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Huishang Bank Corporation Limited*

徽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: 3698 and 4608 (Preference shares))

DISCLOSEABLE TRANSACTION ACQUISITION AND TAKEOVER OF PART OF BAOSHANG BANK'S ASSETS AND LIABILITIES

THE ACQUISITION AND TAKEOVER AGREEMENT

The Board is pleased to announce that on November 23, 2020, the Bank (as transferee) entered into the Acquisition and Takeover Agreement with Baoshang Bank (as transferor), the Takeover Committee of Baoshang Bank and DIFM in relation to the acquisition and takeover of Target Businesses, Target Assets, Target Liabilities and Target Personnel by the Bank from Baoshang Bank.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the transaction contemplated under the Acquisition and Takeover Agreement exceeds 5% but is less than 25%, this transaction constitutes a discloseable transaction of the Bank and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the Bank's announcements dated January 7, 2020 and February 22, 2020 and the circular dated February 7, 2020.

The Board of Directors is pleased to announce that on November 23, 2020, the Bank (as transferee) entered into the Acquisition and Takeover Agreement with Baoshang Bank (as transferor), the Takeover Committee of Baoshang Bank and DIFM in relation to the acquisition and takeover of Target Businesses, Target Assets, Target Liabilities and Target Personnel by the Bank from Baoshang Bank.

THE ACQUISITION AND TAKEOVER AGREEMENT

The principal terms of the Acquisition and Takeover Agreement are summarised as follows:

1. Parties

- (1) The Bank (as transferee)
- (2) Baoshang Bank (as transferor)
- (3) the Takeover Committee of Baoshang Bank, and
- (4) DIFM

The ultimate beneficial owner of DIFM is the People's Bank of China. Pursuant to the Law of the People's Bank of China of the PRC, the Banking Supervisory and Administrative Law of the PRC, the Commercial Banking Law of the PRC and the Deposit Insurance Regulation, a working group was formed by the People's Bank of China and the China Banking and Insurance Regulatory Commission to take over Baoshang Bank to fully exercise its operation and management rights and dispose its assets, creditors' rights and debts from May 24, 2019.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Baoshang Bank, the Takeover Committee of Baoshang Bank, DIFM and their respective ultimate beneficial owners (if any) are third parties independent of the Bank and its connected persons.

2. Targets of Acquisition and Takeover

The targets of Acquisition and Takeover represent Target Businesses, Target Assets, Target Liabilities and Target Personnel as at the Benchmark Date, specific scope of which include:

(1) Target Businesses

- (i) The following businesses and assets involved in the accounting dimension of Four Branches: including 1) the following on-balance-sheet businesses and corresponding assets in the accounting statements of Four Branches of Baoshang Bank: corporate loans, retail loans, deposits business, trust loans, equity investment, bond investment and non-clean out of statements, interest receivable, other receivables, etc.; 2) the following off-balance-sheet businesses and assets in the accounting statements of Four Branches of Baoshang Bank: off-balance sheet acceptance bills, letters of guarantee and entrusted loans; 3) intermediary businesses of Four Branches of Baoshang Bank, including wealth management, funds, insurance, bonds, financial derivatives, trust and asset management products sold by Baoshang Bank as agents; and 4) business in float under the abovementioned businesses, including the business to be continued with inventory settled and unsettled;

- (ii) The on- and off-balance-sheet corporate credit business (with ultimate clients whose registration place located outside the Inner Mongolia Autonomous Region) and retail loan business and assets of Four Branches: including: 1) except for Four Branches of Baoshang Bank located outside this region, the on- and off-balance-sheet corporate credit business (with ultimate clients whose registration place located outside the Inner Mongolia Autonomous Region, including the credit business upon the penetration of non-clean out of statements, of which registration places of corporate client located outside the Inner Mongolia Autonomous Region), such as the on- and off-balance-sheet corporate loans, non-clean out of statements, off-balance sheet acceptance bills and letters of guarantee; 2) retail loan business of Four Branches of Baoshang Bank located outside this region; and 3) business in float under the abovementioned businesses, including the business to be continued with inventory settled and unsettled;
- (iii) Credit card business and assets of Four Branches in the places they located: including the credit card business of the Four Branches located outside the Inner Mongolia Autonomous Region (being the place of credit cards issue by Baoshang Bank), such as credit card deposits, credit assets, credit card interest, annual fees, merchant commissions, default penalty, installment fees and other handling fees, and business in float under the above businesses, including the business to be continued with inventory settled and unsettled; and
- (iv) In respect of the off-balance sheet wealth management business, the business and assets that the registration place of client located outside the Inner Mongolia Autonomous Region: for the region outside the Inner Mongolia Autonomous Region, including debts and equity assets invested to the financier by Baoshang Bank or Four Branches by means of trust loans, equity investment and bond investment through the special purpose vehicle during their daily business operations, and business in float under the above businesses, including the business to be continued with inventory settled and unsettled.

(2) Target Assets

- (i) **The following assets involved in the accounting dimension of Four Branches:** including the following on-balance-sheet assets in the accounting statement of Four Branches of Baoshang Bank: cash and balances with central bank, deposits and placements with interbanks, fixed assets (buildings, vehicles, electronic equipment and others), intangible assets (including software and right-of-use parking space), and repossessed assets;
- (ii) **Assets under the business department and credit card business of Four Branches:** office premises, vehicles, equipment and other fixed assets and software, right-of-use parking space and other intangible assets under the local business department and credit card business of Four Branches of Baoshang Bank; and

- (iii) **Non-business contracts within the validity period:** service procurement and other non-business contracts entered into by Baoshang Bank as at the Benchmark Date in response to the needs of the business segment, and rights and obligations thereto, reflected the accounting statement of Four Branches of Baoshang Bank during the validity period, including lease contracts, procurement contracts for goods or services, construction or renovation contracts, credit card value-added services and collection outsourcing contracts, contracts of legal consultancy services, bidding agents, self-service equipment replacement, and self-service equipment scrap disposal.

(3) Target Liabilities

The following payable liabilities of Baoshang Bank to be undertaken by the Bank under Acquisition and Takeover Agreement at the Benchmark Date: deposits placed with interbank and other financial institutions, absorbed deposits, employee remuneration payable, interest payable, estimated liabilities, other payables and other liabilities. Target Liabilities exclude liabilities under custody business and liabilities under financial management business carried out by Four Branches of Baoshang Bank.

(4) Target Personnel

Target Personnel include contracted employees and dispatched employees consenting to the transfer of employment relationship/labor dispatched relationship of four branches in Beijing, Shenzhen, Chengdu and Ningbo registered on May 24, 2019 by Baoshang Bank, business divisions in the regions where the finance division and financial market division of the headquarter are designated to (“**Four Regions**”), and credit card department/sub-center of branch center of four branches. The employees of the head office of Baoshang Bank working in the Four Regions (including executives of the head office, staff from the head office taking a temporary post to the branch, trainers from the branch to the head office, employees from the business department of the head office and other departments of the head office) and personnel not undertaking related assets and liabilities business under the Acquisition and Takeover are not within the scope taken over by the Bank.

3. Consideration of the Acquisition and Takeover

- (1) Baoshang Bank and the Bank unanimously agreed that the Bank will undertake the liabilities equaled to the net book value of the acquired assets, including the carrying value of the transferor in Four Branches and corresponding liabilities from the head office. As of the Benchmark Date, both the net book value of assets under the Acquisition and Takeover and the total liabilities of Baoshang Bank taken over by the Bank amounted to RMB98,382,568,462.70, the asset valuation amounted to RMB65,347,636,211.18 and the business value amounted to RMB15.3 billion. The Bank is not required to pay any cash consideration to Baoshang Bank in respect of the Acquisition and Takeover.

- (2) As agreed unanimously by Baoshang Bank, the Bank and DIFM, the balance of the transferred liabilities offset by the acquired asset valuation were deducted the amount of business value payable by the Bank, and the total remaining amount of RMB17,734,932,215.52 will be paid to the designated account of the Bank by way of capital transfer with the deposit placed in the Bank by DIFM within thirty working days after signing the Acquisition and Takeover Agreement.

4. Transfer of Rights and Risks

Transfer of rights:

- (1) Transfer of rights under the Target Businesses: In respect of the Target Businesses, as at the Benchmark Date, as agreed in the Acquisition and Takeover Agreement, the transferor sold, transferred and delivered to the transferee, and the transferee agreed to purchase and acquire the standardized business, non-standardized business, liabilities business and intermediate business, together with all the rights, ownership and interests of the assets, properties and rights (whether they are movable property, real estate or a combination thereof, tangible or intangible) held by the transferor for the operation of the standardized business, non-standardized business, liabilities business and intermediate business or other purposes in relation thereto from the Benchmark Date as set out in the Acquisition and Takeover Agreement.
- (2) Transfer of rights under the Target Assets: In respect of the Target Assets, as at the Benchmark Date, as agreed in the Acquisition and Takeover Agreement, the transferor sold, transferred and delivered to the transferee, and the transferee agreed to purchase and acquire the financial assets and other assets (whether they are movable property, real estate or a combination thereof, tangible or intangible), together with all the rights, ownership and interests held by the transferor for the possession, occupation and use of the financial assets and other assets from the Benchmark Date as set out in the Acquisition and Takeover Agreement.
- (3) Target Liabilities: The contractual rights of the transferor under deposits from banks and other financial institutions, deposit taking and other businesses in respect of the transfer of the Target Liabilities under the Acquisition and Takeover Agreement from the Benchmark Date.

- (4) Transfer of employment relationship or labor dispatched relationship of the Target Personnel: In respect of the Target Personnel, the permission of the transferor on matters including the management, job transfer, supervision, assessment as well as rewards and punishments of the Target Personnel has been transferred to the transferee since the Benchmark Date.

Transfer of risks:

All the obligations, responsibilities and risks which should have been assumed by the transferor under all relevant contracts of the Target Businesses, Target Assets, Target Liabilities and Target Personnel, together with all the expenses in relation to the Target Businesses, Target Assets, Target Liabilities and Target Personnel, whether existing or future, actual or contingent, have been assumed by the transferee since the Benchmark Date.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION AND TAKEOVER AGREEMENT

In order to explore the path to realize sustainable development of urban commercial banks, seek new business growth points and enhance brand effect, the Bank acquires the Target Businesses, the Target Assets, the Target Liabilities and the Target Personnel from Baoshang Bank by entering into the Acquisition and Takeover Agreement.

The Directors consider that the Acquisition and Takeover Agreement has been entered into on normal commercial terms after arm's length negotiations among the parties and such terms and conditions are fair and reasonable and in the interest of the Bank and its Shareholders as a whole.

INFORMATION ON THE BANK

The Bank is a joint stock company incorporated in the PRC with limited liability in April 1997, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The principal scope of business of the Bank includes taking deposits from corporate and retail customers, granting of loans using the deposits received, and conducting of capital business, which encompasses money market activities, investment and trading activities and transactions on behalf of customers in the PRC.

INFORMATION ON OTHER PARTIES

Baoshang Bank is a joint stock company incorporated in the PRC on December 16, 1998, whose scope of business includes taking deposits from the public; issuing short-term, medium-term and long-term loans; providing domestic and foreign settlements; handling bill acceptance and discounting; issuing financial debentures; issuing, redemption of and underwriting government bonds as agents; trading government bonds and financial bonds; engaging in inter-bank lending; trading and acting as an agent for foreign exchange trading; engaging in banking card business; providing service and guarantee on letter of credit; acting as an agent in collection and payment and insurance business; providing safe-deposit box service; conducting gold market business; conducting sales of securities investment funds; engaging in consulting, advising and wealth management business; operating and acting as an agent for trading, repurchase and leasing precious metals and relevant wealth management business; and other businesses approved by the banking regulatory authority under the State Council.

Takeover Committee of Baoshang Bank is a working group established by the People's Bank of China and China Banking and Insurance Regulatory Commission according to the relevant provisions of Law of the People's Republic of China on the People's Bank of China, Banking Supervision and Regulatory Law of the People's Republic of China and Law of the People's Republic of China on Commercial Banks, to take over Baoshang Bank, fully exercise operation and management rights of Baoshang Bank and be responsible for disposal of the assets and creditor's rights and debts of Baoshang Bank.

DIFM is a company incorporated in the PRC with limited liability in May 2019, whose scope of business includes: conducting investment in equity, debts, funds, etc.; managing relevant assets of the deposit insurance fund according to law; acquiring, operating, managing and disposing of assets directly or by entrustment; handling deposit insurance related businesses according to law; asset evaluation; as well as other businesses as approved by the relevant state departments.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the transaction contemplated under the Acquisition and Takeover Agreement exceeds 5% but is less than 25%, this transaction constitutes a discloseable transaction of the Bank and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition and Takeover Agreement”	the acquisition and takeover agreement entered into among the Bank, the Baoshang Bank, the Takeover Committee of Baoshang Bank and the DIFM on November 23, 2020
“Acquisition and Takeover”	the Bank will acquire the Target Businesses, the Target Assets, the Target Liabilities and the Target Personnel of the Baoshang Bank according to the Acquisition and Takeover Agreement
“Bank”	Huishang Bank Corporation Limited (徽商銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange

“Baoshang Bank”	Baoshang Bank Co., Ltd.
“Benchmark Date”	24:00 on December 31, 2019
“Board of Directors” or “Board”	the board of Directors of the Bank
“DIFM”	Deposit Insurance Fund Management Company Limited (存款保險基金管理有限責任公司), a wholly-owned company established by the People’s Bank of China and a nationally designated deposit insurance management entity
“Director(s)”	the director(s) of the Bank
“Four Branches”	the following four branches of the transferor outside the Inner Mongolia region which are permitted to operate, including Beijing branch, Shenzhen branch, Chengdu branch and Ningbo branch
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of share(s) of the Bank
“Takeover Committee of Baoshang Bank”	committee for the takeover of Baoshang Bank Co., Ltd.
“Target Assets”	one of the targets under the Acquisition and Takeover, please refer to the section headed “The Acquisition and Takeover Agreement – 2. Targets of Acquisition and Takeover” in this announcement for details of the specific scope
“Target Businesses”	one of the targets under the Acquisition and Takeover, please refer to the section headed “The Acquisition and Takeover Agreement – 2. Targets of Acquisition and Takeover” in this announcement for details of the specific scope

“Target Liabilities”	one of the targets under the Acquisition and Takeover, please refer to the section headed “The Acquisition and Takeover Agreement – 2. Targets of Acquisition and Takeover” in this announcement for details of the specific scope
“Target Personnel”	one of the targets under the Acquisition and Takeover, please refer to the section headed “The Acquisition and Takeover Agreement – 2. Targets of Acquisition and Takeover” in this announcement for details of the specific scope
“%”	per cent.

By order of the Board
Huishang Bank Corporation Limited*
Wu Xuemin
Chairman

Hefei, Anhui Province, the PRC
November 27, 2020

As at the date of this announcement, the Board of the Bank comprises Wu Xuemin and Zhang Renfu as executive Directors; Zhu Yicun, Yan Chen, Wu Tian, Qian Dongsheng, Gao Yang, Wang Wenjin and Zhao Zongren as non-executive Directors; Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng and Huang Aiming as independent non-executive Directors.

* *Huishang Bank Corporation Limited is not an authorized institution within the meaning of the Hong Kong 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.*