The cooperation helps the Bank to enhance its cooperation with state-owned and leading enterprises in the province and to achieve business diversification.

The Directors 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 term 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 Bank and the Shareholders as a whole.

We note from the 2019 Interim Report that the Group is promoting the transformation of business structure from deposit-oriented to a diversified business with more efforts put on the intermediary business such as asset management, investment banking, internet finance and credit cards. As stated in the 2019 Annual Results, the Group continued to drive the growth of intermediary business revenue and has marked a significant development in: (i) investment banking business including bond underwriting and syndicated loans; and (ii) direct banking business.

After considering the above, and also taking into account: (i) the Group has continued to grow in recent years and maintains a leading position in Shanxi Province; (ii) the improved financial performance and positions for FY2019 and as at December 31, 2019 as discussed in the sub-section headed "(i) Background of the Group" under the section headed "1. Information on the Group, Huaneng Capital and SSCIO" above; (iii) Huaneng Capital and SSCIO are mature financial institutions with strong financial capabilities and offer comprehensive financial products and services as abovementioned in the sub-sections headed "(ii) Background of Huaneng Capital" and "(iii) Background of SSCIO" under the section headed "1. Information on the Group, Huaneng Capital and SSCIO" above; and (iv) the management discussions as set out in the 2019 Interim Report and 2019 Annual Results which talked about diversification and revenue expansions, we are of the view that it is encouraging to see the Group, building on the existing collaboration with Huaneng Capital and SSCIO, by entering into the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement which are expected to diversify the Group's development and expand its revenue streams that are business activities within the ordinary and usual course of business of the Group.

3. Background information and principal terms of the Huaneng Framework Supplemental Agreement

3.1 Background information

Reference is made to the section entitled “Relationships with Connected Persons and Connected Transactions” in the Prospectus, which states that the Bank and Huaneng Capital entered into the Original Huaneng Framework Agreement on June 24, 2019, which is valid until December 31, 2021.

In the ordinary and usual course of business, the Bank participates in the asset management schemes (“**Great Wall Securities Asset Management Schemes**”) launched by Great Wall Securities Co., Ltd. (“**Great Wall Securities**”) prior its listing and expects to continue to participate in such asset management schemes and also to participate in the collective trust schemes (“**Huaneng Guicheng Trust Schemes**”) launched by Huaneng Guicheng Trust Corp., Ltd. (“**Huaneng Guicheng Trust**”). To comply with the requirements of the Hong Kong Listing Rules, the Bank entered into the Original Huaneng Framework Agreement with Huaneng Capital on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes. The Original Huaneng Framework Agreement is valid until December 31, 2021, unless terminated earlier in accordance with the agreement.

Other than Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes, the widen scope of the proposed annual caps under the Huaneng Framework Supplemental Agreement concerns fee-and commission-based products and services to be provided to Huaneng Capital and its Associates, which mainly include bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust products distribution services.

The widen scope of the proposed annual caps under the Huaneng Framework Supplemental Agreement concerns fee-and commission-based products and services to be provided by Huaneng Capital and its Associates, which mainly include “yuncheng payment” (“**Yuncheng Payment**”), being a service fee, based on a fixed fee rate, to be paid by the Group to Yuncheng Financial Service in relation to the Group’s “An Xin Fu” (安鑫富) series wealth management products on a mobile application (the “**Yuncheng App**”) developed and managed by Yuncheng Financial Service.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Therefore, after reassessment, the Board passed the resolution on and carried out the entering into 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 and/or their respective Associates, and/or widen the scope of cooperation stipulated in the Original Huaneng Framework Agreement.

3.2 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 New 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 FY2020 and FY2021 to be as follows:

Date: March 26, 2020

Parties: (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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For collective asset management schemes launched by Great Wall Securities and Huaneng Guicheng Trust Schemes, the management fees are applicable to all investors participating in such plans equally and evenly, including the Bank and any other independent third-party investor participants. For single asset management schemes launched by Great Wall Securities, the management fees are at prevailing market rate based on arm's length negotiation.

For the fee-and commission-based products or services to be offered to Huaneng Capital and/or its Associates, (including bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust products distribution services), the Bank's pricing standards will be set, at the Bank's normal fee standards, not lower than comparable third-party quotations and at a certain rate which is also applicable to independent counterparties, on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration. In connection with the bank acceptance bill, the fixed percentage of commission is determined with reference to the Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement (支付結算辦法) published by the PBOC (the "**PBOC Notice**") and an internal pricing guidance of the Group (the "**Price Guidance**") which listed the pricing basis for all of the products and services of the Group.

In connection with the settlement services provided by the Group to Huaneng Capital and its Associates, the commission rate is determined based on the Price Guidance and a number of factors, including the credit rating of the counterparties, tenure, face value of the bills or notes, costs may be incurred in relation to such transactions and prevailing market conditions.

In connection with the debt securities underwriting and distribution provided by the Group to Huaneng Capital and its Associates, such commission is determined based on arm's length negotiation between the debt securities issuers or the lead underwriter and the Group with reference to prevailing market rates with reference to prevailing market rates, and where prevailing market rates are not applicable, the terms of the transactions are determined with reference to comparable transactions entered into with independent financial institutions.

In connection with the direct banking services provided by the Group to Huaneng Capital and its Associates, the commission/commission rate is determined based on the fees and commissions offered by the independent suppliers for the provision of similar services.

In connection with the fund/trust products distribution services provided by the Group, the commission is determined with reference to the prevailing market rates and no less favourable than that offered to independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the fee-and commission-based products or services to be provided by Huaneng Capital and/or its Associates (including Yuncheng Payment), the Bank will be attentive to the purpose of the contracts with prudence, analyse the businesses, and set pricing standards no higher than those of third-party by comparing factors such as independent third-party prices and duration. In connection with Yuncheng Payment paid by the Group to Yuncheng Financial Service, the fee rate is determined based on arm's length negotiation and with reference to: (i) an internal cost assessment; and (ii) the transaction amount.

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

4. Background information and principal terms of the SSCIO Framework Supplemental Agreement

4.1 Background information

Reference is made to the section entitled “Relationships with Connected Persons and Connected Transactions” in the Prospectus, which states that the Bank and SSCIO entered into the Original SSCIO Framework Agreement on June 24, 2019, which is valid until December 31, 2021.

In the ordinary and usual course of business, the Bank provides fee-and commission-based products and services to SSCIO and its Associates. To comply with the requirements of the Hong Kong Listing Rules, the Bank entered into the Original SSCIO Framework Agreement with SSCIO on June 24, 2019. The Original SSCIO Framework Agreement will be valid until December 31, 2021, unless terminated earlier in accordance with the agreement.

The fee-and commission-based products and services to be provided to SSCIO and its Associates after the Bank's listing mainly include bank acceptance bills, letters of credit, debt securities distribution, debt securities underwriting, syndicated loans, direct banking services, settlement services and wealth management business.

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 and 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 passed the resolution on and carried out the entering into 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 respective Associates, as a replacement for the original annual caps.

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4.2 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 FY2020 and FY2021 to be as follows:

Date: March 26, 2020

Parties: (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.

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, at the Bank's normal fee standards, not lower than comparable third-party quotations and at a certain rate which is also applicable to independent counterparties, on the basis of market conditions and conditions of the corporates as well as by comparing factors such as third-party prices and duration.

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In connection with the bank acceptance bill, the fixed percentage of commission is determined with reference to the PBOC Notice and the Price Guidance which listed the pricing basis for all of the products and services of the Group.

In connection with the settlement services provided by the Group to SSCIO and its Associates, the commission rate is determined based on the Price Guidance and a number of factors, including the credit rating of the counterparties, tenure, face value of the bills or notes, costs may be incurred in relation to such transactions and prevailing market conditions as well as comparing factors such as third-party prices.

In connection with the debt securities underwriting and distribution provided by the Group to SSCIO and its Associates, such commission is determined based on arm's length negotiation between the debt securities issuers or the lead underwriter and the Group with reference to prevailing market rates and where prevailing market rates by comparing third-party prices are not applicable, the terms of the transactions are determined with reference to comparable transactions entered into with independent financial institutions.

In connection with syndicated loans, the commission/commission rate is determined based on arm's length negotiation between the syndicate members and the Group with reference to the Notice of China Banking Regulatory Commission on Issuing the Guidelines for Syndicated Loan Business (銀團貸款業務指引) issued by PBOC.

In connection with the direct banking services provided by the Group to SSCIO and its Associates, the commission/commission rate is determined based on the fees and commissions offered by the independent suppliers for the provision of similar services.

In connection with wealth management business provided by the Group to SSCIO and its Associates, the management fees/rates of management fees are based on the Price Guidance and no less favourable than those offered to independent third-party investors.

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

5. Internal control procedures

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 the 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. The Group has 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 standardise 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 the Shareholders as a whole and the interests of the Bank 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 Hong Kong Listing Rules.

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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 Bank 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 the Bank and the Shareholders as a whole.
5. Each responsible unit must also report and submit detailed information to the risk management department of the Bank 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 the Group's management and consider the measures to be taken to ensure that the requirements under the Hong Kong 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 the Group's 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 the Bank and the Shareholders as a whole. The independent non-executive Directors will also conduct annual reviews of continuing connected transactions in accordance with the Hong Kong Listing Rules. The Bank 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 Hong Kong 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 and SSCIO and/or their Associates in accordance with the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement, and the terms are fair and reasonable and have

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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 Bank will properly monitor continuing connected transactions.

We noted from the above that the Bank has adopted a host of internal control measures to assign specific responsibilities to various designated departments of the Bank in performing regular review of the terms of the continuing connected transactions and cross-checking 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 the Bank and the Shareholders as a whole.

We are of the view that the Bank's internal control measures are effective, which was evidenced through our satisfactory sample review of 23 historical agreements under the various products and services categories entered into between the Group, Huaneng Capital or/and SSCIO (the "**Historical Agreements**") against the same number of past agreements with independent third parties (the "**Independent Agreements**") under the same products and services categories whereby the pricing basis are in compliance with those pricing principles set out in Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement. We have also performed a walk-through of the internal control measures with the Management regarding the transactions performed under the abovementioned Historical Agreements and sample-checked the Bank's internal application and approval records.

Given the above, we concur with the Directors' view that the the internal control measures can result in the transactions contemplated thereunder the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement to be conducted in the ordinary and usual course of the Group's business, on normal commercial terms and are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

6. Commercial banking services and products

Prior to our assessment of the fairness and reasonableness of the New Caps, we have walked through with the Management the following common commercial banking services and products provided by the Bank and reviewed and tested each product or service's pricing terms.

6.1 Bank acceptance bills

The bank acceptance bill refers to a commercial bill issued by a drawer and it is accepted by a bank, according to which, the bank guarantees to pay a determined amount to the payee or the holder of the bill unconditionally on a specified date. All of the Group's acceptance bills are in RMB, and their terms are generally not more than six months for paper bills or one year for electronic bills. In connection with the bank acceptance bill, the fixed percentage of commission is determined with reference to the PBOC Notice and the Price Guidance which listed the pricing basis for all of the products and services of the Group.

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We have obtained and reviewed: (i) the PBOC Notice; (ii) the Price Guidance; (iii) three Historical Agreements in relation to bank acceptance bills; and (iv) three Independent Agreements in relation to bank acceptance bills, and noted that the fixed commission rates provided to Huaneng Capital or/and SSCIO is in line with the PBOC Notice, the Price Guidance, and no less favourable than those offered to independent third parties.

The Management advised that the Group would also regularly review the bank acceptance bills transactions under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement to ensure such transactions are executed in line with the PBOC Notice, the Price Guidance and internal control procedures of the Group with respect to continuing connected transactions. Based on the aforesaid review and control measures adopted by the Group, we concur with the Management that the Group has appropriate mechanisms in place to ensure the terms of the bank acceptance bills transactions under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement are in line with government guidance and no less favourable than those offered to independent third parties.

Having considered the factors set out above and based on our work performed, we are of the view that the terms of the bank acceptance bills transactions contemplated thereunder the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.2 Settlement services

In the ordinary and usual course of business, the Group offers corporate customers with domestic and international settlement services. The Group's domestic settlement products and services primarily include settlement effected through bank drafts, promissory notes, commercial acceptance bills, letters of credit, forfaiting and telegraphic transfers. The international settlement services primarily include inbound and outbound remittances, export collection, import and export letters of credit, and cross-border RMB settlement. In connection with the settlement services provided by the Group to Huaneng Capital and its Associates, the commission rates are determined based on the Price Guidance and a number of factors, including the credit rating of the counterparties, tenure, face value of the bills or notes, costs may be incurred in relation to such transactions and prevailing market conditions.

As advised by the Management, the commission rate is determined based on a number of factors, including the credit rating of the counterparties, tenure, face value of the bills or notes, costs may be incurred in relation to such transactions and prevailing market conditions.

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We have obtained and reviewed: (i) the Price Guidance; (ii) two Historical Agreements entered into in relation to the settlement services; and (iii) three Independent Agreements in relation to the settlement services, and noted that the commission rates provided to Huaneng Capital or/and SSCIO are in line with the Price Guidance, and no less favourable than those offered to independent third parties.

The Management advised that the Group would also regularly review the settlement services transactions under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement to ensure such transactions are executed in line with the prevailing market rates, the Price Guidance and internal control procedures of the Group with respect to continuing connected transactions. Based on the aforesaid review and control measures adopted by the Group, we concur with the Management that the Group has appropriate mechanisms in place to ensure the commission rates charged to Huaneng Capital or/and SSCIO are in line with market rates and no less favourable than those offered to independent third parties.

Having considered the factors set out above and based on our work performed, we are of the view that the terms of the settlement services transactions contemplated thereunder the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.3 Debt securities underwriting and distribution

The Group obtained the preliminary and Class-B qualifications for underwriting debt financing instruments issued by non-financial enterprises in October 2016 and February 2019, respectively, the latter of which allows the Group to act as a lead underwriter in the regional market.

The Group undertakes debt securities underwriting as a lead underwriter and debt securities distribution as a sub-underwriter in the ordinary and usual course of its business. Serving as an intermediary between the debt securities issuers and subscribers, the Group promotes and sells various debt securities products. In connection to the debt securities underwriting and distribution with Huaneng Capital and SSCIO, Huaneng Capital and SSCIO pay an underwriting commission or sub-underwriting commission to the Group. As advised by the Management, the underwriting commissions or sub-underwriting commissions are determined based on arm's length negotiation between the debt securities issuers or the lead underwriter and the Group.

As discussed with the Management, we understand that the commission rate is generally determined with reference to prevailing market rates, and where prevailing market rates are not applicable, the terms of the transactions are determined with reference to comparable transactions entered into with independent financial institutions. In assessing the debt securities underwriting and distribution transactions, we have obtained and reviewed: (i) the Price Guidance; (ii) four Historical Agreements entered into between the Group and SSCIO in relation to the debt securities underwriting/distribution services; and (iii) four Independent Agreements in relation to

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the debt securities underwriting/distribution services, which include the principal terms such as type of instruments, underwriting commitment and commission of such transactions. Based on our review, the principal terms of the debt securities underwriting/distribution transactions between the Group and SSCIO were no less favourable than those offered to independent third parties.

We understand from the Management that debt securities underwriting/distribution transactions are customer-driven in nature. The Group is looking to undertake such transactions with Huaneng Capital starting from FY2020. In spite of the absence of historical debt securities underwriting/distribution transactions between the Group and Huaneng Capital, the Management advised that the Group would regularly review the debt securities underwriting/distribution transactions under the Huaneng Framework Supplemental Agreement to ensure the commission rates be determined after arm's length negotiation and in line with the prevailing market rates.

Based on the aforesaid review and control measures to be adopted by the Group to oversee the debt securities underwriting/distribution transactions under the Huaneng Framework Supplemental Agreement, we concur with the Management that the Group has appropriate mechanisms in place to ensure the commission rates charged to Huaneng Capital and SSCIO would be in line with market rates.

Having considered the factors set out above and based on our work performed, we are of the view that the terms of the debt securities underwriting/distribution transactions contemplated thereunder the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.4 Syndicated loans

Syndicated loan is a form of loan business in which two or more lenders jointly provide loans for one or more borrowers on the same loan terms and with different duties and sign the same loan agreement. Usually, one bank is appointed as the agency bank to manage the loan business on behalf of the syndicate members.

As advised by the Management, the syndicated loans transactions are customer-driven in nature and the commission/commission rate is determined based on arm's length negotiation between the syndicate members and the Group with reference to the Notice of China Banking Regulatory Commission on Issuing the Guidelines for Syndicated Loan Business (銀團貸款業務指引) issued by PBOC.

We have obtained and reviewed: (i) the *Notice of China Banking Regulatory Commission on Issuing the Guidelines for Syndicated Loan Business*; (ii) the Price Guidance; (iii) two Historical Agreements entered into between the Group and SSCIO in relation to syndicated loans; and (iv) an Independent Agreement in relation to syndicated loans, and noted that the terms provided to SSCIO were in line with the relevant notice published by PBOC, and no less favourable than those offered to independent third parties.

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Having considered the factors set out above and based on our work performed, we are of the view that the terms of the syndicated loans transactions contemplated thereunder the SSCIO Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.5 Direct banking services

The Group provides direct banking services as a convenient gateway for customers to buy wealth management products online. In connection with the direct banking services provided by the Group to Huaneng Capital and SSCIO, Huaneng Capital and SSCIO pay a commission, based on a commission rate or a gross commission amount, to the Group.

As advised by the Management, the commission/commission rate is determined based on the fees and commissions offered by the independent suppliers for the provision of similar services.

We have obtained and reviewed: (i) the Price Guidance; (ii) three Historical Agreements entered into between the Group, Huaneng Capital or/and SSCIO in relation to the direct banking services; and (iii) three Independent Agreements in relation to the direct banking services, and noted that the terms provided to Huaneng Capital or/and SSCIO were in line with the Price Guidance and no less favourable than those offered to independent third parties.

The Management advised that the Group would also regularly review the direct banking transactions under the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement to ensure such transactions are executed in line with internal control procedures of the Group with respect to continuing connected transactions.

Having considered the factors set out above and based on our work performed, we are of the view that the terms of direct banking transactions contemplated thereunder the Huaneng Framework Supplemental Agreement and SSCIO Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.6 Wealth management business

In the ordinary and usual course of business, the Group provides differentiated wealth management products with flexible terms and yields based on customers' needs and risk tolerance levels. These investment products include "Xi Ying (喜盈)" series, being non-principal protected products with floating yields, etc. The Group derives

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management fees and the relevant rates of management fees (including performance fee and other applicable fees) for each wealth management product that would be based on, among others, the size and nature of the wealth management products and market practice.

Based on the Price Guidance, the sales commission ranges from 0.1% to 1.0% of the total sales per annum and the investment management fee ranges from 0.1% to 2.0% of the assets under management per annum.

We have obtained and reviewed: (i) the Price Guidance; (ii) 2 investment term sheets of “Xi Ying (喜盈)” series provided to SSCIO’s Associates; (iii) 2 purchase records of “Xi Ying (喜盈)” series products by SSCIO’s Associates; (iv) 2 investment term sheets of “Xi Ying (喜盈)” series provided to independent third parties; and (v) 2 purchase records of “Xi Ying (喜盈)” series products by independent third parties. We reviewed the principal terms in the investment term sheets including the sales commission and management fee and noted that the terms offered to SSCIO were in line with Price Guidance and no less favourable than those offered to independent third-party investors.

Having considered the factors set out above and based on our work performed, we are of the view that the terms of wealth management products transactions contemplated thereunder the SSCIO Framework Supplemental Agreement are in the ordinary and usual course of its business and are conducted on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.7 Yuncheng payment

The Group promotes and sells “An Xin Fu” (安鑫富) series products on the Yuncheng App developed and managed by Yuncheng Financial Service, an Associate of Huaneng Capital. In connection with the wealth management products sold through the Yuncheng App, the Group shall pay a service fee, based on a fixed fee rate, to Yuncheng Financial Service as marketing fee.

As advised by the Management, the fee rate ranges from 0.4% to 0.5%, which is determined with reference to: (i) an internal cost assessment; and (ii) the transaction amount. We have obtained and reviewed: (i) the internal cost assessment; and (ii) a Historical Agreement. We have discussed with the Management and understand that: (i) the service fee paid for Yuncheng Payment transactions by the Group were covered by the gross commission charged on its customers for “An Xin Fu” (安鑫富) series product; (ii) the cost in relation to the marketing and sales of “An Xin Fu” (安鑫富) series product on Yuncheng App is less than on the Group’s own online platform; and (iii) based on a strategic cooperation with Yuncheng Financial Service, Yuncheng Financial Service will further promote the Group’s other financial products and services to its users.

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As advised by the Management, in spite of the absence of Yuncheng Payment transactions between the Group and the independent third parties, the Bank would regularly review the terms of each service/product agreement in respect of its payment transactions with Yuncheng Financial Service based on arm's length negotiation and with reference to its internal cost assessment.

Having considered the factors set out above and based on our work performed, we are of the view that the terms of Yuncheng Payment transactions contemplated thereunder the Huaneng Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.8 Fund/trust products distribution services

The Group provides fund/trust products distribution services to fund/trust suppliers in the ordinary and usual course of its business. Serving as an intermediary or referrer between the fund/trust suppliers and the fund subscribers, the Group promotes and sells various fund/trust products issued by Huaneng Guicheng Trust for a commission charged on the basis of a certain percentage of the subscription fee and management fee received by the fund/trust suppliers in relation to the funds/trusts. Such fees and commissions payable by Huaneng Guicheng Trust are calculated with reference to the prevailing market rates and the underlying transaction volumes based on an agreed fee schedule, subject to various factors including but not limited to: (i) prevailing market rates; and (ii) the Group's relationship with fund/trust suppliers.

As advised by the Management, the commission rate ranges from 0.1% to 4%, which is determined with reference to the fees and commissions offered by the independent fund suppliers for the provision of similar services.

We have obtained and reviewed: (i) the Price Guidance; (ii) two Historical Agreements in relation to the fund/trust products distribution services; and (iii) three Independent Agreements in relation to the fund/trust products distribution services, and noted that the commission rates provided to Huaneng Capital were in line with the Price Guidance and no less favourable than that offered to independent third parties.

As part of the control procedures to ensure that terms of the transactions under the relevant distribution agreements entered into between the Group and Huaneng Guicheng Trust are in line with the market or no less favourable than those offered to independent third parties, we understand from the Management that prior to entering into the relevant distribution agreements, it is the Group's practice to compare the market rates of comparable fund distribution transactions. The Group would also regularly review the transactions under the relevant distribution agreements to ensure such transactions are executed in line with the terms set out under the relevant distribution agreements and the agreed fee schedule.

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Having considered the factors set out above and based on our work performed, we are of the view that the terms of the fund/trust products distribution transactions contemplated thereunder the Huaneng Framework Supplemental Agreement are in the ordinary and usual course of its business, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

7. The New Caps

7.1 *New Caps under the Huaneng Framework Supplemental Agreement*

- (a) For FY2020 and FY2021, the Board proposed to increase 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 from approximately RMB3,683,860,900 and RMB4,839,019,200 to the following figures:

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Investment amount	9,700,000	12,340,000

- (b) For FY2020 and FY2021, the Board proposed to increase the annual caps on the fees and commission receivable by the Group from Huaneng Capital and/or its Associates from approximately RMB173,141,500 and RMB227,433,900 to the following figures:

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Total	460,000	570,000

- (c) For FY2020 and FY2021, the Board proposed to increase the annual caps on the fees and commission payable by the Group from Huaneng Capital and/or its Associates from approximately RMB11,441,400 and RMB15,073,900 to the following figures:

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Total	40,000	54,000

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The Directors determined the relevant New Caps and the widening of the scope of business cooperation agreed in the Original Huaneng Framework Agreement with reference to the following which included:

- (a) in relation to Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes, the historical amounts for the provision of fee-and commission-based products and services by the Group to Huaneng Capital and its Associates in FY2017, FY2018 and FY2019 (the “**Historical Review Period**”) had high utilization rate of the existing annual caps under the Original Huaneng Framework Agreement, and the fluctuations in the volume of these products and services in the Historical Review Period maintain steady;
- (b) in relation to other new asset management schemes products, the Bank would consider the credential of the asset management company (i.e. the asset under management (“**AUM**”) exceeds RMB20 billion and top 60 asset management companies ranked by AUM for 2 consecutive years) and adopt the Bank’s investment guidelines (i.e. the investment in the debt securities must be no less than 80% in the investment portfolio; and for investment in single money market fund, the investment size must be no more than 10% of the fund size or the net worth of the fund), for example, the Bank has received the information sheets provided by Invesco Great Wall Fund Management Co., Ltd. (“**IGWFM**”) and Great Wall Fund Management Co., Ltd. (“**GWFM**”) (both of which are Huaneng Capital’s Associates) regarding their schemes, the Bank has preliminarily agreed to participate in such schemes in compliance with relevant investment guidelines;
- (c) 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, which is consistent with the Bank’s strategy to cooperate with leading enterprises in the province and to achieve business diversification, the fees and commission from bond underwriting business are expected to increase with the broader service scope of the Bank and increasingly mature business capabilities;
- (d) 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 which is consistent with the Bank’s strategy to diversify its business cooperation;
- (e) the possibility of the Group’s future launch of new products and services; and

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- (f) the Bank and Huaneng Capital have made specific arrangements in relation to asset management schemes products, such as Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes for part of the businesses from cooperation.

7.2 *Our assessment*

(A) *Review of historical transaction amounts*

We have reviewed the historical transaction amounts, the relevant annual caps under the Original Huaneng Framework Agreement (which constitutes fees and commissions received/receivable and fees and commission paid/payable by Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes) for the Historical Review Period:

	FY2017	FY2018	FY2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Investment amount	30,000.0	452,610.0	2,673,859.6
Annual caps	N/A	N/A	2,679,893.0
<i>Utilization rate</i>	<i>N/A</i>	<i>N/A</i>	<i>99.8%</i>
Return of investment	872.4	2,075.3	120,321.9
Annual caps	N/A	N/A	120,595.2
<i>Utilization rate</i>	<i>N/A</i>	<i>N/A</i>	<i>99.8%</i>
Management fees	45.1	109.5	2,173.8
Annual caps	N/A	N/A	8,185.7
<i>Utilization rate</i>	<i>N/A</i>	<i>N/A</i>	<i>26.6%</i>

As noted from the table above, both the annual caps in respect of the investment amount and return of investment for FY2019 under the Original Huaneng Framework Agreement have been almost fully used with an utilization rate of approximately 99.8%. Nevertheless, a comparatively low utilization rate of approximately 26.6% for the management fees was recorded.

During the past three years, the investment amount increased substantially from approximately RMB30.0 million for FY2017 to approximately RMB2.7 billion for FY2019 representing a compound annual growth rate (“CAGR”) of approximately 848.7%. Compared to that of FY2019, the New Caps for investment amount in FY2021 will be approximately RMB12.3 billion, representing a CAGR of approximately 113.4%. For FY2019, the Group recorded the return of investment of approximately RMB120.3 million, representing a CAGR of approximately 1,056.1% as compared to that of FY2017 of approximately RMB0.9 million. Compared to that of FY2019, the New Caps for return of investment (i.e. fees and commissions receivable by the Group) in FY2021 will be approximately RMB570.0 million, representing a CAGR of approximately 117.7%. For FY2019, the Group also recorded a management fee of approximately RMB2.2 million, representing a

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year-on-year increase of more than twenty-fold as compared to that of FY2018 of approximately RMB0.1 million. The New Caps for management fees and commissions payable by the Group in FY2020 of approximately RMB40.0 million would project a year-on-year increase of little more than seventeen-fold, which is still short of the historical increase noted in FY2019. We have noticed the drastic increase in the past three years as stated above, therefore we consider that the growth rate is justifiable.

(B) New Caps breakdown

The New Caps under the Huaneng Framework Supplemental Agreement are set out below:

	FY2020 <i>(RMB'M)</i>	FY2021 <i>(RMB'M)</i>
Investment amount	9,700.0	12,340.0
Fees and commissions receivable by the Group	460.0	570.0
Fees and commissions payable by the Group	40.0	54.0

As advised by the Management, the New Caps of the investment amount, in addition to the Group's continuing participation in the Great Wall Securities Asset Management Schemes and the Huaneng Guicheng Trust Schemes, have also taken into account of the Group's future participation in two new funds management schemes, being schemes launched by IGWFM and GWFM, both of which are Huaneng Capital's Associates known as "IGWFM Schemes" and "GWFM Schemes" respectively. The New Caps of the fees and commissions receivable/payable of the Group have taken into account the commercial banking services and products to be offered to/provided by Huaneng Capital and its Associates, including settlement services, debt securities underwriting, direct banking services, Yuncheng payment and fund/trust products distribution.

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We have obtained the breakdown of investment amount, fees and commissions receivable and fees and commission payable by scheme (Great Wall Securities Asset Management Schemes, Huaneng Guicheng Trust Schemes, IGWFM Schemes and GWFM Schemes) for FY2017 to FY2021.

	FY2017	FY2018	FY2019	FY2020	FY2021
	<i>(RMB'M)</i>	<i>(RMB'M)</i>	<i>(RMB'M)</i>	<i>(RMB'M)</i>	<i>(RMB'M)</i>
Investment amount					
Great Wall Securities Asset Management Schemes	30.0	452.6	1,673.9	2,200.0	2,840.0
Huaneng Guicheng Trust Schemes	–	–	1,000.0	2,500.0	2,500.0
IGWFM Schemes	–	–	–	2,500.0	3,500.0
GWFM Schemes	–	–	–	2,500.0	3,500.0
Sub-total	30.0	452.6	2,673.9	9,700.0	12,340.0
Fees and commissions receivable by the Group					
Great Wall Securities Asset Management Schemes	0.9	2.1	75.3	98.3	127.8
Huaneng Guicheng Trust Schemes	–	–	45.0	112.5	112.5
IGWFM Schemes	–	–	–	101.3	140.1
GWFM Schemes	–	–	–	101.3	140.1
Other fees and commissions receivable by the Group	–	–	–	46.6	49.5
Sub-total	0.9	2.1	120.3	460.0	570.0
Fees and commissions payable by the Group					
Great Wall Securities Asset Management Schemes	–	0.1	0.7	3.3	4.3
Huaneng Guicheng Trust Schemes	–	–	1.5	3.8	3.8
IGWFM Schemes	–	–	–	11.5	16.5
GWFM Schemes	–	–	–	11.5	16.5
Other fees and commissions payable by the Group	–	–	–	9.9	12.9
Sub-total	–	0.1	2.2	40.0	54.0

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We note from the table, the New Caps of the investment amount for each set of schemes for FY2020 tends to range from RMB2.2 billion to RMB2.5 billion, with most allocations set at RMB2.5 billion. Most of the allocations are projected to grow in FY2021 by various degrees ranging from approximately 29.1% to 40.0% with the exception of Huaneng Guicheng Trust Schemes, the allocation of RMB2.5 billion would remain static in FY2020 and FY2021. The projections of investment return and management fees appear to be in line with the investment guidelines to be discussed below. Other fees and commissions, in our view, can be regarded as buffers.

To further assess the fairness and reasonableness of this breakdown and in particular the widened scope of products/services under the Huaneng Framework Supplemental Agreement, we have discussed with the Management on the investment budgets, as well as the needs of the Bank for allocation of its investment portfolio.

We understand from the Management that the Bank shortlists potential asset management companies, being the issuer of the investment schemes, based on the following criteria:

- (i) the AUM exceeds RMB20 billion; and
- (ii) top 60 asset management companies ranked by AUM for two consecutive years.

In identifying potential investment schemes, the Bank adopts the following investment guidelines:

- (i) the investment in the debt securities such as deposits or bonds must be no less than 80% in the investment portfolio; and
- (ii) for investment in single money market fund, the investment size must be no more than 10% of the fund size or the net worth of the fund.

Based on the above criteria, the Bank will review the information sheets of investment schemes received from shortlisted asset management companies and take into account of: (i) the credential of the asset management company; (ii) the background of investment managers; (iii) historical track record; and (iv) forecasted investment returns in selecting appropriate investment schemes to participate in.

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As disclosed in the Letter from the Board, the principal terms of Great Wall Securities Asset Management Schemes are set out as follows:

- Great Wall Securities shall independently operate and manage the assets in accordance with the terms and conditions of the asset management schemes subject to the supervision of the asset custodian;
- The historical annualized return on investment of the assets management schemes ranges from 5.1% to 5.7%, the management fee rate ranges from 0.2% to 0.3% and the annual custody fee rate payable by the Bank to the asset custodian ranges from 0.02% to 0.1%;
- The term of such asset management schemes may range from six months to three years; and
- Great Wall Securities shall issue and publish asset management reports about the portfolio of the investment assets, net value of the assets, fees and investment returns in accordance with the asset management schemes.

As disclosed in the Letter from the Board, the principal terms of Huaneng Guicheng Trust Schemes are set out as follows:

- Huaneng Guicheng Trust shall, in its own name, manage, utilize or dispose the trust property in the interest of the Bank;
- The annual trust remuneration and the annual management fee payable to the trustee shall be calculated according to the formula as provided in the relevant trust agreement at a minimum rate of 0.3% and 0.1% respectively, and the annual custody fee rate payable by the Bank to the trust custodian is 0.01%;
- The term of such trust schemes is 36 months; and
- Huaneng Guicheng Trust shall provide the Bank information relevant to the trust schemes, including but not limited to notice of establishment of trust plan, trust property management report, trust property utilization and return report.

As disclosed in the Letter from the Board, the Bank and Huaneng Capital have made specific arrangements for part of the businesses cooperation to participate in IGWFM Schemes and GWFM Schemes. We have discussed with the Management and understood the Bank and Huaneng Capital have agreed to deepen their cooperation starting from FY2020. We noted that the Bank has received and

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reviewed certain scheme information sheets from IGWFM and GWFM regarding IGWFM Schemes and GWFM Schemes and has preliminarily agreed on the investment amounts in these two schemes in compliance with relevant investment guidelines.

Based on the preliminary information sheets we obtained from IGWFM, the principal terms of IGWFM Schemes are set out as follows:

- IGWFM shall independently operate and manage the assets in accordance with the terms and conditions of the fund management schemes subject to the supervision of the asset custodian;
- The estimated annualized return on investment of the schemes is around 3.8%, the management fee rate is around 0.4%;
- Subject to the compliance of the investment mandate of the schemes, the portfolio's investment themes will mainly include, among others, national debts, and central bank bills etc;
- The schemes size as at April 3, 2019 was approximately RMB11.2 billion;
- The term of such schemes is three years; and
- IGWFM shall issue and publish fund management reports about the portfolio of the investment assets, net value of the assets, fees and investment returns in accordance with the schemes.

Based on the preliminary information sheets we obtained from GWFM, the principal terms of GWFM Schemes are set out as follows:

- GWFM shall independently operate and manage the assets in accordance with the terms and conditions of the fund management schemes subject to the supervision of the asset custodian;
- The estimated annualized return on investment of the schemes is around 3.5%, the management fee rate is around 0.2%;
- The portfolio will mainly include, among others, national debts, regional government debts, corporate bonds, central bank bills, subordinated debentures, medium-term note etc;
- The target scheme size is around RMB10.0 billion;
- The term of such scheme is two years; and

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- GWFM shall issue and publish fund management reports about the portfolio of the investment assets, net value of the assets, fees and investment returns in accordance with the schemes.

Based on our research, IGWFM was incorporated on June 12, 2003, with a registered capital of RMB130 million and is headquartered in Shenzhen. According to IGWFM's company website, by the end of 2017, IGWFM was managing 71 open-ended funds with total AUM of approximately RMB72.6 billion, offering a broad scope of investment strategies, including active equity, multi-assets, quant, fixed income, passive strategies and global investment strategies. GWFM was incorporated on December 27, 2001, with a registered capital of RMB150 million and is headquartered in Shenzhen. As at the end of June 2019, GWFM was managing 45 public funds with total AUM of approximately RMB94.1 billion, offering a broad scope of investment strategies, including active equity, multi-assets, index tracking, fixed income etc. Among the fixed income products offered by these two companies under the investment scheme, the principal terms will be different among these products.

We obtained and reviewed correspondences between the Group and each of IGWFM and GWFM and performed a walk-through of the decision-making process with the Management regarding the selection of potential investment schemes. Based on our work done, we are of the view that the Bank has performed sufficient and effective procedures to identify the potential investment schemes to be in line with the Bank's investment guidelines.

We further discussed with the Management on the investment needs of the Group and understand that the next year's budget for fund investments is primarily determined based on: (i) the closing balance for fund investments as at the end of the financial year; and (ii) the number of shortlisted asset management companies. As advised by the Management and we also noted from the 2019 Annual Results, the Group recorded a closing balance for fund investments approximately RMB26.4 billion as at December 31, 2019, representing a growth of approximately 56.3% as compared to the closing balance for fund investments of approximately RMB16.9 billion as at December 31, 2018. The Management estimates the closing balances for fund investments as at December 31, 2020 and December 31, 2021 will grow at such comparable pace to approximately RMB41.2 billion and RMB64.5 billion respectively. On the other hand, the Management estimated that the number of shortlisted asset management companies would reach 17 and 21 as at December 31, 2020 and December 31, 2021, respectively. Based on the simple average closing balances per asset management company (i.e. the estimated closing balances for fund investments as at December 31, 2020 and December 31, 2021 divided by the estimated number of shortlisted asset management companies for the relevant years) as at December 31, 2020 and December 31, 2021 of approximately RMB2.4 billion and RMB3.1 billion respectively, the total investment amounts to be invested in the four aforesaid schemes (Great Wall Securities Asset Management Schemes,

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Huaneng Guicheng Trust Schemes, IGWFM Schemes and GWFM Schemes) under the Huaneng Framework Agreement will be approximately RMB9.7 billion and RMB12.3 billion for FY2020 and FY2021, respectively.

(C) Other considerations

The Class-B lead underwriter qualification for underwriting debt financing instruments issued by non-financial enterprises allows the Bank to provide underwriting services to non-financial enterprises in relation to, among others, medium-term notes, commercial papers, private placement notes, asset-backed medium-term notes, project revenue notes etc. According to the announcement published by the National Association of Financial Markets Institutional Investors on February 22, 2019, the Bank should jointly carry out the main underwriting business with the banks with the Class-A qualification. After one year of joint development of the main underwriting business, Class-B banks may independently carry out the main underwriting business. Therefore, the fees and commission from bond underwriting business are expected to increase with a broader service scope and increasingly mature business capabilities.

According to the 2019 Annual Results, the Bank is committed to making use of advanced technologies to provide customers with convenient online and mobile financial products and services and enriched its online direct banking services and attracted customers with a good tailor-made user experience through technological upgrade. As a result, the online direct banking business has grown rapidly in FY2019. It forms a relatively comprehensive product line covering products such as deposits, wealth management, and investment, being granted with the titles of “Outstanding Internet Financial Bank” and “China Internet Finance Emerging Bank”. These titles represent not only a recognition of past results, but also an indication on the good prospect of the online direct banking platform development.

According to the 2019 Interim Report, the Bank’s strategic goal is to harness its core competitiveness through serving and supporting Shanxi Province’s economic development, and to become a listed regional bank with strong competitiveness in the local market that boasts featured products and services and comprehensive functions. The Bank is promoting the transformation of business structure. It adheres to the philosophy of “building a bank founded and thriving on the basis of deposit” and develops retail business in diverse perspectives; strengthens joint marketing efforts of head office and branches to serve corporate customers, optimizes its customer structure, consolidates the foundation of its business; continuously strengthen the vitality of rising businesses such as asset management, investment banking, internet finance and credit cards, making significant contribution to driving the revenue growth of the Bank’s intermediary business.

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Having considered the above, we are of the view that it is fair and reasonable to widen the scope of business cooperation between the Bank and Huaneng Capital and to adopt the relevant New Caps under the Huaneng Framework Supplemental Agreement.

Furthermore, we have obtained and reviewed four Historical Agreement against 11 Independent Agreements in relation to asset management schemes and noted that the terms therein are on normal commercial terms and no less favourable than those offered by independent third parties.

7.3 New Caps under the SSCIO Framework Supplemental Agreement

For FY2020 and FY2021, the Board proposed to increase the caps on the fees and commission receivable by the Bank from SSCIO and/or its Associates from approximately RMB174.8 million and RMB230.0 million to the following figures:

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Total	215,000	285,000

The Directors determined the relevant New 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 Historical Review Period had high utilization rate of the existing annual caps under the Original SSCIO Framework Agreement and the fluctuations in the volume of these products and services in the Historical Review Period maintain steady;
- (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 which is consistent with the Bank's strategy to cooperate with leading enterprises in the province and to achieve business diversification;
- (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 which is consistent with the Bank's strategy to diversify its business cooperation; and
- (d) the possibility of the Group's future launch of new products and services.

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7.4 *Our assessment*

(A) *Review of historical transaction amounts*

Most of the fee-and commission-based products and services provided by the Group to SSCIO and its Associates are those set out under the section headed “6. Commercial banking services and products” in this letter above. The relevant transactions contemplated under the SSCIO Framework Supplemental Agreement would include bank acceptance bills, settlement services, debt securities underwriting/distribution, syndicated loans, direct banking services and wealth management business, which are all conducted in the ordinary and usual course of the Bank’s business.

We have reviewed the historical transaction amounts, the relevant annual caps under the Original SSCIO Framework Agreement for the Historical Review Period:

	FY2017	FY2018	FY2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Historical transaction amounts	24,100.0	64,900.0	128,627.4
Annual caps	N/A	N/A	137,000.0
<i>Utilization rate</i>	<i>N/A</i>	<i>N/A</i>	<i>93.9%</i>

As noted from the table above, the annual cap for FY2019 under the Original SSCIO Framework Agreement has been almost fully used with an utilization rate of approximately 93.9%. For FY2018, the historical transaction amounts increased substantially from approximately RMB24.1 million for FY2017 to approximately RMB64.9 million, representing a growth of approximately 169.3%. The historical transaction amounts further escalated to RMB128.6 million for FY2019, representing an increase of approximately 98.2%. The historical transaction amounts grew at a CAGR of approximately 131.0% between FY2017 and FY2019. We note such growth rate is significantly higher than the growth rate noted between the relevant historical transaction recorded during FY2019 and the New Cap for FY2020 of approximately 67.1% (the “**SSCIO New Cap Increment Rate**”).

In addition, as set out in the 2019 Annual Results, we note that the fee and commission income of the Group for FY2019, which we understand would be a reasonable proxy for the fee-and commission-based products and services provided by the Group to SSCIO and its Associates, has recorded a year-on-year increase of approximately 44.9%. We note the SSCIO New Cap Increment Rate is slightly higher than the growth rate recorded for the Group’s fee and commission income for FY2019 but it remains to fall short of the historical CAGR noted above.

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(B) Assessment of new demand

The New Caps under the SSCIO Framework Supplemental Agreement are set out below:

	FY2020 <i>(RMB'M)</i>	FY2021 <i>(RMB'M)</i>
Total	215.0	285.0

As discussed with the Management, having considered (i) the high utilization rate of approximately 93.9% for FY2019; and (ii) the fees and commissions expected to be generated from the bond underwriting business for the coming years as it has obtained the Class-B lead underwriter qualification for underwriting debt financing instruments issued by non-financial enterprises in February 2019, the Bank proposed to increase the New Caps for FY2020 and FY2021 by around 23.0%.

As such, we have conducted our research on the prospects of new demand for the Group's bond underwriting business. According to the Invesco Fixed Income Investment Insights published on June 13, 2019 by Invesco Hong Kong Limited, China has become the second largest bond market in the world with its onshore bond market totalled approximately RMB89 trillion in bonds outstanding as of April 2019. The CAGR of the onshore bond market from 2013 to 2018 reached approximately 20%. Beginning in April 2019, Chinese fixed income securities have been included in the Global Aggregate Index, with a planned phase-in period of 20 months ending in November 2020. After the phase-in period, Chinese bonds could become the fourth largest bond category by currency and the third largest by country in the Global Aggregate Index, based on Bloomberg's projection.

As discussed with the Management, the Management expect the transactions contemplated thereunder the SSCIO Framework Supplemental Agreement will mature and stabilize and therefore has estimated the comparatively modest growth rates of approximately 67.1% for FY2020 and 32.6% for FY2021, as compared to the significant growth during FY2017 to FY2019 of approximately 131.0%. However, given it is the Group's launch of a new service line under the bond underwriting business and the difficulty with estimating new service line revenue with precision, the 23% upward revision from the existing annual caps appears to be acceptable.

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Furthermore, we have obtained and reviewed 16 Historical Agreement against 16 Independent Agreements in relation to fee-and commission-based products and services between the Group and SSCIO and/or its Associate as listed under each of the transactions under the section headed “6. Commercial banking services and products” in this letter above and noted that the terms provided to SSCIO are on normal commercial terms and no less favourable than those offered to independent third parties.

Having considered the above, we are of the view that it is fair and reasonable to adopt the relevant New Caps under the SSCIO Framework Supplemental Agreement.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that: (i) the entering into the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Bank and the Shareholders as a whole; (ii) the terms of the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the New Caps) are on normal commercial terms, fair and reasonable so far as the Bank and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM to approve the Huaneng Framework Supplemental Agreement, the SSCIO Framework Supplemental Agreement and the transactions contemplated thereunder (including the New Caps).

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Director

Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 12 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

The year 2019 was a key milestone in the course of the Bank's development. In the same year, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange, realizing its gearing into the international capital market and becoming the first listed commercial urban bank within Shanxi Province. In 2019, amid the complicated and difficult economic and financial situation, the Board of Directors, under the leadership of the Party Committee and the guidance of "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era", adhered to making progress while maintaining stability as a major guideline for its work. Strictly complying with the Company Law (《公司法》), the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), Listing Rules of the Hong Kong Stock Exchange (《香港聯交所上市規則》), Articles of Association of the Bank, and other relevant laws regulations as well as regulatory requirements, the Board performed its duties diligently and faithfully and accomplished various tasks well by conscientiously implementing the resolutions of the Shareholders' general meeting, continuously improving corporate governance, deepening business transformation and reform and innovation, and strengthening overall risk management. The Board hereby reports its work performance in 2019 as follows:

I. Operating Results Achieved in 2019

As at the end of 2019, the Bank's total assets (in terms of the Group, the same below) reached RMB247.571 billion, 8.9% higher than that of the previous year, while the deposits from customers reached RMB155.322 billion, 7.2% higher than that of the previous year; and the balance of loans amounted RMB115.483 billion, 13.6% higher than that of the previous year. In 2019, a net profit of RMB1.482 billion was realized, an increase of RMB168 million or 12.77% year-on-year, with non-performing loans rate of 1.86%, return on net assets of 8.20%, capital adequacy ratio of 13.60%, core tier-one capital adequacy ratio of 11.47%, and allowance coverage ratio of 199.92%. All key regulatory indicators satisfied the regulatory requirements. The Bank ranked 421st in terms of tier-one capital among the "Top 1000 World Banks 2019" published by *The Banker*, moving up 19 places compared with its ranking in the previous year. In the regulatory ratings by the China Banking and Insurance Regulatory Commission, the Bank remained at 2C, maintaining sustained, healthy and steady development as a whole.

II. Main Work Performed by the Board in 2019***(I) Re-election of the Board was completed maintaining the smooth operation of corporate governance***

In 2019, after expiration of the tenure of the fourth Board of Directors of the Bank, according to the Company Law (《公司法》), the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), Listing Rules of the Hong Kong Stock Exchange (《香港聯交所上市規則》), and Articles of Association of the Bank, the Bank conducted the solicitation, nomination and election by strictly following the specified procedures, and the Board and its Nomination, Remuneration and HR Committee conscientiously review the qualifications of those candidates, which were submitted to the Board and the Shareholders' general meeting for consideration. All members of the new Board of Directors were successfully elected in the general meeting. Such successful election allowed for maintaining continuity and stability of the corporate governance.

(II) Corporate governance was continuously optimized and efforts were made to improve the quality and efficiency of governance.

In 2019, the Board strictly implemented the regulatory stipulations and the requirements for corporate governance of listed companies, continued to strengthen the corporate governance, and further improved corporate governance to enhance the effectiveness of corporate governance.

Firstly, the corporate governance system was improved. To respond the changes in regulatory requirements and requirements for governance of listed companies, the Board promptly formulated and revised corporate governance systems such as the rules for procedure of the Board, working rules of the special committees of the Board, measures for management of information disclosure, measures for management of investor relations, measures for management of consumer rights protection, rules for management of insider information and insider registration. The Board also continuously standardized and optimized the working mechanism process to ensure the compliance and rationality of its performance of duties.

Secondly, the role of rational decision-maker of the Shareholders' general meeting and the Board was leveraged. One annual general meeting, one extraordinary meeting and six Board meetings were convened throughout 2019, in which 69 proposals including the Annual Report of 2018, the Financial Budget for 2019 and issuance of financial bonds were considered and approved, 32 reporting items including the capital adequacy ratio management plan, internal capital adequacy assessment report, comprehensive risk management report and special internal audit report were debriefed, and senior management was urged to effectively implement the resolutions of the Shareholders' general meeting and the Board, thus promoting the sound and steady development of various businesses.

Thirdly, the functions of the special committees of the Board were actively brought in play. In 2019, the special committees held a total of 20 meetings, in which they put forward professional opinions and suggestions regarding major development strategies, corporate governance, periodic reports, internal control & audit, compliance management, related transaction management, and risk management of the Bank. At the same time, all directors have deepened their understanding and knowledge of key aspects such as economy, finance, banking development and corporate development strategy, risk management, and internal audit through attending meetings, research and training. They have continuously improved their ability to carry out duties to a higher standard, and put forward constructive opinions and suggestions regarding the development of the Bank, promoting the steady operation and sustainable development of the Bank.

Fourthly, the management of shareholders' equity was strengthened. In light of the regulatory requirements of CBIRC and CSRC and taking the actual situation of listing into account, the Board completed the custody of equity, and further standardized the management of shareholders and equity by revising the equity management measures, and formulating detailed rules for the implementation of equity pledge management, which enhanced the standardization, transparency and rationality of equity management.

(III) Achieve public listing, effectively enhance capital strength

In 2019, anchoring to the long-term sustainable development, the Board actively advanced various preparations for the listing. After eight months of preparation, the Bank was successfully listed on the Hong Kong Stock Exchange on July 18, 2019. Through that H-share IPO, the Bank issued 970,650,000 shares in total and raised HKD3,707,883,000. After deducting related fees, the funds raised above were injected into the core tier-one capital, further optimizing the equity structure, effectively improving the capital adequacy level, enhancing the capital strength and risk resistance, and providing solid capital support for the development of various businesses.

(IV) Reform, transformation and innovation were deepened, promoting steady and sustainable development

In 2019, adhering to the principles of market orientation and strategy driving, the Board continuously deepened the reform. The Board further pushed forward the business transformation and reform and innovation, with a focus on deepening the special reform toward "stronger corporate business, improved retail business, comprehensive risk control and optimized operation". The Board also promoted the reform of business lines of small enterprises and technology. Remarkable progress was made in the reform and transformation of the Bank as rapid development was achieved in retail business and corporate business, breakthroughs were made in investment banking, direct selling banking, and credit card businesses, while the technology business professionalism and internal coordination capability were further enhanced, the intensive operation development was steadily improving, and customer experience was further improved and optimized.

(V) Risk control and internal control were strengthened, improving the risk resistance

In 2019, the Board always held firm to the operation & development concept of “prudent compliance and stable operation”. The Board strengthened overall risk management by focusing on optimizing the risk management system and management mechanism, enriching risk management techniques, continuously strengthening the internal control system, and giving full play to the supervisory role of internal audit. The risk resistance therefore improved steadily.

Firstly, comprehensive risk management was continuously improved. To enhance the fine risk management, the Board formulated the Guiding Opinions of Jinshang Bank Regarding Risk Management for 2019 (《晉商銀行2019年度風險管理指導意見》), Measures of Jinshang Bank for Management of Large Amount Exposure (《晉商銀行大額風險暴露管理辦法》), and amended the Systems and Basic Principles for Risk Management of Jinshang Bank (《晉商銀行風險管理體系及基本原則》) to strengthen risk prevention and control in key areas, and reinforce risk identification, monitoring and investigation. The Board continuously improved the comprehensive risk management system and optimized the risk management mechanism, and regularly listened to the comprehensive risk management report, information technology risk management report, operational risk management report and liquidity risk management report submitted by the senior management in order to dynamically grasp the overall management of various risks, thus effectively improving the ability to prevent and control risks.

Secondly, the internal control system was continuously enhanced. The Board continuously improved the internal control management system, perfected the internal control measures, and strengthened the supervision and inspection of internal control. In 2019, following the formulation of the Money Laundering Risk Management Policy of Jinshang Bank (《晉商銀行洗錢風險管理政策》), the Board carried out self-examination in accordance with the regulatory requirements, and actively rectified the problems found. The Board also paid close attention to and prevented the occurrence of cases by robust daily inspection and special business investigation.

Thirdly, the internal audit and supervision was continuously strengthened. The internal audit work reports and internal control evaluation report were delivered to the Board. In 2019, the Board listened to special audit reports on liquidity management, capital management, performance-based compensation, related transactions, compliance duty performance, and operational risks, and also listened to internal control evaluation report, during which the Board focused on the problems found and their rectifications so that the internal audit becomes more effective and specific.

(VI) The obligation of information disclosure was fulfilled in a compliant and efficient manner and safeguarding the legitimate rights and interests of shareholders

In 2019, the Board faithfully, accurately, promptly and completely fulfill its obligation of information disclosure in strict accordance with the regulatory systems and relevant requirements such as the Measures for Administration of Information Disclosure of Commercial Banks (《商業銀行信息披露管理辦法》), the Hong Kong Listing Rules, and the Measures of Jinshang Bank for Management of Information Disclosure (《晉商銀行信息披露管理辦法》). 42 announcements were issued on the Hong Kong Stock Exchange throughout the year, including periodic reports, interim announcements, and corporate governance documents and so on, to ensure that investors understand the major matters of the Bank in a timely manner and protect the legitimate rights and interests of investors, especially small and medium-sized investors, to the possible maximum extent.

III. Plan for Major Work to be Performed by the Board in 2020

The year 2020 will be the first full year after the Bank accessed in the capital market, and also the year in which the current five-year development strategic plan will be completed and the next five-year development plan will be established. In 2020, the Board will, under the leadership of the Party Committee and the guidance of “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era”, and on the basis of thorough study and implementation of the spirit of “Three Glorious Literatures” (“三篇光輝文獻”) of General Secretary Xi Jinping, fully implement the spirit of the 19th CPC National Congress, as well as the spirit of the second, third and fourth plenary sessions of the 19th CPC Central Committee, and the spirit of the Central Economic Work Conference and Shanxi provincial economic work conference. The Board will, under the leadership of the CPC Committee and the People’s Government of Shanxi Province, and following the overall thinking and requirements of “Four Beings, Four Highs and Two Synchronizations” put forward by the CPC Committee of Shanxi Province, put the political building of the Party into the foremost place, firmly uphold the overall keynote of seeking improvement while maintaining stability, unswervingly uphold the main responsibility and main business of serving the development of the real economy, act responsibly and steadily, and carry out reforms and innovations on a pilot basis to speed up the building of “Four Beams and Eight Columns” that underpin the sustainable and steady development of the Bank in order to achieve high-quality development of the Bank in the new journey toward forging a fine, solid and powerful national brand as a listed bank and supporting the transformation and development of Shanxi’s resource-based economy.

- (I) Strategic planning will be developed in a rational manner in order to give full play to the strategic driving force. The Board will fully leverage its role of “determination of strategy”. In its efforts to realize the Bank’s strategy of “One Comprehensiveness, Four Orientations and Four Efficient Items”, the Board will, around the decision-making and arrangement of the provincial government and the regulatory requirements of the industry and under the “comprehensive leadership of the Party”, attain the “efficient satisfaction of market demands, efficient offering of financial products, efficient realization of the optimal returns on investment, and

efficient and reasonable distribution of operating profits” through “technology-oriented guidance, selection and appointment in the context of market, professional operation and services, and systematic risk prevention and control”, thus leading the Bank to achieve the goal of high-quality development.

- (II) Reform and innovation in the system and mechanism will be improved to enhance the quality and efficiency of operation. In the market-oriented, professional and rule-of-law principles, the Board will, centering on requirements of deepening the structural reform on the financial supply side, unswervingly push forward the diversified development strategy, transformational development strategy and technology orientation strategy. The Board will continuously adjust and optimize the customer structure, business structure and income structure, and will re-examine and re-recognize the development of the whole Bank with new ideas, new methods and new models. The Board will boldly, courageously and unswervingly press on and move forward the reform and innovation ceaselessly.

- (III) Corporate governance will be enhanced in order to improve the effectiveness of performance of the Board. The Board will, under the leadership of the Party in all aspects and subject to supervision by the Board of Supervisors, further enhance the corporate governance system featuring the effective counterbalance, mutual cooperation and coordinated operation by granting full authorization to the senior management to support their operation and management of the Bank. The Board will, in accordance with the regulatory requirements and requirements for corporate governance of listed companies, thoroughly review the governance system of the Bank so as to promptly formulate or revise the relevant systems and improve the operation mechanism of the corporate governance. The Board will leverage the professional advantages of its special committees and independent directors to give strong support to the decision of the Board. The Board will strengthen the compliant performance of duty by the directors, and will continuously create conditions for directors to improve their ability to carry out their duties by supporting the directors to perform their duties in several manners such as research on special topics, workshop, learning and training, thus improving effectiveness of performance of duties.

- (IV) Market capitalization management and investor relations management will be improved to demonstrate the market investment values. The Board will actively explore how to improve the market capitalization management system, and will gradually establish an effective value creation system and value transmission mechanism featuring efficient communications. The Board will strengthen the investor relations management by organizing, on an irregular basis, diversified and specific investor communication and exchange events to promptly convey the investment values, operating characteristics, and development philosophy, procuring the investors to have a reasonable perception of the investment values of the Bank.

The Board will further enhance the information disclosure mechanism to improve insider information management, persist the high-quality information disclosure, raise the confidence of the capital market in the Bank, and to gain good reputation from the capital market.

- (V) Comprehensive risk management system will be promoted to make the Bank better able to control the risk. The risk decision-making system centering on the Board and its Risk Management Committee will be improved so that the philosophy of “prudent compliance and stable operation” will be firmly embedded in the Bank as a whole. The Board will continuously promote the construction of the comprehensive risk management system covering all businesses, all types of risks, full processes, all bodies and all staff, and will strengthen data management and analysis to effectively increase the ability to identify, measure, assess, monitor, report, control and mitigate various risks. The Board will manage the risks in a more active, compliant, specific and forward-looking manner so that the Bank will be better able to control risks, thus laying solid foundation for the sound and sustainable development of the Bank.

During the Reporting Period, in accordance with relevant provision of laws and regulations such as the Company Law, the Law on Commercial Banks and the Articles of Association of Jinshang Bank Co., Ltd., the Board of Supervisors performed its supervisory duties legally, performed its duties diligently, made overall planning for strict supervision, operation promotion, and risk prevention, continued to exert the role of the Board of Supervisors in the performance of due diligence, financial activities, risk management and internal control, promoted the Bank to continuously improve the level of corporate governance, and promote the steady development of the entire bank in accordance with laws and regulations.

I. Main Duties of the Board of Supervisors in 2019

(1) Adhere to the Efficient Discussing Capabilities of the Board of Supervisors and Enhance the Effectiveness of Meeting Supervision

In 2019, the Board of Supervisors gave full play to the supervisory function of meeting deliberations, and focused on important matters, deliberated major issues and paid attention to substantial results in meeting supervision. During the year, the Board of Supervisors held a total of 6 meetings of the Board of Supervisors, 5 meetings of the Supervisory Committee, 5 meetings of the Nomination Committee, and a total of 16 meetings of various types in the year. The Board of Supervisors reviewed and voted on 83 items of various topics in financial supervision, risk management, internal control supervision, performance supervision, etc., and referred to 124 proposals, giving 5 feedback reports of the meetings of the Board of Supervisors.

(2) Make the Improvement of Modern Corporate Governance as Main Line to Strengthen the Institutionalized Operating Mechanism

In 2019, in accordance with the Work Guidelines on the Board of Supervisors of Commercial Banks, under the basic framework of the Articles of Association, the Board of Supervisors revised the Rules of Procedure of the Board of Supervisors of Jinshang Bank Co., Ltd., the Working Rules of Supervisory Committee of the Board of Supervisors of Jinshang Bank Co., Ltd., and the Working Rules of Nomination Committee of the Board of Supervisors of Jinshang Bank Co., Ltd., further improving the system constraints and discussion processes of the Board of Supervisors, standardizing working procedures, clarifying the supervisory functions of each special committee of the Board of Supervisors, and consolidating the institutional basis of the Board of Supervisors.

(3) Continue to Deepen the Supervision and Evaluation of Duty Performance and Enhance the Effectiveness of Duty Performance

In 2019, the Board of Supervisors performed daily supervision of performance of duties in a detailed manner. The members of the Board of Supervisors attended the relevant meetings of the board of directors and senior management without voting rights, reviewed the minutes of the meeting, and conducted inquiries about the work of the relevant functional departments to focus on the performance of duties in continuous improvement of corporate governance, risk management, internal control, major foreign investment, and major related party transactions, and management of important financial systems. It has done a solid job in daily supervision, and the supervision and evaluation of duty performance has been gradually and effectively strengthened. On the basis of daily performance supervision, the Board of Supervisors strictly implemented the requirements of the newly revised Board of Supervisor's performance evaluation methods for directors, supervisors and senior management, scientifically set up an evaluation process, and organized relevant staff to promote the performance evaluations and properly complete the annual performance evaluation of the Board of Supervisors for the board of directors, supervisors and senior management.

(4) Exert the Functions of Various Special Committees and Continuously Improve the Service Concept

Strengthen targeted research on key tasks. The Board of Supervisors has continuously strengthened the "focus forward" working method and the consciousness of actively serving the grassroots, scientifically carried out special research work, and fully performed the supervision duties of the Board of Supervisors. The Board of Supervisors focused on investigation and supervision of the major events such as the implementation of national policies, the reform and development and the transformation and upgrading of the Bank, keeping close to the Bank's key management and business development. In 2019, it organized special investigation and supervision on the implementation of inclusive finance of the Bank and the implementation of internal audit issues, and actively put forward reasonable suggestions.

(5) Continue to Strengthen Self-Construction and Improve the Overall Quality of the Team

The Board of Supervisors has always taken the comprehensive strengthening of self-construction as an important basic work and continuously strengthened it. Through organizing and arranging special training of the Board of Supervisors and interbank exchange learning, it has strengthened the learning of all employees, effectively conducted training, and used multiple methods to improve the quality of work, to further broaden the working ideas of supervisors and enhance the learning atmosphere and cultural construction of the Board of Supervisors.

II. The Independent Opinions Expressed by the Board of Supervisors on Relevant Matters***(1) Legal Compliance Operation***

During the Reporting Period, the Bank's operations were in compliance with the provisions of the Company Law, the Law on Commercial Banks and the Articles of Association of Jinshang Bank Co., Ltd., and the decision-making procedures were legal and effective. The directors and senior management of the Bank performed their duties diligently and faithfully, and no violation of laws and regulations or damage to the interests of the Bank in the performance of their duties were found.

(2) The Authenticity of the Financial Report

During the Reporting Period, the Board of Supervisors conducted a detailed review of the Bank's 2019 annual financial report. The Board of Supervisors believed that the procedures for the preparation of the 2019 annual financial report made by the Board of Directors complied with the provisions of laws, administrative regulations and rules and regulations. KPMG Huazhen LLP and KPMG hired by the Board of Directors of the Bank conducted an audit of the 2019 annual financial report and issued an unqualified audit report. The content of the report truly, accurately and completely reflected the true situation of the Bank.

(3) Related Party Transactions

During the Reporting Period, the Board of Supervisors was found no violations of the principles of fairness or damage to the interests of the Bank and shareholders.

(4) Information Disclosure

During the Reporting Period, the Bank conscientiously fulfilled the obligation of information disclosure of listed companies, continuously enhanced the transparency of corporate governance and operation management, and improved the integrity and adequacy of information disclosure to ensure that all shareholders could fairly obtain the important information of the Bank.

III. Key Work in 2020

2020 is the first year of high-quality development of the Bank after its listing. Looking at the economic situation, the Bank faces both opportunities and challenges. Faced with the new development situation, the Board of Supervisors will continue to focus on the key work of the Bank in 2020, make overall consideration and highlight the focus of work, and consciously think, plan, and promote all tasks for the promoting and improving the corporate governance system.

(1) Focus on the Supervision Function and Improve the Seriousness of Supervision

The Board of Supervisors should firmly focus on the basic responsibility of supervision, and carry out precise and pragmatic supervision. Meeting supervision is an important method of supervision by the Board of Supervisors. The efficiency and quality of meetings are related to the role of the Board of Supervisors. In 2020, the Board of Supervisors will further improve the quality of the meetings of the Board of Supervisors, enhance the effect of supervision, and continuously strengthen the performance of duties of the Board of Supervisors. On the one hand, it will pay special attention to the proper communication of topics before the meeting and exchange views with the functional department that submits the topics to deepen the understanding of the topic contents and ensure the effect of the discussion at the conference. On the other hand, it will establish an effective transmission and implementation mechanism to ensure that the supervision opinions can be effectively implemented to further improve the effect of supervision.

(2) Conduct Special Supervision and Improve the Effectiveness of Supervision

In 2020, the Board of Supervisors shall continue adhering to the problem orientation, focus on the main targets of supervision, constantly improve the mechanism, and deepen the financial supervision, risk supervision, internal control supervision and duty performance supervision.

In terms of financial supervision, it shall strengthen the supervision of major financial decisions and important financial fields, give full play to the professional experience of supervisors, focus on thematic analysis, form valuable opinions and suggestions, and effectively perform financial supervision duties.

In terms of risk supervision, it shall focus on the key work of the Bank, strengthen the supervision of the entire bank's risk strategy, risk management and control mechanism, related relationship management and carry out risk supervision and services based on the development of service business.

In terms of internal control supervision, it shall focus on improving the effectiveness of supervision, combining supervision before, during and after occurrence of events, and extending re-supervision to financial supervision, risk supervision, and compliance supervision.

In terms of duty performance supervision, the Board of Supervisors shall continue to strengthen the performance supervision of directors, supervisors and senior management. It shall further deepen the performance evaluation of directors, supervisors and senior management through attending the meetings without voting rights and conducting special inspections.

(3) Promote Innovation Supervision and Exert the Coordination of Supervision

The Board of Supervisors shall adhere to innovation to lead development, focus on stimulating the innovation-driven capabilities, and effectively promote the steady development of work. It shall actively adopt multi-agent collaboration and comprehensively promote the formation of supervision and innovation. Firstly, it will further strengthen the interconnection with the board of directors and senior management, effectively carry out interactions of opinions, and jointly promote the improvement of corporate governance strength. Secondly, it shall further strengthen the function of “re-supervision”. The Board of Supervisors shall effectively integrate the internal supervision force within the framework of the supervision function, strengthen the joint supervision with the internal supervision department to realize the sharing of supervision and inspection results, form a multi-dimensional supervision network, effectively improve the supervision effect, and prevent and resolve risks. Thirdly, it will effectively implement the information reporting system at the operational level. It will optimize the information reporting mechanism, unblock information communication channels, grasp information in a timely manner, for the Board of Supervisors and supervisors to clarify the operation and management information and development of the Bank in a timely manner, effectively put forward supervision suggestions, and do solid basic work. Fourth, it will actively carry out key research. It shall give full play to the subjective initiative of all supervisors, continue the research experience in 2019, and continue to conduct research in combination of the entire bank to form characteristics and achieve practical results. Fifth, it will properly strengthen services. It will strengthen the improvement of service value, improve the pertinence of guidance from supervision, transform supervision into productivity, promote the dissemination and reference of good experiences and good practices, and support the high-quality development of the Bank.

(4) Strengthen Self-Construction and Improve the Performance of the Board of Supervisors

Facing the general environment of the transformation and development of Jinshang Bank, the Board of Supervisors, as an important part of corporate governance, needs to constantly improve the level of capacity building of its supervisors and office staff to better serve the work of the whole bank. In 2020, the Board of Supervisors shall focus on strengthening the sense of responsibility, ensuring the efficiency of performing duties, and diligently performing their duties. It shall carry out benchmarking study, pay attention to peer exchanges and training, continuously broaden horizons and ideas, strive to improve the acuity, forward-looking and effectiveness of supervision, and improve the work efficiency of the Board of Supervisors.

According to the Company Law, the Commercial Banking Law, the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Work Guidelines on the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》), the Measures on the Performance Assessment of the Directors of Commercial Banks (《商業銀行董事履職評價辦法》) and other laws and regulations, as well as the Articles of Association of Jinshang Bank Co., Ltd., the Measures on the Performance Assessment of the Directors by the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會對董事履職評價辦法》) and other rules, the Board of Supervisors comprehensively assessed the performance of Directors in 2019 from multiple dimensions based on the principles of compliance, fairness and objectivity by attending meetings, hearing reports, reviewing resolutions, investigating interviews, reviewing the minutes of Board meetings, collating and summarizing the performance information of Directors, combining the assessment results of Directors' self-evaluation and mutual evaluation. The evaluation report is as follows:

I. BASIC REVIEW OF THE BOARD OF DIRECTORS

In 2019, the Bank's Board of Directors did not change. The Board consisted of fifteen Directors, including four executive Directors, five non-executive Directors and six independent non-executive Directors. During the Reporting Period, neither the qualifications of directorship of LI Yang for non-executive Director nor DUAN Qingshan for independent non-executive Director was approved by CBIRC Shanxi Office, and they should not formally perform their duties in accordance with the regulations. The Board convened two general meetings throughout the year, in which 14 proposals and one reporting matter were considered; held six meetings of the Board, in which 69 proposals were considered and 32 reporting items were listened to or reviewed. In these meetings, all the Directors conducted sufficient research and demonstration on each proposal and made scientific decision.

II. PROFESSIONAL QUALITY OF DIRECTORS

In 2019, the Bank's current Directors performed their duties with due diligence, strictly kept the Bank's business secrets and actively accepted the supervision of the Board of Supervisors. In its proposal consideration, various investigations and daily supervision it conducted this year, the Board of Supervisors found that no Directors acted to the detriment of the Bank's interests; no conflicts of interest existed between full-time or part-time positions of the Directors and their positions with the Bank; and that no Directors used their position and authorities in the Bank to seek for personal gains, used their connected relationships with the Bank to harm the interests of the Bank, accepted improper interests, disclosed secrets of the Bank or committed other acts violating fiduciary duty as stipulated in the laws and regulations, as well as Articles of Association of the Bank. Directors of the Bank actively accepted the supervision of the Board of Supervisors and they demonstrated professional quality.

III. DUE DILIGENCE OF PERFORMANCE OF DIRECTORS

In 2019, all Directors, in the principle of compliance with the laws and regulations, performed their duties dedicatedly and diligently while keeping the interests of shareholders, depositors, employees and the Bank in mind. The Directors performed their duties with honesty and integrity by implementing the relevant resolutions of the general meeting in strict accordance with the relevant laws, regulations and Articles of Association of the Bank. The Directors effectively exercised their power by carefully considering the relevant resolutions of the Board of Directors, and actively giving their recommendations regarding those resolutions. Directors of the Bank continuously understood and analyzed operation of the Bank, regularly read the operation reports, financial reports and risk management reports of the Bank to get a comprehensive knowledge of comments of regulatory authorities, external auditors and the public on the Bank, and to make independent, professional and objective judgments on the situation of the Bank, thus presenting their own opinions and suggestions through legal channels.

IV. PERFORMANCE OF DUTIES OF DIRECTORS

In 2019, executive Directors, non-executive Directors and independent non-executive Directors of the Bank attended the general meeting, meetings of the Board of Directors and meetings of special committees in accordance with the provisions, in which they effectively performed the duties of Director by expressing their opinions reasonably and voted in strict accordance with the procedures. All Directors performed their duties professionally and efficiently in accordance with the relevant laws, regulations, and regulatory policies, as well as Articles of Association of the Bank, effectively safeguarded the interests of the Bank, and expressed their views independently and objectively on the basis of the expertise, working experience and professional ethics necessary for the performance of their duties. All Directors actively understood the capital management of the Bank, strengthened their attention to and guidance for liquidity risk, credit risk, operational risk and other risks of the Bank, and carefully understood the level and management of liquidity risk; and they comprehensively reviewed the information disclosure to strictly control the disclosure in order to ensure the authenticity and accuracy of the disclosure. During their performance of duties, Directors of the Bank focused their attention on the development and implementation of the Bank's strategic plans, listing-related work, capital replenishment, risk appetite, risk strategy and risk management system, major investments in other entities, disposal of assets and the executive power of the senior management, and they have made remarkable achievements thanks to their effective management measures, and right measures and plans. In addition, the Directors truthfully reported to the Board of Directors and the Board of Supervisors the connected relationship, and promptly reported any change in the above matters in accordance with the relevant requirements.

(I) Performance of Duties of Executive Directors

To fully respond to decisions and arrangements of the CPC Central Committee and the CPC Committee and government of Shanxi province, the executive Directors, in strict compliance with the regulatory requirements, actively pushed forward the strategic positioning of the Bank, performed their duties in accordance with the Articles of Association, and conscientiously implemented the resolutions of the Board of Directors. Under the concept of prudence, the executive Directors enhanced the fintech-oriented risk management and compliance control system of the Bank, actively promoted the transformation of the Bank, and improved the Bank's brand image in order to keep improving the intrinsic value, asset quality and core competitiveness of the Bank. Following closely the changes of the times, the clear-minded, considerate and legal-compliance executive Directors earnestly did a great deal of productive work in developing Jinshan Bank into a stronger bank, while they imposed more stringent self-discipline on themselves.

(II) Performance of Duties of Non-executive Directors

All non-executive Directors are experienced, and they actively participated in and provided coordination in the relevant work of the Bank. Seeing a big picture and bearing in mind the long-term interest of the Bank, the non-executive Directors served well as a bridge between the Bank and the Shareholders, allowing for smooth communications between them. Non-executive Directors primarily paid their attention to the implementation of resolutions of the Board of Directors by the senior management, strengthened their communications with the senior management and performed duties of non-executive Director.

(III) Performance of Duties of Independent non-executive Directors

All independent non-executive Directors are experienced, frank, clear-minded, dedicated and responsible. They devoted enough time and energy to perform their duties in strict accordance with the relevant laws and regulations. In particular, as the heads of the special committees of the Board of Directors, the independent non-executive Directors fully performed their duties, and earnestly prepared for and organized the work of those committees. Each independent non-executive Director performed his/her duty of independent non-executive Director by expressing objective and impartial independent opinions on matters discussed by the Board of Directors, safeguarding the rights and interests of depositors and small and medium shareholders, and keeping abreast of the risk management level, internal control, and incentive and restraint mechanisms of the Bank, with a focus on the legality and fairness of the related party transactions, annual profit distribution plan, integrity and authenticity of information disclosure, employment of senior management personnel of the Bank.

V. OVERALL ASSESSMENT ON PERFORMANCE OF DUTIES OF DIRECTORS FOR 2019

In 2019, the Directors fully implemented the decisions and arrangements of CPC Central Committee, and CPC Committee and government of Shanxi government, and they led the development direction of the Bank while adapting the strategic positioning in response to the market changes. Following the principle of prudence, the Directors acted under the compliance concept by strengthening the bottom line of risk prevention and control, continuously paying attention to risk evolution and risk prevention and control in key areas throughout the Bank, and continuously improving the Bank's risk management level. The Directors continuously understood and analyzed the operation of the Bank, regularly read its operation reports, financial reports, capital management reports and other relevant reports, and strengthened the capital management to enhance the sustainable development of the Bank. The Directors, in accordance with the requirements for the information disclosure of the listed company, made right work arrangements, improved the coordinated management across the Bank, and promptly, accurately and completely disclosed material information such as announcements, resolutions, and financial position of the Bank, promoting the fulfillment of responsibility of the Bank as a listed company. The Directors kept the business secrets of the Bank. In their performance of duties, no Directors were found to accept improper interests, sought for personal gains by taking advantage of their directorship, or con-currently served as Director of any financial institution which may be in conflict of interest with the Bank. On the basis of effective performance of duties, the Directors brought their role in corporate governance by actively serving the strategic transformation of the Board of Directors, and serving the business development of the Bank.

To sum up, in accordance with the Work Guidelines on the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and the Measures on the Performance Assessment of the Directors by the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會對董事履職評價辦法》), the Board of Supervisors assessed the performance of duties by the Directors of the Bank in 2019 to be "Competent".

According to the Company Law, the Commercial Banking Law, the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Work Guidelines on the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and other laws and regulations, as well as the Articles of Association of Jinshang Bank Co., Ltd., the Measures on the Performance Assessment of the Supervisors by the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會對監事履職評價辦法》) and other rules, the Board of Supervisors carried out the assessment on the performance of all the Supervisors in 2019 from multiple dimensions based on the principles of compliance, fairness and objectivity by arranging the annual performance files of the Supervisors, reviewing the performance information of the Supervisors, conducting self-evaluation and mutual evaluation of the supervisors. The evaluation report is as follows:

I. THE GENERAL SITUATION OF THE BOARD OF SUPERVISORS IN 2019

During the Reporting Period, the fifth session of the Board of Supervisors was consisted of nine Supervisors, including three Employees' representative Supervisors, three Shareholders' representative Supervisor and three external Supervisors. The proportion of employees' representative Supervisors and external Supervisors accounted for one third and the total number of Supervisors met the regulatory requirements, which comply with the provisions of Articles of Association of the Bank.

In 2019, two Employees' representative Supervisors were promoted to the senior management of the Bank, and in accordance with the relevant laws and regulations on the eligibility for supervisor office, two new Employees' representative Supervisors were elected in labor union committee of the Bank held in May 2019 to participate in the work of the Board of Supervisors. The Board of Supervisors successfully completed its transition on November 5, 2019, and all supervisors of the new Board of Supervisors are conducting their work in a comprehensive way to perform their duties of supervisor in a solid way. This year, the Board of Supervisors made five reports to the general meeting; held six meetings of the Board of Supervisors, five meetings of the Supervisory Committee, and five meetings of the nomination committee; considered 83 proposals throughout the year, and listened to or reviewed 124 reporting matters. All supervisors fully analyzed and justified each proposal and made consideration-based decision reasonably.

II. Professional Quality of Supervisors

In 2019, all supervisors of the Bank performed their duties in accordance with the laws, administrative regulations and the Bank's Articles of Association. The Board of Supervisors has not found that any supervisor of the Bank used their authority to seek for illegal gains for himself/herself or any other person, disclosed the business secrets related to the Bank, concealed any discovered problem, and engaged in any act causing major losses in violation of the fiduciary duty. All supervisors kept the business secrets of the Bank, and were committed to the Board of Supervisors, demonstrating good professional quality.

III. PERFORMANCE OF DUTIES OF SUPERVISORS

In 2019, all Supervisors, taking the interests of the Bank, depositors, shareholders and employees as the core, conscientiously and diligently performed their supervision duties, carefully considered various proposals of the Board of Supervisors, the Supervision Committee and the Nomination Committee, actively issued advice and truthfully submitted relevant reports to the Shareholders' general meeting according to regulations. Supervisors attended the Shareholders' general meeting and presented at board meetings as required. In daily operating activities, Supervisors keep abreast of the Bank's operations situation and major resolutions and other relevant information by attending or presenting the Party Committee, the Party and Government joint meeting, and the President's office meeting; regularly review the Bank's relevant audit reports, operation analysis reports and other materials to timely and comprehensively grasp the Bank's development trends; conduct in-depth investigation on the front line to understand the operation management situation, development trends and the current situation of risk assessment of the Bank. All the Supervisors of the Bank completed various work of the Board of Supervisors with a highly responsible manner and fulfilled their diligence obligations.

IV. PERFORMANCE OF DUTIES BY SUPERVISORS

All the supervisors of the Bank are highly capable and experienced. They are familiar with the relevant laws and regulations and regulatory requirements of regulators, and with strong awareness of the bottom line, high legal literacy and good ethics, they actively caught on the new system and new business of the Bank. All supervisors are versed in the requirements of the Bank's systems such as the Articles of Association and the rules of procedure of the Board of Supervisors, allowing for them to make reasonable and effective constructive suggestions in due course.

V. OVERVIEW OF WORK PERFORMED BY SUPERVISORS IN 2019

In 2019, all supervisors of the Bank participated in the general meeting, meetings of the Board of Supervisors and other meetings as required, attended meetings of the Board of Directors without vote. In these meetings, the supervisors effectively fulfilled the duties of supervisor by expressing their reasonable opinions and suggestions, and voting in strict accordance with the procedures. All supervisors carried out their work with a highly responsible attitude towards the Bank, and devoted enough time and energy into the development of the Bank. They were committed to performing their duties of supervisor. In this year, each supervisor of the Bank performed his/her duties of supervisor for more than the fifteen working days provided in the regulatory requirements. All supervisors performed their duties professionally and efficiently in accordance with the relevant laws, regulations, and Articles of Association of the Bank, effectively safeguarded the interests of the Bank, and expressed their views independently and objectively on the basis of the expertise, working experience and professional ethics necessary for the performance of their duties.

(I) Attendance at Relevant Meetings

In 2019, the Supervisors of the Bank participated in the Board of Supervisors and its special committees as required. The participation rate of all Supervisors participating in the Board of Supervisors and its special committees in person exceeded two-thirds, and the written entrustment and personal participation rate both complied with the relevant requirements. In the past year, the Supervisors have been able to carefully review the meeting materials, objectively and responsibly express opinions and vote on proposals of financial supervision, risk management, internal control supervision and performance supervision. With the joint efforts of all Supervisors, the procedures for discussion of the Board of Supervisors and its special committee meetings were standardized, with emphasis on efficiency and the key points, which gave a full play to the functions of discussion, decision-making and supervision as the Board of Supervisors.

(II) Participation in Special Investigations of the Board of Supervisors

Based on the five-year strategic plan of the Bank, the Board of Supervisors, centering around the 2019 work plan, focused on the front-line work to improve the awareness of serving the grassroots actively. Chairmen of the two special committees of the Board of Supervisors played the leadership role to promote the work and open up new dimensions through investigations. They visited the branches to fully understand the front-line situation. The Board of Supervisors effectively performed its duties through various investigations. In their active participation in the investigation, the supervisors of the Bank gave full play to their professional advantages, performed their duties conscientiously, conducted in-depth investigations to find problems, helped grassroots units solve actual problems, and provided reasonable and scientific suggestions.

(III) Participation in Improving the System of the Board of Supervisors

In 2019, the Board of Supervisors, in accordance with the relevant systems and regulatory requirements, and considering the actual situation of the Bank, improved the system of the Board of Supervisors by amending the Rules of Procedures of the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會議事規則》), Working Rules of Board of Supervisors of the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會監督委員會工作規則》), and Working Rules of Nomination Committee of the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會提名委員會工作規則》). At the same time, in its efforts to promote the listing of the Bank on Hong Kong Stock Exchange, the Board of Supervisors, in accordance with the strategic planning for the listing of the H-shares of the Bank, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (《香港聯合交易所有限公司證券上市規則》), amended the versions of the Rules of Procedures of the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會議事規則》), Working Rules of Board of Supervisors of the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司

監事會監督委員會工作規則》), and Working Rules of Nomination Committee of the Board of Supervisors of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會提名委員會工作規則》) that would be applicable after the listing. Supervisors of the Bank actively participated in such amendment. In the discussions related to the amendment, the supervisors expressed their opinions responsibly, and they also improved the relevant systems so that those systems become more practicable and feasible, laying solid foundation for the Board of Supervisors to conduct its work in compliance with the laws and regulations.

(IV) Implementation of Performance Evaluation

In 2019, all the Supervisors of the Board of Supervisors seriously participated in and cooperated with the Board of Supervisors to complete the performance supervision and evaluation of the Board of Directors, the Supervisors and senior management members. Supervisors understand the legal compliance and due diligence of the Directors, Supervisors and senior management by attending the meetings of the Board of Directors and senior management, organizing relevant personnel to review the performance records of the Directors, Supervisors and senior management. Based on fully collating and analyzing the performance information, the Board of Supervisors' evaluation report on the performance of the Directors, Supervisors and senior management in 2018 was completed. At the end of 2019, the Supervisors participated in and completed the preparation of the 2019 performance evaluation of the Directors, Supervisors and senior management, laying a good foundation for the successful performance evaluation in early 2020.

(V) Participation in the Training of the Board of Supervisors

In 2019, all the Supervisors actively participated in the special training and exchanges organized by the Board of Supervisors, strived for excellence, continuously improved their workability, and effectively improved their ability to perform duties and supervision level. First is to actively participate in the special training of the Board of Supervisors. In 2019, the Supervisors of the Bank participated in the "Advanced Training Class for Supervisors of Corporate Governance of Urban Commercial Banks" training class and conducted study and research on the work of the Board of Supervisors and the prediction of the economic situation. Through centralized training and learning, the practical operation level of Supervisors has been further increased, the means of performance has been enriched, and the supervision skills have been improved, which further improved the work level and supervision ability of the Supervisors. Second is to pay attention to interbank exchange and learning, strengthen the first-class benchmarking, and surpass learning and catch up with others. During the year, the Bank's Supervisors conducted exchange learning with many financial institutions such as Bank of Jiangsu, Bank of Langfang and Bank of Chengdu, so as to learn good experiences and practices, and promoted the work of the Board of Supervisors to a new level. Third is to strengthen learning, strengthen the organization and compilation of national laws, industry regulations and the Bank's system, further broaden our working ideas and improve the Supervisors' ability to perform their duties in accordance with the law. Fourth is to replace

training with meetings at high frequency and integrate business knowledge and industry regulation dynamic learning into the regular meetings of the Board of Supervisors, which further enhanced the performance efficiency of the Supervisors. Fifth, in order to fully cooperate with the listing work of the whole Bank, the Board of Supervisors invited professionals from many cooperative institutions such as Freshfields Bruckhaus Deringer, Paul Hastings, KPMG, etc. to provide on-site counseling and training to all Supervisors, which promoted the function construction of the Board of Supervisors of listed company.

VI. OVERALL EVALUATION ON THE PERFORMANCE OF THE SUPERVISORS IN 2019

In 2019, all the supervisors fully implemented the various decisions and arrangements from the Party Central Committee, the Provincial Party Committee and Government, resolutely implemented the resolutions of the Shareholders' general meeting, grasped the strategic positioning according to market changes, and scientifically performed supervisory responsibilities. All the Supervisors attended the Shareholders' general meeting, the meetings of Board of Supervisors and the special committees in accordance with the provisions of the Company Law and the Work Guidelines on the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and other laws and regulations, as well as the Articles of Association of the Bank, and attended the meetings of the Board of Directors and senior management as required by the Board of Supervisors, actively participating in the various work of the Board of Supervisors. All the Supervisors payed close attention to major issues of the Bank, earnestly expressed independent opinions, invested enough time and energy to perform their duties for the Bank's related work, faithfully fulfilled their duty with loyalty and diligence, actively participated in the work of the Board of Supervisors, continuously strengthened self-construction with performance ability and performance further improved, and made active contributions to the Bank's continued, healthy development and improvement of corporate governance. In the process of promoting the listing, all the Supervisors have done their best to fulfill their duties to effectively promote the smooth progress of listing.

To sum up, in accordance with the provisions of the Measures on the Performance Assessment of the Supervisors by the Board of Supervisors of the Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司監事會對監事履職評價辦法》), the Board of Supervisors assessed the performance of duties by the Supervisors of the Bank in 2019 to be "Competent".

In accordance with the Company Law (《公司法》), the Guidelines on Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Work Guidelines on the Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) and other laws and regulations, and in accordance with the Articles of Association of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司章程》) and the Measures of the Board of Supervisors of Jinshang Bank Co., Ltd. for Supervision and Assessment on Performance of Duties of Senior Management Members (《晉商銀行股份有限公司監事會對高級管理層成員履職監督評價辦法》), the Board of Supervisors assessed the performance of duties of senior management members in 2019 from multiple dimensions based on the principles of compliance, fairness and objectivity by reviewing various reports submitted by senior management, referring to the 2019 debriefing report of senior management members, conducting extensive investigations in branches, collecting and aggregating the annual performance records of senior management members, verifying the performance-related documents and information of senior management members, attending senior management meetings and various business meetings, and conducting self-evaluation and mutual evaluation of senior management members. The assessment is now reported as follows:

I. CHANGES IN SENIOR MANAGEMENT MEMBERS

In 2019, the senior management members of the Bank were increased from seven to nine. During the Reporting Period, the senior management of the Bank consisted of nine members, namely, the President, three Vice Presidents, the Chief Risk Officer, the Chief Financial Officer, the Chief Human Resources Officer and two Assistants to the President.

II. PROFESSIONAL QUALITY OF SENIOR MANAGEMENT MEMBERS

In 2019, bearing the overall interests of shareholders, depositors, employees and the Bank in mind, all the current senior management members of the Bank performed their duties diligently in strict accordance with the laws and regulations and Articles of Association of the Bank. They continuously improved their own quality, earnestly implemented the resolutions of the general meeting and the Board of Directors, and actively accepted the supervision of the Board of Supervisors. During the Reporting Period, no senior management member was found to commit any act in violation of the fiduciary duty provided in the laws, regulations and the Articles of Association of the Bank, took advantage of his/her position and power in the Bank to seek personal gains for himself/herself or engage in any other act to the detriment of the interests of the Bank and shareholders. All senior management members of the Bank followed the principle of good faith and conduct business activities prudently, conscientiously and diligently.

III. FULFILLMENT OF DUTY OF DILIGENCE BY SENIOR MANAGEMENT MEMBERS

In 2019, senior management members performed their duties diligently and conscientiously, overcame difficulties and worked hard. No senior management member was found to engage in any act in violation of the duty of diligence provided in the laws, regulations and the Articles of Association of the Bank. As authorized by the Articles of Association and the Board of Directors of the Bank, senior management members effectively carried out management. Acting around the annual business objective approved by the Board of Directors and in the principle of prudence, senior management members conducted extensive and in-depth investigations in branches and sub-branches through meetings such as the executive meeting of the president, meeting of risk management committee, and the joint meeting on asset and liability management so as to understand and grasp the real-time operation of the Bank, fully improve the weakness existing in business development and production and operation activities of the Bank, and to effectively hold the risk bottom line. The senior management members steadily pushed forward various tasks, realizing the continuous improvement in the operating performance of the Bank.

IV. PERFORMANCE OF DUTIES BY SENIOR MANAGEMENT MEMBERS

The senior management members of the Bank are outstanding in management, rich in working experience, clear in thinking and strong in coordination. They acted on a big picture basis. They made remarkable achievements thanks to their efforts to advance their tasks in a reasonable manner. The senior management members conscientiously implemented the macro-control policies and financial regulatory requirements of China. They earnestly implemented the resolutions, objectives and tasks of the Board of Directors, which allowed for rapid growth in various businesses, improvement in profitability and good momentum of steady improvement in asset quality. The qualities of senior management members of the Bank in terms of conduct, reputation, knowledge, experience, ability and independence was fully recognized by the Board of Supervisors.

V. OVERVIEW OF WORK PERFORMED BY SENIOR MANAGEMENT MEMBERS IN 2019

In 2019, with the escalated trade friction between China and the United States, Chinese economy entered the “great adjustment”. Facing the complicated and ever-changing economic and financial situation, and many unfavorable factors in the external operating environment, the Bank still maintained steady growth in total assets, operating income and net profit through unremitting efforts by the senior management members.

(I) Acting in the Principle of Prudent Operation to Realize Steady Increase in the Operating Results across the Bank

In 2019, the senior management of the Bank thoroughly implemented the decisions of the general meeting and the Board of Directors, met the difficulties, and made every effort to achieve sustained and steady development of various businesses. 1. Development strength was continuously enhanced. As at the end of December, the Bank achieved total assets amounted to RMB247.541 billion, up 8.9% over the previous year, customer deposits of RMB153,322 million, up 7.2% over the previous year, and loans and advances to customers of RMB115,483 million, up 13.6% over the previous year. 2. Profitability continued to increase. In 2019, the Bank realized net profits of RMB1.482 billion, up 12.77%. 3. Business risks were generally controllable. As at the end of December, the Bank achieved non-performing loan ratio of 1.86%, net asset yield of 8.20%, capital adequacy ratio of 13.60%, core tier-one capital adequacy ratio of 11.47%, and provision coverage ratio of 199.92%.

(II) Fulfilling the Responsibility of Corporate Bank by Well Serving Local Economy

In 2019, senior management members always focused on the market positioning of the Bank, and shouldered the responsibility of the Bank by increasing the effective supply of financial resources and accessibility to the general finance. They worked together to overcome difficulties and gave full play to the service support role of local banks in regional economic development. 1. Supporting local key projects. The senior management members coordinated all institutions under its jurisdiction to actively connect with key projects of provinces and cities, and fully supported the construction of major projects such as municipal projects, rail transportation, and infrastructure. 2. Assisting transformation and upgrading of enterprises. Responding to the financing needs of the transformation of strategic customers of the Bank, the senior management members actively improved the Bank's support for the environment-friendly energy enterprises to provide them with efficient and quality comprehensive financial services through innovative financial means, mobilization of various financial resources, issuance of financing bonds, issuance of loans as leading bank, or participation in syndicated loans. 3. Strengthening cooperation between the Bank and government. The senior management members actively responded to the government's call by continuously enriching the forms and scope of cooperation between the government and the bank. The cooperation characterised by mutual promotion and complementarity, mutual benefit and win-win outcome as realized through in-depth connection in the subscription of local debts, promotion of the development of new materials industry, and the development of integrated information transformation of urban and rural medical treatment. 4. Carrying on general finance business. The senior management members continued to increase investments in resources for private and small and micro enterprises, and carried out a series of works to improve quality and efficiency in the implementation of task indicators, innovation and optimization of products, and prevention and mitigation of risks. The senior management members upheld and practiced the concept of inclusive finance with concrete actions.

(III) Expanding the Profitability of the Bank Through Transformation

The senior management members implemented the transformation and development concept across the Bank, and made every effort to break through the difficulties encountered in development. 1. Retail business. The size of retail customer financial asset management exceeded RMB100 billion, a record high in growth, and the competitiveness and influence in the retail business market strengthened significantly. 2. Corporate business. The senior management members further improved the level of the Bank's corporate business through strengthening the management of customer list, upgrading the financial product portfolio, and deepening the cooperation with financial enterprises. 3. New businesses. The investment banking business was actively promoted. Through the development of bond underwriting, syndicated loan, financing plan and other businesses, the market influence was significantly enhanced. Direct banking business advanced rapidly. Credit card business grew steadily. Profitability of the Bank improved.

(IV) Deepening the Reform and Innovation to Improve Awareness of Risk Management

In 2019, senior management members continued to push forward internal reforms, improved corporate governance system and operation mechanism, further improving the management across the Bank. First, the reform of major business lines was continuously promoted. Interaction between the corporate business and private business was continuously strengthened, and the retail and corporate business management committees were operating smoothly. The senior management members continued to deepen the fintech reform to further strengthen the professionalism and internal coordination of technology-related work. Second, the concept of risk compliance was strengthened. Facing the new norm of the economy and the new regulatory requirements, the senior management members improved the comprehensive risk management system and the sound risk control mechanism, firmly holding the bottom line against systemic and regional financial risks. The senior management members continuously promoted the structural adjustment of credit customers, improved the risk identification, strengthened the disposal of non-performing assets, and constantly exerted efforts in preventing credit risks. The senior management members actively improved the compliance culture and build up the "three lines of defense" for risk prevention and control across the Bank. Third, quality and ability of employees were improved. The senior management members further enhanced the training mechanism, and established a team of internal trainers to strengthen the training and promotion of all staff, thus further improving the professional quality of personnel at all levels, and providing strong talent support for the development of the Bank.

**VI. OVERALL ASSESSMENT ON PERFORMANCE OF DUTIES BY SENIOR
MANAGEMENT MEMBERS IN 2019**

In 2019, all senior management members, in strict accordance with the relevant laws and regulations of China, as well as the Articles of Association of the Bank, fully implemented various financial policies and regulatory requirements of China, and they acted in the principle of prudent operation to fully accomplish the operation objectives set by the Board of Directors in early 2019. The current senior management members of the Bank performed their duties with due diligence, strictly complied with the relevant laws, regulations and the Articles of Association of the Bank, exercised the rights conferred by the Articles of Association in a good-faith and honest manner. They strictly implemented the resolutions of the general meeting and the Board of Directors, accepted the supervision of the Board of Supervisors, and performed their operational duties within their authority. All senior management members conducted in-depth reform and innovation. As a result, remarkable results were achieved in accelerating the adjustment and optimization of the Bank's business structure, improving the Bank's risk management capability, enhancing internal control and management, optimizing the system and mechanism, and promoting the steady operation of the Bank. In the formulation of the business plan, capital management, annual financial budget, asset purchase and disposal of assets, the senior management members acted properly. The senior management members exercised strict control over the liquidity risk and compliance of related party transactions of the Bank. The senior management members truthfully reported to the Board of Directors and the Board of Supervisors the operating results, financial position, risk profile, operating prospects and major events of the Bank. During the Reporting Period, no senior management member was found to commit any act in violation of the fiduciary duty provided in the laws, regulations and the Articles of Association of the Bank, exercise the power beyond their authority, and engage in any other act to the detriment of the interests of the Bank during performance of duties.

To sum up, in accordance with the Measures of Board of Supervisors of Jinshang Bank Co., Ltd. Assessing Performance of Duties of Senior Management Members (《晉商銀行股份有限公司監事會對高級管理層成員履職評價辦法》), the Board of Supervisors assessed the performance of duties by the senior management members of the Bank in 2019 all to be "Competent".

Particulars of Proposed Amendments to the Articles of Association

Original Articles	Articles after the Amendments
<p>Article 1 To safeguard the legitimate rights and interests of Jinshang Bank Co., Ltd. (hereinafter referred to as the Bank), the shareholders and the creditors and regulate the organization and conduct of the Bank, the Articles of Association are formulated pursuant to the Company Law of the People’s Republic of China (hereinafter referred to as Company Law), the Commercial Banking Law of the People’s Republic of China (hereinafter referred to as Commercial Banking Law), the Securities Law of the People’s Republic of China (hereinafter referred to as Securities Law), the Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (hereinafter referred to as Special Regulations), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidelines on the Corporate Governance of Commercial Banks, the Interim Measures for Management of Commercial Bank Equity, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as Hong Kong Listing Rules), the Constitution of the Communist Party of China (hereinafter referred to as Party Constitution) and other relevant laws, administrative regulations and rules.</p>	<p>Article 1 To safeguard the legitimate rights and interests of Jinshang Bank Co., Ltd. (hereinafter referred to as the Bank), the shareholders and the creditors and regulate the organization and conduct of the Bank, the Articles of Association are formulated pursuant to the Company Law of the People’s Republic of China (hereinafter referred to as Company Law), the Commercial Banking Law of the People’s Republic of China (hereinafter referred to as Commercial Banking Law), the Securities Law of the People’s Republic of China (hereinafter referred to as Securities Law), the Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (hereinafter referred to as Special Regulations), <u>the Reply of the State Council on the Adjustment of the Provisions Applicable to the Notice Period for the Holding of Shareholders’ General Meeting for Overseas Listed Companies,</u> the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidelines on the Corporate Governance of Commercial Banks, the Interim Measures for Management of Commercial Bank Equity, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as Hong Kong Listing Rules), the Constitution of the Communist Party of China (hereinafter referred to as Party Constitution) and other relevant laws, administrative regulations and rules.</p>

APPENDIX VI PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Articles after the Amendments
<p>Article 48 Change of the register of shareholders arising from share transfer shall not be registered within 30 days before convening of a general meeting or within five days prior to the benchmark date on which the Bank decides to distribute dividends.</p> <p>If securities regulatory authorities at the location where the shares of the Bank are listed have special provisions, such provisions shall apply.</p>	<p>Article 48 <u>Where the relevant laws and regulations and securities regulatory authorities at the location where the shares of the Bank are listed require that change of the register of shareholders arising from share transfer shall not occur before convening of a general meeting or prior to the benchmark date on which the Bank decides to distribute dividends, such provisions shall apply.</u> Change of the register of shareholders arising from share transfer shall not be registered within 30 days before convening of a general meeting or within five days prior to the benchmark date on which the Bank decides to distribute dividends.</p> <p>If securities regulatory authorities at the location where the shares of the Bank are listed have special provisions, such provisions shall apply.</p>

Original Articles	Articles after the Amendments
<p>Article 65 Shareholders of ordinary shares of the Bank shall have the following obligations:</p> <p>.....</p> <p>(VIII) Shareholders who shall but fail to seek approval from or fail to report to regulatory authorities shall not exercise such rights as the right to request convening the Shareholders’ general meeting, voting right, right of nomination, right of making motions and right of disposition;</p> <p>.....</p>	<p>Article 65 Shareholders of ordinary shares of the Bank shall have the following obligations:</p> <p>.....</p> <p>(VIII) <u>Where the investor and its related parties and person acting in concert, individually or collectively, intend to hold or accumulate more than 5% of the total shares of the Bank for the first time, they shall report to the banking regulatory authorities for approval. Where the investor and its related parties and person acting in concert individually or collectively hold more than 1% but less than 5% of the total shares of the Bank, they shall report to the banking regulatory authorities within 10 working days after acquiring the corresponding equity.</u> Shareholders who shall but fail to seek approval from or fail to report to regulatory authorities shall not exercise such rights as the right to request convening the Shareholders’ general meeting, voting right, right of nomination, right of making motions and right of disposition;</p> <p>.....</p>

Original Articles	Articles after the Amendments
<p>Article 82 When the Bank is to convene a Shareholders’ general meeting, the conveners shall issue a written notice 45 days prior to the convening of the meeting to all shareholders whose names appear on the register of shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who wish to attend the Shareholders’ general meeting shall provide a written reply of attendance to the Bank 20 days before the Shareholders’ general meeting is convened.</p>	<p>Article 82 When the Bank is to convene an annual general meeting, the conveners shall issue a written notice 45 days prior to the convening of the meeting to all shareholders whose names appear on the register of shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who wish to attend the Shareholders’ general meeting shall provide a written reply of attendance to the Bank 20 days before the Shareholders’ general meeting is convened <u>notify the shareholders of the date, venue and the matters to be considered at the meeting at least 20 working days (excluding the date of notice and the date of meeting) prior to the meeting; an extraordinary general meeting shall be notified to the shareholders at least 15 days or 10 working days (whichever is longer, excluding the date of notice and the date of meeting) prior to the meeting.</u></p> <p><u>Where laws, administrative regulations and securities regulatory authorities of the place where shares of the Bank are listed otherwise provided, such provisions shall prevail.</u></p>

APPENDIX VI PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Articles after the Amendments
<p>Article 83 The Bank shall calculate the number of voting shares represented by shareholders who wish to attend the meeting based on the written replies received 20 days before the Shareholders’ general meeting. Where the number of voting shares represented by shareholders who wish to attend the meeting reaches more than half of the total voting shares of the Bank, the Bank may convene the Shareholders’ general meeting. If this threshold is not met, the Bank shall reinform the shareholders within 5 days via an announcement stipulating the matters to be considered and the date and venue of the meeting. Once this announcement is made, the Bank may then proceed to convene the Shareholders’ general meeting.</p>	<p>Article 83 The Bank shall calculate the number of voting shares represented by shareholders who wish to attend the meeting based on the written replies received 20 days before the Shareholders’ general meeting. Where the number of voting shares represented by shareholders who wish to attend the meeting reaches more than half of the total voting shares of the Bank, the Bank may convene the Shareholders’ general meeting. If this threshold is not met, the Bank shall reinform the shareholders within 5 days via an announcement stipulating the matters to be considered and the date and venue of the meeting. Once this announcement <u>After issuing the notice of Shareholders’ general meeting by the Bank,</u> the Bank may then proceed to convene the Shareholders’ general meeting <u>in accordance with Article 82 of the Articles of Association.</u></p>

Original Articles	Articles after the Amendments
<p>Article 86 The notice of Shareholders' general meeting shall be delivered by hand or prepaid mail to all shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of shareholders. For holders of domestic shares, the notice of Shareholders' general meeting may be in the form of an announcement.</p> <p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council during the 45 to 50 days prior to the date on which the meeting is convened. All holders of domestic shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.</p> <p>Subject to the laws, administrative regulations, rules, rules governing securities of the place where shares of the Bank are listed and the Articles of Association, the Bank may also send the aforesaid notices of Shareholders' general meeting to the holders of H Shares through the websites of the Bank and the Hong Kong Stock Exchange in lieu of by hand or prepaid mail.</p>	<p>Article 86 The notice of Shareholders' general meeting shall be delivered by hand or prepaid mail to all shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of shareholders. For holders of domestic shares, the notice of Shareholders' general meeting may be in the form of an announcement.</p> <p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council during the 45 to 50 days prior to the date on which the meeting is convened. All holders of domestic shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.</p> <p>Subject to the laws, administrative regulations, rules, rules governing securities of the place where shares of the Bank are listed and the Articles of Association, the Bank may also send the aforesaid notices of Shareholders' general meeting to the holders of H Shares through the websites of the Bank and the Hong Kong Stock Exchange in lieu of by hand or prepaid mail.</p>

APPENDIX VI PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Articles after the Amendments
<p>Article 131 Where the Bank convenes the class meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders of the said class in the register of shareholders of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall serve to the Bank a written reply showing his/her intention to attend 20 days before the meeting.</p> <p>Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than a half of the total number of voting shares of that class, the Bank may convene the class meeting; if not, the Bank shall, within five days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of announcements. The Bank may then convene the class meeting after such announcements.</p>	<p>Article 131 Where the Bank convenes the class meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders of the said class in the register of shareholders of the issues to be considered at the meeting, and the date and venue of the meeting <u>in accordance with Articles 82 of the Articles of Association regarding the notice period for holding the Shareholders' general meeting.</u> Any shareholder intending to attend the meeting shall serve to the Bank a written reply showing his/her intention to attend 20 days before the meeting.</p> <p>Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than a half of the total number of voting shares of that class, the Bank may convene the class meeting; if not, the Bank shall, within five days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of announcements. The Bank may then convene the class meeting after such announcements.</p>

Note: If the clauses are added or removed, the serial numbers of other clauses should be adjusted accordingly.

Particulars of Proposed Amendments to the Rules of Procedures of the Shareholders' General Meeting

Original Articles	Articles after the Amendments
<p>Article 18 When the Bank is to convene a Shareholders' general meeting, the conveners shall issue a written notice 45 days prior to the convening of the meeting to all shareholders whose names appear on the register of shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who wish to attend the Shareholders' general meeting shall provide a written reply of attendance to the Bank 20 days before the Shareholders' general meeting is convened.</p>	<p>Article 18 When the Bank is to convene a Shareholders' general meeting, the conveners shall issue a written notice 45 days prior to the convening of the meeting to all shareholders whose names appear on the register of shareholders, stating the matters to be considered at the meeting and the date and venue of the meeting. Shareholders who wish to attend the Shareholders' general meeting shall provide a written reply of attendance to the Bank 20 days before the Shareholders' general meeting is convened <u>notify the shareholders of the date, venue of the meeting and the matters to be considered at least 20 working days (excluding the date of notice and the date of meeting) prior to the meeting; an extraordinary general meeting shall be notified to the shareholders at least 15 days or 10 working days (whichever is longer, excluding the date of notice and the date of meeting) prior to the meeting.</u></p> <p><u>Where laws, administrative regulations and securities regulatory authorities of the place where shares of the Bank are listed otherwise provided, such provisions shall prevail.</u></p>

Original Articles	Articles after the Amendments
<p>Article 19 The Bank shall calculate the number of voting shares represented by shareholders who wish to attend the meeting based on the written replies received 20 days before the Shareholders' general meeting. Where the number of voting shares represented by shareholders who wish to attend the meeting reaches more than half of the total voting shares of the Bank, the Bank may convene the Shareholders' general meeting. If this threshold is not met, the Bank shall reinform the shareholders within 5 days via an announcement stipulating the matters to be considered and the date and venue of the meeting. Once this announcement is made, the Bank may then proceed to convene the Shareholders' general meeting.</p>	<p>Article 19 The Bank shall calculate the number of voting shares represented by shareholders who wish to attend the meeting based on the written replies received 20 days before the Shareholders' general meeting. Where the number of voting shares represented by shareholders who wish to attend the meeting reaches more than half of the total voting shares of the Bank, the Bank may convene the Shareholders' general meeting. If this threshold is not met, the Bank shall reinform the shareholders within 5 days via an announcement stipulating the matters to be considered and the date and venue of the meeting. After issuing the notice <u>of Shareholders' general meeting by the Bank</u>, the Bank may then proceed to convene the Shareholders' general meeting <u>in accordance with Article 82 of the Articles of Association of the Bank.</u></p>

Original Articles	Articles after the Amendments
<p>Article 23 The notice of Shareholders' general meeting shall be delivered by hand or prepaid mail to all shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of shareholders. For holders of domestic shares, the notice of Shareholders' general meeting may be in the form of an announcement.</p> <p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council during the 45 to 50 days prior to the date on which the meeting is convened. All holders of domestic shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.</p> <p>Subject to the laws, administrative regulations, rules, rules governing securities of the place where shares of the Bank are listed and the Articles of Association, the Bank may also send the aforesaid notices of Shareholders' general meeting to the holders of H Shares through the websites of the Bank and the Hong Kong Stock Exchange in lieu of by hand or prepaid mail.</p>	<p>Article 23 The notice of Shareholders' general meeting shall be delivered by hand or prepaid mail to all shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of shareholders. For holders of domestic shares, the notice of Shareholders' general meeting may be in the form of an announcement.</p> <p>The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council during the 45 to 50 days prior to the date on which the meeting is convened. All holders of domestic shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.</p> <p>Subject to the laws, administrative regulations, rules, rules governing securities of the place where shares of the Bank are listed and the Articles of Association, the Bank may also send the aforesaid notices of Shareholders' general meeting to the holders of H Shares through the websites of the Bank and the Hong Kong Stock Exchange in lieu of by hand or prepaid mail.</p>

Note: If the clauses are added or removed, the serial numbers of other clauses should be adjusted accordingly and will not be explained separately.

In 2019, the Bank kept abreast with the regulatory trend and attached great importance to related party transaction management. In accordance with the requirements of regulators such as the CBIRC and the Hong Kong Stock Exchange, the Bank further optimized the related party transaction management mechanism, improved the daily monitoring, statistics, analysis and risk warning of related party transactions, enhanced fine management of related party transactions, and earnestly implemented the related party transaction approval to ensure the continuous, effective and compliant operation of the related party transaction management mechanism. The details of related party transaction management across the Bank during 2019 are reported as follows:

I. WORK PERFORMED BY RELATED PARTY TRANSACTIONS CONTROL COMMITTEE

The Related Party Transaction Control Committee held five meetings in 2019, in which the committee mainly approved proposals such as Credit Line Business for Significant Related Party Transaction During 2019 (《2019年度重大關聯交易授信業務》), Proposal on Determination of Connected Persons of Jinshang Bank (《關於認定晉商銀行關連人士的議案》) and Proposal on Related Party Transaction between Jinshang Bank and Shanxi Fenxi Mining Group Zhengxin Coal Coke Co., Ltd. (《關於晉商銀行與山西汾西礦業集團正新煤焦有限責任公司關聯交易的議案》), and reported to the Board of Directors and the Board of Supervisors. The Bank was successfully listed in July 2019. According to the Hong Kong Listing Rules, the Bank identified and verified the connected persons under the listing rules in the third quarter of 2019. At the same time, the Related Parties Transaction Control Committee also reported the latest list of related party to the Board of Directors and the Board of Supervisors, and determined the list of connected persons under the Hong Kong Listing Rules through the Board of Directors.

II. IMPLEMENTATIONS OF RELATED PARTY TRANSACTION MANAGEMENT SYSTEM

(I) Improving the system for better related party transaction management

In order to regulate related party transactions of the Bank, control the risks of related party transactions, and promote the safe and stable operation of the Bank, we specified various regulatory requirements for related parties and related party transactions in accordance with the different regulatory provisions of CBIRC and the Hong Kong Stock Exchange on the management of related party transactions of commercial banks and listed companies. In the third quarter of 2019, the Bank formulated the Detailed Rules for the Implementation of Management of Related Party (Connected) Transactions of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司關聯(連)交易管理實施細則》), further clarifying the responsibilities of the functional department for the related party transaction, and the regulatory requirements for the related party and related party transactions under different regulatory regimes, and strictly implementing the related party transaction approval and information disclosure system.

Since 2019, the Bank has further strengthened its internal audit of related party transactions. The Audit Department conducted special audits of related party transactions and reported the audit results to the Board of Directors and the Board of Supervisors after completing the special audit report. The Board of Directors of the Bank reported to the general meeting the implementation of the related party transaction management system and the special report on related party transactions for the previous year.

At the same time, according to the requirements of external supervision and inspection and internal audit, the Bank has strengthened the management of related party transactions and strictly implemented the related party transaction approval process since 2019. Significant related party transactions shall be reviewed by the Related Party Transaction Control Committee and then submitted to the Board of Directors for approval. In the first quarter of 2019, the Board of Directors deliberated and passed the proposal of Credit Line Business for Significant Related Party Transaction During 2019 (《2019年度重大關聯交易授信業務》), making an annual plan for credit line business for significant related party transactions. The Board of Directors of the Bank deliberated and passed a significant related party transaction not covered by the plan in November 2019. For ordinary daily related party transactions, any such transaction was submitted to the Related Party Transaction Control Committee of the Board of Directors for filing after approval in accordance with the internal authorization procedures. In 2019, the Bank reported nine ordinary related party transactions to the Board of Directors.

(II) Optimizing management of the related parties to lay solid foundation for related party transaction management

The Bank managed the list of related party on a dynamic basis. In order to meet the regulatory requirements for connected transactions under the Hong Kong Listing Rules, the Bank identified and verified the list of connected persons under the Hong Kong Listing Rules in the third quarter of 2019 to ensure the related party information is complete, accurate and timely. In August 2019, the Board of Directors determined 338 connected persons (directors, supervisors, chief executives and their Associates) of the Bank and 9,800 connected persons (substantial shareholders and their Associates) of the Bank.

In order to improve the timeliness and effectiveness of collection of the related party information, the Bank actively optimized the related party management mechanism. The list of related party was distributed throughout the Bank after being reviewed by the Board of Directors. The related party transaction management was conducted on the basis of that list. At the same time, the Bank supervised the related party management department to update the list of related party in real time, actively collect related customer information and add such information into the credit management system to ensure that the related party certificate information in the system is consistent with the account opening information, thus realizing effective collection of related transaction data. In addition, the Bank identified the connected relationship of its shareholders in various ways. In addition to relying on the list provided by shareholders, the Bank also identified related parties through third-party platforms (Qichacha (企查查), Qixinbao (啟信寶) and Tianyancha (天眼查)).

(III) Strengthening daily monitoring of related party transaction to strictly control risks of related party transaction

In strict accordance with the Administrative Measures of Jinshang Bank Co., Ltd. for Related Party (Connected) Transactions (《晉商銀行股份有限公司關聯(連)交易管理辦法》) and the Detailed Rules for the Implementation of Management of Related Party (Connected) Transactions of Jinshang Bank Co., Ltd. (《晉商銀行股份有限公司關聯(連)交易管理實施細則》), the Bank identified, reviewed and approved related party transactions, controlled the limit of credit for the related party transactions, and regularly monitored related party credit customers through the credit management system to ensure that the Bank's related party credit limit does not exceed the regulatory limit. For the related party transactions subject to annual cap disclosed in the prospectus, the Bank exercises strict control to ensure the business is conducted within the cap. For businesses for which the application for annual cap is not submitted, the Bank manages and monitors those businesses well, and conducts regular index calculation to ensure compliance with regulatory requirements.

(IV) Strictly implementing the regulatory stipulations to ensure the compliance of related party transaction

According to the regulations of CBIRC, the credit balance of a commercial bank to a related party shall not exceed 10% of the net capital of that commercial bank. The total credit balance of a commercial bank to the group customers of a related corporate or other organization shall not exceed 15% of the net capital of that commercial bank. The credit balance of a commercial bank to all related parties shall not exceed 50% of the net capital of that commercial bank. As at the end of 2019, related party transaction indicators of the Bank met the regulatory requirements of CBIRC. The related party credit balance to the largest single customer was RMB1.2 billion, accounting for 5.07% of the net capital of the Bank. The related party credit balance to the largest single group customer was RMB2.619 billion, accounting for 11.07% of the net capital of the Bank. The related party credit balance amounted to RMB6.605 billion, accounting for 27.91% of the net capital of the Bank, satisfying the regulatory requirements.

In 2019, the related party transaction management mechanisms of the Bank operated smoothly and all related party transactions operated in a standardized manner, ensuring the compliance of related party transactions.

III. OVERVIEW OF RELATED PARTY TRANSACTIONS DURING 2019

(I) Overview of Related Party Transactions

Currently, the Bank conducts its related party transactions in the form of granting credit to major non-individual shareholders. According to the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》) and the Administrative Measures of Jinshang Bank Co., Ltd. for Related Party (Connected) Transactions (《晉商銀行股份有限公司關聯(連)交易管理辦法》), major non-individual shareholder means any non-individual shareholders who directly, indirectly, jointly holds or controls more than 5% of the shares or voting rights of a commercial bank.

As at the end of 2019, the balance of related party transactions between the Bank and its related parties was RMB6.605 billion, accounting for 27.91% of the net capital of the Bank, meeting the regulatory requirements. Moreover, our credit business to related shareholders and related credit risk exposure were normal loans with good business quality. In terms of quantity, structure and quality of transaction, the related party transaction did not have material effects on the normal operation of the Bank. The non-performing loan ratio of related party loans of our shareholders is zero, and the quality of related party credit is better than the average credit level of the Bank as a whole.

(II) Pricing of related party transaction

Since 2019, the related transactions between the Bank and its related parties has been priced objectively and fairly. Prices and charges of all related transaction were determined on normal commercial principles and in a market-oriented manner. The related party transactions were conducted on terms no superior to the terms available to similar transactions with non-related parties. The relevant transaction terms are reasonable and are in the overall interests of the Bank and shareholders. According to the Administrative Measures of Jinshang Bank Co., Ltd. for Related Party (Connected) Transactions (《晉商銀行股份有限公司關聯(連)交易管理辦法》), for related party transactions that is a credit granting, the corresponding price was determined in accordance with the relevant credit pricing management measures and considering the ratings and risks of related party customers so as to ensure the legality and fairness of the pricing of related party transactions of the Bank. The Bank has strictly implemented the regulations of CBIRC on forbidding the issuance of unsecured loans to related parties, forbidding the provision of guarantees for financing activities of related parties, and forbidding the acceptance of the Bank's equity as pledge to provide credit.

I. RESPONSIBILITY STATEMENT

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

II. SHARE CAPITAL

As at the Latest Practicable Date, the total number of issued shares of the Bank was 5,838,650,000 Shares comprising 4,868,000,000 Domestic Shares and 970,650,000 H Shares.

III. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, save as disclosed below, none of the Directors, Supervisors or chief executive of the Bank had any interest or short position in the Shares, underlying Shares and debentures of the Bank or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Bank, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Bank and the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO shall be interpreted as if they are applicable to the Supervisors.

Name of Director	Capacity	Class of Shares	Number of shares held directly or indirectly (long position)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Mr. YAN Junsheng ⁽¹⁾	Interest of spouse	Domestic Shares	81,191	0.0014%	0.0016%
Mr. LI Yang ⁽²⁾	Interest in controlled corporations	Domestic Shares	685,227,255	11.74%	14.08%

Notes:

- (1) Ms. HAO Ronghua is Mr. YAN Junsheng's spouse, holding 81,191 Domestic Shares of our Bank. Mr. YAN Junsheng is deemed to be interested in the Domestic Shares held by Ms. HAO Ronghua under the SFO. Mr. YAN Junsheng resigned as the Bank's executive director and chairman on January 8, 2020.
- (2) Mr. LI Yang held 90% equity interest in Changzhi Nanye Industry Group Co., Ltd. ("Changzhi Nanye"), and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan Mining Industry Co., Ltd. ("Changzhi Huashengyuan").

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Yang, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan will be deemed to be interested in 685,227,255 Domestic Shares, representing approximately 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Yang and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors, chief executives or Supervisors of the Bank or their Associates had any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations.

IV. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons other than the Directors, Supervisors and chief executives had interests and/or short positions in the Shares and underlying Shares of the Bank which were required to be disclosed to the Bank pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short positions)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Shanxi State-owned Capital Investment and Operation Co., Ltd. (山西省國有資本投資運營有限公司) (“SSCIO”) ⁽¹⁾	Interest in controlled corporations	Domestic Shares	1,406,430,741		24.09%	28.89%
Shanxi Financial Investment Holdings Co., Ltd. (山西金融投資控股集團有限公司)	Beneficial owner	Domestic Shares	715,109,200		12.25%	14.69%
China Huaneng Group Co., Ltd. (中國華能集團有限公司) ⁽²⁾	Interest in controlled corporations	Domestic Shares	600,000,000		10.28%	12.33%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beneficial owner	Domestic Shares	600,000,000		10.28%	12.33%
Taiyuan Municipal Finance Bureau (太原市財政局)	Beneficial owner	Domestic Shares	466,142,486		7.98%	9.58%
	Interest in controlled corporations	H Shares	102,400,000		1.75%	10.54%
Taiyuan State-owned Investment Group Limited (太原國有投資集團有限公司)	Beneficial owner	H Shares	102,400,000		1.75%	10.54%

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short positions)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Changzhi Nanye Industry Group Co., Ltd. ⁽³⁾	Beneficial owner	Domestic Shares	450,657,435		7.72%	9.26%
	Interest in controlled corporations	Domestic Shares	234,569,820		4.02%	4.82%
Ms. WANG Yanli ⁽³⁾	Interest in controlled corporations	Domestic Shares	685,227,255		11.74%	9.26%
Changzhi Huashengyuan Mining Industry Co., Ltd. ⁽³⁾	Beneficial owner	Domestic Shares	234,569,820		4.02%	4.82%
	Interest in controlled corporations	Domestic Shares	450,657,435		7.72%	9.26%
Shanxi Lu'an Mining (Group) Co., Ltd.	Beneficial owner	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Group Co., Ltd. (晉能集團有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi International Electricity Group Limited Company	Beneficial owner	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi Coking Coal Group Co., Ltd.	Beneficial owner	Domestic Shares	291,339,054		4.99%	5.98%
Shanxi Qinxin Energy Group Co., Ltd. (山西沁新能源集團股份有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
Taiyuan Industrial Park Investment Holdings Co., Ltd. (太原工業園區投資控股有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short positions)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) ⁽⁵⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Products Limited (國泰君安金融產品有限公司) ⁽⁵⁾	Beneficial owner	H Shares	61,300,000		1.05%	6.32%
	Beneficial owner	H Shares		61,300,000	1.05%	6.32%
China Credit Trust Co., Ltd. (中誠信託有限責任公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	102,297,000		1.75%	10.54%
Harvest Fund Management Co., Ltd (嘉實基金管理有限公司) ⁽⁶⁾	Investment manager	H Shares	102,297,000		1.75%	10.54%
Orient Fund Management Co., Ltd. (東方基金管理有限責任公司)	Trustee	H Shares	102,430,000		1.75%	10.55%
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee	H Shares	102,297,000		1.75%	10.54%
Guotai Asset Management Co., Ltd. (國泰基金管理有限公司)	Investment manager	H Shares	62,044,000		1.06%	6.39%
GF Asset Management – Xumao Single Investment Asset Management Plan (廣發資管-旭茂投資單一資產管理計劃)	Trustee	H Shares	57,830,000		0.99%	5.95%

Notes:

- (1) SSCIO indirectly held 1,406,430,741 Domestic Shares, representing 24.09% equity interest in our Bank. SSCIO's shareholding in our Bank was held through several subsidiaries, including (i) Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司) with 6.15% equity interest in our Bank; (ii) Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) with 4.99% equity interest in our Bank; (iii) Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) with 5.14% equity interest in our Bank; (iv) Taiyuan Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司) with 3.43% equity interest in our Bank; (v) Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司) with 3.43% equity interest in our Bank; and (vi) Shanxi Investment Group Co., Ltd. (山西省投資集團有限公司) with 0.98% equity interest in our Bank.
- (2) China Huaneng Group Co., Ltd. indirectly held 600,000,000 Domestic Shares, representing 10.28% equity interest in our Bank through Huaneng Capital Services Co., Ltd., in which China Huaneng Group Co., Ltd. held 61.22% equity interest. By virtue of SFO, China Huaneng Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Huaneng Capital Services Co., Ltd.
- (3) Mr. LI Yang held 90% equity interest in Changzhi Nanye Industry Group Co., Ltd. ("**Changzhi Nanye**"), and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan Mining Industry Co., Ltd. ("**Changzhi Huashengyuan**").

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Yang, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan will be deemed to be interested in 685,227,255 Domestic Shares, representing 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Yang and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.
- (4) Jinneng Group Co., Ltd., a subsidiary of SSCIO with 64% equity interest, indirectly held 300,000,000 Domestic Shares, representing 5.14% equity interest in our Bank through its wholly-owned subsidiary, Shanxi International Electricity Group Limited Company. By virtue of SFO, Jinneng Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Shanxi International Electricity Group Limited Company.
- (5) Guotai Junan International Holdings Limited was interested in the long position of 61,300,000 H Shares, representing 1.05% equity interest in our Bank, and 61,300,000 short positions in H Shares, representing 1.05% equity interest in our Bank through its wholly-owned subsidiaries, Guotai Junan (Hong Kong) Limited and Guotai Junan Financial Products Limited. By virtue of SFO, Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited are deemed to be interested in the H Shares held by Guotai Junan Financial Products Limited.
- (6) China Credit Trust Co., Ltd. was interested in the long position of 102,297,000 H Shares, representing 1.75% equity interest in our Bank through its wholly-owned subsidiary Harvest Fund Management Co., Ltd. By virtue of SFO, China Credit Trust Co., Ltd. is deemed to be interested in the H Shares held by Harvest Fund Management Co., Ltd.

As at the Latest Practicable Date, XIANG Lijun, our Bank's non-executive Director, served in several subsidiaries of Huaneng Group. WANG Jianjun, a non-executive Director of the Bank, served in several subsidiaries of Shanxi Lu'an Mining Industry (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司). Save as disclosed above, none of the Directors or Supervisors was a director or an employee of Huaneng Group or SSCIO or their respective Associates.

As at the Latest Practicable Date, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Bank) had an interest or short position in the Shares of the Bank according to the register of interests in shares and short positions kept by the Bank pursuant to Section 336 of the SFO.

V. INTEREST OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, the Supervisors or their close Associates had interested in any business, which competes or is likely to compete, either directly or indirectly, with the Group's business which would fall to be disclosed under the Hong Kong Listing Rules.

VI. DIRECTORS AND SUPERVISORS' INTEREST IN ASSET

As at the Latest Practicable Date, none of the Directors and Supervisors had: (i) any direct or indirect interests in any asset which had been, since 31 December 2019, being the date to which the latest published audited accounts of the Bank were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; and (ii) any subsisting material interest in any contract or arrangement as at the Latest Practicable Date which is significant in relation to the business of the Group.

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (except Mr. WANG Junbiao) has entered into a service contract with the Bank on June 21, 2019. Mr. WANG Junbiao has entered into a service contract with the Bank on March 10, 2020. The principal particulars of these service contracts are (a) effective from their appointment as a Director of the Bank to the expiration of the term of the fifth session of the Board and can be renewed for a term of three years upon expiry; and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Each of the Supervisors has entered into a service contract with the Bank on June 21, 2019, in respect of, among others, compliance with relevant laws and regulations, observations of the Articles of Association and arbitration provisions.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

VIII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors and Supervisors were not aware of any material adverse change in relation to the Group's the financial or trading positions since December 31, 2019, the date on which the latest audited consolidated financial statements of the Group were made up.

IX. EXPERT'S QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the expert who has given opinion or advice which are contained in this circular:

Name	Qualifications
Opus Capital	a corporation licensed under the SFO to carryout Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the Independent Financial Adviser

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its respective letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Opus Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Opus Capital had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since December 31, 2019 (the date on which the latest audited consolidated financial statements of the Bank were made up) or proposed to be acquired, disposed of or leased to.

X. GENERAL INFORMATION

- A. The secretary to the Board is Mr. LI Weiqiang.
- B. The legal address, registered address and address of headquarters of the Bank is at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC.
- C. The address of the H Share Registrar is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- D. In the event of inconsistency, the Chinese language text of this circular shall prevail over the English language text.

XI. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, from the date of this circular up to and including June 9, 2020, being the date of the Annual General Meeting:

1. this circular;
2. the Articles of Association;
3. the Huaneng Framework Supplemental Agreement and the SSCIO Framework Supplemental Agreement;
4. the letter from the Independent Board Committee to the Independent Shareholders as set out in this circular;
5. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in this circular;
6. the written consent letter from the Independent Financial Adviser; and
7. the service contracts of all the incumbent Directors and Supervisors.

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

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JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(stock code: 2558)

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 annual general meeting (the “AGM”) of Jinshang Bank Co., Ltd.* (the “Bank”) will be held at Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC at 10:00 a.m. on June 9, 2020 (Tuesday). Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Bank dated April 24, 2020 (the “Circular”).

The following resolutions will be considered and, if thought fit, approved by the shareholders of the Bank at the AGM:

ORDINARY RESOLUTIONS

1. To consider and approve the Work Report of the Board of Directors for 2019;
2. To consider and approve the Work Report of the Board of Supervisors for 2019;
3. To consider and approve the Profit Distribution Plan for 2019;
4. To consider and approve the Report of Final Financial Accounts for 2019;
5. To consider and approve the Financial Budget for 2020;
6. To consider and approve the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2019;
7. To consider and approve the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2019;
8. To consider and approve the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2019;

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

9. To consider and approve the Determination of the Write-off Amount for Non-performing Loans and Bad Debts for 2020;
10. To consider and approve the Huaneng Framework Supplemental Agreement entered into between the Bank and Huaneng Capital, the transactions contemplated thereunder and the annual caps for the financial years ending December 31, 2020 and December 31, 2021 relating thereto;
11. To consider and approve the SSCIO Framework Supplemental Agreement entered into between the Bank and SSCIO, the transactions contemplated thereunder and the annual caps for the financial years ending December 31, 2020 and December 31, 2021 relating thereto; and
12. To consider and approve the appointment of Auditors to audit Financial Statements for 2020;

SPECIAL RESOLUTIONS

13. To consider and approve the Proposed Extension of the Term of Authorization for the Issuance of Financial Bonds;
14. To consider and approve the Proposed Issuance of Green Financial Bonds;
15. To consider and approve the Proposed Issuance of Tier-2 Capital Bonds;
16. To consider and approve the Proposed Amendments to the Articles of Association; and
17. To consider and approve the Proposed Amendments to the Rules of Procedures for the Shareholders' General Meeting.

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

Taiyuan, the PRC

April 24, 2020

As of the date of this notice, 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 Chenhang, 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.*

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

Notes:

1. For more information about above resolutions, please refer to the Circular.

2. **Registration Procedures for Attending the AGM**

Individual Shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document(s) or proof of identity and stock account cards. Proxies of individual Shareholders shall produce their effective document of identity and proxy form. A corporate Shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid document(s) evidencing his/her capacity as a legal representative. If being appointed to attend the meeting, the proxy should produce his/her identity card and an authorization instrument duly signed by the legal representative of the corporate Shareholder.

3. **Reply Slip**

The Shareholders who intend to attend and vote at the AGM (in person or by proxy) shall complete the reply slip for the AGM, and return it in person, by post or by facsimile to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H Shareholders), or the office of the Board of the Bank (the "Office of the Board") at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the Domestic Shareholders), on or before May 20, 2020 (Wednesday).

In the event that, according to the reply slips received by the Bank, the number of Shares with voting rights represented by those Shareholders intending to attend the AGM fails to reach more than half of the total number of Shares with rights to vote at the AGM, the AGM may be postponed.

4. **Proxy**

Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more person(s) (if the Shareholder holds two or more issued Shares), whether (each of) such person(s) is a Shareholder or not, as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the AGM. The instrument appointing a proxy must be signed by the Shareholder or his/her attorney duly authorized in writing. For a corporate Shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorized in writing. If the power of attorney of the proxy is signed by the authorized person of the appointer under a power of attorney or other authorization document(s) given by the appointer, such power of attorney or other authorization document(s) shall be notarized and served at the same time as the power of attorney. To be valid, the form of proxy, together with a notarially certified copy of the power of attorney or other authorization document(s) must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H Shareholders), or to the Office of the Board at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the Domestic Shareholders) no later than 24 hours before the scheduled time for the holding of the AGM (i.e. 10:00 a.m. on June 8, 2020 (Monday)) or any adjournment thereof (as the case may be). In case of registered joint holders of any Shares, any one of the registered joint holders can vote on such Shares at the AGM in person or by proxy as if he/she is the only holder entitled to vote. If more than one registered joint holders attend the AGM in person or by proxy, only the vote of the person whose name appears first in the register of members of the Bank relating to such Shares (in person or by proxy) will be accepted as the sole and exclusive vote of the joint holders. After the completion and return of the form of proxy and the power of attorney, you can attend and vote in person at the AGM or any adjournment thereof should you so wish. In this case, the power of attorney will be deemed to have been revoked.

5. **Closure of Register of Members**

The Bank's register of members will be closed from May 9, 2020 (Saturday) to June 9, 2020 (Tuesday), both days inclusive. The Shareholders whose names appear in the Bank's register of members as at the close of business on May 8, 2020 (Friday) shall be entitled to attend and vote at the AGM. For a Shareholder to be eligible for attending and voting at the AGM, all transfer document(s) together with the relevant share certificates and other appropriate document(s) shall be delivered to our Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the H Shareholders) or our Office of the Board at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the Domestic Shareholders) no later than 4:30 p.m. on May 8, 2020 (Friday).

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

The Bank's register of members will be closed from June 13, 2020 (Saturday) to June 18, 2020 (Thursday), both days inclusive, during which period no transfer of the Shares will be effected. The Shareholders whose names appear in the Bank's register of members on June 18, 2020 (Thursday) shall be entitled to receive the 2019 final dividend.

For a Shareholder to be eligible for receiving the 2019 final dividend, all transfer documents together with the relevant share certificates and other appropriate documents must be delivered to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the H Shareholders) or the Office of the Board at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the Domestic Shareholders) no later than 4:30 p.m., on June 12, 2020 (Friday).

6. Publication of Poll Results

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), all resolutions at the AGM will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The results of poll will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (<http://www.jshbank.com/>) in accordance with the Listing Rules.

7. Miscellaneous

The AGM is expected to last for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own traveling, dining and accommodation expenses.

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



JINSHANG BANK CO., LTD.*
晉商銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(stock code: 2558)

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the first class meeting of 2020 (the “**2020 First H Shareholders’ Class Meeting**”) of the holders (the “**H Shareholders**”) of the H shares (the “**H Shares**”) of Jinshang Bank Co., Ltd.* (the “**Bank**”) will be held immediately after the conclusion of the 2020 First Domestic Shareholders’ Class Meeting on June 9, 2020 (Tuesday) at Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC to consider and approve, if thought fit, the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and approve the Proposed Amendments to the Articles of Association; and
2. To consider and approve the Proposed Amendments to the Rules of Procedures for the Shareholders’ General Meeting.

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

Taiyuan, the PRC

April 24, 2020

* *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.*

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

As of the date of this notice, 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 Chenhang, 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.

Notes:

1. For more information about above resolutions, please refer to the circular of the Bank dated April 24, 2020.
2. **Registration Procedures for Attending the 2020 First H Shareholders' Class Meeting**

Individual H Shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document(s) or proof of identity and stock account cards. Proxies of individual H Shareholders shall produce their effective document of identity and proxy form. A corporate H Shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid document(s) evidencing his/her capacity as a legal representative. If being appointed to attend the meeting, the proxy should produce his/her identity card and an authorization instrument duly signed by the legal representative of the corporate H Shareholder.

3. **Reply Slip**

The H Shareholders who intend to attend and vote at the 2020 First H Shareholders' Class Meeting (in person or by proxy) shall complete the reply slip for the 2020 First H Shareholders' Class Meeting, and return it in person, by post or by facsimile to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before May 20, 2020 (Wednesday).

In the event that, according to the reply slips received by the Bank, the number of Shares with voting rights represented by those H Shareholders intending to attend the 2020 First H Shareholders' Class Meeting fails to reach more than half of the total number of Shares with rights to vote at the 2020 First H Shareholders' Class Meeting, the 2020 First H Shareholders' Class Meeting may be postponed.

4. **Proxy**

Any H Shareholder entitled to attend and vote at the 2020 First H Shareholders' Class Meeting is entitled to appoint one or more person(s) (if the H Shareholder holds two or more issued Shares), whether (each of) such person(s) is a H Shareholder or not, as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the 2020 First H Shareholders' Class Meeting. The instrument appointing a proxy must be signed by the H Shareholder or his/her attorney duly authorized in writing. For a corporate H Shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorized in writing. If the power of attorney of the proxy is signed by the authorized person of the appointer under a power of attorney or other authorization document(s) given by the appointer, such power of attorney or other authorization document(s) shall be notarized and served at the same time as the power of attorney. To be valid, the form of proxy, together with a notarially certified copy of the power of attorney or other authorization document(s) must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the scheduled time for the holding of the 2020 First H Shareholders' Class Meeting or any adjournment thereof (as the case may be). In case of registered joint holders of any Shares, any one of the registered joint holders can vote on such Shares at the 2020 First H Shareholders' Class Meeting in person or by proxy as if he/she is the only holder entitled to vote. If more than one registered joint holders attend the 2020 First H Shareholders' Class Meeting in person or by proxy, only the vote of the person whose name appears first in the register of members of the Bank relating to such H Shares (in person or by proxy) will be accepted as the sole and exclusive vote of the joint holders. After the completion and return of the form of proxy and the power of attorney, you can attend and vote in person at the 2020 First H Shareholders' Class Meeting or any adjournment thereof should you so wish. In this case, the power of attorney will be deemed to have been revoked.

NOTICE OF THE 2020 FIRST H SHAREHOLDERS' CLASS MEETING

5. Closure of Register of Members

The Bank's register of members will be closed from May 9, 2020 (Saturday) to June 9, 2020 (Tuesday), both days inclusive. The H Shareholders whose names appear in the Bank's register of members as at the close of business on May 8, 2020 (Friday) shall be entitled to attend and vote at the 2020 First H Shareholders' Class Meeting. For a H Shareholder to be eligible for attending and voting at the 2020 First H Shareholders' Class Meeting, all transfer document(s) together with the relevant share certificates and other appropriate document(s) shall be delivered to our Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on May 8, 2020 (Friday).

6. Publication of Poll Results

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), all resolutions at the 2020 First H Shareholders' Class Meeting will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The results of poll will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (<http://www.jshbank.com/>) in accordance with the Listing Rules.

7. Miscellaneous

The 2020 First H Shareholders' Class Meeting is expected to last for no more than one hour. H Shareholders who attend the meeting in person or by proxy shall bear their own traveling, dining and accommodation expenses.